



UNIVERSITY
OF HULL

Pricing Policy for Externally Funded Research and Research-Related Projects

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An Equality Impact Assessment must be considered for all new and amended policies. Further information is available from the [EIA section of SharePoint](#).

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Pricing Policy for Externally Funded Research and Research-Related Projects

1. Introduction

- 1.1 To create a sustainable research environment, it is important to ensure that externally funded research and research-related projects are priced at a level that takes into account the cost of delivery. This includes direct costs incurred during the running of the project, such as dedicated staff time, equipment and consumables, as well as indirect costs including administration support, estates and energy.
- 1.2 It is important to ensure that all project costs are understood, visible and appropriate, and that the pricing of externally funded work covers these costs. All staff involved in the design of projects, the preparation of project costs and the negotiation and agreement of prices must strive to maximise the recovery of costs and ensure that appropriate approval is obtained when operating outside the parameters set out in this document.
- 1.3 The University has adopted, in common with other UK universities, the principle of Full Economic Costing (FEC) as an underpinning costing and pricing methodology for all its externally funded work. Consideration of these costs allows engagement with commercial funders without subsidising private companies by providing services and products below applicable market rates. Failure to adhere to these principles could contravene Subsidy Control legislation and could ultimately impact on the University's charitable status.

A Scope

- 1.4 This policy sets out the principles governing the pricing of externally funded projects including research, consultancy, services for outside bodies (use by an external party of the University's resources and capabilities and provision of training programmes), contract research and other research-related activities.
- 1.5 The policy applies regardless of whether Hull is the lead applicant.

2. Principles and Definitions

A Full Economic Costing (FEC)

- 2.0 All externally-funded research and research-related work will be costed on the basis of FEC methodology, regardless of funder. Guidance on FEC can be obtained from the Research and Innovation Services team ([Pre-Award Project Support \(sharepoint.com\)](#) / rifo@hull.ac.uk).

B Definitions

Term	Definition
Cost	The total amount of expense incurred by the University (whether directly or indirectly) in the delivery of a project. This may also include amounts associated with acquiring an asset, such as major items of equipment or buildings.

Price	The amount charged to the funder and recognised as income of the University. Also known as services fees or funding grant amount.
Funder	The external body furnishing money for a project, whether through a grant, donation or commercial contract.
Matched funding	A commitment by the University to invest in the project alongside the funder or other parties.
Strategic investment	A commitment by the University to invest in the project alongside the funder or other parties within pre-identified research areas.
Underwrite	A commitment by the University to guarantee expenditure incurred in advance of finalisation of funding agreement.
Research	Activity that meets the internationally recognised definition of research, taken from the Frascati Manual . This involves original investigation, undertaken in order to acquire new knowledge.
Research-related	Activities undertaken university staff that do not meet the Frascati definition of research, but may involve the application of knowledge generated in the course of research, or other specialist expertise.
Contract research	Where new research work is done for the direct benefit of the external partner, i.e. where the partner owns all the new Intellectual Property generated by such research
Consultancy	The utilization of existing knowledge for the benefit of the external partner.
Academically delivered professional services	Refers to other services such as referee, peer review or external examining fees, as well as the receipt of book royalties. This policy does not relate to these activities.

C **Pricing in relation to costs**

2.1 The University will always seek to maximise the recovery of costs. In many cases, maximum cost recovery is set by the funder, and in these instances, any deviation from this recovery level represents an institutional match funding, the handling of which is set out in Section 4. Where pricing frameworks do not exist (for example, in relation to commercially funded work), the constraining factor will often be market rates rather than a price limit that is based on cost. The tables below set out the principles on which work should be priced, in relation to research, and research-related work respectively:

Research: Pricing of externally funded research varies according to the source of funds, as set out in the table below:

Funder	Minimum recovery level (below which escalation is required)	Negotiation starting point
UK Research Councils	Research: 80% of FEC	Maximum permitted under funder rules
	Travel Grants: Directly incurred costs only	

