

The Financial Procedures Manual

Chapter 19

Research Grants

Also available on-line at:
<http://www.admin.cam.ac.uk/offices/finance/procedures/>

Version 5.1
November 2015

Version History

Version Number	Issue Date	Comments
5.0	30-Oct-15	Publication following an extensive review by Research Accounting and Research Operations Office
5.1	09-Nov-15	Updating of timelines for Starting Certificates from Research Councils (para.6.3.1) to reflect the harmonisation of conditions.

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1. Research Funding

1.1 Determining if funding is a research grant or not

When funds are received from a body external to the university, the following criteria are used to determine if those funds can be classed as a research grant or should be recorded as something else eg. a donation. If the answer to one or more of the following questions is 'yes', then the funding is classed as a research grant or contract.

- Are there proposal forms?
- Are there terms and conditions?
- Are there deliverables?
- Are financial reports required?
- Are there disposal terms for equipment or property?

All research grants and contracts must be recorded and administered using the Grants module of the University Finance System (UFS). For reasons of indemnity and legal compliance, Departments are not permitted to apply directly to funding bodies without the involvement of the Research Operations Office or to account for monies received under the above criteria in donation or other General Ledger (GL) accounts.

1.2 Sponsor terms and conditions

All external funding bodies (known as 'sponsors') have their own terms and conditions covering how funds should be applied for and administered when received. You should review these before applying.

Links to the websites of the University's main sponsors' can be found at:
<http://www.research-operations.admin.cam.ac.uk/major-funders>

1.3 Full Economic Costing (fEC)

The full economic costing methodology was adopted for costing all research grant proposals in September 2005. This allows Departments to budget for:

- costs that would be directly incurred by the academic department;
- the salary costs of all personnel involved, including the Principal Investigator (lead academic responsible for the research);
- an allocation to proportionately contribute to estates costs and central services;
- an element to provide for continued investment in the research infrastructure of the University.

More information on full economic costing can be found at:
<http://www.research-operations.admin.cam.ac.uk/costing-and-pricing-research-proposal/what-full-economic-costing>

Not all sponsors accept fEC, particularly charities. However, all research grant proposals must be costed on a fEC basis regardless of whether or not the costs are eligible for reclaiming from a particular sponsor. This is because the University needs to record the full economic costs of all research. There are some exceptions to this eg. EC and NIH.

Costing grants proposals on a fEC basis also allows Departmental Administrators and Heads of Departments to make informed decisions on individual grant proposals in relation to costs versus income. It is important that all costs are included in applications so that research is not underfunded. If you need any help with costing or advice on sponsor's terms and conditions please contact your [School Team](#) within the Research Operations Office.

School Team contacts in the Research Operations Office for individual departments can be found at
<http://www.research-operations.admin.cam.ac.uk/about-us/list-contacts>

1.4 X5 costing tool

X5 is the software used to prepare proposal costings in line with fEC requirements. All new proposals must be costed using X5; awards or contracts which include a financial value will not be accepted unless an X5 costing is completed. There are videos and short guides to assist the use of X5.

Information on how to access X5 and details of support available can be found at:
<http://www.research-operations.admin.cam.ac.uk/costing-and-pricing-research-proposal/x5>

