

COSTING AND PRICING POLICY

1. INTRODUCTION

1.1 Purpose

1.1.1 Keele University is committed to delivering distinctive research of the highest quality, recognised internationally for its excellence. The development and submission of high quality grant applications are essential to this. Such high quality grant applications are underpinned by robust costings; ensuring Academic Projects are adequately resourced and that all important costs have been considered in order to enable the work to proceed.

1.1.2 This policy sets out the basic framework for costing and pricing of commercial and non-commercial Academic Projects within Keele University and should be read in conjunction with the related policies listed in Section 4.

1.1.3 Support for the costing of Academic Project proposals is provided by:

- The [RaISE team](#) - Research & Innovation projects
- The Local Growth Team - ERDF and other large capital projects
- [KIITE](#) (with initial support from RaISE) - Teaching and Education projects
- The Directorate of Finance in support of the costing system

1.2 Scope

1.2.1 Who is affected?

This Policy applies to all Keele University staff members, Emeritus Professors, Keele University Honorary Contract holders and others within Keele University who are actively involved in developing Academic Projects.

1.2.2 Which projects are covered?

Academic Projects are defined as research, teaching & learning and/or innovation projects that will require Keele University to establish a contractual arrangement with an external body. Academic projects can be of a commercial or non-commercial nature and include, but are not limited to:

- Proposals for research funding submitted to an external body
- Contract research projects

- Consultancy projects
- Studentships
- Technical services agreements
- Partnership projects
- Innovation projects
- CPD activities
- Knowledge Transfer Partnerships
- Facilities use agreements

This Policy applies to: (i) all Academic Projects involving Keele University, including those led by Keele University; and (ii) Academic Projects in which Keele University is a partner or collaborator.

All Academic Project applications must be costed according to the principles of Full Economic Costing (fEC); in the case of research and innovation projects this will be via Keele University's Research Management System (RMS) costing tool. This requirement is irrespective of whether or not the funder will meet all the costs associated with fEC.

1.2.3 When must costings be in place?

As costings form part of most funding proposals they must be in place **prior to any proposal being submitted** to an external funder and, in addition, the application must follow the [Approval's and Submissions Policy](#).

No discussion of price should take place with any external body for the delivery of an Academic Project prior to the establishment of the costs involved. Any such discussions can severely undermine the negotiating position of Keele University and impede its ability to fully recover its costs.

Costings must be sought on a project by project basis. Costings provided for an application must only be used for that specific application and not applied to any others. A number of underlying rates update throughout the year and costings may or may not allow the inclusion of estimated inflation. These factors can have a substantial impact on the costs as presented to a funder even when they appear to be otherwise identical in nature.

Support for costings and other aspects of Academic Project development (including ensuring acceptable contractual terms and conditions are in place) is accessed via your **RaISE Project Lead (RPL)** who should be contacted at the earliest opportunity.

2. POLICY

2.1 Cost and price

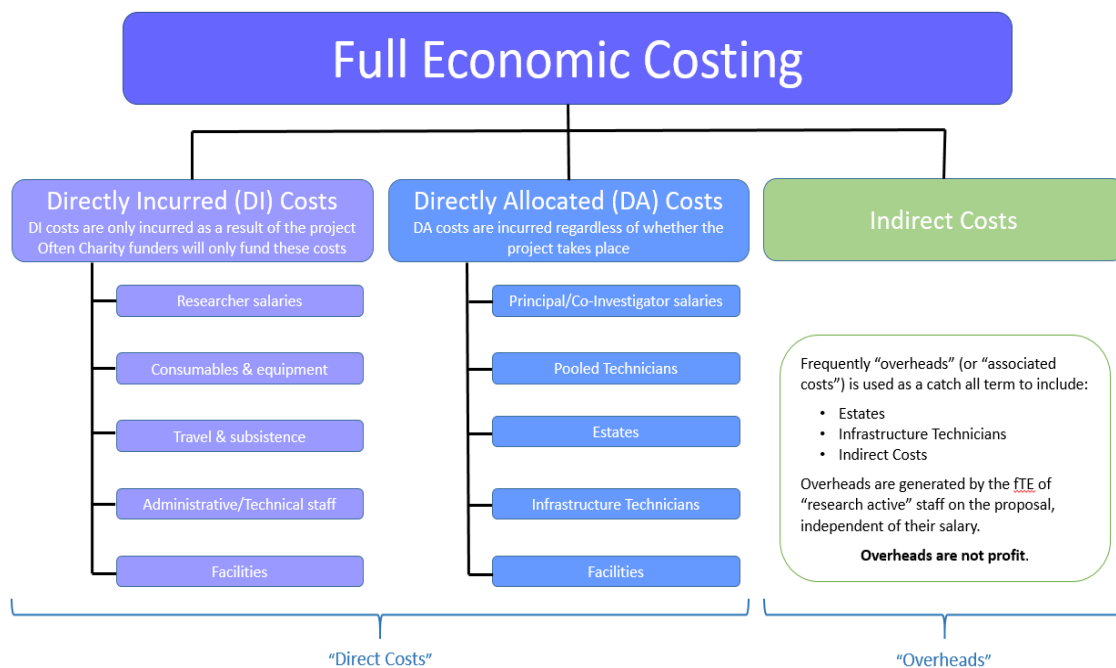
There is a clear distinction between costing and pricing.

