

Revision to guidelines for applying pricing on fEC projects and the revised internal authorisation process (25 April 11)

(Table 1 at the end gives a summary of the Pricing Authorisation Limits)

Introduction

Since 1 September 2005 following the implementation of applying Full Economic Costing (fEC) on all research projects the College had introduced a revised Internal Authorisation process. The Government brought in fEC with the recognition that universities were carrying out externally funded research by subsidising it from Quality related Research funding (QR) and that in the long term this was not going to be sustainable. Through Transparent Approach to Costing (TRAC) an fEC costing methodology was developed and the Government proposed that fEC costing **should be strictly applied on all externally funded research irrespective of whether the funder paid fEC**. The key aim of this was to ensure that Universities were aware of the true cost of the research they carried out through external funding and priced the work accordingly taking into account whether the funder paid fEC or not.

fEC is now well embedded into the HEI sector and within the College. The fEC guidelines and internal authorisation are regularly reviewed and amended to take into account internal and external developments. The following are some key changes to the guidelines.

Recent changes

1. Proposals for project studentships including Research Council (RC) collaborative CASE studentships involving an external stakeholder either commercial or public sector or charity organisation and those funded purely by third parties eg industry, charities etc need to be also sent for costing and approval via the College process. For certain project studentships you will be required to establish a Collaborative agreement prior to submission in which case please ensure you communicate with the IP and Contracts Manager in R&E to get a relevant agreement drawn up. For purely commercially funded project studentships it is recommended that the price should include cost for fees, studentships and relevant directly incurred cost plus minimum 10% (3.75hrs/week) of the cost of the supervising PIs commitment. Where the proposal has recovered cost for the PIs commitment, as an incentivisation for the academics developing relations with commercial funders through postgraduate studentships and to encourage development of such opportunities more widely across RHUL, 50% of the cost associated to the PI commitment would be returned into a department fund. Its recommended that it should be upto the discretion of the HoD and applicant how the 50% funding returned to the department is split between department and applicant. This fund can then be used as match funding for other new studentship proposals or to support funding short undergraduate research projects or provide additional funds for on going postgraduate research projects. In all of the cases above if it's a home/ EU student then the RC agreed fees and stipends should be used for the costings otherwise for non EU/ home students then the fees prevailing at the time for overseas students on the Department and Registry website should be used. If at the time of the application it is felt the funder could bear higher maintenance cost for the project student then this should be considered but it should be noted that HM Revenue and Customs may wish to scrutinise the cost more closely in order to ensure it can be classified as studentship support and not a contract of employment. In addition all relevant directly incurred research cost should also be

sought as part of the costings. If the funder does not inflate the project on award then appropriate College inflation should be applied to the costings. In terms of establishing the cost to the College for industrially funded project studentships and other project studentships it is proposed this should be in line with current Transparent Approach to Costing (TRAC) guidelines.

2. As part of the costings and internal approval process all externally funded projects will be required to meet the following key criterion below in order for the activity to be classified as charitable activity under the revised Charities Act 2006 guidelines.
 - the research must further exclusively charitable aims and be conducted for the public benefit;
 - the subject matter of the research must be a useful subject for study;
 - the knowledge acquired from the research must be disseminated (made available) to the public;
 - any private (non-charitable) benefits (for example, arising from collaboration with a commercial company) must be incidental to achieving charitable purposes, that is, reasonable, necessary and in the interests of the charity;

If the activity does not meet these criterion then the proposal must be treated as non charitable activity and the R&E staff supporting you during the costing and submission process will advice at the time on the approval process to follow.

Further information on Charities Act 2006 guidelines is available at: http://www.charity-commission.gov.uk/About_us/Regulation/charbill.aspx

The guidelines below provide further information to staff on:

- how RHUL will apply fEC principles on research funding and contract research proposals and
- what the **new procedures for internal authorisation of proposals are.**

Internal Authorisation

It is imperative that all applications, irrespective of funding value, including conference grants and travel grants, adhere to the internal procedure for external research proposals.

