

Conference
Full costing: best practice in Europe

Introduction to the issue „full costing“

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Lenka Lepičová

National Contact Point for Financial issues of FP7, TC ASCR

Full costing – situation in Europe (1)

- Knowledge based economy – not only quantity of investment in RTD essential but also **quality** (investment has to be used better, more efficiently)
 - Only institutions that know the full costs of their activities and projects can judge if they are able to operate on a **financially sustainable** basis
 - Relatively new issue mainly for universities (and public research institutions)
 - Several European universities already running full costing systems. However, many universities are still in the process of developing their full costing models.
- BUT
- There is an **increasing awareness of the importance of full costing** throughout Europe → common trend to move to full costing

Full costing – situation in Europe (2)

- Drivers for implementing full costing
 - On institutional level:
 - Strategic management decisions (tool for identifying and understanding the real costs of externally funded activities)
 - On European level:
 - European programmes of external competitive research funding ► FP7
 - Universities can declare their actual indirect costs or a flat rate of 60 % (60 % even after 1st January 2010)
 - On national level:
 - National programmes (national funding schemes)
 - Case of the Czech Republic: Structural Funds ► OP RaDfI

Full costing – situation in Europe (3)

□ 2 recent studies:

- *European Commission (DG RTD), Expert Group report (Chairperson Sabine Herlitschka)*

„Diversified Funding streams for University-based research: impact of external project-based research funding on financial management in Universities“

- Point of view of fund providers

- Study of European University Association (EUA)

„Financial sustainable universities: Towards full costing in European universities“

- Point of view of universities (beneficiaries)

□ Some of recent relevant events:

- 30 March 2009: Future of „full cost model“ in RTD in the Czech Republic
- 24 – 27 June 2009: 15th EARMA Annual Conference „Supporting & Sustaining Competitive Research in Europe“
- 21 October 2009: ERA 2009 conference „Parallel session 1.3 How can funding conditions for European research institutions be improved?“

Full costing

– definitions and methodology (1)

□ Full costing

= an accounting methodology used to identify and calculate all the direct and indirect costs incurred in undertaking a project or an activity. (DG RTD, Expert Group report)

= ability to identify and calculate all the direct and indirect costs per activity and/or project that need to be considered to accomplish these activities. (EUA)

- full cost, FC, real/actual indirect cost

Full costing

– definitions and methodology (2)

□ Indirect cost (overheads)

= *costs that relate to an activity but which cannot be identified and charged at the level of the activity (DG RTD, Expert Group report)*

= *costs that have been incurred for activities, but which cannot be identified and charged directly to each individual activity. (EUA)*

= *all those eligible costs which cannot be identified by the beneficiary as being directly attributed to the project, but which can be identified and justified by its accounting system as being incurred in direct relationship with the eligible direct costs attributed to the project.*