- 2.2 The cost of an Academic Project is how much it will cost Keele University to undertake the Academic Project in question. This amount is calculated and described as the **full economic cost (fEC)**.
- 2.3 The price is how much Keele University requests (and eventually receives) from the body funding the Academic Project.
- 2.4 For research funded by UK Research Councils, in almost all cases the price is lower than the cost. This is partly explained by the fact that public funding for research in Higher Education Institutions (HEIs) in England is administered under a 'dual support' system. Under this system HEIs receive a 'block grant' (based on Research Excellence Framework (REF) performance) and the UK Research Councils provide funding for specific research projects and programmes. For non-research Academic Projects the price is often set higher than the cost in order to off-set the opportunity costs in delivering the activity; these opportunity costs vary widely but include diverging efforts from strategic priorities, restricting opportunities to publish and control of Intellectual Property.
- 2.5 Funders will often stipulate rules regarding the price they are willing to pay for an Academic Project but sometimes HEIs are free to set their own prices (e.g. when tendering for contract research or undertaking commercial work). **fEC should therefore not be viewed as an upper limit on the pricing of proposals.** See section 2.69 for more guidance on pricing Academic Projects.
- 2.6 It is Keele University's policy to **include all costs** attributable to an Academic Project and, where possible, **as a minimum recover these costs from the funder.** Project costs **must not** be excluded from the fEC in order to anticipate a pricing decision. This includes artificially reducing the academic staff time required to conduct the Academic Project.
- 2.7 Whilst it is recognised that Keele University works in a competitive environment, any attempt to deliver the highest quality Academic Projects at discount prices is flawed in both economic and reputational terms and may, in fact, signal low institutional commitment to the Academic Project.
- 2.8 It is Keele University's policy to **request all permissible costs from the funder;** applicants should always include in their budget **all costs that are permissible** under the funder's applicable terms and conditions.
- 2.9 **Any Academic Project not fully funded on a fEC basis is effectively being subsidised by the University.**
- 2.10 **Transparent Approach to Costing (TRAC)**
In 1998 the UK Government launched the Transparency Review to demonstrate the full costs of research and other publicly funded activities in higher education. This led to the creation of

a costing methodology called [Transparent Approach to Costing \(TRAC\)](#), which is used by HEIs to determine the costs of three main activities at an institutional level - Teaching, Research and Other - using a range of appropriate drivers.

- 2.11 One of the main cost drivers is the time academics spend on the various activities. This time data is collected at Keele University via the annual Diary Exercise.
- 2.12 Following the Transparency Review, the Government introduced Full Economic Costing (fEC) in September 2005 as part of its commitment to long term financial sustainability in HEIs. Full Economic Costing is a standardised costing methodology now routinely used by HEIs across the UK to calculate the full costs of Academic Projects. It is applied at the project level and takes into account all direct costs and associated indirect and estates costs required to conduct the Academic Project in question.
- 2.13 In line with UK Government requirements, it is the policy of Keele University to cost all Academic Projects in line with the Office for Students' Transparent Approach to Costing (TRAC) and to establish the Full Economic Costs (fEC) of all Academic Projects regardless of whether or not the funder will meet all the costs associated with fEC. Whilst general TRAC guidance predominantly uses terminology linked to research, it is the policy of Keele University to apply the principles of TRAC across all Academic Projects.
- 2.14 TRAC calculations are reviewed annually, submitted to the Office for Students and the resulting TRAC rates usually become effective from 1 February each year. The process is managed by Central Finance, overseen by UEC and externally audited.
- 2.15 **Establishing the Full Economic Cost (fEC) of the Academic Project**
The Full Economic Cost (fEC) must be established for all Academic Projects. This is regardless of whether or not the funder will meet all such costs.
- 2.16 The fEC of an Academic Project consists of both the marginal costs of the project (that is the additional resources required to deliver the project, funded directly by the grant or contract and referred to as 'Directly Incurred') as well as the 'standing' costs of the project (costs which exist even if the project is not funded, such as academic time, the costs of running research labs, central facilities, etc and referred to as 'Directly Allocated' and 'fTE Related').
- 2.17 fEC is made up of three elements:
- Directly Incurred (DI) Costs
 - Directly Allocated (DA) Costs
 - Full Time Equivalent (fTE) Related Costs

Figure 1: Components of Full Economic Costing (fEC)



2.18 Directly Incurred (DI) Costs

DI costs can be explicitly identified and recorded against a specific Academic Project. These costs arise exclusively from the conduct of the Academic Project and would not be incurred if the Academic Project was not taking place. DI costs are directly charged to the Academic Project as the cash value actually spent and are supported by an audit record (e.g. a supplier invoice or a staff timesheet).

DI costs include staff costs (often Research Assistants), consumables, travel, equipment, etc. Researchers should be included as a DI cost if the costs are actual, auditable and verifiable (e.g. a researcher will dedicate 100% of time to the project). Where a researcher will not work 100% of their time on one project they can still be included as a DI cost but their time may need to be supported by a timesheet depending on the rules of the project funder. Fixed term and unnamed staff are by default recorded as a DI cost. DI costs need to be fully covered in order for the Academic Project to be deliverable.

2.19 Directly Allocated (DA) Costs

DA costs include staff costs (often Principal Investigators (PIs) and Co-Investigators (Co-Is), but also those with no fixed contract end-date working less than 100% of their time on the project, charge out costs for the use of major facilities or existing equipment, a fraction of pool staff that might be drawn upon, use of space in a building, etc. Researchers should be included as a DA cost if the time they are to spend on the Academic Project is estimated due to the fact that they are simultaneously working on several projects and/or engaged in other activities.

- 2.20 DA costs are directly attributable to a specific Academic Project but are also shared by other Academic Projects and activities. For Research Council funded projects and “Shared Staff Costs” on NIHR funded projects, DA costs are charged to the Academic Project on the basis of estimated expenditure for project related costs. In practice this means at application a real cost is included but during delivery that cost is charged evenly across the grant duration (e.g. a £36,000 DA cost on a 3 year project would be charged to the grant at £1,000 per month).
- 2.21 **Full Time Equivalent (fTE) Related Costs (Overheads)**
Under TRAC methodology, the following categories of staff generate Full Time Equivalent (fTE) related costs (i.e. overheads) on Academic Projects:
- Academics
 - Research Assistants and Fellows
 - Postgraduate Research Students, PGRs (weighted)
 - Temporary research staff
 - Visiting research academics
 - Clinicians
- 2.22 Such staff will normally be on academic or researcher grades. However, staff on other grades may also count towards fTE related costs, e.g. research nurses, high-grade technical staff who act in the capacity of a researcher, data managers and statisticians who have a major role in structuring the data analyses, etc. In general, staff making a direct contribution to the research outcome using their own knowledge and expertise and without direct supervision from the investigating academic(s) will be treated by Keele University as counting towards fTE related costs.
- 2.23 fTE related costs are driven purely by the time spent by eligible staff on the Academic Project and are unrelated to the salaries of these staff.
- 2.24 Both DA and DI staff count towards fTE related costs.
- 2.25 Staff who do not attract a salary cost (e.g. Visiting Academics, Emeritus staff, researchers fully funded on other projects, etc) still count towards fTE related costs and should therefore be costed into proposals.
- 2.26 Postgraduate research students (PGRs) have a weighted contribution to fTE related costs; contributing 0.2 to the Indirect Cost rate and either 0.8 for laboratory Estate rates or 0.5 for non-laboratory Estates rates.
- 2.27 Staff who do not count towards the fTE related costs include:
- Technical staff undertaking support
 - Administrative and clerical support staff

