



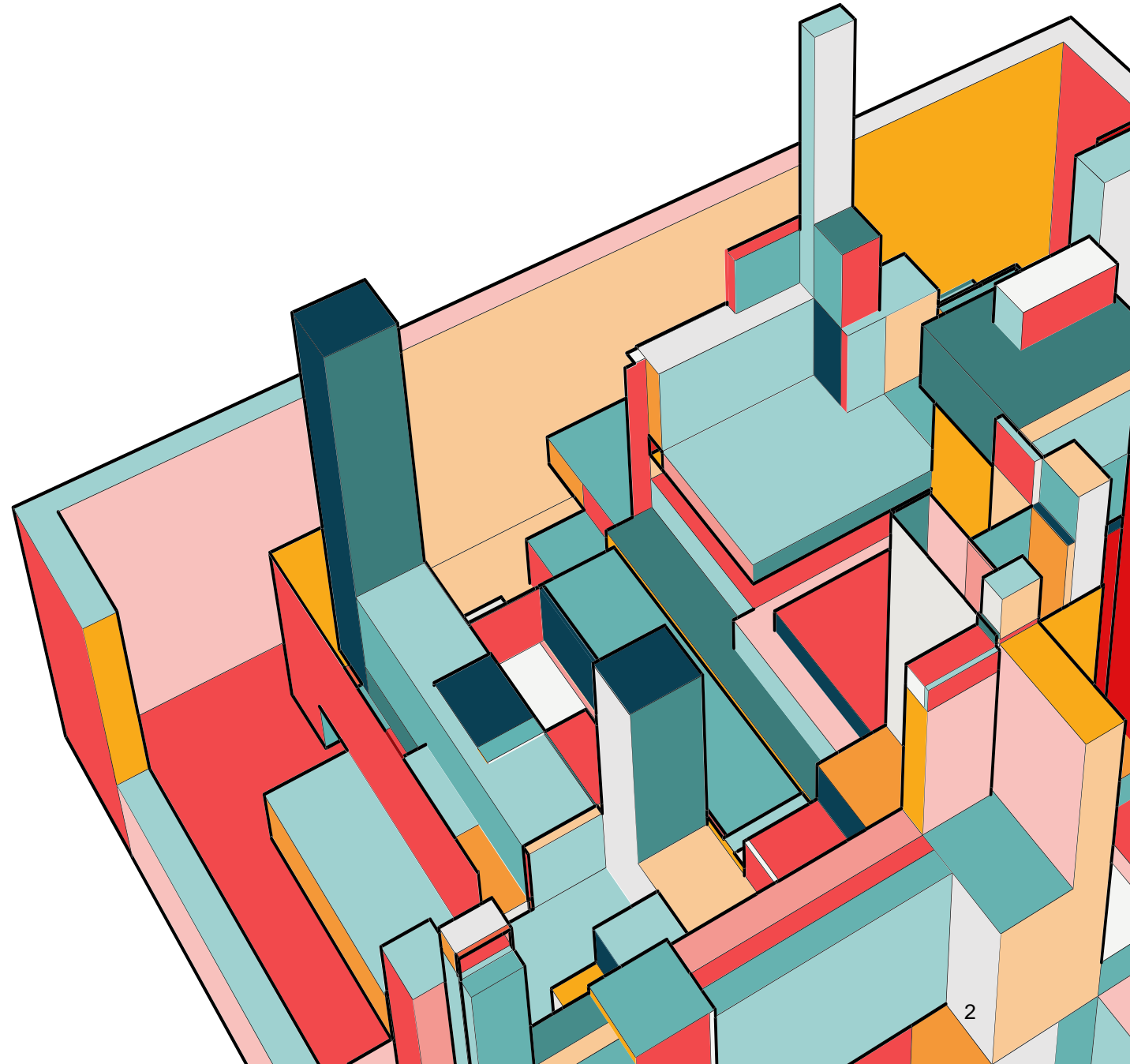
# FEC COSTING

Definitions and an Illustration

# FEC COSTING

The Full Economic Cost (fEC) of a project is the full cost to the University to undertake the project activities.

fEC includes: directly incurred costs (project specific costs), directly allocated costs (University resources loaned to the project), indirect costs (costs of University functions, such as HR, procurement, etc.), space/estates charges including depreciation, and adequate recurring investment in infrastructure.



# TYPES OF COSTS

## DI STAFF

Staff costs directly attributed to the project; time auditable. Staff must keep a record of time spent on project.

## DA STAFF

Staff costs apportioned to project; not auditable. University supported staff participating in project.

## NON-STAFF

Consumables, travel, etc. Does not contribute to overhead calculations.