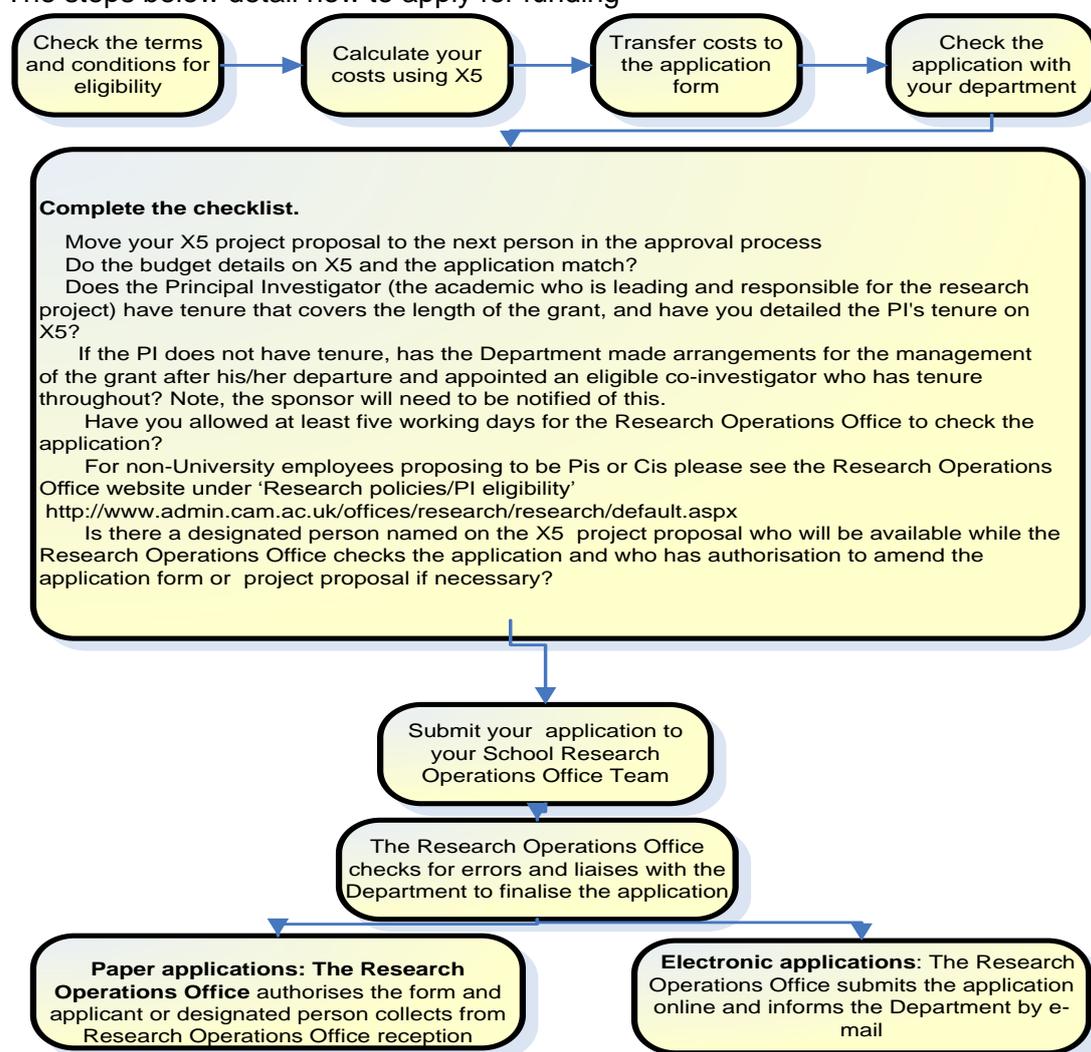
2. The Application Process

2.1 Overview

Each application for funding must be authorised by the Head of Department/ Institution or their nominated deputy (see 2.3 Delegated Authority) prior to the application being sent to their School Team within the Research Operations Office to ensure that:

- the facilities and personnel required within the department are available;
- the project has been costed in line with the sponsor's terms and conditions;
- the expected income is in line with the University's Research Grant Income Allocation Policy and the department is happy to cover any potential shortfall.

The steps below detail how to apply for funding



More information on the application can be found at:
<http://www.research-operations.admin.cam.ac.uk/applying-funding/application-procedures>

Each Department has a designated Applications Administrator within their School Team within the Research Operations Office who will help with specific queries, contact names can be found at:

<http://www.research-operations.admin.cam.ac.uk/about-us/list-contacts>

2.2 Contract negotiation

All research projects need to have a contract.

Where the University accepts a funding body's standard terms and conditions eg. a Research Council's, there is no need for negotiations to take place as such terms are widely accepted. Where the funder's standard terms are not acceptable the University will negotiate to ensure the contract reflects the needs of the Principal Investigator as well as those of the University, any research partners and funding bodies

For contracts with funding bodies that have negotiable terms, such as industrial sponsors, it is essential that the project is properly costed so that a decision can be taken on the price to charge the sponsor. The Departmental Administrator (or equivalent) and the Contracts Manager (see below) should be involved as early as possible in the process and can provide help and advice on costing and pricing.

Credit control should be contacted to discuss payment terms to perform a credit check on industrial sponsors not previously used.

Each University Department has a **Contracts Manager** within their School Team in the Research Operations Office. The Contracts Managers use a number of model agreements depending on the type of research programme and will tailor them as necessary to suit the project. The Research Operations Office also helps with other contracts such as Studentship Agreements, Confidential Disclosure Agreements (CDAs) and Materials Transfer Agreements (MTAs).

To find out the name of your Contracts Manager go to <http://www.research-operations.admin.cam.ac.uk/about-us/contact-us>

2.3 Delegated Authority

The Head of Department/Institution may delegate their responsibility to a suitably nominated individual within the department. This is done on a template letter provided by the Research Operations Office which lists the areas of delegation as well as the limits granted to individuals. The letter will also stipulate what may not be delegated as well as a maximum level for delegation which may vary from time to time.

This letter needs to be updated and sent to the Research Operations Office at least annually as requested or as soon as any changes need to be made. Failure to provide this information may result in unnecessary delays whilst the relevant approval is sought from the Head of Department.

Post Award Services

3. The UFS Grants Module

3.1 Successful applications

Where applications are successful the sponsor will send an 'Award Letter' notifying the Research Operations Office and the applying Principal Investigator (PI). If the department of the PI receive a copy directly from the sponsor they should forward a copy to their Research Support Advisor) RSA. This will include information on the following:

- funding
- the dates of the award
- conditions for expenditure
- any other specific terms and conditions

3.2 Access responsibilities in UFS

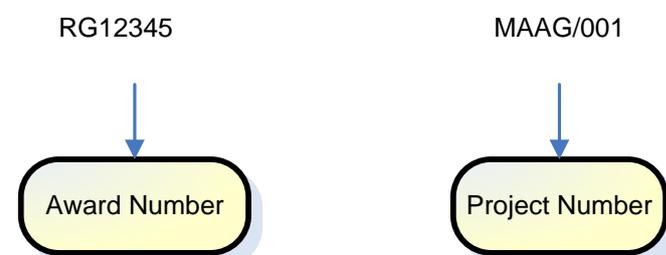
Departmental Key Contacts can request access for departmental members of staff to view research grant data in the UFS Grants module.

The UFS responsibility of 'Grants Administrator' gives access to all grants in the department, and the responsibility of 'Grants Investigator' restrict access to grants where the user has been named on the grant set up on the award and project eg. the PI or Co-Investigator.

More information on CUFS responsibilities and access available at <http://ufs.admin.cam.ac.uk/keycont/downloads/newuserguide.pdf>

3.3 The grant structure and coding

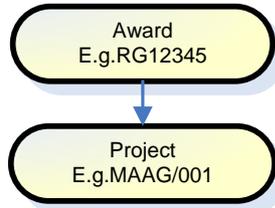
Each research award will be activated within the UFS Grants Module and given a unique award number, prefaced by 'RG'. This will then be linked to a unique project number.