- 2.28 Costs recovered under FTE related costs are often referred to collectively as “overheads” or “associated costs” and comprise:
- 2.29 **Estates costs**
Estates Costs fall under the category of DA costs but are most often thought of as an overhead. They relate to the physical infrastructure costs required to support Academic Projects and may include costs relating to buildings and premises (including depreciation), utilities costs and basic services such as maintenance, cleaning, security and safety.
- 2.30 Estates costs should be charged for any of the categories of staff listed in 2.21, **including those working away from Keele University** as long as the period of secondment away from the institution is no more than six months during the duration of the project. No reductions should be made for shorter term absences.
- 2.31 Estates costs are charged at different rates for **laboratory** and **non-laboratory** departments. When determining the estates costs of a project, it is the predominant space type of the eligible individuals involved in the Academic Project that prevails rather than the precise nature of the specific Academic Project being undertaken (e.g. a desk-based project in the School of Pharmacy would attract lab-based Estates).
- 2.32 **Infrastructure Technicians**
Infrastructure Technicians support research infrastructure and are involved in the general running of a laboratory, (e.g. on health and safety, risk assessments, waste disposal, stores, workshops, laboratory equipment maintenance, laboratory management and administration); as such they are only applicable to lab-based projects. They differ from **Pool Technicians** who are core funded by a School and are called on to support specific research projects. Infrastructure Technicians are charged on an Infrastructure Technicians rate per research active FTE basis, whereas Pool Technicians are charged on the basis of the number of hours they will work on a project (usually as a DA staff cost). Note, technicians can also be costed on a DI basis where they have all or part of their time dedicated to a project (based on actual costs evidenced by an audit trail).
- 2.33 **Indirect costs**
Indirect costs are institutional infrastructural costs associated with carrying out Academic Projects that are not covered elsewhere in TRAC methodology. They are not directly attributable to any one Academic Project and include management and administrative services. Examples of Indirect costs include Library; Human Resources; Finance; Research, Innovation and Engagement; and IT infrastructure functions and Faculty/School administration.
- 2.34 **It should be noted that Infrastructure Technician Costs, Estates Costs and Indirects Costs are all real costs to Keele University; they do not represent a ‘mark-up’ or profit. Keele University’s FTE related costs are low in comparison with the sector average and including**

them will not make Keele University appear less financially competitive in comparison to other HEIs.

2.35 Full time equivalent (fTE)

The total full time equivalent (fTE) of all eligible staff (listed in section 2.21) working on an Academic Project is the driver for the calculation of the Estates, Infrastructure Technicians and Indirect costs at project level.

2.36 The Academic Project fTE of a member of staff is the amount of time that member of staff works on an Academic Project as a percentage of full time. A member of staff engaged full time on an Academic Project is counted as 1.0 fTE, whilst a member of staff engaged part-time on a project equates to an fTE in proportion to the number of hours worked.

2.37 TRAC methodology defines full time (1.0 fTE) as 1,650 hours per annum (equivalent to 7.5 hours per day, 37.5 hours per week, 44 weeks per year). See Annex A for more information.

2.38 Estimating Principal and Co-Investigator time

Time for **all academic staff** engaged on an Academic Project should be included in the project costing, even if the funder does not consider those costs eligible and/or Keele University is not seeking those costs from the funder. The maximum number of hours which may be charged to Research Council and other public-funded projects for individual project staff is **1,650 hours per annum** (equivalent to 7.5 hours per day, 37.5 hours per week, 44 weeks per year) per fTE. All hours to be spent on the project should be included, irrespective of when the work will be conducted, either within or outside of "normal" working hours (up to a maximum of 1,650 hours per annum).

2.39 PI and Co-I time should include all of the direct time required to manage the Academic Project, to undertake the work itself and to supervise any project staff.

2.40 Time spent in training and supervising PGR students is a cost to Keele University and should be included as a cost in all Academic Projects and requested from funders where allowed. Notably, Research Councils deem that the direct (i.e. academic staff time) and fTE related costs of supervising a studentship are covered within the relevant PGR tuition fees. Note, Research Councils currently fund PGRs via DTGs (Doctoral Training Grants) and CASE (Cooperative Awards in Science and Technology) funding mechanisms; they are not generally included in standard research grant applications to Research Councils.

2.41 PIs and Co-Is must avoid artificially reducing their proposed time commitment in order to reduce overall project costs. The time commitments of staff required to successfully undertake the project should be fully reflected in any funding proposal.

2.42 Raise Project Leads (RPLs) can advise on the level of PI and/or Co-I time commitment that looks appropriate for the Academic Project, taking into account time already costed onto other Academic Projects and what is typical for the disciplinary area. For example:

- A standard 3-year lab-based project with a postdoctoral researcher might have a 20% PI time-commitment (i.e. a disciplinary expectation that a PI might have a portfolio of such projects running)
- In the humanities and social sciences where projects tend to be far more investigator-led, PI time might be in the range of 20-35%
- Major fellowships may have a minimum time-commitment, and even allow for 100% of a PI's time to be costed
- ERC starting grant - around 70% (minimum 50%)
- ERC consolidator grant - around 60% (minimum 40%)
- ERC advanced grant - around 50% (minimum 30%)

2.43 It is important to adopt a consistent approach when estimating time, recognising that a range of factors can determine the eventual time commitment required, including:

- Whether the academic is the PI or Co-I
- The number of Co-Is
- The experience of the Research Assistants (RAs)
- The academic's experience with the type of project/funder
- The number of external partners/collaborators
- The funders' administrative requirements
- The number of papers that may be written
- Fieldwork, meeting and conference commitments, etc

2.44 Academics will also need to take into account existing commitments, including teaching and administration, as well as other research commitments. Note that time committed to all publically funded activities should not exceed 100% of available time (defined as 1,650 hours per year).

Costing staff time

2.45 For public body funders (such as Research Councils), Academics whose time is fully funded on other public body grants, or who are not paid a salary by Keele University (e.g. Emeritus, Honorary or Visiting staff), should still attribute to the Academic Project the time they will spend on it. For fEC purposes the salary will be set to zero and not sought from funders, but fTE related costs (Estates, Infrastructure Technician and Indirect Costs) for such posts will count towards the fEC and Keele University will seek to recoup these costs where funders' rules allow.

