

COSTING AND PRICING POLICY FOR WORK WITH EXTERNAL ENTITIES

1. Introduction

The University of Aberdeen's innovation strategy focuses on transforming research, ideas, and intellectual property generated within the university into products and services, working as part of the quadruple helix with business, the public sector, and our local communities, with the overall purpose of supporting regional and national economic development. We deliver commercial partnerships through a range of mechanisms, including research contracts, provision of consultancy, and continuing professional development services to external clients. We aim to provide an agile and proactive service to partners and clients to identify and deliver the solution which best meets their need.

To assist in rapid contract management, this policy provides a framework for the costing and pricing of all work done with commercial and other external partners that is not covered by peer-reviewed competitively won research council or major charity funding. The University also aims to use standard contracts wherever possible to facilitate a rapid contracting approach.

This policy applies to all University staff, including Emeritus and Honorary contract holders, who are involved in externally funded research, consultancy, and continuing professional development (CPD) activities.

2. What is Covered by this Policy?

All work funded by external funders which does not fall within the UK government's dual funding mechanism or via major charitable organisations such as Wellcome, and other charities funding research. The policy includes Research (both 'Contract Research' and 'Academic-Initiated Collaborative Research'), Consultancy, Skills Provision and Continuing Professional Development (CPD).

Incentives and personal rewards arising from Consultancy and CPD activity are not covered by this policy.

3. Roles & Responsibilities

The policy is sponsored by the Vice-Principal Regional Engagement and the Chief Financial Officer. The Director of Research & Innovation will have responsibility for implementation.

4. Policy

The policy is designed to provide an overarching framework for the costing and pricing of work done with commercial and other external partners. It has been produced to:

- Provide an overview of the different types of externally funded activity and provide general guidance on categorisation.

- Address specific concerns relating to low levels of cost recovery from commercially-funded research (that are below sector benchmark levels).
- Provide recognition that, for some specific consultancy contracts – for example those with policy-makers and third sector organisations – pricing of individual contracts may need to reflect the ability of customers to pay and the wider demonstrable non-financial benefits to the University of such activities.
- Provide guidance on sharing of cost and pricing information with external parties, and roles and responsibilities relating to price negotiation.
- Provide guidance on the contractual terms and conditions in conjunction with pricing and costing.
- Provide a mechanism for approvals required in presenting quotes to industry and external parties.

The policy will form part of the University’s Financial Regulations.

5. Monitoring & Reporting

The effectiveness of the policy will be monitored and reported to UEIC and SMT and through the University’s MMRs at the frequency noted below.

To be Monitored	Frequency	By Whom	Reporting to
Cost Recovery Percentage on Commercial Research	Quarterly	Research & Innovation	Vice-Principal Regional Engagement
Compliance with Policy	Quarterly	Research & Innovation	Vice-Principal Regional Engagement
Number and Value of Contracts for each activity	Quarterly	Research & Innovation	Vice-Principal Regional Engagement

A process for an EDI Impact Assessment will need to be developed to consider the groups impacted by the policy.

Key Principles

The University of Aberdeen has adopted, in common with other UK universities, the principle of Full Economic Costing (fEC) across all its externally funded work. This recognises the role of universities in doing work for the public good, which might mean engaging with commercial partners who aim to take our research into practice for economic benefit. However, it is important that we do not, whether inadvertently or by design, subsidise private companies by doing work for them below fEC rates. Failure to adhere to these principles could contravene the UK Subsidy Control framework and might ultimately have an impact on the University’s charitable status.

In some circumstances the University adds value over and above fEC: for example, by providing specialist knowledge or access to facilities. This added value should be recognised in the price paid by external partners, which would therefore normally exceed fEC levels.

This policy is not designed to cover standard non-commercial University research (see below), which falls within the UK government's dual funding mechanism (Research Excellence Grant (REG) or Post Graduate Research Grant from Scottish Funding Council, competitively won research council awards, Innovate UK and EU Horizon Programme), Health Departments (CSO, NIHR) or through most charitable foundations (e.g. Wellcome Trust, Leverhulme Trust, British Heart Foundation etc), or where funders have standard costing requirements.

The underlying principle of all of the work we do for and with external parties outside of the categories highlighted above is that it is charged at Full Economic Cost as a minimum and that work for commercial partners is usually charged above this level, so that a surplus on commercial income helps to underpin the general running costs of the University, allowing it to carry out its primary purpose more effectively.

Furthermore, no discussion of price should take place with any external body for the delivery of an activity prior to the establishment of the costs involved. Any such discussions can severely undermine the negotiating position of the University and impede its ability to fully recover its costs. In addition, **sharing of cost information (once determined) with an external entity is forbidden**, as this also undermines the University's position.