It is helpful to quote the award 'RG' number or project number in all correspondence with the Research Operations Office. Detailed information is held on each research grant such as:

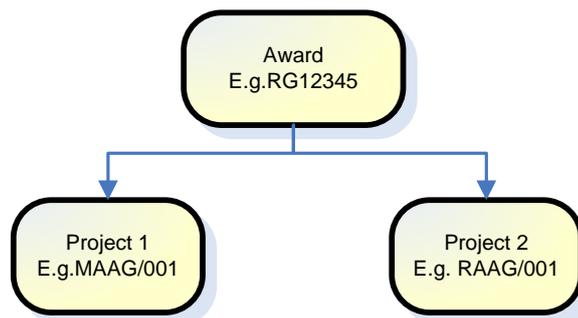
- the duration of the award
- VAT status
- the award budget
- the Principal Investigator
- payroll and expenditure
- non direct costs and overheads

A grant consists of two main parts – an **award** and a **project**



The award represents the **funding source**, ie. the sponsor and the project represents the **activity** that the sponsor is funding. The project is linked to the award to allow departments to charge expenditure to the grant.

Although a grant usually consists of one award and one project, it is possible for one award to fund more than one project or to link more than one award to one project.



A project has a minimum of one task but it is possible to have more. This is useful when departments want to break the project into jobs or work packages. Pooled Labour and Research Facilities are set up on a separate task (usually Task 2) since these costs usually need to be ring-fenced according to sponsors' terms and conditions. For Research Councils shared equipment is usually set up on Task 99.

Most grants awarded will have a budget under Task 1 (direct costs) and Task 100. Task 100 holds the budget for non-direct costs. EC awards will not have a task 100 as they do not have non-direct costs; contribution to the University's central costs comes from overheads. For reporting purposes different tasks may be used for EC cost categories.

3.4 The Award Budget

The budget is divided into project(s), task and then into expenditure categories. Where an award letter is received and the expenditure categories are unclear, to ensure that the award is activated correctly and costs are posted accurately, it is important the department discusses with their RSA which categories are required (subject to terms and conditions) and the appropriate budget allocation, eg. travel,

consumables, equipment

Direct costs

The most often used direct cost expenditure categories are:

- Staff costs
- Other costs
- Travel and subsistence

Other frequently used expenditure categories are:

- Equipment
- Exceptional items
- Pooled labour
- Research facilities
- Overheads, where relevant

Non-Direct Costs (task 100)

- PI Costs
- Estates Costs
- Indirect Costs
- Infrastructure Technicians
- University Funded

Older awards will not have non-direct cost budget headings but there may be a budget for overheads, depending on the sponsor.

The budget on UFS will represent the full fEC of the award. If the sponsor has awarded less than 100% of the fEC, the total value of the award (taken from the Award Letter) is grossed up to the full fEC using a Research Operations Office costing tool known as the 'Budget Calculator'. The 'University Funded' budget category is used to show the value not being funded by the sponsor.

The difference between the full cost (per X5 costing) and the price the sponsor will pay is reflected by the University Funded expenditure category as a negative entry. The total budget on the award (including the University Funded category) will equal the total costs of undertaking the project.

An example is given below:

	Costs	80% funded	Budget in CUFS
Staff costs	1,300	1,040	1,300
Other costs	2,600	2,080	2,600
Non Direct costs	1,780	1,424	1,780
University Funded			(1,136)
	5,680	4,544	4,544

The Grants module generates the values for non-direct cost charges monthly. Research Accounting posts the non-direct costs to the Grants module. Departments are responsible for charging direct costs to the award. Both the Chest and Department receive a share of the non-direct costs budget; the share is allocated in accordance with the University's Income Allocation Policy.

3.5 Activating a grant

The Departmental Administrator and the Principal Investigator will be notified by email once the grant has been activated by the School Team in the Research Operations Office. The activation notice will include a link to the sponsor's terms and conditions as well as a copy of the award letter and starting certificate, if applicable. Departments are responsible for signing the grant starting certificate on confirmation of staff start dates within the specified time limits dictated by the sponsor.

The Award Budget screen will be available to view immediately after the budget has been entered and expenditure can then be charged to the grant.

3.6 Foreign currency grants

Grants that are awarded in a foreign currency will be converted to sterling at activation stage, using the University's foreign exchange policy. The preferred currency for research grants is sterling.

For US Dollar and Euro denominated grants the budget is prepared using a lifetime rate. Any gains or losses are taken by the Chest. Please contact your School Team in the Research Operations Office for advice on proposed awards in other currencies. Any gain or loss in other currencies is the responsibility of the Department.

More information on the University's Foreign Exchange Policy is at <http://www.research-operations.admin.cam.ac.uk/policies/foreign-exchange>

3.7 Amendments to a grant

Your School Team in the Research Operations Office must be notified of all amendments to a grant, eg. extensions (cost and no cost), supplementary funding and virement of funds between expenditure categories. Each change creates a new version of the budget and previous versions provide an audit trail from the start of the award to the end.

For this reason it is important that Departments keep the Research Operations Office informed should they negotiate any alteration or supplement with the sponsor.

3.8 Commitments

UFS is a commitment accounting system. This means that details of any orders placed in the UFS iProcurement Module are transferred to the UFS Grants module and funds are then reserved for the purchase. These are shown as commitments on several reports until matched with invoices.

Staff cost commitments are not recorded in the grants module.

3.9 Controls

At the activation stage various controls are set on a grant to ensure that expenditure is charged in accordance with the sponsor's terms and conditions.

3.9.1 Budgetary control

Budgetary control allows limits to be placed on the total expenditure on the award ('award level') and against each expenditure category e.g. staff costs, other costs ('expenditure level'). Budgetary control is usually set to 'absolute' at award level to prevent overspend against the total award budget.