2.46 Staff time on Academic Projects, both academic and professional, should be realistic and reflect the time that is actually going to be spent on the project, commensurate with the activity being undertaken.

- 2.47 Where a role is likely to be undertaken by a member of staff already at Keele University it is preferable to cost that member of staff rather than an “unnamed” person so that accurate estimates of increments and grade/spine points are included. Many research funders will have an expectation that unnamed posts will be appointed at the bottom of the scale unless a specific justification is made for the need to appoint someone with more experience/skills.
- 2.48 Some funders (e.g. Leverhulme Trust) have schemes that fund “Replacement Teaching” costs rather than PI/Co-I time, invariably at a lower grade than the staff member whose teaching time is being covered. For such schemes the cost of the project is that of the PI/Co-I’s time commitment and the income is that of the Replacement Teaching time being funded. In some cases, this may leave Schools with a real DI staff funding shortfall if teaching cover needs to be appointed at a higher grade than the funder’s scheme will fund.
- 2.49 Published Keele University salary scales **do not reflect the total cost of employing a member of staff** and should not be used to estimate Academic Project costs. Salary costs should include the following elements: Basic salary, Employer’s National Insurance, Superannuation contributions and the Apprenticeship Levy, as well as yearly salary incremental progression. In addition, provision for future pay and pension increases (where appropriate) and any anticipated future promotion should be costed. Where funders allow supplements or enhancements to salaries, the appropriate on-costs (NI and Superannuation costs) should be factored in and it should be established if the enhancement covers these on-costs or if the University is expected to meet them. **For all salary costings you must contact your RPL who will liaise with the RaISE Funding Team to generate accurate staff costs.**
- 2.50 **Costing facilities usage**
PIs are responsible for taking appropriate costing advice from Heads of Facilities (including high-performance computing and data storage). Heads of Facilities such as the CTU and BSU will advise academics and RPLs on the costs of utilising the facility in question, either by stating required staff commitment for delivery of the Academic Project in question which will then be costed by the RaISE Funding Team, or by applying an approved set of rates provided by the fEC Management Accountant.
- 2.51 **Costing equipment**
Equipment is defined and funded in a variety of ways dependent on the specific funder; funder guidance should always be checked for specific rules, including whether such costs are eligible. The following are the standard rules for Research Council projects (as at September 2021), but again may be subject to change for specific calls.
- 2.52 UK Research Councils expect equipment/facilities to be shared where possible. PIs should therefore check whether the University already has a piece of equipment or facility available and indeed whether access via other HEIs is a viable option (see <https://equipment.data.ac.uk>).

- 2.53 Items under £10,000 (inc. VAT) are not classified as equipment. They should be included as 'Other DI costs' and are funded at the standard Research Council 80% rate.
- 2.54 For items between £10,000 and £400,000 (inc. VAT), Research Councils will contribute 80% of the final purchase price, with HEIs (or project partners) expected to contribute the remainder.
- 2.55 The Research Councils reserve the right to negotiate the percentage contributions in some cases if the proposed contribution is not affordable.
- 2.56 Procurement should be consulted when items of equipment are being considered. Procurement will be able to advise on setting up new suppliers (where required) and tendering requirements.

2.57 Postgraduate tuition fees and stipend costs

If the School and/or funder do not stipulate set tuition fees or stipend costs, UKRI (UK Research and Innovation) tuition fees and stipend levels should be adopted for UK students, see <https://www.ukri.org/skills/funding-for-research-training/>

For international research students, Keele University programme areas publish standard fees, which should be adopted as a minimum, see [Postgraduate research programme fees \(UK\)](#)

Postgraduate tuition fees and stipend costs should not be undercosted, and the above mentioned UKRI levels should be a minimum. Waiving of postgraduate fees should only occur in exceptional circumstances and there should be a clear strategic purpose for such a waiver. This strategic purpose should be clearly outlined at the time the waiver is requested.

2.58 Foreign currencies and exchange rates

The financing of all Academic Projects should, wherever possible, be arranged in Sterling. However, this is not always possible and where a project is to be presented in a foreign currency, the current Keele University exchange rate should be confirmed with your RPL. Exchange rates are updated on a monthly basis and **include a level of contingency** above the market rate dependent on the duration of the project, as specified by the Directorate of Finance. Funded foreign currency proposals are given an initial budget based on a prudent exchange rate at the time of award. This budget is indicative and subject to exchange rate fluctuations; for such awards the Directorate of Finance will provide monthly expenditure spreadsheets including accurate forecasts.

2.59 Match funding

Academic Projects may include an element of match funding from Keele University, either actual (cash) or in-kind. Match funding commitments made by Keele University must be fully understood (i.e. costed) and approved prior to accepting an award (and preferably at application stage) by the entity responsible for meeting those costs (i.e. School, Faculty or

Directorate). Where match funding goes beyond a Faculty/Directorate budget, appropriate University level approval must be obtained from the relevant budget holder.

2.60 **External partners**

Keele University is not responsible for estimating the costs of any collaborating external parties on Academic Projects. Costings are requested from external partners, often via the PI/Co-Is (who already hold key contacts/relationships with the partner), or via the RalSE Project Lead(s) if they are in communication with the external partner during project development. This, therefore, results in a formal costing from the partner which, depending on the nature of the external partner organisation, may take the form of an official costing report, a costing spreadsheet or, for simple costs, sufficient detail within an email.

2.61 **Value Added Tax (VAT)**

There are two types of VAT:

2.62 **Output (Sales) VAT**

Research projects for Research Councils, Government Departments and Charities are all usually outside the scope of VAT, i.e. no VAT is charged on the prices to these organisations. Commercial contracts for Academic Projects are usually charged at the standard rate of VAT, i.e. a price would be quoted plus VAT. For non-UK based research, local taxes may also be a factor.

2.63 **Input (Purchase) VAT**

In general we have to pay VAT on all purchases of goods and services for Academic Projects unless there are special exceptions. The main Zero-rated items are UK travel, some printed matter and equipment for use in medical research. If in doubt about whether VAT is applicable, it is safer to include input VAT in Academic Project proposals.

2.64 VAT should also be considered when Academic Projects involve external partners, either as collaborators or sub-contracting parties, and funding is being passed to or received from such external partners. Depending on the type of agreement in place between the partners VAT may be chargeable/payable.

