

Annex 2 Financial Conditions

Subject to the following conditions, grant funds may be used, without reference to NERC, in such a manner as to best carry out the research. The value of a grant may be varied in accordance with the Treasury Gross Domestic Product (GDP) deflators or to take into account any other Government decisions affecting the funding available to NERC.

Research grant funds are provided for a specific research project and may not be used to meet costs on any other project or activity. Any commitment incurred before a research grant is formally announced, or any commitment in excess of the amount awarded, is the responsibility of the Research Organisation.

Applications should be at current price levels with no allowance for inflation. Awards will include funding for future pay awards and inflation based on the UK Treasury GDP deflators. Costs awarded for equipment will not be inflated.

NERC, on behalf of the funders, reserves the right to examine, in detail, all items of expenditure charged to an award, and in addition the funders and other representatives from the UPGro programme may visit selected Research Organisations.

An UPGro research grant will fund 80% of the Full Economic Cost (FEC) of a programme of research for UK organisations, and 100% of the direct research costs for non-UK organisations.

All costs associated with the research project must be itemised and fully justified in the Justification of Resources, with the following exceptions:

UK HEI's and Independent Research Organisations do not have to justify costs related to Estates costs; Indirect costs; Investigators' salary costs (not time, which must be justified); some other Directly Allocated costs, e.g. Infrastructure Technicians.

UK Researchers should also refer to the NERC Grants Handbook (<http://www.nerc.ac.uk/funding/application/howtoapply/forms/grantshandbook.pdf>).

Non-UK researchers do not have to justify the overhead costs, or the investigators salary (but time spent on the project should be justified).

The main categories of costs which can be funded from a research grant are indicated below.

Non-UK organisation should identify all costs as an 'exception' on Je-S, using the exceptions tick boxes, for the full (100%) cost to be paid.

Please note that there are some additional expectations on costs in the UPGro 2014 Consortium Grants Full Proposals Guidance which might be out of the norm. These are:

- 10% of the overall budget should be dedicated to delivering the activities outlined in the Pathways to Impact attachment and for participating in the events organised by the Knowledge Broker Team, including the tracking of impacts and outcomes and attendance at relevant international conferences. There are no additional funds for this work and all costs, including staff time, associated must be built into the overall cost for the programme of work. There will also be the expectation that projects contribute to the UPGro website (<http://upgro.org/>). Applicants should be aware that they may need to remain flexible for this element of activity and they should build in contingency in their funds.
- Costs associated with open access should be considered a legitimate research expense and included in the overall research budget as long as:
 - o The costs are proportionate, reasonable and represent value for money. The funders would expect that most costs are likely to be Article Processing Charges ('APCs', 'author fees' or 'publication fees'). The price of an APC varies widely, but the Government Finch Report suggested a current average APC price of £1450+VAT.
 - o Existing arrangements and resources at the host institution are used first when

available and appropriate. UK institutions covered by the block grant from RCUK for open access costs cannot claim the costs, but other UK organisations can. Where open access is sought for publications from multiple organisations, some which receive the RCUK block grant and some which do not, it is the responsibility of the organisation of the first author to lead on any costs.

Fund categories

1 Directly Incurred Costs

Directly Incurred Costs are costs that are explicitly identifiable as arising from the conduct of a project, are charged as the cash value actually spent and are supported by an audit record. They can include:

Staff

Payroll costs for staff, full or part-time, who will work on the project and whose time can be supported by a full audit trail during the life of the project e.g. research assistants or dedicated technicians. Please note: Research Council Fellows (or others wholly funded by a sponsor external to the Research Organisation) cannot request their salary or associated Estates and Indirect costs during the period of their fellowship award.

Travel and subsistence

Funds for travel and subsistence for use by staff where these are required by the nature of the work.

Funding will be provided for journeys, visits and fieldwork where these costs are approved at the outset of the grant. Each journey must be itemised, justified and fully costed in the grant application.

NERC will consider funding the cost of low-carbon approaches to collaboration (including, where appropriate, the costs of technology or of less economic, but more environmentally friendly means of transport). Please note that UPGro (in common with the Research Councils) will not pay for the cost of proposed carbon offsetting arising from travel associated with research grants.

Risk assessment for safety and security should be carried out for travel to non-UK regions.

Requests for funding to attend conferences will be expected. These must be named, justified and costed in the application. The justification should show how the conference will either directly benefit the research or facilitate future impacts of research. There will also be international events that the Consortium Grants will be expected to take part in as part of programme activity and it is expected that there is budget set aside for these.

Equipment

For all items of equipment costing over £10,000 (including VAT), but excluding those used for instrument development, applicants will need to:

- confirm that the piece of equipment is not readily available for use within the host institution, or any other accessible location (for instance by making reference to any asset registers consulted)
- provide evidence that all other reasonable options have been considered
- if the equipment requested will replace existing equipment, explain what will happen to the existing equipment
- state the contribution that the proposer's organisation will make towards the cost of the equipment

- explain the dependence of the project on this capital as well as any contingency plans that would be invoked should it not be possible to fund the capital elements of the proposal

Additional information will be required in the full proposal for capital equipment costing more than £25,000 (quotations and involvement of RCUK procurement services) or £121,588 (full business case required); both cost thresholds include VAT. For details of these requirements, see http://www.rcuk.ac.uk/rcuk-prod/assets/documents/publications/Equipment_Guidance.pdf.

