

Costing and Pricing Policy for Externally Funded Activity

Document Title: Costing and Pricing Policy for Externally Funded Activity			
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Superseded version	N/A	Author Role Title	Head of Strategic Funding; Research Systems & Data Manager
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1. Introduction

The development and delivery of research, knowledge exchange and other activities plays a key role in supporting the University's vision, mission statement and values.¹

Securing external funding to support these activities is an important part of overall income generation and helps to ensure the financial sustainability of the University. Where funding includes a contribution to indirect costs and/or estates costs², this income also supports additional research and knowledge exchange activities within Schools.

The University has set targets to increase its research income, including income generated as a result of collaborations with and the provision of services to external organisations. This in turn supports the development of long-standing and mutually beneficial partnerships.

The University also supports applications to grant giving bodies, such as UK Research and Innovation. These organisations allocate income based on the quality of the proposed work, and not on the amount of funding requested (unless a maximum amount is permitted within the funding guidance) or the level of indirect and estate costs included within a project budget.

2. Purpose of the Policy

This policy sets out Teesside University's approach to costing and pricing externally funded activity. This includes research, consultancy and continuing professional development (CPD) carried out on the University's behalf.

3. Scope

The policy applies to all Teesside University staff and students who are involved in securing external income to support University activities, or the delivery of these activities.

4. Policy Statement

4.1 Principles

This policy is based on the following principles:

- The University must cost all activity appropriately in accordance with its charitable status
- The University should cost in accordance with the requirements or expectations of funding bodies and other external organisations

¹ [Mission and values | About us | Teesside University](#)

² Defined at [3.1.11 Estates and indirect costs – UKRI](#)

- The annual Transparent Approach to Costing (TRAC) Return submitted to the Office for Students (OfS) confirms the extent to which the University covers its costs when delivering externally funded activity. This is benchmarked by the OfS against our peers
- Indirect costs and estate costs make a significant contribution to the sustainability of the University's research base, and should be maximised where possible

Discussions with DAE or RIS regarding externally funded activity should take place at the earliest opportunity. Project leads must not directly negotiate price with an external organisation without first seeking input from DAE or RIS.

All activities must follow the University's financial regulations³ (see sections 26 and 27) and be authorised prior to submission.

Further information on the support available from RIS and DAE is available at [Research Funding Team | Research | Teesside University](#) and [DAE Funding Support \(tees.ac.uk\)](#).

4.2 The difference between cost and price

The cost of any activity refers to its full economic cost (FEC). The University is required to cost on the basis of FEC, as this reflects the total cost of any activity delivered. Price refers to the amount which a funding body or external organisation pays for the activity.

Many funders and external organisations routinely meet the FEC of a project, or in the case of grant giving bodies a fixed proportion of the FEC.

FEC is used to establish a market rate for commercial services, including contract research. In some instances, the University can add value over and above FEC, for example by providing specialist knowledge or access to specialist facilities. In these instances, activity should be costed at a level exceeding FEC.

4.3 Charitable status

The University was established through an Act of Parliament as a charity exempt from registration, and operates on the principle that it works for the public good. Where it engages in activities supported through the Government's dual funding mechanism (i.e. 'pure' research and education), the University is considered to be acting in the public interest.

Where it engages in activities which may benefit other organisations commercially, or which may compete with other organisations operating in the marketplace, the University must ensure that it does not breach state aid or subsidy control regulations⁴. This means that the University must not confer an unfair competitive advantage on another organisation or seek to obtain a commercial advantage by discounting its services.

³ Available at [University Regulation Repository - Financial Regulations \(tees.ac.uk\)](#)

⁴ [Guidance on the UK's international subsidy control commitments - GOV.UK \(www.gov.uk\)](#)

4.4 Types of Activity

The following table shows the costing methodology which is used for each type of activity covered by this policy.

Where the costing methodology is determined by a grant giving body, this methodology should be considered non-negotiable. These funders do not accept, and the University will not put forward, costs at a lower level of FEC recovery.

Any proposed deviations from the relevant methodology as set out below must be approved by the Project Governance Group. Approval will only be given in exceptional circumstances. The group comprises representatives of the Department of Academic Enterprise, Research and Innovation Services, Finance and Commercial Development, and Legal and Governance Services.