2.65 VAT costs are currently recoverable on EU Framework grants.

2.66 Detailed guidance on issues of VAT can be obtained from the Tax Manager in the Directorate of Finance.

2.67 **State Aid**

State Aid describes assistance from a public body or publicly-funded body given, on a selective basis, to organisations that take part in commercial activity. The State Aid rules are designed to regulate subsidies and stop public authorities from distorting markets. They are also designed to help public authorities make sure that public resources are being targeted to where

they are most needed. In general, State Aid is not deemed to be an issue where a business collaborator is not seeking a pre-negotiated right to any academically generated foreground project Intellectual Property (IP); where the business partner is being paid full market rate for their services and Intellectual Property Rights (IPR) are not deemed a concern, and are wholly owned by the academic partner; where the data generated from the research can be placed in the public domain within a reasonable timeframe. For assistance on State Aid rules see Annex 7.5 for further support.

2.68 Inflation/Indexation

Where a funder does not state its position on the eligibility of inflationary uplifts (also referred to as indexation), it is the position of Keele University to always include inflation in costs at a rate determined by the Directorate of Finance.

2.69 Establishing the Price of an Academic Project

Just as the fEC must be established for all Academic Projects, similarly the price (income) expected for undertaking the Academic Project must be established.

2.70 In many cases, the funder will have a clear specification of eligible costs and a set of specific funding terms for each call. For example, Research Councils standardly only fund 80% of fEC; for this reason it is important to ensure that proposals capture the full costs, and that we do not seek to artificially reduce the resources being sought.

2.71 Table 1: Overview of funder types' typical approach to funding HEIs

Note this table is a guide only; funders frequently announce a variety of funding schemes and specific funder call guidance should always be checked in detail.

Funder	Typical funding regime for HEIs
Research Councils	80% fEC (no inflation)
NHS NIHR (Central Government)	80% fEC (no inflation) for most costs, with some costs at 100% fEC (e.g. training); Programme Grants tend to fund direct costs at 100% with no overheads
Charities	Direct Costs only (i.e. no overheads and often excluding Academic time) Some allow inflation, some exclude inflation
Other Government Departments (see 2.72 and 2.73)	At a minimum fEC Some allow inflation, some exclude inflation
EU Horizon 2020	100% of eligible direct research costs + flat rate indirects based on 25% of the total direct eligible costs (excluding sub-contracting)

	Some schemes (e.g. Innovation Actions and programme co-fund actions) fund 70% of eligible costs Marie Curie schemes are formula driven
Commercial	At a minimum fEC (with inflation) + x% Limited academic freedoms and/or opportunities to disseminate outcomes of the work. Unless the project is of specific strategic importance in which case the minimum level of cost recovery should not fall below 100% fEC.

- 2.72 Other Government Departments are major users of the sector's research base and are often concerned with short-term policy agendas. The projects they commission are often to procure evidence to inform policy-making, rather than to enhance the sector's research base. Therefore, the majority of Academic Projects undertaken on behalf of Other Government Departments should be at market based prices, (i.e. at or above fEC). This is particularly the case where the Other Government Department openly invites tenders in a competitive situation.
- 2.73 Sometimes Other Government Departments may issue themes for which they are willing to fund Academic Projects that fit the theme's research remit. In these situations they will make a call for projects and award grants to the projects they select. In these situations they may stipulate the basis on which they are prepared to fund the Academic Project.
- 2.74 There is no 'one size fits all' approach to pricing Academic Projects. Where Keele University has the freedom to set its own price for an Academic Project, the resultant price will be dependent on specific circumstances, including the expertise Keele University is offering, the ownership and use of the project outcomes (IP) and the market rate. Where a funder does not specifically stipulate costing and pricing rules then for commercial Academic Projects **as a minimum fEC should be recovered**. Where Keele University is free to set its own price it should be done within a framework which does not result in the same, or similar organisations, receiving radically differing quotations from different parts of the university.
- 2.75 It is recognised that recovery of full fEC may not be possible when the funder is a public sector/third sector body, or an SME. In addition, there may be a non-financial strategic advantage in carrying out the work at less than fEC, such as the development of an important partner relationship intended to advance Keele University's research, placements, or learning and teaching objectives. A positive example might be an initial Academic Project conducted with a small or cash-poor organisation which then puts both parties in a robust position to bid jointly for major third party funding. In each case the pros and cons of delivering an Academic Project at less than fEC will be considered by the RPL in conjunction with the appropriate Head of School/Executive Dean. This principle of flexibility should not extend to a situation where projects are routinely priced at less than fEC. If a good strategic argument cannot be made for less than fEC pricing then the project should not proceed. There should be transparency with

funders when projects are being undertaken at less than fEC so, should 'repeat business' occur, any subsequent increases in price to fEC will not be unexpected.

2.76 Factors which should increase the Price over fEC include:

- Restricted IP and/or publishing arrangements
- Divergence of the activity from Keele University strategic priorities
- Uniqueness of Keele University expertise
- Difficulty/inconvenience in undertaking the project
- Importance/urgency for the funder
- Access to Keele University facilities
- Reputational confidence

2.77 Academic Project leads should have the confidence to charge fEC rates, which are by no means exorbitant when compared to the rates charged in other professional spheres (e.g. [solicitors' guideline hourly rates](#) (last issued by the UK Government in 2010) range from £111 per hour for trainees to £217 for experienced solicitors outside of London (£409 inside London). Experienced IT consultants will routinely charge £1,000 - 1,500 per day plus expenses).

2.78 **Improving cost recovery**

TRAC data shows that recovery of full economic costs for research across the UK HEI sector is approximately 70% (70.3% for 2017-18 and 71.9% for 2016-17); with Keele consistently a few percentage points below the sector (67.9% in 2017-18). The data also shows that Keele University's fTE related costs are low compared to that of the sector. In terms of overheads, Keele University is not an 'expensive' HEI and as an Institution and at individual Academic Project level we should not shy away from including full costs in proposals.

2.79 Cost recovery should seek to maximise income for the University and be in the context of Faculty research income targets. The University should seek to recover a level of economic costs comparable to and not below that of our benchmark group of institutions (see Annex D), as defined by Keele University's TRAC return.

2.80 Since many funders are very specific about what costs they will fund and specify that budgets should be costed and priced according to those rules, there are limited means for HEIs to improve cost recovery other than focussing on funders that will cover a higher proportion of these costs. This may not entirely fit with HEIs' strategies or the career stages of academics.

