Approval Process and Arrangements for University Consultancy Work

1 Introduction

Consultancy activities can be separated into two types: those undertaken in City’s name (University consultancy) and those undertaken by a member of staff in their own name (private consultancy). In both cases approval for such activities must be obtained prior to commencement of work through the individual’s Dean of School.

This document details the arrangements for the approval of University consultancy work and for the distribution of income arising from University consultancy. Arrangements for approval of private consultancy are documented separately.

In all consultancy work generated by City, University of London, whether by academic or research staff working alone or as part of a group, members of staff must first consult with their Dean of School to determine the most appropriate type of working arrangement. The decision will depend on factors such as:

- Amount of work involved and duration of project
- Resources and effort required (including use and impact on other staff)
- School and Department income generation targets
- Amount of interaction with other work of the School and Department or elsewhere in City.

Approval must be obtained in advance of starting the consultancy, by submitting full details of the proposed work in accordance with the School’s local procedures.

2 Consultancy as Part of an Agreed Job Description

Consultancy undertaken as part of an individual’s job description, but for another organisation outside City, is still part of that individual's core contract with City and, as such, payment is made to the individual for their work as part of their core contract of employment with City (paid through the Payroll Office). The amount of time allocated to such consultancy and any income targets will be agreed within the School. Members of staff will not normally receive any additional remuneration for such work. However, Deans have flexibility to acknowledge the value of such work as necessary by releasing staff from some administrative or teaching duties or by providing relevant development and training opportunities.

Staff are not permitted to sub-contract any consultancy or related activity expected to be completed within their core job description.

3 Additional Consultancy

Some forms of University consultancy or other related work are recognised as being additional to the standard workload of staff and are often secured by personal staff contacts as a result of their expertise and reputation, their City position or City’s marketing efforts. The level of payment should be agreed in writing by all parties and the amount of time allocated to such work should be agreed with the Dean of School in advance of commencement of the consultancy work. Where the School approves this type of consultancy, the individual undertakes such work as a direct
employee of City, and City therefore has an interest in this activity and takes responsibility for the performance, work output, or any arising liability, but the responsibility for fulfilling any obligations falls on the individual academic consultant. Academics are not permitted to sub-contract any Additional Consultancy activity.

4 ‘Services Rendered’ Consultancy

Any consultancy activity undertaken by an academic or member of research staff employed by City, University of London, or a group of academics and/or research staff, which uses the facilities and/or resources of City, including the use of equipment and staff time, will be treated as a ‘Services Rendered’ contract. Full details about how City manages such work can be obtained from the City Research Office.

‘Services rendered’ consultancy normally attracts Full Economic Cost (FEC) and is treated in most cases administratively in the same way as a research contract although the work involved may not be classified as research according to the Frascati definition¹ (see also section 5 below).

As long as such activity is approved (see below) the individual undertakes such work as a direct employee of City. City therefore has an interest in this activity and takes responsibility for the performance, work output, or any arising liability, but the responsibility for fulfilling any obligations falls on each academic consultant.

5 Classification of work as Consultancy or Research

It is important that consultancy activity is assessed at the point of issuing a contract to determine whether it should be classified as research. Activity which is usually described as ‘services rendered’ is classified separately from research for accounting and reporting purposes for HESA and HEFCE. Income recorded in City accounts under the heading of research has to meet set definitions, and in particular has to relate to work that meets the Frascati definition of research (essentially original research leading to new findings rather than the application of the results of prior research). City is only able to include income in its submission to the Research Excellence Framework if it has been recorded as research income in HESA.

Some consultancy activity includes the production of original research and the associated income may therefore be eligible for classification as research. This needs to be considered at the outset of the activity to ensure that the contract is drawn up appropriately using a form of words which meets the requirements for recording activity as research, and when budget codes are being set up to manage the income. If the activity is not eligible to be classified as research, the arrangements for distribution of income in this policy will apply. Incentives for contract research are already provided through the distribution of a percentage of total income and of the costed staff time into School and/or individual discretionary balance accounts under the City Research Sustainability policy.

6 Approval Process

The following procedures should be followed in obtaining approval to undertake any type of University consultancy:

School Approval
All requests to undertake University consultancy, whether as part of core duties or otherwise, should be submitted to the Dean of School for prior approval, using either the ‘Application for a Grant or Contract (AGC)’ Form or the ‘Request for Approval of Consultancy (non-FEC)’ form as appropriate (available from City web pages on Research and Enterprise Support for Staff), and in

conjunction with any local School procedures.