If a deviation is approved, this will be made clear as part of the wider authorisation process as set out in the University's financial regulations.⁵

Activity type	Description	Costing methodology
Pure research	Basic or applied research involving applicants only from TU or other universities	Determined by the funder, usually a set percentage of FEC or the recovery of certain types of cost
Contract research	Research carried out for the benefit of an external partner, who retains ownership of all new intellectual property created	At least 100% FEC, with an additional uplift. The uplift should be at least 5% of FEC, with 20% as a recommended average. The final price is determined by the market, so the uplift could be considerably higher in some circumstances
Collaborative research	Basic, applied or experimental research in collaboration with non-academic partners, leading to the generation of research outputs. Ownership of resulting intellectual property is set out in a collaboration agreement	Determined by the funder

⁵ Available at [University Regulation Repository - Financial Regulations \(tees.ac.uk\)](https://www.tees.ac.uk/University-Regulation-Repository/Financial-Regulations)

Activity type	Description	Costing methodology
Consultancy	Delivered using existing knowledge or expertise for the benefit of an external partner or client. Essentially a commercial arrangement; clients would ordinarily expect to own any resulting intellectual property	At least 100% FEC, with an additional uplift. The uplift should be at least 5% of FEC, with 20% as a recommended average. The final price is determined by the market, so the uplift could be considerably higher in some circumstances
CPD	Non-accredited training and courses intended to disseminate knowledge to professionals in order to refresh or update skills based on developments in their field.	At least 100% FEC, with an additional uplift. The uplift should be at least 5% of FEC, with 20% as a recommended average. The final price is determined by the market, so the uplift could be considerably higher in some circumstances

The process chart in Appendix 1 below clarifies the difference between these types of activity.

5. Roles & Responsibilities

Staff who are leading the activity (including principal investigators, project or programme directors and/or managers, and project leads) are responsible for ensuring that the cost and price of the activity adheres to this policy.

Funding teams in RIS and DAE are responsible for:

- providing advice and guidance on the cost and price of activities
- supporting and in some cases leading discussions on costing and pricing with external organisations
- working with activity leads and Schools to seek approval from the Project Governance Group as detailed in section 4.4

The Project Governance Group is responsible for considering any requests for proposed deviations from the methodologies described in section 4.4, and for monitoring compliance with this policy.