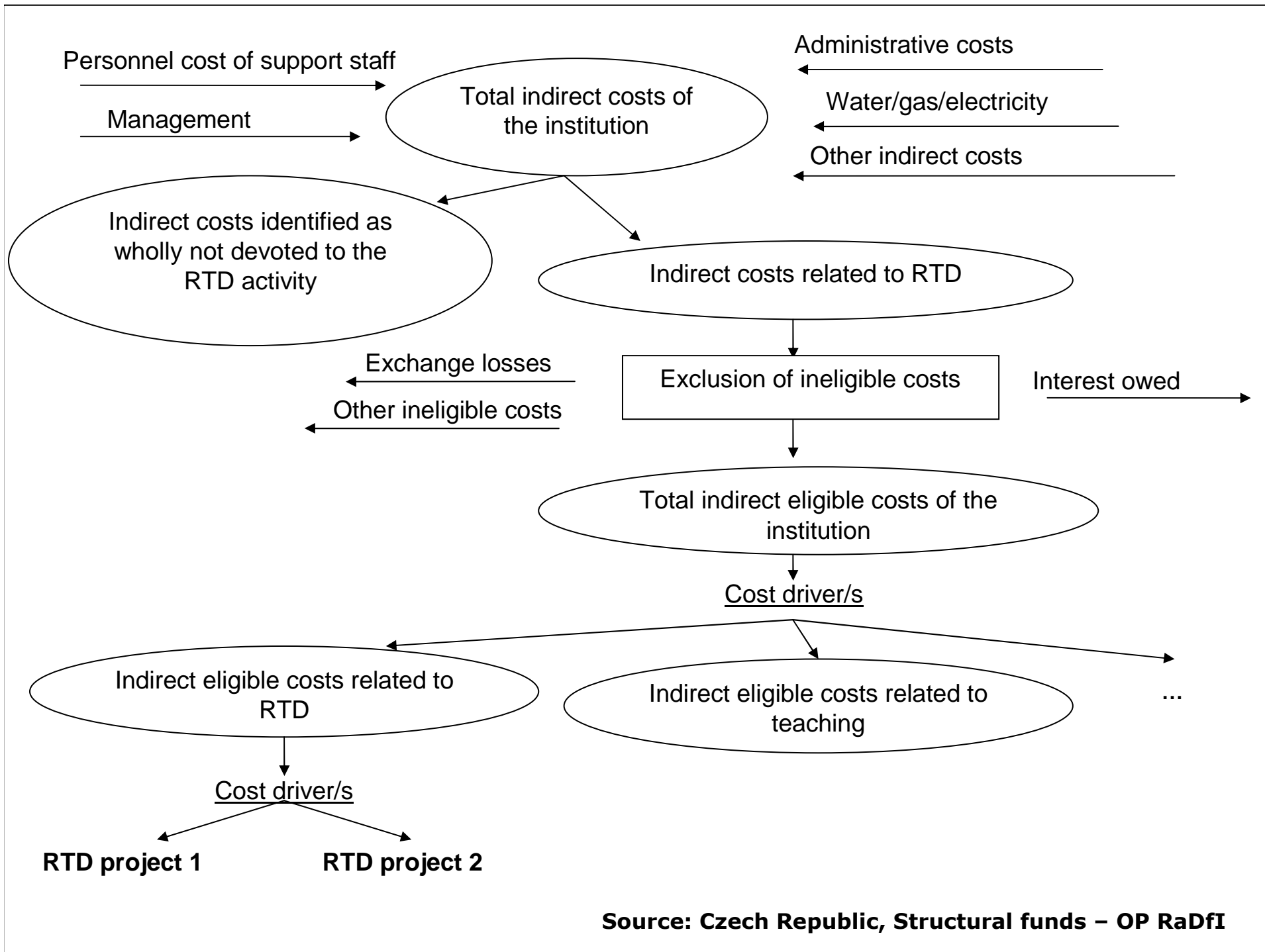
- *all the structural and support costs of an administrative, technical and logistical nature which are cross-cutting for the operation of the beneficiary body's various activities and cannot therefore be attributed in full to the project. The nature of an indirect cost is such that it is not possible, or at least not feasible, to measure directly how much of the cost is attributable to a single cost objective. (FP7 Guide to Financial Issues)*