2.81 However, even within the terms and conditions of a funding body there are a number of elements that can be controlled for and optimised in terms of cost recovery:

2.82 **Realistic staff time**

The time commitments of staff required to successfully undertake the project should be fully reflected in the proposal.

2.83 Realistic start dates

Any slippage in start dates can eat into funding as generally costs will increase due to inflation and staff progressing through incremental pay rises. Particular attention should be paid to when grant announcements will be made and the lead time then required to start the project. This is particularly important if there are new staff to be recruited to an Academic Project or contracts are required. Any changes to anticipated start dates during the project development stage should be communicated to your RPL so that a re-costing can be organised.

2.84 Inclusion of all permissible costs

All costs deemed eligible by a funder should be included in proposals and not artificially reduced in order for the Academic Project to appear “better value for money”.

2.85 Named staff

When it is anticipated that a current member of staff will take on a particular role in an Academic Project it is best to cost that person rather than an unnamed person; particularly in cases where funders have an expectation that unnamed posts will be costed at the bottom of the relevant pay grade. Costing a named individual ensures the individual’s increments are accurately taken into account and can avoid the complexities that may arise around continuing staff on fixed term contracts on Academic Projects having not named them.

2.86 Inflation/Indexation

Where not expressly prohibited by the funder, costs should always include an estimate of inflation at a rate determined by the Directorate of Finance.

2.87 fTE related costs

For staff whose salaries are fully funded on Academic Projects supported by the Research Councils, UK Charities or Other Government Departments, TRAC stipulates that the overhead costs (Estates Costs, Infrastructure Technician Costs and Indirect Costs) of these posts are also deemed to be covered, even if the project(s) funding the salary do not cover overheads. For these funders, the overhead costs associated with fully funded staff should not be sought. For other funders, where not expressly prohibited, overheads for staff whose salaries are fully funded on other Academic Projects should be included. Overheads will be distributed in line with the overheads policy.

2.88 Correctly identifying funder types

Although Charities often do not fund Academic time or fTE related costs; Keele University does receive an annual QR-charity related allocation from Research England in proportion to the charitable research income we have secured via peer reviewed open competition. It is therefore important to correctly identify funder type when costing Academic Projects in order to ensure any such qualifying funding is reported as such.

2.89 **Costings approvals**

Cost versus Price is considered as part of the overall Academic Project approval process, as detailed in the Approvals and Submissions Policy.

2.90 Costs are generated at the School level and approved by Heads of Schools and Faculty Executive Deans (or delegates). Similarly, any matched funding being provided by Keele University will be approved by the relevant budget holder. Approvers are responsible for agreeing to undertake Academic Projects at less than fEC and, in so doing, are confirming that an assessment of the benefits of undertaking the research justifies it being done at less than full cost recovery, while still ensuring that the overall annual research income for Schools and Faculties enables the University to recover a level of economic costs comparable to and not below that of Keele University's benchmark group of institutions as defined by Keele's TRAC return.

3. **ROLES AND RESPONSIBILITIES**

3.1 In each case the price of an Academic Project is subject to approval by the RaISE Project Lead, Heads of Schools, Faculty Executive Deans and/or Directors of Directorates.

3.2 Principal Investigator (PI)

It is the responsibility of the Principal Investigator (PI) in developing a proposal to ensure the full costs of the Academic Project to Keele University are understood and captured. In practice this means taking costing advice from the relevant University service providers for the resources needed (e.g. major facilities, computing resource and data storage, open access (gold route) publication, etc) and ensuring costs are built up using the Research Management System (RMS).

3.3 PIs should not seek to artificially reduce the cost of their proposed project on the basis of thinking that a cheaper, under-costed project is likely to be more successful with a funder. Major research funders place primary value on the quality of the research proposed. Grant reviewers are generally asked to comment on whether the resources requested are reasonable for the proposed work, but otherwise the applications are prioritised on the basis of the quality of the proposal.

3.4 Research Funders may, of course, query any unjustified costs that are identified by reviewers, but these rarely impact on the ranking of a grant proposal, and are often picked up by the funder office at award stage. Principally, major funders will wish to see the project appropriately costed with the full resources needed to complete the research robustly and to achieve significant research outcomes.

3.5 RaISE Project Lead (RPL)

Raise Project Leads (RPLs) will work with the Academic Leads to establish the costs of the proposal and liaise with the RaISE Funding Team to generate accurate full economic costs. RPLs act as the first stage of approval for all Academic Projects.

3.6 Head of School

Heads of Schools are responsible for overall Academic Project approval at the School level, which includes agreeing to undertake Academic Projects at less than fEC. In so doing Heads of School are confirming that an assessment of the benefits of undertaking the research justifies it being done so at less than full cost recovery, while still ensuring that the overall annual research income for Schools enables the University to recover a level of economic costs comparable to and not below that of Keele University's benchmark group of institutions as defined by Keele's TRAC return.

3.7 Directors

Directors are responsible for overall Academic Project approval at the Directorate level, which includes agreeing to undertake Academic Projects at less than fEC. In so doing Directors are confirming that an assessment of the benefits of undertaking the research justifies it being done so at less than full cost recovery, while still ensuring that the overall annual research income enables the University to recover a level of economic costs comparable to and not below that of Keele University's benchmark group of institutions as defined by Keele's TRAC return.

3.8 Faculty Executive Dean

Faculty Executive Deans are responsible for overall Academic Project approval at the Faculty level, which includes agreeing to undertake Academic Projects at less than fEC. In so doing Faculty Executive Deans are confirming that an assessment of the benefits of undertaking the research justifies it being done so at less than full cost recovery, while still ensuring that the overall annual research income for Faculties enables the University to recover a level of economic costs comparable to and not below that of Keele University's benchmark group of institutions as defined by Keele's TRAC return.

3.9 Pro-VC for Research and Innovation

The Pro-VC for R&I is responsible for overall Academic Project approval in cases where the Faculty Executive Dean is the Principal Investigator.

3.10 Heads of Facilities

Heads of Facilities such as the CTU and BSU are responsible for advising academics and RPLs on the costs of utilising the facility in question, either by outlining required staff commitment to delivery of the Academic Project which will then be costed by the RaISE Funding Team, or by applying an approved set of rates provided by the fEC Management Accountant. As per all other elements of a costing, facilities costings should be obtained and approved on a project-by-project basis; they should not be assumed on the basis of a previous project even if the requirements appear ostensibly identical.