For the avoidance of doubt, these pricing guidelines and internal authorisation procedures apply to:

- (i) applications in which the PI is a member of College staff and the College will be the contracting party with the funder; and
- (ii) applications in which the lead PI is from another HEI or company (which will also be the contracting party with the funder) and we are Co PI or secondary collaborating partner. These applications also need to be have College approval before the lead PI submits the proposal.

Failure to do so may expose you and the College to risk and legal implications and could result in the College refusing to accept an offer of funding.

Where the funder fall under the category of the 'Whitelist' this removes the need for senior management authorisation for most grants from many major charitable foundations and bodies that would recover less then 80% fEC but will still need the normal approval. The following organisations falling under the 'Whitelist' do not require senior management authorisation if they do not meet the full economic costs of a grant

unless the income gained under the award would be less than the actual expenditure by the College necessary to support the award. If there are further organisations that you believe should be included in this scheme, please contact Dr Hitesh H Patel in Research and Enterprise. All awards where the College is required to make a financial contribution will require internal authorisation.

- Joseph Rowntree Foundation
- Royal Society and other OST funded agencies expect where the scheme pays fEC
- British Academy except where the scheme pays fEC
- British Council
- Non-FEC funded programmes from the research councils (such as Norface, research networks and so on)
- The Leverhulme Trust
- The Nuffield Foundation
- The Wellcome Trust

Applications to all funders that do not pay fEC and where the scheme limits the Direct cost up to £7k will not require internal costing or authorisation involving Finance and R&E. In such cases it will be the responsibility of the applicant to ensure that the proposal has been properly costed. If after the award of the proposal the applicant finds that there is a shortfall in resources, either Direct or overheads, then these will need to be made up by the Department. The internal process will in such cases only require that the HoD of the department is aware of the proposal and has signed it off and a copy of the proposal should be submitted to R&E minimum 3 days prior to submission. Please refer to Section 2(a) for further information.

fEC pricing guidelines

In terms of the internal authorisation of proposals applicants need to bear in mind that irrespective of the funders' guidelines **TRAC requires HEIs to cost all projects using fEC** then a price applied to the proposal. The summary below is the position on fEC price for the main funders:

1. For Charities, Research Councils, OST supported funders, NHS, Government Departments, Industrial funders and European Union:
 - **Charities** have been made exempt from paying a price of 100% of fEC. The price for the proposal will depend on the funder's guidelines.
 - **Research Councils (RCs)**, OST supported funders (eg Royal Society, British Academy) and **NHS** have been allowed to charge a price of 80% of fEC by the government. However the Government's aim is in time to move to paying a price of 100% fEC.
 - All other **Government Departments** should pay a price of 100% of fEC.
 - All **industrial funders** should pay a price of 100% or more of fEC for contract research.
 - **European Union (EU)** proposals including Framework Programmes can be charged a price of less than 100% of fEC. But this should be in line with the maximum amount of funding that the scheme permits.
2. For all other funders eg overseas funders, if their guidelines permit they should pay a price of 100% of fEC or the maximum amount permitted by the guidelines.

Exceptions to a price of less than 100% of fEC

The norm should be to seek a price of 100% of fEC or more where the guidelines permit. Only under exceptional circumstances will a price less than 100% be acceptable and below is an outline of circumstances where this may be the case:

a. For proposals \leq £7k and / or are for project studentships only

For projects less than or equal to £7k and / or are for project studentships only then a fEC price of less than 100% can be applied **only** if the funders guidelines does not permit this. In addition **no internal authorisation** is required, but the applicant **must send a final version of the fEC costed and priced project to R&E 3 days before the submission deadline for College signatures and they must ensure that if there are any staff cost then these have been obtained from Finance. Their HoD must have approved the proposal.** The PI must reassure their HoD and College that there is no significant RHUL permanent staff effort on the project which will have implications on estates and indirect resources and directly allocated staff costs and all Direct cost they require have been included and appropriately costed. If after the award and / or during the duration of the grant the applicant becomes aware the grant will not meet all the Direct cost and if there are implications on College overheads then the applicants Department will need to make these shortfalls up.