Definitions

- **Cost**
The cost of a project is calculated using Full Economic Cost (fEC) principles (see Annex 1 for an explanation) and shows the cost to the University of Aberdeen to undertake the activity.
- **Price**
The price of a project is how much the University of Aberdeen requests from the external funder for that activity.
- **Contract Research**
Research done for the direct benefit of the external partner, i.e. where the partner owns all new Intellectual Property and results generated by such research or where publication rights are restricted.
- **Academic-Initiated Collaborative Research**
Research initiated by an academic, often in discussion with a partner, and the outputs (including Intellectual Property) are owned by the University or a mixture of ownership arrangements, or where the University has full publication rights.
- **Consultancy**
The utilisation of existing knowledge to the benefit of the external partner. Consultancy differs from research in that it involves the application of existing specialist knowledge or expertise to the needs of a client and is not expected to generate new knowledge. As consultancy is essentially a commercial arrangement, the client would ordinarily expect to own the results of the consultancy project, including any intellectual property and often does not allow for publication.
- **Continuing Professional Development (CPD)**
The provision of training or learning activity by which external individuals maintain the knowledge and skills required for their profession/employment, along with provision

of academic conferences, short courses, and networks. Does not usually lead to any University award or course credit.

Policies for all the above categories are outlined in Annex 2, but the key pricing principles are summarised below:

Activity	Pricing Policy (Minimum)
Contract Research	fEC + 20%*
Academic-Initiated Collaborative Research	fEC but attempts should be made to secure a higher rate if possible.
Consultancy (Commercial Partners)	fEC or 130% overheads,
Consultancy (Government, NGOs, Charities, etc.)	Below fEC permitted but expected wider benefits to be documented.
Continuing Professional Development (CPD)	All actual costs to be recovered as a minimum. For commercial clients – fEC +20%

* sub-contracting costs may not include a fEC charge.

Pricing Policy for Research Studentships

Cost	Pricing Policy	Funders applicable to
Student Stipend	UKRI rate for 23/24 is £18,622 per annum. Higher rate can be requested depending upon the funder.	All
Student Fees	Home rate for 23/24 is £4,712. Please see tuition fees website for part time or overseas rates.	All
Research Training Support Grant	Funding to cover direct costs of the research, e.g. lab equipment, consumables, fieldwork, conferences, etc. If not set by funder typically £5,000 per annum for lab-based projects and £750 for non-lab based projects.	All
Contribution to fEC	In the event the funding is provided from a commercial party and where the IP is owned in its entirety by the funder, a contribution to fEC is requested using the following guidance: Lab-based PGR projects 80% of the relevant estates figure and 20% of indirect figure. If office-based:	Commercial Funders

	50% of estates figure and 20% of indirect figure.	
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Annex 1: Full Economic Cost (fEC)

fEC is made up of 3 elements:

- Directly Incurred (DI) Costs
- Directly Allocated (DA) Costs
- Indirect Costs

Directly Incurred (DI) Costs:

DI costs are expenditure that are incurred for a specific project and would not be incurred if the project did not take place. They must be supported by an auditable record. They fit into four categories:

- Staff
- Travel and Subsistence – travel costs directly related to project, including attendance at conferences where such attendance will be of direct benefit to the research.
- Equipment
- Other Costs – including consumables, computing, publication costs, recruitment and advertising costs, etc.

Directly Allocated (DA) Costs:

DA costs are not project specific – they would be incurred whether or not the project takes place. They are estimated at project level. DA costs include:

- Investigator Time
- Pool staff – e.g. technicians, statisticians
- Estates
- Infrastructure Technician

Estates and infrastructure technician are based on a set amount per FTE per annum, as calculated by the Transparent Approach to Costing model and are updated on the 1st February each year.

Indirect Costs:

Indirect costs include non-specific costs charged across all projects based on estimates that are not otherwise included as a DA cost. They include the costs of central administration such as Human Resources, Finance, Library, IT, Research & Innovation and some School-based services. Indirect costs are based on a set amount per FTE per annum, as calculated by the Transparent Approach to Costing model and are updated annually on the 1st February.

Annex 2: Costing & Pricing of Work with External Entities

Business Development Executives (BDEs) in Research & Innovation (R&I) can advise on the most appropriate activity category and pricing framework and should therefore always be consulted early in any discussions with external organisations.