For expenditure category budgetary control can be either absolute or advisory. This depends on sponsor terms and conditions. An absolute level of budgetary control prevents virements across expenditure categories; an advisory level permits an over spend in one expenditure category when there is available budget in another.

There are two main combinations of budgetary control.

- **Absolute at award level with Absolute at expenditure category**
This restricts the expenditure to the overall award budget and restricts the expenditure to the budget which has been set at expenditure category level (e.g. Other Costs). This prevents any virements across expenditure categories. Once the budget for that expenditure category has been spent, further transactions will fail funds checking.
- **Absolute at award level with Advisory at expenditure category**
This restricts expenditure to the overall award budget. However, it is possible to overspend an expenditure category if there are funds available on another expenditure category. Budgetary controls will only be set at 'advisory' if this is in accordance with the sponsor's terms and conditions.

3.9.2 Transaction controls

Transaction controls are set up to allow spending against a specific expenditure category e.g. staff costs.

These controls can be set at either project or task level, as appropriate. If an attempt is made to charge expenditure to a grant against an expenditure type or category that is outside the transaction controls set, an error message will appear on your screen. Your School Team in the Research Operations Office will be able to offer further clarification on this.

To find out who is in your School Team in the Research Operations Office go to <http://www.research-operations.admin.cam.ac.uk/about-us/contact-us>

3.9.3 Funds checking

All transactions and purchase orders are checked against the budget to ascertain the funds available. If there are sufficient funds the expenditure or commitment will be recorded. If the transaction has failed, there will be details of why it has failed. It is not possible to approve an order or invoice if there are insufficient funds.

Other transactions e.g. journals or those which are imported into the Grants module e.g. payroll are funds checked once they are within the Grants module. These are flagged as a Funds Check Failure if there are insufficient funds available.

An exception report which details individual transactions which have failed grants processing including funds check failures is sent to departmental grants contacts daily. This report identifies where the funds check failure has occurred. Please note that an item which has failed funds checking is not recorded in the award status of the grant. Further details of this report are given at

http://ufs.admin.cam.ac.uk/researchgrants/docs_rsq/failuresreport.pdf

Contact Research Accounting at ufs_grants@admin.cam.ac.uk if you do not know your departmental grants contact.

3.9.4 Expenditure incurred in excess of budget

In practice there are occasions when expenditure will have been incurred on a specific research project in excess of the available budget. This expenditure may not be recoverable from the sponsor and consequently will be borne by the department.

Research Operations Office will instruct Research Accounting to move the costs at the end of the grant (see Section 6.7).

3.10 Grants and VAT

3.10.1 VAT on research funding

There are different types of VAT treatment for income received for research grants:

- standard rated
- zero rated
- exempt (no longer an option on new grants since 01/08/13)
- outside the scope
- EZS (zero rated but flags that the sponsor is from the EC)

The VAT treatment is assigned depending on the nature of the research contract and the status of the sponsor.

For more details see the flowchart for the *VAT rate selection for grant set up* at http://www.research-operations.admin.cam.ac.uk/sites/www.research-operations.admin.cam.ac.uk/files/policies_and_procedures/vatrate_grantsetup_roo.

The VAT rate applied to an award can be viewed in the *Award Status* screen or on the header of the *Award Status* report. The last two letters of the GL source of funds mapping code for a research grant indicate the sponsor type and the VAT treatment.

Standard rated 20%

Standard rated grants do have VAT charged on claims to the sponsor. As

these are taxable supplies any VAT on wholly related purchases is recoverable from HM Revenue & Customs (HMRC).

The last letter of the source of funds mapping code will be **A**, which will automatically trigger the VAT reclaim from HMRC, leaving only the net value as a cost to the grant. UK commercial sponsors are normally classed as standard 20%.

Zero rated and EZS

For zero rated and EZS grants, any VAT charged on related purchases is also recoverable from HMRC. This is because zero-rating is a type of taxable supply, and it follows that VAT on wholly related purchases is recoverable.

The last letter of the source of funds mapping code will be **A**, which will automatically trigger the VAT reclaim from HMRC, leaving only the net value as a cost to the grant. Typical examples of sponsors whose grants are normally zero rated are commercial organisations outside the UK.

EC FP7 grants For EC Framework 7, although the income is classed as zero-rated VAT on purchases cannot be reclaimed from HMRC and is an additional cost to the department. Any VAT on transactions will be transferred to the department by the Tax Office within the Finance Division as an additional cost of undertaking the research. The last letter of the source of funds mapping code is **C**.

Since all taxes on EC FP7 grants are ineligible costs then any foreign taxes (eg. foreign VAT, sales tax, exercise duty) included in expense claims relating to an EC FP7 grant must be separated when processing in UFS. Code the taxes to somewhere other than the grant (eg. from the department's share of overheads) and apply no 'UK VAT' to all lines.

See the ROO website for more information on FP 7 Grants

<http://www.research-operations.admin.cam.ac.uk/managing-research-projects/managing-ec-funding/fp7>

Exempt (only applicable for grants set up prior to 01/08/13)

Exempt grants are not liable to VAT when we make a claim to the sponsor therefore; we are not able to reclaim the VAT on any related purchases. Thus any VAT incurred is coded as an additional expense to the grant.

The last letter of the source of funds mapping code will be **B**. Grants received from other Universities, Health Authorities and Government Bodies are typical examples where exemption was an option in the past.

Outside the scope

Outside the scope grants are not liable to VAT so when claims are made to the sponsor we are not able to reclaim the VAT on purchases. Any VAT paid will be coded to the grant as an additional cost.