When equipment is to be bought from overseas, advice on taxes and duties should be sought from HM Revenue and Customs. NERC will not provide additional funding to cover fluctuations in exchange rates.

Other costs

Costs of other items dedicated to the project including, for example, consumables, books, purchase/hire of vehicles and items of equipment costing less than £10,000.

Non-UK organisations should enter overhead costs as an 'Other Directly Incurred cost'.

2 Directly Allocated Costs

Directly Allocated Costs are the costs of resources used by a project that are shared by other activities. They are charged to projects on the basis of estimates rather than actual costs and do not represent actual costs on a project-by-project basis. They include:

Investigators' salaries

This includes only the salaries of Investigators whose time is charged to the grant on estimates rather than actual costs (where costs are actual and auditable, they are included under the Directly Incurred Staff heading); they may be actual or the average of a band (dependent upon the policy at the Research Organisation). Please note that Research Council Fellows and Fellows wholly funded by a sponsor external to the Research Organisation cannot claim salary costs during the period of the fellowship award.

Estates Costs

These may include building and premises costs, basic services and utilities and any clerical staff and equipment maintenance/operational costs not already included under other cost headings. Research Council Fellows and Fellows wholly funded by a sponsor external to the Research Organisation, cannot claim Estates costs if the fellowship was awarded under FEC terms and conditions. If the fellowship was awarded pre-FEC terms and conditions, Estates costs may be claimed. Where an individual will be working away from the Research Organisation on long-term secondment for a period in excess of six months during the project, estates costs should not be charged for the period of secondment. No reduction should be made for shorter term absence. **Non-UK organisations should not enter any costs under Estates costs.**

Other Directly Allocated Costs

These may include, for example, the costs of shared resources including: estimated costs of technicians or other support staff in academic departments; technicians and other support staff who are part of a 'staff pool' supporting a range of projects and activities; Infrastructure Technicians; or access to institutional research facilities and shared equipment.

Estimating investigator time: investigators should include only the estimated salary costs for the time they will spend working directly on the grant. It is a requirement of the FEC costing methodology that for any one investigator, the maximum amount of time that Research Councils will fund across all the projects they support is 1650 hours a year (equivalent to 37.5 hours a week, 44 weeks a year). Salary costs must not include time for writing publications after the end of the project. They may include the costs of a Principal Investigator's time for writing up reports (although the duration of the grant should not be extended to include this), and

Investigators' time for research, fieldwork, supervising other research staff, project management and interaction with project partners.

3 Indirect Costs

Indirect costs are non-specific costs charged across all projects based on estimates, which are not otherwise included as Directly Allocated costs. They include the costs of the Research Organisation's administration such as personnel, finance, library and some departmental services. Requests for minor consumables, such as postage, photocopying and telephone costs should also be covered in the Indirect costs. Please note that Research Council Fellows and Fellows wholly funded by a sponsor external to the Research Organisation cannot claim Indirect costs if the fellowship was awarded under FEC terms and conditions. If the fellowship was awarded under pre-FEC terms and conditions, Indirect costs may be claimed.

4 Exceptions

For UK organisations, these are Directly Incurred costs that NERC will fund at 100% of FEC, subject to actual expenditure incurred, or items that are outside FEC. These include project studentships' maintenance grant, tuition fees and any equipment costs exceeding £50,000 (including VAT). These costs are automatically identified as exceptions.

Non-UK organisations only should identify all their costs as 'exceptions' using the tick boxes on the Je-S application.

Guidelines on Overheads (Indirect Costs) for non-UK or non-Academic Institutions

The rates of overheads that can be charged by non-UK institutions participating in the UPGro programme has been set at 50% of staff cost for organisations based in developing countries (low and middle income) and 20% of staff cost for institutions based in developed countries. The following notes provide guidance on how these funds should be used.

Please not that there is no need for institutions to officially account for expenditure of the overheads, but they must be used to pay for that which they are intended.

Costs that must be covered by overheads

The main costs that must be covered by overheads are those that would be considered as part of the cost of running an effective office or research institution. The following are examples of costs that may not be charged directly to UPGro grants and would therefore be expected to be covered by overheads.

- Charges for office or laboratory space.
- Electricity, heating, lighting.
- Telephone and basic communication costs (unless there is need for significant project-based activities such as phone interviews).
- Routine photocopying and printing (Large print runs such as publications or workshop papers may be charged to the grant).
- Standard Office computing, including desktop and laptop computers and associated software. Individual items of computing equipment may not be charged to a grant (High performance computing facilities which are linked to a specific research task may in some circumstances be charged to the grant – for further clarification please check with the UPGro Secretariat).
- Office support staff (e.g. finance staff, basic secretarial support, computing support staff).
- Continuing Professional Development for staff.

Additional costs that may be covered by overheads

Institutions may use any additional overhead funds that remain unallocated from the core costs above in any way that they wish, but we encourage applicants to use these funds to add value to, and ultimately benefit the operation of the UPGro funded research.

Use of overheads for additional costs could include:

- Strategic investments in infrastructure, equipment or people.
- Personal and Professional Development of staff.
- Employing additional staff to support projects (this does not need to be restricted to UPGro projects). Staff employed on overheads are not considered to be UPGro project staff.

If you are in any doubt about whether a specific cost should, or should not, be covered within overheads, please contact the UPGro Secretariat at upgro@nerc.ac.uk.