A2.1 Commercial Research

- **Costing:** All costs for commercial research work must be calculated and recorded via the Worktribe system, using the same internal support mechanisms as for costing of research proposals to UKRI and other funders.
- **Pricing:** All commercially funded work must be discussed with Research & Innovation (R&I); a nominated Business Development Executive (BDEs) or Technology Transfer Executive will liaise with the academic to negotiate a price with the funder. **Academic staff are not permitted to disseminate cost information to the funder;** to do so would severely weaken the position of the University and will be regarded as a disciplinary offence.
- **Contract Research should be priced at Full Economic Cost + 20% as a minimum** (i.e. 120% of fEC), but will often attract a significantly higher amount. All new ('foreground') IP will be owned by the funder although the University will retain the right to use research outcomes in further teaching and research and for publication, sometimes after a defined period during which IP rights will be filed.
- **Academic Initiated Collaborative Research will be priced at Full Economic Cost as a minimum**, but attempts should be made to secure a higher price whenever possible. All IP will also be owned by the University, although funders may be granted a right to first negotiation of commercial terms, confidentiality clauses and withholding of publications for a limited time. The University must also retain the right to publish all research and to use it in further teaching and research.

Approval Mechanism

There may be occasional circumstances – for example, where the funding might leverage significant additional funding or as part of a longer-term strategic relationship – where commercially-funded research can be carried out without recovering the fEC. In such circumstances, a discussion should take place with the Director of R&I as early as possible to explain the rationale.

A system for approvals will be implemented within Worktribe as follows:

<i>Green</i>	All projects meeting the minimum pricing requirements.
<i>Amber</i>	Any project priced between 75% ¹ and the minimum pricing requirements, where approval is suggested by the relevant BDE as part of wider commercial considerations. In such cases, the Head of School still has the absolute right to reject.

¹ This figure reflects the average level of cost recovery for such activity within our TRAC (Transparent Approach to Costing) Peer Group (75.9%) and the UK sector average (74.1%) and will be reviewed on a biennial basis.

Red Cases when the Head of School has explicitly accepted the losses to the school based on reduction of indirect costs, resulting in an overall recovery rate below the 75% threshold and the Vice-Principal Regional Engagement, or a nominated deputy acting with the explicit authority of the VP, has approved. Approval can never be given on an open-ended or long-term basis beyond one specific project.

A2.2 Consultancy

Consultancy is the provision of services for third parties which are not credit-bearing teaching or research. It does not involve the generation of new knowledge or original investigation or research but will involve at least one of the following:

- Use of the University, School or other University unit's name and/or logo.
- Use of any University facilities or staff (including the time and expertise of the colleague undertaking the consultancy). This includes staff secondments.
- University premises (including correspondence or contact through the University, e.g. email, telephone)
- Any consultancy which the member of staff wishes to undertake in order to be covered under the University's insurance policies (such as professional indemnity insurance).
- Emeritus staff may wish to undertake consultancy through the University, on a case-by-case basis.

Expert witness work is covered under this policy.

All consultancy activities should be costed and priced via our Research Award Management System (Worktribe) and will include R&I and the Head of School approvals as part of this process.

All University consultancy contracts must be negotiated and approved through Research & Innovation (R&I). The team will draw on their knowledge of the market and work with the colleague to secure the most suitable price for such work.

For work with commercial partners, it is generally expected that fEC (Full Economic Cost) plus a commercial mark-up will be recovered. For non-commercial partners (Governments, NGOs, charities etc), projects may well be below fEC. Such projects will bring other non-financial benefits to the University such as impact etc., as well as potential longer-term financial benefits (such as research collaborations). For projects which are below fEC, a note of this will be clearly stated in the sign-off notes when submitting costings for approval on Worktribe.

Approval Mechanism

Approval by an individual's Head of School must be given for *all consultancy activity prior to carrying out the work*. In certain cases, where it is anticipated that there will be a series of consultancy engagements with a particular partner over a period of time, generic approval may be given rather than having to seek approval for each specific instance.

A2.3 Continuing Professional Development (CPD)

- **Costing:** All costs for CPD activity must be calculated and recorded via the Worktribe system. The costing and pricing of CPD will be carried out by the CPD Services team.
- **Pricing:** All commercially funded work must be discussed with the CPD Business Development team. It is recognised that there may be occasions, particularly when working with the public and third sector, that some CPD may be delivered at less than cost, but this must be approved in advance and recorded. In such cases the course will normally be open to any participant and will not be restricted to a specific target audience.
- **Intellectual Property:** The University must retain rights over all teaching materials developed for CPD courses, including the right to use the materials with other learner groups. In exceptional cases, with a large commercial mark-up on price, we may allow the funder to own the IP.

Approval Mechanism

New CPD courses, developed specifically for groups of learners and requiring the production of new course material, require the approval of the Head of School, in the context of the workload modelling mechanism. If the course is credit bearing, i.e. it can lead in any way to an academic award, then additional approvals will be required via Planning and Academic Services. If the course is accredited by another partner organisation, e.g. a professional body, additional approvals might be required by the University and/or the partner organisation. For specific advice contact the CPD Services team.