The last letter of the source of funds mapping code will be **B**. Typical examples of grants classed as outside the scope are those from Research Councils, charities and the European Commission (except EC FP7 – see above).

NIH grants Any taxes on NIH grants are treated as an ineligible cost, consequently any taxes (eg. UK VAT, foreign VAT, sales tax, excise duty) included in purchases/expenses which relate to an NIH grant must be separated when processing in UFS. Code the taxes to somewhere other than the grant (eg. from the department's share of overheads and apply 'No UK VAT' to all the lines.

3.10.2 Self-charging charging VAT

If you purchase goods or services from outside the UK the university may be subject to additional VAT. These additional costs are *Acquisition VAT* on goods from EC countries or *reverse-charge VAT* on services from outside the UK.

Please see FPM, Chapter 9 'Vat & Other Taxes' for more details of purchases of goods from the EC (section 10) and services from outside the UK (section 12).

4. Reflection of Grants in the General Ledger

One of the purposes of the General Ledger (GL) is to reflect all of the University's financial expenditure. Therefore, summary information from the Grants module is transferred on a daily basis into the GL. The summary information is mapped across into the GL by sponsor type; the detail connected to an individual award is maintained in the Grants module.

4.1 Research Grant cost centres

Each department has one or more GL cost centres into which expenditure from the Grants module is mapped. The standard cost centre for this is **AG, the first two letters being the department code. This may vary in departments where more than one cost centre is used.

4.2 Research Grant sources of funds

Research Grant expenditure will always be mapped across to a source of funds code MA**. The MA indicates research, the next letter indicating the sponsor type, and the last letter indicates the VAT Status.

The sponsor type "letter" is used for reporting purposes.

Sponsor Category	Mapping Letter
British Academy	S
British Council	T
European Commission	C
EU Government	Y
EU Industry	V
EU Other	W
EU Charity	W
Health Depts/Authorities	Q
Other HM Government Depts.	K
Non-EU Charity	O
Non-EU Govt/Educational	N
Non-EU Industry	M
Research Council – AHRC	X
Research Council – BBSRC	J
Research Council – EPSRC	E
Research Council – ESRC	F
Research Council – MRC	I
Research Council – NERC	H
Research Council – STFC	Z
Royal Society	L
UK Charity (Medical)	A
UK Charity (Other)	B
UK Industry	D
UK Other	R

The VAT Status will either be an A, B or C as explained in section 3.10. On purchases, VAT type A means that any VAT is coded to the University VAT account to be reclaimed from HMRC, VAT type B means that any VAT is coded to the grant

(paid by the sponsor) and VAT type C means that the VAT is charged to the department (see section 3.10 for more details).

VAT Type	Mapping letter
Standard 20%	A
Zero Rate	A
Exempt	B
Outside scope	B
EC FP7	C

4.3 Reconciliation between the GL and the Grants modules

Checking that all expenditure posted in the Grants module correctly posted to the GL is undertaken by Research Accounting.

Departments should not post any expenditure to 'M' source of funds codes.

4.4 Items processed centrally each month

The costs detailed below are either imported into UFS or generated with a grants process by Research Accounting. This is done at month end (usually during the last week of the month) before the Grants module closes. The monthly timetable is updated once these costs have been posted.

Direct costs

- Staff costs
- Telephone charges
- Inventory

Indirect, directly allocated costs & revenue

- Pooled labour
- Overheads
- EC FP7 price adjustment
- Non direct costs

The grants module usually closes to departments at 5pm on the third working day each month. Central processes are completed the following morning. Please do not enter any grants journals during this time.

Costs charged to individual grants are reflected in the 'Projects by Organisation by PI' and 'Award Status' reports which departments are advised to run as part of their month end procedures.

Pooled Labour, Non Direct Costs and Overheads are all posted by Research Accounting. Departments cannot charge or transfer expenditure to these budget headings.

4.4.1 Non-direct costs

Grants costed using fEC do not have an overhead budget but will include non-direct costs: PI costs, estates costs, indirect costs, infrastructure costs and 'University funded'.

As explained in section 3.4 where the sponsor does not fund 100% of the fEC, a negative budget will be entered under the 'University funded' category of the grant (Task 100). Each month the non-direct costs due will be calculated and posted by a month end process to the grant on Task 100.

The non-direct costs due to departments are posted to the departmental research cost centre and the source of funds EZ**. The last two letters of the source of funds code will reflect the sponsor type and VAT status of the award in a similar way to mapped expenditure. The transaction code used will be LZCE.

This process allocates the budget evenly over the life of the project adjusting if necessary for date and budget changes.

4.4.2 Pooled labour

Some sponsors may provide a budget for pooled labour. This pays for staff that cannot be charged directly to an individual project as their work is split within the department. Where this is the case a central journal is processed at the month end which generates any pooled labour due as an expense to the grant and a corresponding credit to the department's research cost centre in the GL. The source of funds EZZY with the transaction code AZZZ is normally used for this journal.

4.4.3 Overheads

Following the introduction of fEC most sponsors do not award overheads. Overheads are principally awarded as part of a European Commission (EC) grant, industrial sponsors and some charities, usually based on a percentage of direct costs.

A grants process at month end generates and posts the charges due as expenditure on the grant and income in the GL. The department share is posted as a credit to the department's research cost centre, source of funds EDAA and Transaction code LZAA e.g. U. xx. xxAG.EDAA.LZAA.0000.

4.4.4 Use of department share of non-direct costs, pooled labour and overheads

Departments should spend their share of non-direct costs, pooled labour and overheads directly from the appropriate ED** or EZ** source of funds by coding orders/ invoices directly to the appropriate ED** or EZ** source of funds, using the cost centre that relates to the expenditure and an appropriate E transaction code for the expenditure. Some schools may 'pool' departmental shares to EZZZ or EDCZ and costs may be spent against these sources of funds.