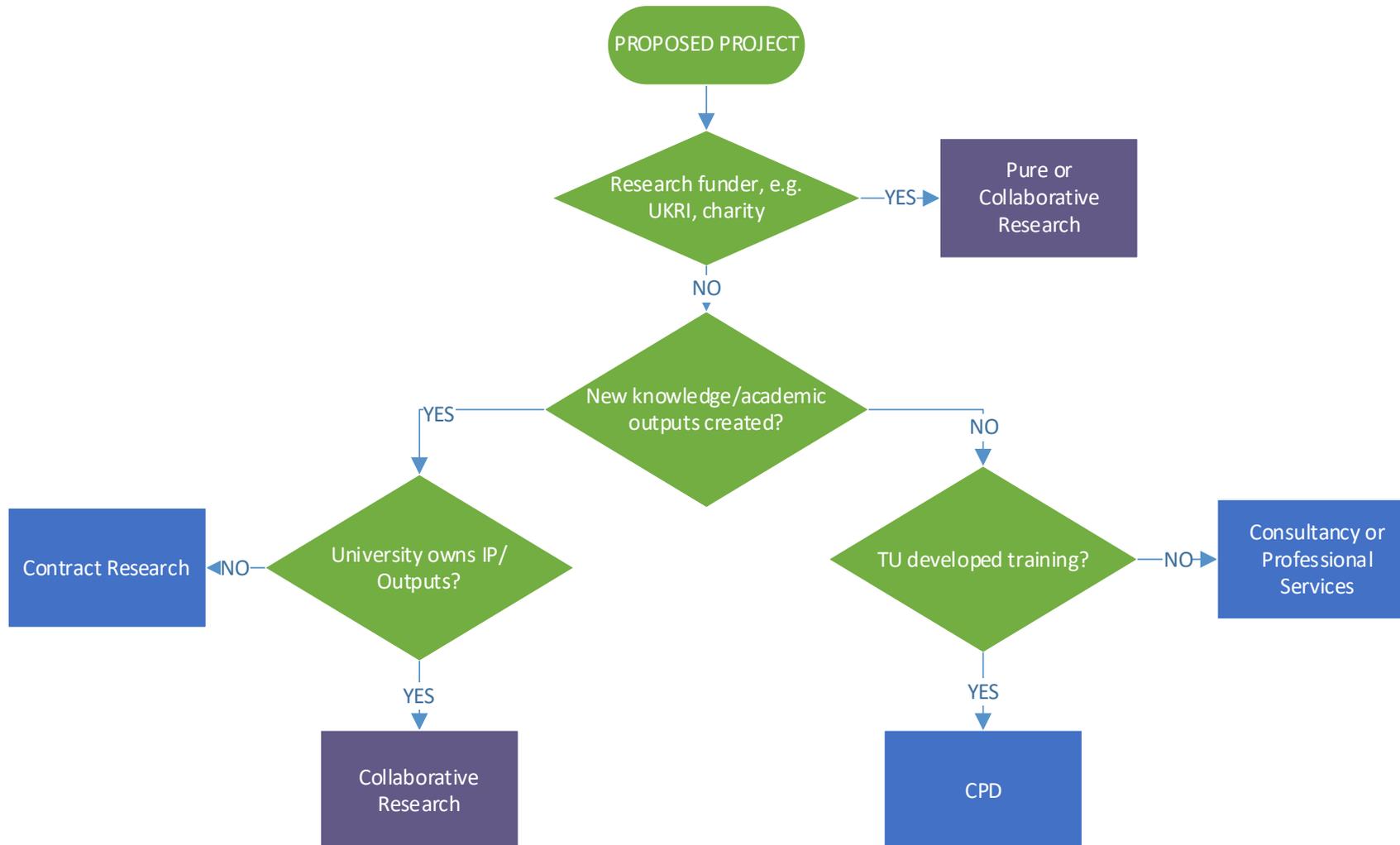
6. Dissemination and Communication Plan

This policy will be disseminated to all staff via MyCompliance. RIS and DAE will communicate the policy, including at research centre and/or department meetings within Schools as required.

Discussion of the policy will also form part of regular sessions within RIS and DAE research and enterprise training programmes. These sessions cover: sourcing and applying for funding; developing commercial bids and tenders; and project management and delivery skills.

RIS and DAE funding teams will refer to the policy when working with staff on the development of externally funded activities, including to prepare costings and budgets, and to support discussions with external organisations as required.

7. Appendix 1: Process chart





Equality and Prevent Impact Assessment (V1.2)

Proposal Title	Costing and Pricing Policy for Externally Funded Activity	Key aims & purpose	To set out the University's approach to costing and pricing externally funded activity, including research, consultancy and CPD
Contact name & details of Policy Owner/Sponsor	Name: Steph Bales	Assessment date:	
	Phone:		
	Email: s.bales@tees.ac.uk		

To comply with the Equality Act 2010 we are required to consider the possible consequences of decisions the University makes on people from different groups. For more information about the Equality Act follow this link:
<http://www.ecu.ac.uk/wp-content/uploads/external/psed-specific-duties-for-england-sept11.pdf>

		Yes	No	Notes
1.	Is it a major policy, significantly affecting how functions are delivered?		X	
.	Is it likely that this proposal will disproportionately affect people who have protected characteristics (<i>age, disability, gender reassignment, religion and belief, race, sex, sexual orientation, pregnancy and maternity and marriage and civil partnership</i>) who are employees, students, service users or other stakeholders, or the wider community?		X	
	Have there been any reported issues or complaints about this policy in relation to any particular protected characteristics?		X	
2.	Could this proposal support the university to meet the following three requirements of the Public Sector Equality Duty?			
	a) Does it support the University to... <i>eliminate discrimination, harassment, victimisation and any other conduct that is prohibited under the Equality Act 2010?</i>	X		The policy formalises required costing methodology so removes any ambiguity and pressure staff may feel to 'discount' activities

	b) Does it enable the University to... <i>advance equality of opportunity between different groups of people?</i>	X		Seeks to ensure that all staff are aware of appropriate costing methodologies and support mechanisms
	c) Does it help the University to... <i>foster good relations between different groups of people?</i>	X		Sets out a standard approach to costing activities across the University and with external partners

To comply with the Counter-Terrorism and Security Act 2015 Universities are under a legal duty to prevent people from being drawn into terrorism ("Prevent"). For further information about the duty follow this link:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/445916/Prevent_Duty_Guidance_For_Higher_Education_England_Wales.pdf

		Yes	No	Notes
3.	Could this proposal contain or increase risks that people may be drawn into terrorism?		X	
	Could the proposal have any other impact on the University's ability to comply with its duty under Prevent to have due regard to the need to prevent people from being drawn into terrorism?		X	
	Is a separate risk assessment required?		X	
	Is the proposal likely to contain any Safeguarding implications that could result or be impacted by the proposal?		X	
	Is a separate risk assessment required?		X	