3.11 RaISE Funding Team

The RaISE Funding Team will ensure that Full Economic Costs (fEC) are accurately represented on the Research Management System (RMS), reflecting the resources identified as necessary

by the Academic Leads and RPLs. The RaISE Funding Team will generate a price from the fEC taking into account any funding body terms and conditions. Where Keele University is free to set its own price the RaISE Funding Team will liaise with the RPL to ensure the price requested is captured on the RMS for management information purposes.

3.12 For successful proposals, the RaISE Funding Team is responsible for handover of the Academic Project to the RaISE Research Finance Team who will set up expenditure codes and be responsible for post-award financial management of the project including any financial reporting.

3.13 Research Finance Team

The RaISE Research Finance Team is responsible for the post award financial management of research projects, including any required financial reporting to project funders. The team will set up project codes, monitor expenditure against project budgets and provide post award financial advice to PIs. The team will also ensure that any Directly Allocated and Indirect Costs are charged to the project in line with the awarded values.

3.14 fEC Management Accountant

The fEC Management Accountant is responsible for the annual TRAC return, including the calculation of TRAC rates and the maintenance of salary and TRAC rates within the RMS. The fEC Management Accountant is responsible for raising awareness around cost recovery.

3.15 fEC Working Group

The fEC Working Group comprises the Pro-VC for Research and Innovation; the Director of Finance; the Associate Director of Finance (Research, Treasury & Finance Services), the fEC Management Accountant; the Head of Research Development; the Head of Research Grants and Systems; a representative from Estates and Development; a representative Head of Faculty Operations and a representative academic. The fEC Working Group is responsible for monitoring issues regarding TRAC and cost recovery.

4. RELATED POLICIES AND PROCEDURES

4.1 This Policy should be read in conjunction with the following Keele University Policies and Procedures:

- 4.1.1 [Approvals and Submissions Policy](#)
- 4.1.2 Consultancy Policy (in progress)
- 4.1.3 [Policy for Accounting for Research Project Overheads and Surplus](#)
- 4.1.4 Exchange rate procedures (see Annex F)
- 4.1.5 [Financial regulations](#)
- 4.1.6 [Procurement procedures](#)
- 4.1.7 [Procedures for the Reimbursement of Travel Subsistence and Other Allowances](#)
- 4.1.8 [Additional Earnings Policy](#)

- 4.1.9 [Intellectual Property Management Code of Practice](#)
- 4.1.10 Tender process (in progress)

4.2 Further information about TRAC can be found in the following external guides:

- 4.2.1 [TRAC - A guide for Senior Managers and Governing Body members](#)
- 4.2.2 [‘Mind the gap’ - Understanding the financial sustainability challenge](#)

5. OWNERSHIP, REVIEW & APPROVAL OF THE APPROVALS AND SUBMISSIONS POLICY

5.1 This Policy shall be reviewed at least every three years, led by the Deputy Director of Research, Innovation & Engagement. Any proposed amendments and future versions of the Policy will be authorised in line with the University’s Policy Framework. University Research Committee has overall responsibility for the Policy.

6. DOCUMENT CONTROL INFORMATION

Document Name	Costing and Pricing Policy
Owner	Tracy Nevatte (Director of Research Strategy Delivery) and Ann Diskin (Head of Research Grants and Funding)
Version Number	1.0
Equality Analysis Form Submission Date	TBC
Approval Date	28/09/21
Approved By	University Executive Committee (UEC)
Date of Commencement	28/09/21
Date of Last Review	28/09/21
Date for Next Review	28/09/23
Related University Policy Documents	See Section 4
<i>For Office Use – Keywords for search function</i>	

7. ANNEXES

7.1 Annex A: TRAC defined working hours and translation of FTEs into hours per week

Table 1: TRAC defined number of hours, days and weeks in an fEC year

Hours in a fEC day	7.5
Hours in a fEC week	37.5
Hours in a fEC month	137.5
Hours in a fEC year	1,650
Days in a fEC year	220
Weeks in a fEC year	44

Table 2: fTEs translated into hours per week

fTE	% of time	fEC hours per week
1.00	100	37.5
0.50	50	18.75
0.30	30	11.25
0.25	25	9.38
0.20	20	7.5
0.10	10	3.75
0.05	5	1.88

7.2 Annex B: Examples of Costs

These lists are not intended to be exhaustive, but a starting point when considering costs. Not all funders will cover all types of costs.

Directly Incurred (DI) Costs

- Staff (including on-costs)
 - Research Assistants
 - Research Nurses
 - Technicians (project dedicated)
- Consumables
- Equipment
 - Purchase
 - Installation, set-up and testing
 - Delivery and import duty
 - Spare parts
 - Maintenance/service contracts (for the project duration)
 - Software
 - Exceptional procurement costs
 - Insurance costs
 - Buildings modifications
- Travel
 - Air fares
 - Train fares
 - Taxi fares
 - Mileage
 - Visas
 - Insurance
- Subsistence
 - Accommodation
 - Meals
- Conference fees
- Data management
- Data storage
- Data transfers (e.g. anonymisation)
- Open Access (gold route)
- Audit fees
- IP / patenting fees
- PGR stipends and tuition fees
- Recruitment fees / advertising costs
- Computing fees
- Printing

- Postage
- Photocopy
- Library charges
- Telephone and SMS messaging
- Room hire
- Licenses
- Software
- Hosting
- Participant payments
- Archiving
- Transcription
- Translation
- Surveys
- Training

Directly Allocated (DA) Costs

- Staff
 - Principal Investigator
 - Co-Investigators
 - Replacement Teaching
 - Technicians (pool, support multiple projects)
 - Administrative staff
- Facilities

Estates Costs

- Estates Costs are automatically generated based on eligible staff FTE
- Keele University applies two Estates rates (either lab or non-lab based) across all sites
- Estates Costs apply to staff fully funded by other Academic Projects and to Emeritus, Honorary and Visiting staff, irrespective of whether a salary is incurred or not
- If a researcher works off-site for six months or more in aggregate during a project, then no Estates Costs should be applied for that period of time, with the exception that if the off-site provider intends to invoice Keele University for these costs then they should be included
- Estates Costs are updated each year, effective from 1st February