	Studentships: Stipend + Fees + Training Costs (RTSG)	
UK Government funded (incl. NHS)	80% FEC	
European Commission projects (H2020 / Horizon Europe)	125% of direct costs	
Charity funded projects	Direct costs	
Regional economic development projects	Direct costs	
Commercial bodies with an agreed pricing agreement	In line with agreement	
Commercial bodies without a pricing agreement	110% FEC Including Inflation but 100% FEC on non-pay fixed costs	125%, or Prevailing Market rates if higher (on all but non-pay fixed cost and fees)
	Studentships: Fees + 110% FEC for Enhanced Stipend + Training Costs + Research Costs	

Research related: The price of research-related projects is dependent on the activity, rather than funder type:

Activity	Minimum recovery level (below which escalation is required)	Negotiation starting point
Consultancy and Services (incl. CPD, analytical services & scientific equipment hire)	100% FEC including inflation	Prevailing Market rates or 125% FEC (whichever is higher)
Research Commercialisation	As per IP Policy	As per IP Policy
Regional Economic Development	Direct costs	Maximum permitted under funder rules
Other research-related activities not covered above	100% FEC	Prevailing Market rates or 125% FEC (whichever is higher)

D **Discussion and presentation of price information**

- 2.2 The Full Economic Cost must be calculated, and, where appropriate, guidance sought on market rates, prior to any discussion with the funder. Negotiation of costs **must not be** undertaken by the lead academic without discussion (or representation) by the research funding team (rifo@hull.ac.uk).
- 2.3 A breakdown of costs should only be provided to the funder where it is required to be included in a funding submission. Cost information should not normally be provided for commercially funded projects.
- 2.4 Guidance on the principles of funding can often be used to enable appropriate cost recovery within the

active lifetime of the award. Given that inflation can rarely be included in non-commercial funders, consideration of the start date and length are important when undertaking pricing to ensure that future fluctuations in costs are accounted for.

3. Approvals

3.1 Pricing for individual projects should follow the existing approval process, unless the following circumstances apply:

- The project includes an element of matched funding (matched funding is a commitment by the University to invest financially in the project alongside the funder).
- The project will recover less than the minimum recovery rates set out in Section 2.2, and shortfall is outside the envelope for Head of School approval.
- Faculty policy requires an escalated sign-off.

3.2 Where there is a shortfall against the recovery rates, approval must be sought in line with the process set out in Section 4.

3.3 Support letters for applications must cost and attribute all University funding of relevance to the application (including appointments, refurbishments, equipment purchases, internally funded PhD studentships). All these costs are considered as strategic investment and are therefore normally represented as match funding.

4. Internal match funding

4.1 Matching describes the University's contribution, either cash or in-kind payments, to projects that are externally funded. Some funding schemes define (explicitly or implicitly) the use and expected level of match funding. A proposal for an institutional match can also represent a judgement by University staff that perceive matching to be a benefit for a necessary part of external funding success, an entitlement for obtaining external funds, or a reward for success.

4.2 Matching therefore falls into several categories:

- When it is **contractually required** by the specific funding opportunity. The most common is for research equipment where some UKRI funders require a 50% contribution. It is also the case with many doctoral training programmes and centres, and for some specific Fellowship funding.
- When **external funding is capped** and the project cannot be delivered without further matching funding.
- When a **competitive advantage** is thought to be obtained by offering a matched application to enhance the value for money of the proposal.
- When a **principal investigator is rewarded** for success in an external funding competition by the provision of matched PhD studentships or other support.

4.3 Matched funding can be provided in several ways:

- As a **cash contribution** to the project from the Faculty or University Budgets. Commonly via equipment, PhD studentships or staff salaries.
- As a **discount on full economic costs**, usually in the form of discounts on directly allocated investigator time.
- By **attribution of in-kind costs** to which the University has already committed, e.g. equipment in the budget, PhD students on existing programmes.

