



Directors of Finance at  
Universities and other Research Organisations

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Dear Colleague

## **FEEDBACK ON FEC RESEARCH APPLICATIONS**

Research Councils have continued to monitor research applications submitted under FEC arrangements since September 2005 and to check that the procedures and arrangements for FEC are satisfactory and working as intended. It is now timely, following the first round of peer review for most Councils, to provide further feedback

### **Peer Review under FEC**

The peer review process has gone well. Both referees and panels/committees conducted their work within the spirit of the arrangements, being well-informed about the changes and working to maintain the high standards of assessment and discrimination that Councils require. This is all the more laudable given the one-off complications of considering both FEC and pre-FEC applications.

### **Justification of Resources**

One aspect of assessment that has not been satisfactory concerns the information provided in the justification of resources, particularly those resources, such as investigators' time, that are new. As indicated in our earlier feedback letter, many applications lacked proper justification for the resources sought for a project. Research Councils are therefore introducing a change of procedure to encourage better justification. From mid-May 2006, most Councils will require an additional attachment to the application, in the form of a one page statement justifying the resources sought. The essential requirement is for applicants to provide an explanation of why the resources sought are needed for the project. Je-S System Help (and the equivalent for MRC' EAA system) will provide guidance on what is required. The intention is that, by allowing additional text for the justification, so that it does not reduce space for the technical case for support, investigators will heed the requirement for proper justification of resources.

Research Organisations (ROs) are reminded that estates and indirect costs do not need to be justified and peer review is instructed not to comment on these costs. Since these cost elements are fundamental to sustainability, applicants should not seek to reduce or omit estates, indirect costs or investigators' costs, for example, where a value limit applies to a particular scheme.

## **Audit Records for Directly Incurred Costs**

There has been some correspondence with Research Organisations over how to provide audit records for Directly Incurred costs and, in particular, what form of record should be kept for staff. TRAC is explicit in this respect; it says that DI staff must use timesheets so that their actual time is recorded against a project to form the basis of the costs charged. Research Councils have accepted that where a person is contracted to work 100% of their time on a single project (whether they are working full-time or part-time), timesheets are not necessary, as their costs can be charged only to that activity. In all other cases, timesheets or project time records are required. This includes those who may be contracted to work on two or more projects, since it is essential when charging to have a means of recording and verifying the actual time applied to each activity. Research Councils' expectations are that time recording will be undertaken regularly and continuously and that records will be verified by a responsible person at least monthly.

Audit records for non-staff costs should be in the form of accounting system transaction records, supported by original invoices or claims and, where appropriate, procurement documentation.

## **University Pay Modernisation**

The UCEA wrote to universities in March 2005 advising how applications to Research Councils should take account of impending pay modernisation. This guidance resulted from discussions between UCEA, UUK, the Russell Group and the Research Councils. UCEA advised that universities should find any additional costs for current grants from existing resources. Research Councils did, however, agree to reimburse universities for additional costs on grants resulting from applications submitted after the date of the letter (10 March 2005) provided that each relevant application included a statement that pay modernisation had not been implemented at the time of application, but would occur before any resulting grant expired. Research Councils agreed to provide additional funds when grants were reconciled based on the level of staff posts awarded, less any savings made on the grant. This agreement therefore covers pre-FEC applications submitted between 10 March and 31 July 2005 (direct costs only) and the Directly Incurred staff provisions of all relevant FEC applications.

It has come to the attention of Councils that a number of universities do not appear to have acted on UCEA's advice and, for whatever reason, have not annotated applications as required. Councils do not wish to add to the complexity of pay modernisation arrangements, or to restrict the beneficiaries of the agreement on the basis of an administrative procedure. They have therefore agreed to honour cost increases for pay modernisation on the basis stated above regardless of whether the application was annotated. Henceforth, a statement on each application is not required.

Following the introduction of local pay scales, there will no longer be any concept of a standard entry salary level for research staff, since salaries will vary in accordance with local arrangements. In any case, salaries for research staff should take account of both the skill levels needed for the work and any shortages or difficulties in recruiting staff in particular areas. ROs are reminded that, following the recommendations of the Roberts report "SET for Success", Research Councils have made available additional funds for PDRA salaries to be enhanced where circumstances warrant. Applicants must justify the need for higher salaries in specific cases.