5. Managing Your Grant

Departments are responsible for ensuring that all expenditure charged to a grant complies with sponsors' terms and conditions.

5.1 The active period of research

Costs can only be incurred during the active period of research, ie. after the start date and before the end date of the grant. After the end date, purchases can be charged if the goods were physically received before the end date. The start date is determined by the contract. Where a starting certificate is required e.g. for Research Councils or Wellcome Trust, then the start date is usually determined by the day the first person begins work on the project. (See section 6.3).

More information on dates can be found at
http://ufs.admin.cam.ac.uk/r12reference/gms/gms_expenddt.pdf

5.2 Charging expenditure to a grant

Departments charge expenditure (excluding Staff costs, Pooled labour, Overheads and Non-direct costs) using UFS iProcurement and Accounts Payables (AP) modules. When charging expenditure in these modules you need to enter the award, project and task number of the appropriate grant in the distribution screen. These fields must always be specified to allocate expenditure correctly in the Grants Module.

Detailed UFS procedures are available at
http://ufs.admin.cam.ac.uk/r12reference/ap/ap_extinvnopo.pdf

Pooled labour, Overheads and Non-direct costs are all generated and posted at each month end by Research Accounting. Departments cannot charge or transfer expenditure to these budget headings (see section 4.4).

Expenditure incurred on a specific research project in excess of the available budget should be charged in the General Ledger at the end of the award. Please see Sections 3.9.4 and 6.7 for more details.

5.2.1 Moving Expenditure

If expenditure processed through AP has been charged in error to a grant and needs to be transferred this must be done in AP, mirroring the original transaction. This ensures that VAT is correctly treated and a correct audit trail is maintained.

Detailed UFS procedures are available at
http://ufs.admin.cam.ac.uk/r12reference/gms/gms_adjexpap.pdf

5.3 Staff costs

Staff costs are imported into the Grants module monthly. Where staff costs have been incorrectly coded they can be transferred using the *Tools/Transfer* function in the *Expenditure Enquiry* screen. Costs which fail validation will go to departmental suspense accounts. Please see section 5.8. Please inform HR of any amendments so any errors do not recur in subsequent months.

5.4 Equipment Purchase

The University Procurement Procedures must be followed for the purchase of all items of equipment and the 'Track as Asset' box in AP checked for all purchases over £5,000 (including non-recoverable VAT).

**Details of the University's Procurement Procedures can be found at
<http://www.admin.cam.ac.uk/offices/purchasing/guides/>**

There may be additional conditions detailed in the contract or award letter regarding the purchase of large pieces of equipment, such as a specified time period for the purchase and/or copy invoices to be supplied to the sponsor.

If a sponsor's terms and conditions of funding specify a more stringent procurement procedure than the University's procurement procedures, then the sponsor's procedures usually take precedent. Please contact your Research Support Advisor/Administrator (RSA) from your School Team in the Research Operation Office if you require clarification on the sponsor's terms and conditions.

The budget may also be ring fenced and sponsor permission required before an unspent equipment budget can be used for another purpose. When the award has finished ownership of the equipment may be specified in the contract or award letter, otherwise it will belong to the department.

It is important to check sponsor terms & conditions over the level of expenditure which can be charged to grants e.g. on a 2 year award some sponsors may only allow the university to claim 2 years' depreciation. If an asset is depreciated over 4 years, the sponsor will therefore only fund half the asset. Please contact ROO for advice.

5.5 Posting petty cash

Disbursements from petty cash can be charged to a research grant. There is a limit of £25 per item and all petty cash expenditure should be supported by a receipt. There are specific procedures for petty cash to be charged to a grant; the code for the credit side of the transaction to the GL to be used in the flex field is xxAA/AAAA/EZZH, where 'xx' is your department code.

Petty cash UFS procedures and forms can be found at
http://ufs.admin.cam.ac.uk/r12reference/gms/gms_ptycsh.pdf

5.6 Posting a refund to a grant

Departments must not transfer funds into a research grant or directly code income from a sponsor to a grant code. Collecting monies due from sponsors is undertaken by the Credit Control team in Research Accounting.

However, there may be occasions when a miscellaneous receipt needs to be coded to a grant, eg. if a supplier is overpaid and they reimburse via a cheque rather than a credit note; or if an expenses advance is raised which is no longer required which results in a refund.

It is not possible to code a miscellaneous receipt directly to a grant in the AR module, so departments must post the receipt to a GL code, using either the transaction code ETZZ for reimbursement of an expenses advance or EXZZ for any other purpose. The receipt can then be journalled to the grant using the same transaction code (either ETZZ or EXZZ) in the grants journal.

CUFS procedures for journals can be found at
http://ufs.admin.cam.ac.uk/r12reference/gms/gms_pstrfnd.pdf

5.7 Month end tasks

The following tasks should be undertaken monthly to ensure that expenditure posted and subsequently claimed from the sponsor is correct.

- Review expenditure posted to your department suspense grants and re-post expenditures to clear the department suspense grant to zero.
- Review and clear funds check failures and other exceptions.
- Check for un-posted pre-approved batches (grants journals).
- Correct any VAT errors as advised by the Tax Section, within the Finance Division.
- Run the 'Projects by Organisation by PI' report
- Check the status of all grants and take action to correct erroneous items/resolve overspends and under spends. A copy of the relevant sheet from the 'Projects by Organisation by PI' report should be given to each PI for review.
- Run a GL Accounts Analysis Report on the departmental research cost centre, the ED source of funds, and transaction code LZEG for excess income or AZZN/EZZN for excess expenditure.