4.4 The following principles will be applied to the process of agreeing match funding:

- Where **match funding is contractually required** we will consider each application on its merits. All requests will be considered based on affordability, strategic importance and for equipment - need and utility of the equipment. Equipment bids that utilise matching require clear cost recovery plans prior to submission.
- For applications of **strategic importance**, and where it is clear that including matching will garner an advantage, we will consider discount on directly allocated costs, reduction in usage costs of University equipment, or provision of PhD studentships to support the activity.
- For applications where the costs would be **borne by the University** if the application fails a larger match may be considered to enable an advantage. Such applications need to clearly demonstrate that the item is in a forward plan, and preferably the budget.
- Matching for **charity funded grants** where the external grant is capped will be considered on a case by case basis, but primarily reduction in the work required is preferred.
- Matching for **externally funded PhD studentships** (e.g. CDTs and DTPs) will depend on the scheme and the external University links. The principle is for applications without industrial involvement and/or for charity funding a ratio of external fund 2 we match 1 is the minimum recovery level expected. For applications that also include industry – ratio of external fund 3 we match 1 is the minimum expected.
- Matching to reduce the indirect costs, infrastructure technicians or estates will only be considered in exceptional circumstances.

4.5 Approval routes for match funding are set out in Appendix A.

5. Proceeding at risk

- 5.1 Research and Innovation Services has delegated authority to proceed to full set up under the conditions noted in Appendix B for approved funders where University of Hull was part of the original application.
- 5.2 For funders not covered by the Approved Funder process, the project cost centre should not be set up until the formal funding agreement is in place and signed by all parties. It is recommended that recruitment does not start until the funding agreement has been finalised and no offer of employment can be made until agreement signed. If it is necessary to commence recruitment or procurement activity prior to finalisation of a funding agreement, approval for the underwrite must be sought in line with the University's scheme of delegation.

Appendix A: Match funding routes

The consideration for matching needs to ensure that the University is aware of the total financial underpinning it is committed to prior to submission. Details are therefore needed of the true cost (before inflation) and the cost to the funder. Current research funding flow mean that these matching requests will come from central budgets, as research funding moves to being shared across Units / Faculties / University these thresholds will change, but will come from the budget of the approval process.

When matching does not include PhD Studentships:

- Matching of £5,000 or less follows the approval of the Faculty. In the absence of faculty-specific approvals the match needs to be agreed with the Head of the School / Institute and Associate Dean of Research of the faculty.

- Matching above £5,000 and below £100k needs to be approved by Head of the School / Institute and Associate Dean of Research, Dean of Faculty, the Director of Research (or Director of Knowledge exchange) and the budget holder of the funding and the finance business partner.
- Match beyond £100k needs to be approved by all mechanisms above plus the PVC Research and Enterprise and the Executive Director of Research and Enterprise and Head of Finance (or delegated authority).

Matching includes PhD studentships

- Approval as above, plus the approval of the Head of the Doctoral College

Appendix B: Approved funders for proceeding at risk

For posts funded by 'approved funders', once confirmation of funding has been received, cost centres can be fully set up in advance of the project start date and an offer of employment can be made to a successful candidate in advance of a fully signed funding agreement. The list of approved funders is:

- UKRI
- Research England
- Wellcome Trust
- Royal Society
- British Academy
- British Council
- European Commission
- Innovate UK
- London mathematical society
- Leverhulme Trust
- Academy of Medical Sciences
- Royal Academy of Engineering
- Yorkshire Cancer Research
- BEIS

Additional funders may be added to this list with the agreement of the Executive Director, Research, Knowledge Exchange and Commercialisation. In order to use this process, the following confirmation is required from the funder:

Where Hull is the lead or in receipt of own offer letter:

- A formal offer letter from the approved funder

Where Hull is a collaborator

- A copy of the award letter from the approved funder to the lead institution or a copy of the prime agreement AND
- A notification of intent (either by letter or email) or draft collaboration agreement from the lead institution stating the start date, duration and value of the award to Hull and the detailed breakdown of all staff posts assigned to Hull (if this information is not fully itemised in the award letter to the lead institution).

Version Control

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