## **Collection of Estates and Indirect costs rates**

Councils will shortly be asking ROs to provide their estates and indirect costs rates for the year beginning 1 February 2006. We seek this information both to enable us to revise our financial modelling so as to inform the bid for additional FEC funds in the next Comprehensive Spending Review and to provide verification of rates used in applications. As before, Councils will respect the confidential nature of this information and it **will not** be made available to peer reviewers.

As part of this exercise, Councils will also ask for the minimum salary scale point on local pay scales, where implemented, to provide a benchmark for actual salary levels sought on applications from that RO. This is for Councils' internal information only.

## **Technical Issues**

There are a number of detailed technical and procedural issues currently under consideration. These are raised by ROs or Councils from time to time, either in relation to specific applications or grants, or as generic issues. The Research Administration Convergence Group (RACG) continues to monitor the operation of FEC arrangements on behalf of Research Councils and to develop practical solutions on a cross-Council basis.

RACG works closely with a companion group, the Research Organisations Consultation Group (ROCG). ROCG provides a sounding board for ideas and practical advice from an RO perspective. Membership of both groups is given in the attached annex.

Current issues include:

- Research FTE – ROs are reminded that only staff in the research, investigator and visiting researcher categories should be counted in the denominator for calculating estates and indirect costs charges to projects. In particular, technicians, support staff and students must not be included as research FTE.
- Investigators are asked to allow sufficient time for their proposals to be checked and authorised by the RO before submission to Councils. This will improve the completeness of applications and minimise iteration with Councils over administrative and financial details.
- Multi-organisation proposals - Councils accept the general rule that each participating organisation will wish to undertake its own costing and may seek an individual grant if the application is successful. However, Councils reserve the right to ask for a single, consolidated application where they believe the conduct and management of research would be best served by a coordinated approach.
- ROs have made several suggestions for costs that might be considered as exceptions, paid at 100% FEC. Generally, these will need to be substantiated by evidence before changes are accepted. Councils are, however, giving further consideration to those schemes that involve funding an overseas partner.

## **Contact Points**

Issues concerning individual applications should be raised with the Je-S Helpdesk (or the equivalent EAA Helpdesk for MRC) in the first instance. More general or generic issues concerning FEC should be raised with Ann Durniat ([ann.durniat@pparc.ac.uk](mailto:ann.durniat@pparc.ac.uk)), organiser of both RACG and ROCG. Technical issues concerning the TRAC costing methodology should be raised with the relevant self-help group or with the Funding Councils.

I would be grateful if you would arrange to make this letter widely available in your organisation and we particularly ask that you circulate it to academic and research administration staff. A copy of the letter can be found at <http://www.rcuk.ac.uk/je-s/RACGandROCG/fec250506>. Enquiries should be directed to Ann Durniat in the first instance.

Yours faithfully

**David Harman**

Chair, Research Administration Convergence Group

Annex A: RACG membership; ROCG membership

**Annex A****Membership of the Research Organisation Consultation Group (ROCG)**

Ian Carter (Chair)	Liverpool University
Gill Clisham	NIESR
Sue Cooper	University College, London
Yvonne Fox	Lancaster University
Simon Kerridge	University of Sunderland
David Langley	Imperial College
Ian McCormick	University of East Anglia
Rob Sykes	Sheffield University
Kathleen Sweeney	University of Glasgow
Hazel Wallis	University of Bath
John Witcombe	University of Wales, Bangor

**Membership of the Research Administration Convergence Group (RACG)**

David Harman (Chair)	EPSRC
Ann Durniat	RA Programme
Ian Broadbridge	AHRC
Steve Heseltine	BBSRC
Gareth Macdonald	BBSRC
Karen Morris	EPSRC
Brian Hooper	ESRC
Angela Hind	MRC
Jim Aland	NERC
Helen Butler	NERC
Andrew le Masurier	PPARC
Judith McGuigan	PPARC