b. For proposals $>$ £7k and \leq £500k and with an fEC price of \geq 80% or \leq 99%

For proposals greater than £7k and less than or equal to £500k and where an fEC price of greater than or equal to 80% and less than or equal to 99% is proposed **they will only be approved** if they meet both the OST guidelines and the additional RHUL guidelines proposed under points (i - vii) on pages 8-9. The approval decision will rest with R&E and Finance. **These types of proposals must be sent to Research and Enterprise at least 7 working days** in advance of the closing date.

c. For proposals $>$ £7k and \leq £500k and with an fEC price of $<$ 80%

A price of less than 80% will be usually unacceptable where the funder pay fEC. In the case of funders which have been identified in the 'Whitelist', that do not pay fEC and the funding is below 80% fEC under the revised process the proposals will not require senior management approval and in addition for an interim period will not require any fEC costing to be carried out on these proposals. These proposals can be submitted without R&E and Finance approval provided the HoD has signed it off and the applicant has ensured that all Direct cost have been appropriately costed. In addition a copy of the proposal should be provided to R&E prior to submission. For proposals greater than £7k and less than or equal to £500k and where the funder pays fEC the decision **to approve a price below 80% will still have to be referred to the Vice Principal (see note at end of section) and the relevant Dean.** Applicants will have to make a strong case for why a price of less than 80% should be charged and to be considered for approval the proposal must meet the OST guidelines and the additional RHUL guidelines proposed points (i - vii) on pages 8-9. In such circumstances proposals **must be sent for internal authorisation at least 10 working days** ahead of the closing date since they need the intervention of the VP and Deans. **If**

proposals are not received at least 10 working days ahead of the closing date then the price proposed by R&E and Finance will be applied. If the proposal has either not gone through the College internal process or seeks a price less than 80% of fEC or both and is funded then the Department and the applicants will not receive any of the agreed incentives associated with the proposal. Under certain circumstances where the College views the grant resources are not viable to run the project the College may decline to accept the grant award.

d. For proposals > £500k irrespective of fEC price applied

All proposals greater than £500k that do not involve funders in the 'Whitelist' and where the funder pays fEC will still need the approval of the VP. If the proposal is seeking a price of greater than or equal to 80% and less than or equal to 99% then they must be sent for internal authorisation at least 7 working days ahead of the deadline. **If the proposal is seeking a price of less than 80% of fEC then proposals must be sent for internal authorisation at least 10 working days ahead of the closing date.**

Applicants will have to make a strong case for why a price of less than 80% should be charged and to be considered for approval the proposal must meet the OST guidelines and the additional RHUL guidelines proposed points (i - vii) on pages 8-9. If proposals falling under the above are not received within the timescales specified then the price proposed by the VP in conjunction with discussion with the relevant Dean and R&E must be applied. If the proposal has either not gone through the College internal process or seeks a price of less than 80% of fEC or both and is funded then the Department and the applicants will not receive any of the incentives associated with the proposal. Under certain circumstances where the College views the grant resources are not viable to run the project the College may decline to accept the grant award.

3. Projects with Commercial partners should in most cases be priced at 100% or more of fEC. Where a price less than 100% of fEC is to be charged this should normally be in the region of 80%-99% of fEC and only if a majority of the conditions under points (i - vii) on pages 8-9 have been met. Please refer to points (a to d) above to ascertain which of the internal authorisation processes will apply. Asking for fEC will not apply to industrial CASE studentships funded by the Research Councils but we must for internal purposes still do a fEC on the proposal.
4. Where the department submitting the proposal has a lab based estates rates but the project justifies applying the non lab based rate then projects in lab based departments can use the lower rate if all of the following criteria are satisfied:
 - a. 100% of the project must be desk or office based research.
 - b. No technician resources can be used
 - c. No facility or equipment resources can be used (other than standard computers)
 - d. No laboratory consumables or consumables related to some form of technical support can be used
 - e. There must not be any specialist IT requirement that a reasonable person would consider to be lab-based

Applicants must get approval from the relevant Dean and the Head of Department prior to submission to R&E together with a brief summary as to why the lower rate should be applied.

