



EUROPEAN COMMISSION
RESEARCH DIRECTORATE-GENERAL

The Director-General

Brussels, **6 - FEV. 2008**
RTD.A.5/PhC/DMG/ D(2008) 505720

Dr. Ashley IBBETT
Head, International Government
Office for Science
Department for Innovation
Universities and Skills
Kingsgate House
66 – 74 Victoria Street
UK - LONDON SW1E 6SW

Subject: UK TRAC EC-FP7 methodology

Reference: Your letter dated 17 January 2008

Dear Dr. Ibbett,

Thank you for your letter of 17 January 2008 in which you inquire about the adequacy of the UK TRAC EC-FP7 methodology to the FP7 financial provisions. You refer, in particular, to the exclusion of the VAT from the indirect cost and the system of time-recording.

In general I should like to highlight that UK TRAC EC-FP7 is in the view of the Commission services a robust methodology. The coordinated and pro-active approach taken by the UK Government in this context is exemplary.

As you know, during the preparation of the methodology, Commission officials participated in several discussions with representatives from the TRAC system and a pilot review was performed at University College London. These meetings have permitted to clear out certain potential discrepancy points of the methodology vis-à-vis FP7 requirements. Nevertheless and specifically relating to the Certification on the Methodology as foreseen under FP7, the time-recording provisions of UK TRAC EC-FP7 vis-à-vis the FP7 provisions remained a point of discussion.

Firstly, allow me to address the annual calculation of the indirect costs rate for research as based on the time allocation survey method. In view of the simplified method foreseen for those beneficiaries without an analytical accounting system, under FP 7 such an approach may be proposed, providing adequate auditability and quality assurance, which we trust will come through via the FP7-TRAC framework and QAV process.

Secondly, I would like to address the issue of the time recording for the charging of time to specific FP7 projects using TRAC-EC-FP7. The Commission notes the concerns which you raise with regard to introducing a system of full time-recording for academics. In this regard, of course it is neither the goal nor the aim of FP7 nor my services to compel any undesired change in the management methods of the beneficiaries. On the other hand, it must be recognized that the switch to full costing requirements for certain research institutions may at some stage require a culture change as regards time recording. You will appreciate also that in this context the Commission must ensure equal treatment throughout the member states and countries participating in FP7.

I note the UK TRAC system aims to introduce monthly timesheets for academics working on FP7 projects recording hours spent on FP7 projects, but not time spent on other activities or other projects. In this context, allow me to clarify that the proper unit for time recording is definitely the person (researcher or academic) rather than the project. Only a system of researcher/academic based time recording (totalling the productive time of those academics involved in FP7 projects) would offer sufficient scope for auditability and guarantees against overcharging, as required by the FP7 model grant agreement provisions on Form E (Certificate on the Methodology). In this sense there is as such no contradiction with the Commission's objective to simplify FP implementation and rules. To the contrary, those research entities fulfilling the FP7 methodology certification requirements benefit from reasonable assurance that their methodology will be accepted throughout FP7 and enjoy a significantly reduced burden as regards the intermediate certification requirements. At the same time, those in charge of the control and management of research funding within the UK institutions would definitely have increased assurance with person based time recording.

In this light, the proposed project based monthly time-recording system would fulfil the minimum requirements of the FP7 model grant agreement provisions of Form D (Certificate on Financial Statements). This means that the resulting costs would be sufficiently substantiated provided that UK TRAC EC-FP7 is fully and correctly applied by the beneficiary and that no exception is reported by the independent auditor. However, we regret to say that such time recording methodology would not fulfil the requirements established in the Form E (Certificate on the Methodology). We understand that a check is implemented to guarantee that no more than the standard hours will be charged to FP7 projects. Nevertheless, this will provide no assurance of the beneficiary not charging in parallel the same or additional hours (more than the standard) to other projects (FP7, FP6 or non-EU projects) or non-research activities (teaching, training, management, administration).

Finally, as regards the exclusion of irrecoverable VAT from the indirect cost rates, for those entities with methodologies who do not allow straight exclusion methods, we can accept indirect exclusion procedures, provided that those are based on a fair and auditable method which can guarantee the reliability of the results. Consequently, we can agree on the principle although we can not affirm that any method proposed will be accepted. Indeed, you indicate that universities currently operate each their methodology. UK TRAC EC-FP7 provides no standard system and, thus, the methodology proposed by each institution will have to be analysed separately.

I am certain you will appreciate these elements in the context of a long run effort of adapting the UK TRAC towards full transparent accounting conditions to guarantee universities and research institutions to recover the full real cost of their research efforts and at the same time allowing proper accountability conditions for the funding providers, be they national or European.

My service will be pleased to discuss these issues in detail with your representatives, should you consider it appropriate.

Yours sincerely,



José Manuel SILVA RODRÍGUEZ