

THE UNIVERSITY OF NEWCASTLE UPON TYNE

PRICING POLICY AND STRATEGY FOR RESEARCH, CONSULTANCY AND OTHER SERVICES RENDERED.

Introduction

In 2013 the University finished implementing 'full economic costing' (fEC) across its research and teaching activities. This policy is not intended as a detailed project by project pricing guide, rather it lays down a series of general principles which should guide pricing decisions but which allow Heads of Unit, Principal Research and teams within Research & Enterprise Services (RES) freedom of action to remain competitive and further the University's broader aims.

Principles

1) Continuous improvement at Unit level.

We recognise that the University works in a competitive environment and that no organisation can unilaterally increase its prices without having a, possibly considerable, effect on its market share.

Whilst fEC is still relatively novel, a key principle for the University is one of continuous improvement i.e. where full cost recovery is not possible then we should seek to improve it year on year / project on project. This should be in both absolute cash terms and in relative terms (i.e. indirect costs as a proportion of direct costs). This will be monitored through the budgeting process.

2) MyProjects / MyProjects Proposals

All externally funded projects need to be costed on a basis consistent with full economic costing (fEC) through the MyProjects systems. The only exceptions to this are;

1. Vacation studentships with an award value of less than £5000. In this case a signed off MyProjects Proposals record is necessary only at award stage rather than application stage.
2. Strategic projects. For example third strand activities which enhance the reputation, capability or which otherwise forward the goals of the institution.
3. Non resource intensive projects with a costed on a day rate basis well in excess of fEC.

In these exceptional circumstances then projects can progress without fEC at application stage subject to approval by the Director of Research & Enterprise Services and the relevant Head of Academic Unit. In all cases the price secured at award should be noted against the fEC within the MyProjects record. These projects will be reviewed on a six monthly basis by the Transparency Review Additional Costs (TRAC) Steering Group.

3) Presentation of price

Funders have different requirements as to how they receive costs information. The way in which the university provides information should be governed by the following.

1. The presentation of cost information should be provided to a sponsor in the most effective manner to secure the highest level of cost recovery possible.
2. The breakdown of costs should only be provided where appropriate i.e. it is inappropriate to give detailed cost breakdowns on consultancy projects funded on a payment by delivery basis).

3. Price presentation should be reviewed by RES before submission to funder.

4) Discussions with funders on price

There are instances where principal investigators (PIs) discuss price with the funder without consultation with RES and even before a fEC is completed. This can severely undermine the negotiating position of the University and impede the ability of the University to fully recover its costs.

Before any discussion of price with the funder, the PI must contact RES. RES will assist the PI in assessing the fEC cost and in ensuring the most effective contractual terms and conditions are in place. PIs can discuss the cost of a project with a funder where it is unlikely to be undertaken on a fEC recovery basis or where this is an established national protocol for costing and pricing (e.g. Research Councils) if they have the approval of RES and the Head of Academic unit. Under no circumstances should a contract be accepted without the approval of RES.

Where a group or unit within the University is seeking project funding for repetitive projects then consideration will be given by the University through Research & Enterprise Services in consultation with the Deans to agreeing a framework for devolving pricing decisions in specific circumstances.

A series of common pricing templates is held within the MyProjects Proposals system and the Grants & Contracts teams within RES maintain a list of all scheme specific costs.

5) Notification of University contribution

All projects not funded on a fEC basis are effectively subsidised by the University. The University contribution to such projects must be referenced in MyProjects record and in the proposal submitted to the funder. Wherever possible there should be recognition by the funder of the scale of the University's contribution.

6) Projects involving different (Newcastle) units

All 'units' should recognise they are part of a wider University and there should be openness and transparency between them in terms of the cost of operation. The lead unit should seek to recover (where possible) the costs of other 'units' within the University.

7) Projects involving other project partners (e.g. NHS Trusts)

Where it is working with other partners the University should be cognisant of the external partners costs and should seek (where possible) to recover those costs from funders where the University is leading the negotiation. Likewise the University expects its partners to act in a similar manner with regard to its costs.

8) Consistency

No unit within the University can set a price for a project which undercuts a pricing strategy already agreed elsewhere within the University with a particular funder for a particular type of project. For example, if an indirect cost rate has already been agreed with a funder for research, then no other project with that funder can undercut the previously agreed University rate.

