



The  
University  
Of  
Sheffield.

## Department of Finance Advice note for Departments

### Guidance on ... use of remaining budgets available on externally funded Research Grants and Contracts

#### Introduction

This guidance note has been written to provide clarity for Principal Investigators and those staff managing externally funded research projects on the use of budgets remaining on these accounts for such Directly Incurred costs as General Consumables and Services. An example of Services costs would be the use of the Biological Services facility.

Whilst it is recognised that when applying for external research funding it is not always possible to gauge exactly how much will be required for this type of Directly Incurred budget, it is in the months/weeks before the project end date that confusion can arise about the legitimate use of any budget remaining. There are some aspects of the guidance that are then specific to the type of sponsor who has provided the funds (and this is covered below) however two overarching principles will always apply to how any unspent DI budget for Consumables or Services cannot be used.

#### Overarching Principles

##### **Time period**

Unless there is an official extension agreed by the sponsor to the time period in which the research project is to be undertaken, no element of the unused budget can be used to support costs that will be incurred beyond the end date i.e. in a period after the particular project has finished. If there are any doubts about the official project end date, PIs and other staff should contact the [Research Finance team](#).

Examples of inappropriate uses of a sum of remaining budget would then be:

- 1) to make a journal transfer to charge the project with a sum to make it appear as if costs had been incurred whereas the credit was then to be used to fund future costs
- 2) to request that a Service provider make such a charge to the research project and then effectively hold the sum as a credit to support future service costs to be provided .ie as if to be banking a credit to be "called off" to support further research work after the project has finished.

##### **Expenditure relating to the award/project**

No element of unused budget can be used to support costs that don't specifically relate to the project that has been funded. Even if there is a programme of related research that is operating in the same time frame as the research account in question, it is not appropriate to make a charge to an unused budget of any costs that the sponsor has not specifically funded.

An example of inappropriate use would then be:-

- 1) to make a journal transfer to charge the project with a sum to make it appear as if expenditure has been incurred in relation to a particular sponsor's award whereas the costs have either not yet been incurred or were charged to another account in the first place. (In the latter case, this type of transfer could be valid if there is supporting evidence to show this is a genuine correction of coding of a number of existing expenditure items rather than a specific sum moved purely in order to consume an available budget)

### **Sponsor Specific Comments – Charities, Research Councils and European Community**

Research awards funded by the above sponsors are governed by their specific terms and conditions and these will always include reference to expenditure only being reimbursed to the University if it complies with their T&Cs. These sponsors' terms always include the fact that expenditure must be within the specified grant period and also directly relate to the project in question. Further T&Cs will cover what type of expenditure is eligible against any particular budget heading.

In these cases, when all cost statements have been submitted or invoices have been raised to the sponsor, the University should only receive total project income in line with its eligible expenditure and this is not necessarily the full award value that is quoted in the original letter/contract. If we underspend against a Directly Incurred budget the sponsor will legitimately expect that the University shall only claim the correct level of expenditure incurred. It is acceptable for the University in these circumstances not to claim the full project budget and there is no expectation for PIs to manipulate the project expenditure to avoid funds being either "returned to the sponsor" or the total of our claims/invoices to them being less than the awarded project budget.

This type of sponsor will have in place audit procedures to ensure that the funds they provide to the University are being deployed correctly and within their Terms and Conditions. PIs or research account administrators who attempt to put in place inappropriate mechanisms or transfers to "use up" project budgets then risk their, their Department's and ultimately the University's reputation with that sponsor. There is a genuine risk that future research funding would not then be forthcoming from that sponsor if they have reason to doubt the legitimacy of how we charge expenditure to their projects.

### **Sponsor Specific Comments – Commercially funded, fixed price contracts**

When prices are set for commercially funded research, the sponsor should not be made aware of the breakdown between Directly Incurred and Indirect costs. As such, so long as we deliver the required research outputs, within the project deliverable timescales and within any contract terms, the issues in relation to expenditure against unused DI budgets are very different to that when the funding is from another sponsor such as a Research Council.

This type of research account should however still only record expenditure in the appropriate time period for the project and also that actually relates to the specific project deliverables. These accounts cannot be left open for months beyond the originally envisaged project period simply in order to use up residual DI budgets. This not only overstates the cost of the actual research, it also indicates in the University's overall accounts that our research takes longer to complete than it really has done.

If a commercially funded, fixed price research project has finished (ie reached its end date) then it is closed by a set mechanism to debit the project to clear it to £0 (assuming all overhead contributions have been made) and then there is a budget supplement input to a cost centre code that the Researcher's Department nominate. This results in a budget available to the PI in a departmental cost centre and any expenditure is recorded here.