(Note: Vice Principal authorisation should be V.P. Communications, Enterprise & Research or V.P. Planning & Resources and relevant Dean)

RHUL help

Further information on Full Economic Costing is available from the following weblink under Research and Enterprise: <http://www.rhul.ac.uk/research/researchsupport/costingandpricing/costingandpricing.aspx>

The attached table 1 summarises the internal authorisation process points discussed above and provides an outline of the grant limits where no college authorisation is required and where a price of 80-99% of fEC will be applicable. It also outlines what the authorisation limits are for R&E and Finance and above these limits who will authorise the proposals.

Principles that will be applied to proposals seeking a fEC pricing of less than 100%

The Office of Science & technology (OST) has recommended applying the following principles when accepting a price of less than 100% of fEC:

- i. Research should demonstrably contribute to the enhancement of the UK research base or in some other way provide a public scientific good. An indicator of this may be that the results will be published openly in the academic literature and that the benefits of any intellectual property generated by virtue of the research will accrue to the HEI rather than the funder.
- ii. The sponsor has a published research strategy, which, while recognising the advantages of having a plural funding system, nevertheless takes account of the strategy and priorities of other key funders, most notably the Research Councils and the larger research charities.
- iii. Research supported will be only of the highest quality. Sponsors wishing to benefit from public support will need to be able to demonstrate that they have project appraisal systems in place which ensure that only high quality research is funded.

In addition the following factors specific to RHUL requirements will be applied when considering fEC pricing of less than 100% of fEC:

- iv. The funder has already proposed a maximum limit on the fEC they would pay e.g. the RC councils and NHS have indicated that they will only pay a price of 80% of fEC. The EU and Charities will not pay fEC.
- v. The funding has strong strategic alignment to the College and the Department as set out in the College's Corporate Strategy and Research Strategy e.g. the Department is trying to gain funding to build a relationship with the funder, there is clear strategy of grant support opportunities from the funder, the College has targeted that area for future development. Special consideration will be given to EU projects in particular Framework Programmes where the EU has indicated they will not pay a price of 100% fEC. Approximate calculations show that under current funding guidelines EU projects pay a price of 47% of fEC.
- vi. The funding has a strong strategic value to the Department's and College's future submission for QR funding such as the Research Excellence Framework (REF) or other assessment process implemented by the Higher Education Funding Council for England (HEFCE).
- vii. The applicant is an academic new to the College or profession or is a younger academic member of staff and the opportunity is critical to help them build a research profile.

The College will take the above points into consideration when approving proposals seeking a price of less than 80% of fEC. A majority of the above conditions will need to have been met if the proposals is to be approved at a price of less than 80% of fEC.

The internal electronic authorisation process

All proposals are now internally authorised using pFact an electronic costing and approval system. As part of the Phase 1 of the roll out of pFact the relevant research support contact in R&E will work with the academic to get the proposal costed and approved using this system. The internal process through pFact will involve:

Step 1 – Applicant sign off

Once the PI has worked with R&E to complete the costings on pFact, R&E will as part of the PI sign off get them to confirm via an e-mail reply that this is the final budget and that they accept the PI sign of conditions on pFact. The PI must ensure that all relevant documents (in particular the final proposal form with budget and the case for support or relevant document) are provided to R&E to attach to the pFact project. In addition the PI must ensure they have made their HoD aware of the proposal and discussed any relevant implications with them and where relevant the proposal has been through the departmental review mechanism. At this stage R&E will change the status of the project on pFact to submitted to R&E for approval. **This indicates sign off by the PI.**

Step 2 – R&E sign off

After reviewing the proposal R&E will forward the project through pFact with attachments to Finance for checking. R&E to fill in relevant conditions on pFact sign off screen. **This signifies R&E sign off for the resources.** R&E will then forward the proposal through pFact to Finance.

Step 3 – Finance sign off

After reviewing the proposal Finance will fill in the relevant pFact conditions for Finance sign off and return the document to R&E through pFact. **This signifies Finance sign off for the costings.** In most cases there will be some e-mail communication between Finance and R&E and the applicant at this stage.