## INFRASTRUCTURE TECHNICIAN

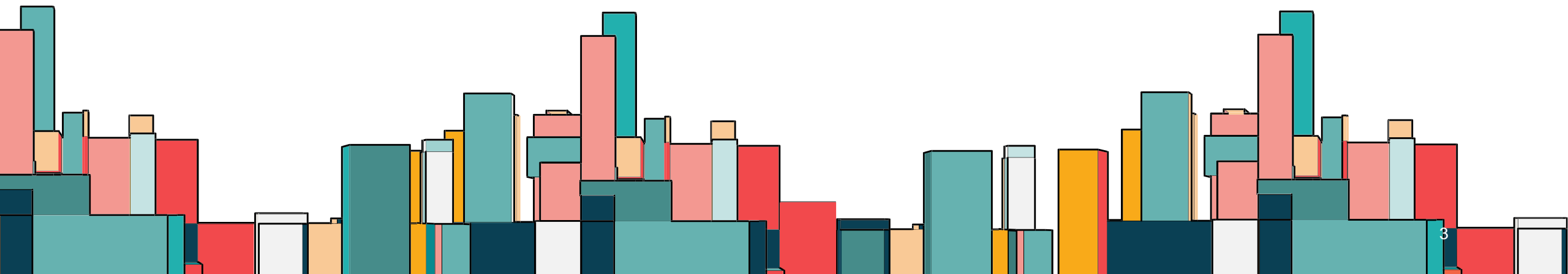
Shared staff that perform tasks in the research labs (e.g. animal husbandry, equipment technician, etc.).

## ESTATES

Cost of the buildings, utilities, upkeep, etc. at the University.

## INDIRECTS

All other university functions (e.g. HR, Finance, Legal, Procurement, JRMO, etc.).



# AN EXAMPLE: BAKING A CAKE

Chef London is baking a large cake for a wedding and needs ...

## Ingredients:

- 6 Eggs
- 450 g Flour
- 450 g Butter
- 400 g Sugar
- 1 tsp Baking Powder
- 50 ml Milk

## Equipment:

- Bowl
- Mixer
- Spatula
- Pans x 2

## Resources:

- Kitchen
- Oven
- Refrigerator
- Electric (for oven, refrigerator, and lighting in kitchen)
- Water (for cleaning equipment)

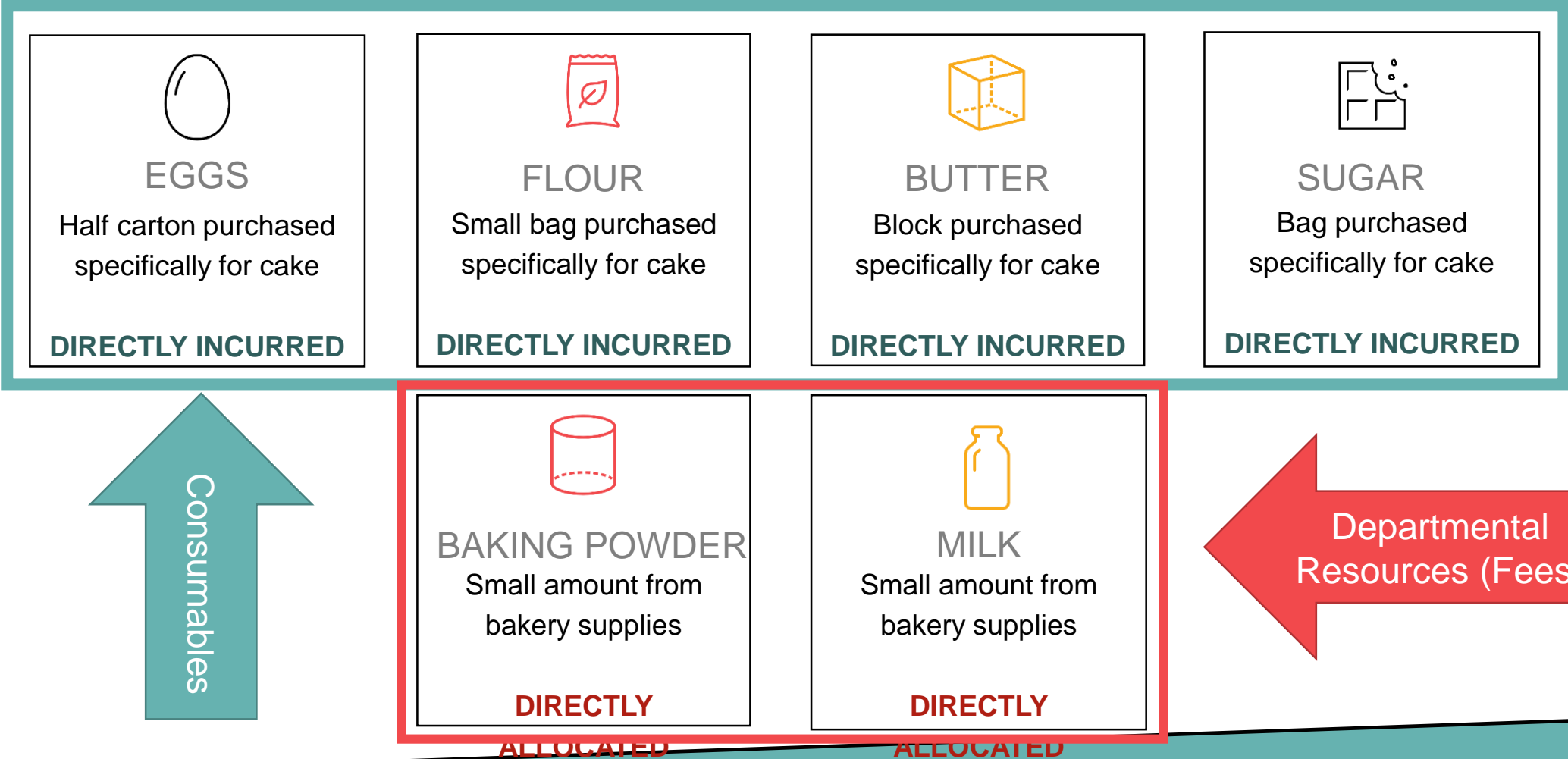
## People:

