

Full cost at Leiden University

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Agenda

- Project goal
- Conditions
- Definitions
- Project budget model
- Implementation
- Communication
- Conclusion

Project goal (2006)

Within 2 year scientific staff of Leiden University uses full cost rates for their two main activities: research and education.

The full cost rates reflect cost in a transparant way.

The full cost rates are in accordance with general economic principles and are in accordance with the requirements of our

certifying auditor. The full cost rates can be used for projects (dutch government organisations, EU KP7, etc.).

The full cost system is part of the standard financial management tools and basis for the making of decisions.

Conditions

- Transparant model
- Find balance between straightforwardness and accuracy
- Based on what is (already) available
- Based on general (local) accounting
- Instructions on working for or with external parties
- Part of planning & control cycle

Definitions (1)

Full costs of a project =

\sum (hours Scientific Staff * full cost rate per hour)

+ out of pocket costs (direct costs)



Definitions (2)

hours:

workable hours per year * (1- % illness) * (1- % staff meetings)

full cost rate per hour:

Gross salary cost rate per hour + indirect cost rate per hour

out of pocket costs (direct costs):

costs made specially for the project

(costs you would not make if you did not have the project)

Gross salary cost per hour

Excel



Indirect cost rate per hour

- Outcome of a (simplified/full cost) model
- Dependant on faculty, not on salary category
(4 faculties so 4 categories for indirect cost rates)
- Several components

Excel



Project budget model

Excel



Implementation

- Support of board of directors essential
- Participation of the departments essential
- Based on existing accounting practice
- Some assumptions necessary (most important assumption: estimation education time / research time scientific staff)
- learning by doing
- Auditor involved in the proces

Communication

- Consistent message to departments
- Instructions on working for or with external parties
- Intervention in culture
- Communication of rates very important
- Training courses (controllers, project leaders, scientists)

Conclusion

- Implementation takes about 2 years
- Keep it simple
- Important to base on general (local) account practice
- Integration in planning & control cycle
- Direct/Indirect costs
- Model Leiden University: average rate indirect costs 60%
- 60%, but excluding: interest costs, tax (VAT), cost of capital
- Decision making: compare rates different departments, best practice