Step 4– HoD sign off

R&E will send the proposal through pFact to the HoD for approval. After reviewing the proposal your HoD will fill in the relevant pFact conditions to signify HoD sign off. They will then return the project to R&E on pFact. **This indicates sign off by HoD.** If the HoD is not around then the appointed Deputy HoD will be sent the documents for sign off. If the applicant is the HoD then the relevant Dean will act as the HoD sign off.

Either Step 5 where **it is a** proposals greater than £500k or where proposals greater than £7k and less than or equal to £500k are seeking a price of less than 80% and are not in the College's 'Whitelist'.

Or Step 6, where it's **not a** proposals that is greater than £500k or where proposals greater than £7k and less than or equal to £500k are seeking a price of less than 80% and are not in the College's 'Whitelist'.

Step 5 – VP and Deans sign off (will only apply if fEC internal guideline dictates)

If VP intervention is required then R&E will send the project through pFact to the VP and the relevant Dean. In such circumstances the VP will be brought into the cycle at a much earlier stage in order to meet the 10 day internal authorisation timescales. VP and Dean to complete relevant pFact conditions to signify sign off. **Approval by VP will signify Senior Management authorisation.**

Step 6 – College sign off

Only College designated individuals can sign of the proposal on behalf of the College. In most cases this will be the Head of Research Services. If they are not available then it will be Director of Research and Enterprise or Director of Finance or VP Research, Enterprise and Communication or VP Planning and Resources or Principal. The relevant person will fill in the pFact conditions for the sign off and change the status on pFact to submitted. **This will signify College authorisation.** At this stage if the PI is using the electronic application system they can then submit this to R&E for submission to the relevant funder. If electronic application system is not applicable R&E will print the relevant page and sign it off and either ask the PI to collect the hardcopy or send it via internal mail. Please note where the funder requires a hardcopy form in most cases these will need to be signed by one of designated person at the College indicated above. In such cases irrespective of the funder being on the 'Whitelist' or within the categories now not requiring fEC costing the form must be sent to R&E for signature before submitting to the funder. No other individual is authorised to sign a proposal prior to submission.

Where the application is for funding less then or equal to £7k only Steps 1, 2 and 3 will apply but a proposal must be sent to R&E at least 3 days ahead of the deadline.

The guidelines and the internal electronic authorisation process will be reviewed regularly and in light of experience following the review revisions may be proposed and this may involve changing the College authorisation limits and process.

Hitesh Patel
25 April 11

**Table 1 - Full Economic Costing (fEC) - Research Proposals
Pricing Authorisation Limits - Research Grants & Contracts**

SUMMARY

The overall pricing policy is that the price should be at Full Economic Cost or higher.

Total Proposal Cost % of fEC	< £500K 100% +	
Approver	R&E / Finance	The price should be greater than 100% of fEC where the market will allow.

EXCEPTIONS

The process for exceptions is as follows:

Total Proposal Cost % of fEC	<£7K All	
Approver	R&E / Finance	Costing to be completed by PI and the budget sent to R&E to be entered into pFact minimum 2 days before submission deadlines. No internal sign off is required other than that of the HoD.

Total Proposal Cost % of fEC	< £500K 80-99%	
Approver	R&E / Finance	The price will only be less than 100% of fEC in exceptional circumstances in line with attached guidelines

Total Proposal Cost % of fEC	< £500K <80%	
Approver	Vice Principal	Exception to VP approval if the proposal is in the College 'Whitelist', otherwise for all other funders a price of less than 80% of fEC is usually unacceptable

Total Proposal Cost % of fEC	> £500K All	
Approver	Vice Principal	Exception to VP approval if the proposal is in the College 'Whitelist', otherwise for all other funders a price of less than 80% of fEC is usually unacceptable

Notes:

1. Vice Principal authorisation should be V.P. Communications, Enterprise & Research or V.P. Planning & Resources plus the relevant Dean.
2. Research Council, NHS, EU and Charity grants each have their own fixed price methodology