- Chef London
- Prep Chef
- Cake Decorator
- Delivery Person



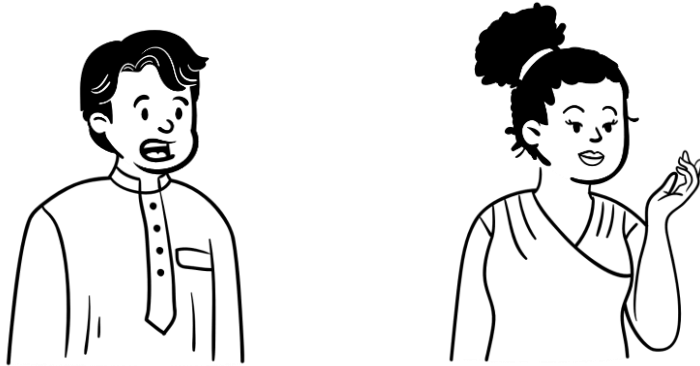
# INGREDIENTS

Ingredients can be purchased for the cake or be apportioned from shared resources



# PEOPLE

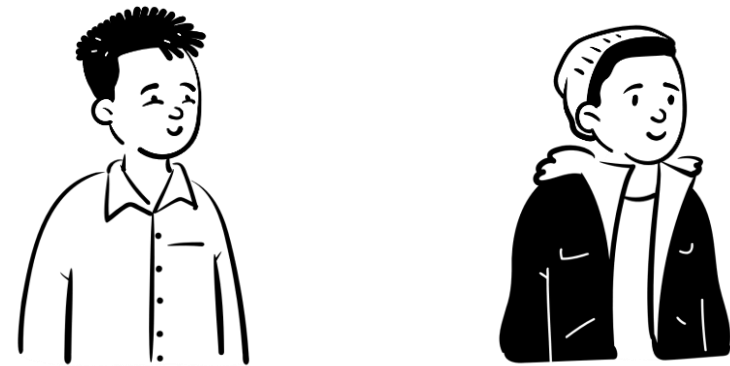
## DA Staff



Chef London &  
Prep Chef

**Employees of the  
Bakery**  
(Portion of their time)

## DI Staff



Cake Decorator &  
Delivery Person

**Hired for Project**  
(Full or Part-time)

# EQUIPMENT/RESOURCES

## Equipment:

Bowl  
Mixer  
Spatula  
Pans x 2

**DI Cost** – If purchased for project

**DA Cost** – If 'borrowed' for project (i.e. purchased time on equipment)

## Resources:

Kitchen  
Oven  
Refrigerator  
Electric (for oven, refrigerator, and lighting in kitchen)  
Water (for cleaning equipment)

## Estates Costs

The physical resources that make up the bakery  
(i.e. University infrastructure)

# OVERHEADS

The costs of institutional operation.



## Bakery Resources

Infrastructure

University buildings, utilities,  
etc.

## Bakery Dishwasher

Staff that every project requires  
a portion of their time

University equipment  
technicians, shared lab staff,  
etc.

## Bakery Functional Support

Staff that keep the Institution  
running

University procurement,  
finance, HR, JRMO,  
administration, etc.



# OVERHEADS

But why is the overhead on Worktribe so high?

Uninflated Cost:	£75,886.60	
Cost to HEI <a href="#">i</a> :	£75,886.60	
Cost to Funder <a href="#">i</a> :	£77,406.56	
Price to Funder <a href="#">i</a> :	£85,659.74	
Contribution to Overheads <a href="#">i</a> :	£50,603.13	161.90%

This % value is not the overhead rate.

This calculation is the **Operational Recovery Rate**.

# OPERATIONAL RECOVERY RATE

$$\frac{\text{DA Staff + Overheads}}{\text{DI Staff}} = \text{ORR}$$

If the ORR is too low, Chef London will spend the project's cash flow on the Decorator and the Delivery Person and not be able to pay for the electricity to bake the cake.

ORR is used as an **indicator** of whether a project budget is sufficient to cover its portion of the institutional running costs.



ORR is used by JRMO internally to gauge sustainability and does not affect the project budget.

# ADDITIONAL QUESTIONS?

Please contact your  
Business Development Team  
or JRMO