Full costing

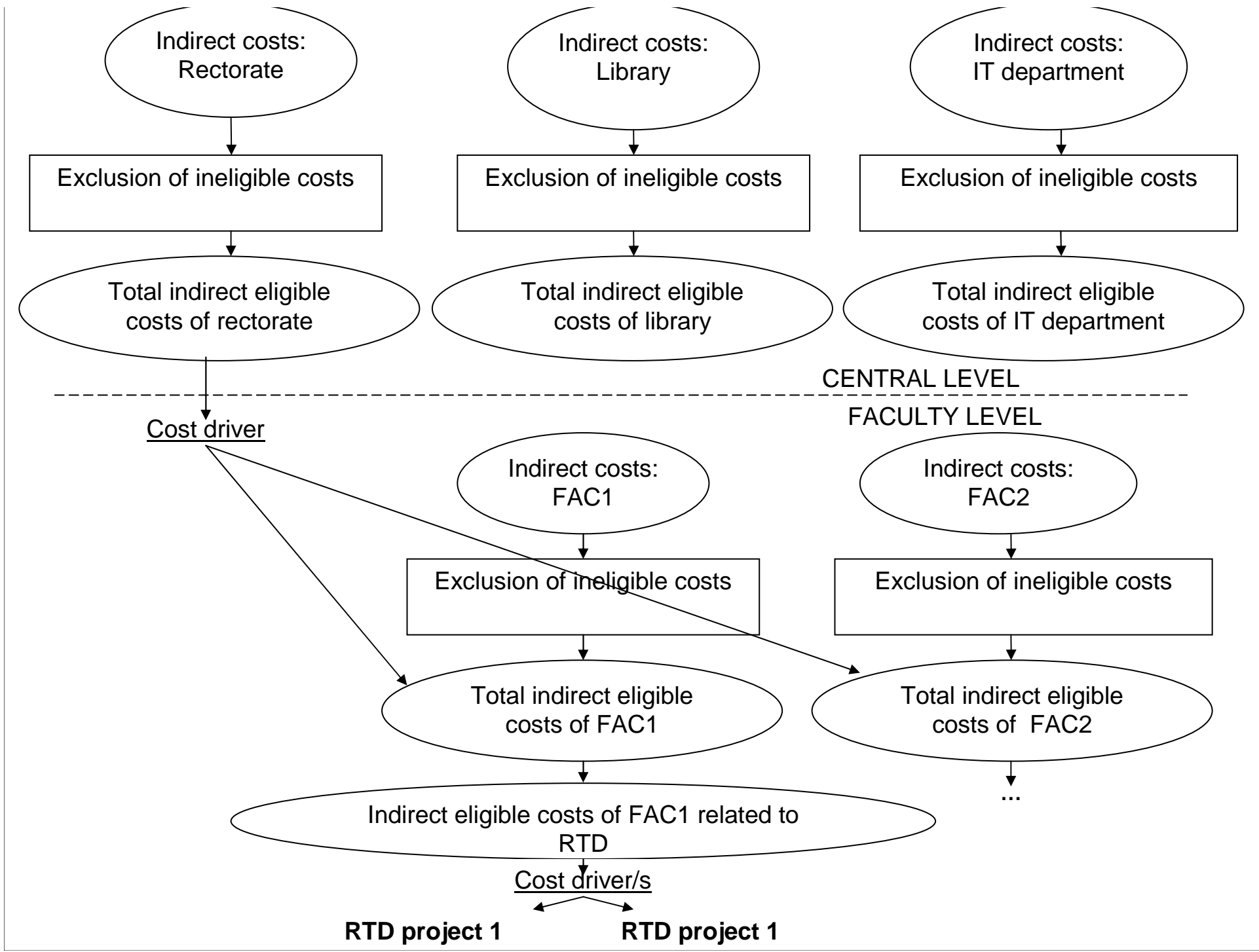
– definitions and methodology (3)

- Costs of management and supporting departments (economy, human resources, administrative, legal and IT departments, maintenance of buildings, library etc.), e.g.:
 - ❑ Personnel const, travel costs and subsistence, consumables
 - ❑ Hiring or depreciation of buildings and plant
 - ❑ Water/gas/electricity
 - ❑ Administrative costs: postage, telephone charges, internet, fax
 - ❑ Office equipment: computers, printers

- ❑ Eligible costs of the projects
- ❑ Indirect costs related to research
- ❑ Cost drivers
 - e.g. personnel costs, time spent by staff (hours worked), square meters



Source: Czech Republic, Structural funds – OP RaDfI





Development of full costing systems is a highly demanding process in terms of methodology, finances, personnel, time and the experience required. Therefore, **exchange of knowledge and best practices** between European institutions is of paramount importance.

Aim of the conference

- ❑ Sharing of experiences in the process of development, implementation and running of full costing systems
- ❑ Introduction of existing full costing methodologies
- ❑ Sharing of experiences during the certification of methodologies for indirect costs by the European Commission
- ❑ Present the view of the European Commission on the full costing issue

- Provide inspiration and support for institutions that are in the process of developing their full costing systems

Thank you for your attention

Lenka Lepičová
lepicova@tc.cz

Technology Centre ASCR
Prague, Czech Republic
www.tc.cz