Infrastructure Technician Costs

- Infrastructure Technician Costs are automatically generated based on eligible staff FTE
- Infrastructure Technicians support research infrastructure, including health and safety, stores, workshops, laboratory equipment maintenance, laboratory management and administration
- Keele University applies a single Indirect Costs rate across all sites (eligible Schools only)

- Infrastructure Technician Costs apply to staff fully funded by other Academic Projects and to Emeritus, Honorary and Visiting staff, irrespective of whether a salary is incurred or not
- Estates Costs are updated each year, effective from 1st February

Indirect Costs

- Indirect Costs are automatically generated based on eligible staff fTE
- Keele University applies a single Indirect Costs rate across all sites
- Indirect Costs apply to staff fully funded by other Academic Projects and to Emeritus, Honorary and Visiting staff, irrespective of whether a salary is incurred or not
- Indirect Costs are updated each year, effective from 1st February

7.3 Annex C: Salary scales

7.3.1 Keele University salary scales can be accessed here: <https://www.keele.ac.uk/hr/salaryscales/>

7.3.2 Note this scale is the gross salary payable to the individual - it does not include on-costs - i.e. employer's superannuation and national insurance contributions. It does not take into account the Apprenticeship Levy. **This scale does not represent the cost to the university of employing a member of staff** and if it is used to estimate costs in a proposal would severely underestimate the costs to Keele University of delivering the project.

7.3.3 HR can advise on appropriate grades for staff appointments.

7.4 **Annex D: Keele University's TRAC benchmark universities**

7.4.1 There are currently 6 TRAC peer groups (A-F). HEIs are allocated to a TRAC peer group based on levels of research income, having a medical school, overall total income or specialism in music or the arts.

7.4.2 The peer groups are:

- Peer group A: Institutions with a medical school and research income* of 20% or more of total income
- Peer group B: All other institutions with research income* of 15% or more of total income
- Peer group C: Institutions with a research income* of between 5% and 15% of total income
- Peer group D: Institutions with a research income* less than 5% of total income and total income greater than £150M
- Peer group E: Institutions with a research income* less than 5% of total income and total income less than or equal to £150M
- Peer group F: Specialist music/arts teaching institutions

* Research income is defined as the funding council recurrent research grant plus the total research grants and contracts returned in the 2012-13 HESA Finance Statistics Return (FSR).

7.4.3 Keele is currently in peer group B.

7.4.4 There are currently 23 Peer Group B Institutions as at July 2019:

Aston University	University of Reading
University of Bath	Royal Holloway, University of London
Birkbeck College	Royal Veterinary College
Brunel University	University of Surrey
Cranfield University	Heriot-Watt University
University of Durham	SRUC (Scotland's Rural College)
University of East Anglia	University of Stirling
University of Essex	University of Strathclyde
University of Keele	Prifysgol Aberystwyth
University of Kent	Bangor University
London School of Economics and Political Science	University of Ulster
Loughborough University	

7.4.5 Source:

https://www.officeforstudents.org.uk/media/33c4dc91-705b-4321-a4a9-3f712f8a3fc8/annual-trac-2017-18_sector-summary-and-analysis-by-trac-peer-group.pdf

7.5 Annex E: Key Contacts

RaISE Research Development Team (RIE)	Support for all aspects of research application development	Head of Research Development (James Cook) research.raise@keele.ac.uk
RaISE Funding & System Team (RIE)	Support for costing research applications and the Research Management System	Head of Research Grants and Systems (Ann Diskin) raise.funding@keele.ac.uk
Research Finance Team (RIE)	Support for live research projects	Research Finance Manager (Debra Wain) d.wain@keele.ac.uk
Local Growth (RIE)	Support for ERDF projects and provision of guidance re State Aid	Associate Director: Local Growth (Paul Hodgkinson) p.hodgkinson@keele.ac.uk
Management Accountant (fEC) (Finance)	Support for TRAC and the Research Management System	Management Accountant (fEC) (Tim Statham) t.p.statham@keele.ac.uk
Procurement Team (Finance)	Support for purchasing, including setting up suppliers and running tendering processes	https://www.keele.ac.uk/finance/procurement/contactdetails/
Taxation (Finance)	Support for taxation issues, e.g. VAT on funding	Tax Manager (Stuart Smith) s.smith@keele.ac.uk

7.6 Annex F: Keele University - Exchange Rates to use in Grant Applications and on ERFs

Exchange Rate to use in Foreign Currency Denominated Grant Applications

Grant Length	Euro Rate Used	Other Currencies
Up to 3 Years	Current Rate at application + 0.10 Cents	Current Rate + 10%
Over 3 Years	Current Rate at application + 0.15 Cents	Current Rate + 15%

Exchange Rate to use on ERF / Initial Budget

Grant Length	Euro Rate Used	Other Currencies
Up to 1 Year	Current Rate at ERF preparation + 0.05 Cents	Current Rate at ERF preparation + 5%
Over 2 Years	Current Rate at ERF preparation + 0.10 Cents	Current Rate at ERF preparation + 10%
2 - 4 Years	Current Rate at ERF preparation + 0.12 Cents	Current Rate at ERF preparation + 12%
Over 4 Years	Current Rate at ERF preparation + 0.15 Cent	Current Rate at ERF preparation + 15%

Budget revisions prepared by finance will use the above rate for remaining budgets and remaining grant lengths.

Other Currencies

The percentages above for “Other Currencies” should be used for the following major most traded currencies: US dollar (USD), Japanese yen (JPY), Australian dollar (AUD), Canadian dollar (CAD), Swiss franc (CHF), Chinese renminbi (CNH), Swedish krona (SEK), New Zealand dollar (NZD).

Where applications are made in other currencies, the volatility of the currency should be reviewed with a view to potentially increasing the prudence on the exchange rate. The size of the grant should also be considered to assess the risk.

8. GLOSSARY

Co-I	Co-Investigator
ERF	External Research Funding form
ERDF	European Regional Development Fund
fAC	Funder Adjusted Cost
fEC	Full Economic Cost
fTE	Full Time Equivalent
HEI	Higher Education Institution
KIITE	Keele Institute for Innovation and Teaching Excellence
PGRs	Postgraduate Research Students
PI	Principal Investigator
RAs	Research Assistants
RaISE	Research and Innovation Support Enhancement
RIE	Research, Innovation and Engagement (Directorate of)
RMS	Research Management System (used to cost Academic Projects and collect management information)
RPL	RaISE Project Lead
TRAC	Transparent Approach to Costing