Detailed UFS procedures on all of these tasks can be found at
http://ufs.admin.cam.ac.uk/r12reference/gms/gms_me_dept.pdf

5.8 Clearing the suspense grant

Each department has a suspense project and award with the format RG00000 (dept cost centre) for the award code and dept cost centre/000 for the project code.

Eg. RG00000 (EWAG) EWAG/000

The suspense account is used for posting expenditures which fail the validation process on import into grants e.g. staff costs where award and project numbers do not match with the set up on the grants module; this prevents posting to the intended project and award. Most of the items in the suspense account relate to staff costs. Using either the Tools/Transfer function or grants journals departments are required to clear the suspense project to leave a zero balance for month end.

Use of the Tools/Transfer function means that once the items are matched they will not appear on the expenditure enquiry screen when the 'Exclude Net Zero Items' box is ticked, making identification of unmatched transactions easier. Selecting the GL period from the start of the financial year is, in most cases, sufficient to identify the individual transactions which make up the suspense account balance.

Any balance remaining on departmental suspense accounts at half year and year-end may be posted to a general ledger account.

5.9 Monitoring Grants

All departments have the access and ability to run Cognos reports and reports within the UFS Grants module enabling them to view the latest financial position on their grants. These reports can be run for an individual grant or a range of grants and can be used to check expenditure charged to a grant per expenditure category, commitments against a grant and funds available.

If your department has arranged for you to have access to Cognos and/or UFS, you will be able to do this yourself at any time. If not, please contact your School Team in the Research Operations Office for assistance

5.9.1 Cognos reports

As a minimum Departments should ensure that they run and review the '*Projects by Organisation by PI*' report as part of their month end procedures. Awards owned by a different department will be included on the relevant PI summary.

5.9.2 UFS Reports

Individual '*Award Status*' or '*Project Status*' reports for award or project may also be run as required.

Please see the departmental guide to reporting for further details at <http://ufs.admin.cam.ac.uk/r12reference/grants.html>

5.10 Sponsor Audits

Any external audit requirements will be included in the terms and conditions of each award. External audits will be arranged by the Research Operations Office and auditors may need to visit departments to check invoices and payroll information. The Research Operations Office will contact departments to arrange these visits.

Our most common grant audits are for EC-funded grants, Technology Strategy Board, Research Councils, National Institute for Health (US) and some major UK charities e.g. Wellcome Trust, Cancer Research UK.

See the Research Operations Office EU website for further details

<http://www.research-operations.admin.cam.ac.uk/managing-research-projects/audit-requirements-0>

6. Invoicing and Income

6.1 Invoicing to sponsors

We usually recover expenditure through invoicing or an expenditure claim. Most sponsors' billing is generated through the Grants module; this means that there is data available to departments on the amount billed per grant.

The Research Operations Office may request further information from departments to enable them to recover costs from sponsors, such as copy invoices or clarification of expenditure. In most cases departments will be notified when processing invoices that ROO require copies of these invoices for audit purposes.

Departments must inform their Research Support Advisor/Administrator from their Research Office Operations School Team of any potential delays when an interim or final research report is required by the Principal Investigator before an invoice can be sent to the sponsor.

All cheques relating to a research grant must come through the Research Operations Office. Departments must not bank cheques received from sponsors or code any other income directly to a research grant.

6.2 Credit control

6.2.1 Credit checks

The Credit Control Team within Research Accounting credit-check all new sponsors for credit worthiness where possible. Existing sponsors are monitored regularly. If a contract negotiation is being entered into Credit Control should be contacted as early as possible in the process so they can advise on payment terms for that sponsor.

6.2.2 Bad debt provision

Overdue invoices are followed up on a priority basis. A general bad debt provision is posted into departments accounts as follows.

When selected debts are...	Provision based on the invoice value
91 days old	25%
181 - 360 days old	50%
over 361 days old	100%

There is also a specific provision which is used to provide 100% of the value of the invoice regardless of its age; this is for cases where we have doubts about the recoverability of that particular debt.

Each month the prior month's provision is reversed, the latest month's is calculated and posted into:

- the departmental research cost centre,
- source of funds EDAZ,
- transaction code FJNC.

6.2.3 Notification

Departments will be contacted via the ROO at the earliest opportunity to discuss any defaults in payments from sponsors. If you become aware of any issues which may affect payment of an invoice please contact Credit Control immediately.

6.2.4 Bad debts

Bad debts and any legal costs of debt recovery are the responsibility of the department.

Contact: fincreditcontrol@admin.cam.ac.uk

6.3 Starting Certificates

6.3.1 Time limits

Submission of Starting Certificates provides official notification to the sponsor of the start date. Not all sponsors require starting certificates. Each of the relevant sponsors has its own time limits within which the grant must be started. These are as follows.

Within 3 months of the award letter or announced start date	All Research Councils
Within 12 months of the award letter date	Wellcome Trust

Departments are responsible for the submission of starting certificates within the specified time frame outlined by the sponsor.

It is important to note that these sponsors may withdraw an award if the Starting Certificate is submitted late.

6.3.2 Administration

The Research Operations Office will send the starting certificate to the departmental administrator as soon as the award letter is received and the grant has been activated. The department is advised to fill in the certificate at the same time as completing the HR / Payroll forms and then send the certificate off when the staff member starts. A copy of the certificate must be sent to The Research Operations Office in order for the start and end dates to be amended on CUFS.

6.3.3 Where time limits cannot be met

If these rules cannot be adhered to for any reason, the Department/Principal Investigator should contact the sponsor immediately to ask if the start date can be delayed. In this instance please copy any relevant documents to your Research Support Advisor/Administrator to help mitigate the risk of the grant being withdrawn.

