

# BU Guide to Full Economic Costing (fEC)

## Frequently Asked Questions

### 1 What is fEC and why is it important?

Full Economic Costing (fEC) is a government-directed standard costing methodology used in calculating the actual costs of an activity which was developed in response to the funding councils' 'Transparent Approach to Costing ([TRAC](#))' methodology. The use of fEC is crucial as it demonstrates the true cost of a research project and this is critical in ensuring that the correct level of funding is secured for HEIs to provide sustainability and on-going investment in research projects and infrastructure. TRAC data indicated that publicly-funded research in particular was significantly under-funded as the true costs of running the activity were not being adequately identified or subsequently reimbursed. fEC was introduced for all UK HEIs in September 2005. In essence, fEC is a national, standardised costing method that provides a forecast of the full cost of undertaking a **research** project.

### 2 How is fEC calculated?

All bids at BU must be costed in accordance with the principles of fEC by the RKEO Funding Development Team using pFACT (costing system). Everything must be costed and cross-checked against the funding body's guidelines. The full economic cost includes Directly Incurred Costs, Directly Allocated Costs, Estates Costs and Indirect Costs.

### 3 What are Directly Incurred Costs?

Directly incurred (DI) costs are items or services which are incurred or purchased specifically for a project. Costs are charged to projects on actual cash value and are auditable in the financial accounts (e.g. supported by a supplier invoice). If the project didn't go ahead then these costs would almost certainly not be incurred. Examples include:

- Fixed-term project staff (research assistants, research fellows, dedicated technicians or administrators)
- Travel, subsistence and conferences
- Equipment and consumables (purchased specifically for project)
- External consultancy fees

### 4 What are Directly Allocated Costs?

Directly allocated (DA) costs are the costs of resources on a project where the same resources are shared by other activities and projects. Directly allocated costs are different to directly incurred costs because the costs are not exclusively related to any one individual project.

DA costs are charged to the project based upon an estimate, rather than actual cash values.

Examples of DA costs include:

- Principal Investigator (PI) and co-Investigator (Co-I) salary costs
- Estates costs

### 5 What are Estates and Indirect Costs?

There are some major items of expenditure in support of research activities made both by the Faculty and centrally by the University. These costs are important as they ensure that the University has a well-maintained infrastructure and administrative support to enable research and KE activities to be carried out. Under fEC these are termed estate costs and indirect costs.

Estate and indirect costs are true costs that the University is incurring and are based on the expenditure contained within the audited annual accounts.

**Estate costs** – these provide a share of the cost of providing the physical infrastructure for research, and are calculated by each HEI using its own cost rates.

**Indirect costs** – these are non-specific costs charged across all projects based on estimates that are not otherwise included as directly allocated costs. Examples of costs included in the indirect cost charge are:

- academic support time not spent on teaching, research or other (as defined by TRAC)
- clerical and technical staff costs
- non-staff costs in academic departments
- staff and non-staff costs in central service departments
- gross cost of capital employed (i.e. restructuring and interest costs and the net COCE)

#### Useful links:

For more information, please visit – [BU Guide to Full Economic Costing](#)

To access the Intention to Bid form, please visit – [Intention to Bid form](#)

Contact RKEO, Funding Development Team for more information and assistance with costing your RKE applications.