Full Economic Costing (fEC)

As part of the Government’s reforms to address the deficit in the higher education research system, universities have been required to adopt a new sector wide costing methodology which allows the Full Economic Costs (fEC) of research projects to be calculated. With increased funding from the Scottish Funding Council and from grant awarding bodies, the aim of fEC is to ensure that university based research is properly resourced. Universities are also now required by Government to “price” commercially funded research realistically, enabling them to move away from the current “low price culture” equipped with a more robust understanding of the true costs of research.

What does fEC mean for academic staff?

Academics need not concern themselves with the technicalities of the new methodology and should instead focus on ensuring that the total research resources needed for a project are identified, including the time they will dedicate to it. Research Finance Services (RFS) and Research Innovation Service (RIS) will provide advice on estimating and recording the amount of academic time required to undertake a project. This process of estimation must be more robust than it has been in the past, not least because the University will be able to recover the cost of academic time from the Research Councils.

see www.dundee.ac.uk/research/time-estimate.html

When the fEC of a project is calculated the following cost elements are identified:

1) Directly Incurred Costs ("DI")
   - these are the direct costs of the project which applications are already familiar with under the current funding regime, such as staff specifically employed to undertake the project (eg research assistant), equipment, travel & subsistence, consumables etc.

2) Directly Allocated Costs ("DA")
   - these costs cover (i) the estimated time to be allocated to the project by academic staff, (ii) estates charges covering for example maintenance, depreciation, utilities, rates, cleaning etc and (iii) access to shared institutional resources such as "core" technicians and equipment/research facilities.

3) Indirect Cost Rate ("ICR")
   - this covers the cost of centrally provided services such as the Library, IT Services, Finance Office, Human Resources, Research & Innovation Services etc.

The fEC of a project equals DI + DA + ICR which is the true cost without any surplus.

Will all costings be calculated using the new methodology?

fEC is used by the University to cost all research as well as research related service and institutional consultancy projects, irrespective of the source of external funding.

The percentage of fEC paid by an external funding body will vary dependent on agreed rules (eg Research Councils, Charities) or a process of negotiation (eg industry) where quality of supply will determine "price" – RFS/RIS will advise on all aspects of this.

RFS/RIS will also record the fEC of each project versus the total amount awarded for the purposes of sustainability analysis.
Funder Policies

- **RCUK** pays 80% of the total fEC of research projects, apart from any agreed exceptions, which are funded in full.

- **The Chief Scientist Office (CSO)** pays 80% of the total fEC of research projects, apart from any agreed exceptions, which are funded in full.

- **The Wellcome Trust** request full economic costings on application forms alongside the costings which are eligible on their applications; they are not currently paying fEC (eg Investigator time; Estates; ICR) and only pay the full directly incurred costs of research projects.

- Some member charities of the **Association of Medical Research Charities (AMRC)** are requesting full economic costings on application forms alongside the costings which are eligible on their applications; they are not currently paying fEC (eg Investigator time; Estates; ICR).

- **The Leverhulme Trust** will not pay fEC.

Further information?

Further information and advice is available from Pam Houston, Head of Research Finance Services on ext. 88138 or m.p.houston@dundee.ac.uk

Revised August 2017