9) Indirect cost recovery rates with Government funders for research

The treasury has instructed all governments departments to pay fEC, except where the Government has determined that a department can pay the same rate as the Research Councils. Currently this applies only to NHS funding, see 11.

10) Research Council projects

All research council projects will be priced at 80% of fEC.

11) NHS Research and Development projects

All NHS R&D projects will be priced at 80% of fEC as agreed as part of national policy (NB this refers to specific NHS projects not those funded by the Department of Health).

12) European Commission projects under Horizon 2020

European Commission Projects are not currently funded at fEC. They are instead funded at 100% of direct costs and 25% of indirect costs. Detailed advice on pricing for these projects can be obtained from the EU Office.

13) Charity funded research projects

These will be priced on a marginal cost basis. Heads of School should be satisfied that the specific research activity could not be funded effectively by any other funder which would pay a higher level of recovery and that the project is wholly in line with School, Institute and Faculty research strategy.

14) Consultancy and Commercial services

These activities should be undertaken on a cost plus basis. Only in exceptional circumstances should a project be undertaken at less than fEC. The decision relating to undertaking work at less than fEC will be made at Unit, and where appropriate Faculty level, in consultation with RES. All consultancy and commercial services should be tracked through the relevant Enterprise team section of Research & Enterprise Services. There are a number of activities relating to working with regional businesses where a programme of activity is undertaken as part of the University's social and economic development mission see (15) below.

15) Regional economic development projects (including European Regional Development Fund and European Social Fund).

The University engages in certain activities in order to support cultural, social or regional economic development. Projects in this category which do not recover fEC will continue to be undertaken but will be required to demonstrate their role as part of the University's wider mission and strategy. Such projects must be approved by RES and by Unit / Faculty before progressing.

16) Teaching related projects

Teaching and Continuous Professional Development projects should be costed under fEC. Nonetheless, a number of teaching related projects (e.g. JISC funded) require subsidy from the University and therefore these projects may be accepted in line with University strategy. Such projects will only be accepted where strategic alignment is agreed by the PVC (T&L) and the relevant Dean (or Registrar for those relating to Central Service provision). A contribution from a funder to the development or launching of a new course will be considered under UTLC guidance in the light of the overall business plan for the course.

17) Industrially funded research projects

Projects should, normally, be funded on a fEC basis. There are circumstances where the work to be undertaken can be contributing to a broader strategic goal of the University, or for example may involve the securing of a major new capital facility which can be used for other activity. In such cases the Head of School will have to agree with the relevant Dean the fit between the project and the overall fit with the Schools research strategy and alignment with Faculty and University strategy.

18) Development projects which enhance the commercial value of intellectual property rights and other University assets

Funding secured for such projects is best thought of as part of an investment strategy i.e. that a short-term subsidy from the University may generate a future return from e.g. licensing revenue.

All such activity will be subject to fEC requirements and any subsidy tracked and should be noted, wherever possible, as formal contribution by the University to the project. The potential benefits e.g. a higher level of equity position for the University than would be the case in the absence of such investment should be made clear. Any shortfall must be authorised by the Director of RES and the relevant Head(s) of academic unit.

19) Other projects

Any project funded activity which is not dealt with elsewhere in this policy and procedure e.g. NIH/NSF will be dealt with by RES in consultation with the relevant Deans.

20) Roles and Responsibilities

The TRAC Steering Group shall have monitoring responsibility for overall School, Institute and Faculty performance in implementation of fEC, reporting to Financial Monitoring and Budget Scrutiny Group as appropriate.

Deans of Research will have responsibility for decisions within their Faculty in terms of strategic alignment of projects to overall Faculty Research Strategy and through the University Research Office for alignment with University strategy.

The Deans of Business Development will have responsibility for strategic alignment of commercially funded non-research projects.

Research & Enterprise Services will have responsibility for the agreement and negotiation of project terms in line with University strategy and for effective liaison with the relevant Deans and for pricing decisions in alignment with Faculty based decisions for individual projects in line with the University Pricing Strategy and Policy.

Heads of Schools and Directors of Research Institutes will have responsibility for the overall project portfolio within the School or Institute and for ensuring alignment with School/Institute, Faculty and University strategies for the relevant area.

Approved by RES Executive

Date: 01st June 2006