The University will not be able to provide any financial assistance to departments if contracts of employment have been issued against a grant that has been withdrawn.

If there are any significant changes to the staff employed on a Research Council grant such as maternity leave/sick leave or a change to the Principal Investigator the sponsor needs to be informed. Departments can either do that themselves and copy in the Research Operations Office or contact their Research Support Advisor/Administrator in their Research Operations Office School Team who will inform the sponsor.

6.4 Scientific reports

Some research sponsors, eg. Research Councils and the EC, may require a Principal Investigator to submit an interim or final scientific report. These are also known as Individual Grant Reviews (IGR).

If these are not submitted to the sponsor within the specified time limit (to be confirmed by the sponsor) they may disallow claims and issue financial sanctions to the University. Financial sanctions of this nature will be applied and charged to the grant-holding department. For a short delay, a 20% sanction is usually applied but the Research Councils reserve the right to increase this sanction.

It is the Department's responsibility to ensure that deadlines for any scientific reports are met, so that the University's expenditure can be promptly recovered.

If these deadlines cannot be met, for any reason, the Department/Principal Investigator should contact the sponsor immediately to ask if a time extension can be granted and inform the RSA in their Research Operations Office School Team.

6.5 Exchange rates

Awards payable in US Dollars, Euros or other foreign currencies will be budgeted in sterling. The foreign currency policy is detailed in section 3.6.

Awards denominated in Euros or US dollars are budgeted using a lifetime rate. For other currencies, please contact your RSA in your School Team in the Research Operations Office.

More information on the University's Foreign Exchange Policy is at

<http://staging.finance.internal.admin.cam.ac.uk/policy-and-procedures/foreign-exchange-fx-management-research-policy>

6.6 When an Award finishes

When a research grant comes to an end the Research Operations Office will perform

a number of administrative processes and then close the grant. This may take up to six months, depending on the sponsor and their payment terms. Awards from The European Commission (EC) may take significantly longer to close due to the administrative processes within the EC before making the final payment.

As an example:

- *Grant end date: 31 March 2018*
- *Final statement sent within three months: 30 June 2018*
- *Final payment received within three months: 30 September 2018*

6.6.1 Final statements

For the final statement the grant is checked by the Research Operations Office to ensure there are no outstanding commitments or payments and the department will be contacted by their RSA in the Research Operations Office to confirm that everything has been processed and spent according to the sponsor's terms and conditions. If there are overheads or non-direct costs the values posted are also checked and corrected if necessary. When the final statement or invoice is sent to the sponsor the status of the grant will be changed on UFS. The project will be changed from Active to "Pending close" and the award to "On hold".

6.6.2 Grant closure

After the final payment is received, the grant will be closed. As part of the closing grants process a final reconciliation is completed for each grant, to determine whether an under- or over-spend has occurred. The status of the award and project will both be changed to "Closed" in the Grants module.

Any under- and over-spends will be transferred to the Department's relevant account in the GL unless the funds need to be returned to the sponsor.

an underspend (excess income)	cash received in excess of expenditure.
an overspend (excess expenditure)	expenditure in excess of cash received.

More information on closing grants can be found at

<http://www.research-operations.admin.cam.ac.uk/managing-research-projects/research-projects-start-end/closing-award>

6.7 Excess income and excess expenditure

Following instruction from ROO, Research Accounting transfer any excess income or

excess expenditure (ie. overspend) to the departmental research cost centre, with the ED source of funds, and a transaction code LZEG for excess income or AZZN/EZZN for excess expenditure.

Adjustments are not made to the Grants Module for under and overspends.

For example, if an award is under-spent the Award Status report will continue to show an under-spend after the transfer of excess income is made in the GL.

The Award number, project and Principal Investigator name are quoted in the details of the journal. Departments are advised to run a GL *Account Analysis* report at month end for information of balances transferred as individual notification emails are not sent by the Research Operations Office.

6.8 Project Evaluation

Once the project has ended departments may wish to compare the actual costs incurred against the original application. This will identify any deficiencies in the costing or planning of the research and improve future applications for that sponsor. Departments may wish to pay attention to:

- under or overspends
- expenditure, if any, which could not be claimed from the sponsor
- budget virements.

7. Additional Support and Help

7.1 Research Grants Support

Further information regarding how to use the Grants Module can be found on the CUFS web page, Research Grants section

<http://ufs.admin.cam.ac.uk/r12reference/grants.html>

Your initial source of support should be your Research Support Advisor/Administrator (RSA) in the Research Operations Office. Each Department has a dedicated RSA.

Before you make contact, please make a note of:

- error messages you have received (screen shot if possible please)
- which screen you are using
- Award and Project number
- Expenditure Type
- any other relevant points

School Team contacts in the Research Operations Office for individual departments can be found at

<https://researchportal.admin.cam.ac.uk/Raven/contacts/Default.aspx>

7.2 UFS Grants Module Training

Regular courses are provided for new users of the Grants module and for those involved in research grant management/administration.

Grants part 1: Introduction to Grants (Web-based)

A short on-line course that provides a basic introduction to the key features of research grants and how they are managed in the University.

Grants part 2: COGNOS Reporting

This course provides an overview of the Cognos reports available to departments to manage grants.

Grants part 3: Your Grant in UFS

This course provides an overview of the Grants module in UFS. The course will cover how you can view your projects and awards, check budgets, perform on-line queries and run some reports in UFS.

Grants part 4: Grants Administration in UFS

This course covers the day to day and month end transactions that need to be completed using a variety of approaches in UFS relating to Grants.

Full course descriptions and dates are available on the University Training Booking System searching for 'grants'
<http://www.training.cam.ac.uk/>