Central University Approval
Following the approval of the Dean of School as above, requests to undertake University consultancy must then be submitted to the City Research Office for final approval.

The City Research Office will then assist with the necessary contractual arrangements and setting up the project on City's accounting system.

7 Contractual and Financial Arrangements with Clients

Following approval by the Dean, all University consultancy work must be contracted with the relevant external party through City. The contract will be accepted by City by way of signature of the Vice-President (Research & Enterprise) or an authorised member of staff from the City Research Office. By signing the contract City accepts the consultancy as part of its business and the work undertaken is covered under City's liability insurance cover.

Any Intellectual Property Rights generated through University consultancy will belong to City, although usually all rights in the results will transfer to the client, depending on the terms of contract agreed between City and the client. Wherever possible City will try to secure publication rights for staff to use the results for research and teaching purposes.

8 Costing and Pricing, Distribution of Income and Management and Use of Funds

It is important that all consultancies are costed and priced accurately to ensure the full economic costs of undertaking the work are clearly understood. It is important that commercial clients are charged at an amount equivalent to the Full Economic Cost (FEC) and that the work is not subsidised by other activities or by public funds. It is also important that costing and pricing activity is managed through existing School financial procedures prior to submission to the City Research Office to ensure that it is complete and that the price is cost-effective and reasonable in comparison with other similar activity across City (where applicable).

Note that the arrangements for distribution of income set out below do not relate to income derived from contract (or commissioned) research or from Continuing Professional Development (CPD) activity where academic credit is awarded or certification of attendance is provided in City’s name, although depending on the basis on which the activity arises these may fall elsewhere within the scope of the City Academic Consultancy policy. Incentives for contract research are already provided through the distribution of a percentage of total income and of the costed staff time into School or individual discretionary balance accounts under the City Research Sustainability policy.

(i) University Consultancy (non-FEC)
In order to encourage staff to undertake consultancy activity through City rather than privately, where the work to be undertaken requires only the time of the member of staff concerned and only basic use of facilities such as use of the City name and e-mail services, it may be undertaken as University consultancy without the application of the FEC process, with the approval of the relevant Dean (or equivalent senior manager in the case of staff not in a School). The Dean will be required to confirm that the activity can be delivered without drawing on City resources beyond the time of the member of staff concerned; this will also be checked by the City Research Office while drawing up the contract. City will issue a contract and invoice for the work through the City Research Office, and the member of staff may choose to have the subsequent income transferred to their discretionary balance account and/or to receive a personal payment through the City payroll in accordance with the arrangements set out below. In the case of a personal payment tax and other standard deductions will be made.

For work in this category of value up to and including £20k, the member of staff may opt to have the
full amount, once received by City, transferred to their discretionary balance account or to receive all or part of it as a personal payment through the City payroll.

For work in this category of value above £20k and up to £50k, a deduction of 20% will be made from the balance above £20k, to be retained by the School. The member of staff may receive up to £20k as a personal payment through the City payroll as above, with the remaining income transferred to their discretionary balance account, or may have the full amount less the School deduction transferred to their discretionary balance account. If appropriate, the Dean may give approval for a personal payment to be made through the City payroll for an amount above £20k. This must be explicitly signed off by the Dean prior to the consultancy contract being issued. An annual report will be made to the City Executive Committee incorporating both the data derived from the annual reporting by Schools on private consultancy undertaken by academic staff and University consultancy activity including the number and size of personal payments made to academic staff on this basis.

For work in this category of value above £50k, the above arrangements will apply for the initial £50k and individual discussions will take place to agree on the distribution of the remaining income.

**Illustrative example:** Approved consultancy work is undertaken bringing in £30k of income. The member of staff opts to receive a personal payment of £20k. The School retains £2k and the balance of £8k is transferred to the member of staff’s discretionary balance account.

To assist staff in determining how to value their time relative to their salary, the City Research Office will provide guidance on a basic daily rate that may be applied, based on the standard FEC calculations for staff time and estate cost. Staff will be free to charge a higher or lower rate as appropriate subject to the approval of their School.

(ii) **University Consultancy (FEC)**

Where the consultancy work requires the use of City facilities beyond use of the City name and e-mail services, for example technical or other support staff time or the purchase or use of equipment, it must be costed and priced accurately through School financial procedures prior to submission to the City Research Office to ensure that the full economic costs of undertaking the work are clearly understood. Commercial sponsors should normally be charged at an amount at least equivalent to the Full Economic Cost (FEC) so that the use of staff time and City resources for such work is not subsidised by other activities or by public funds. FEC is only a figure for guidance; where possible and in line with market rates, the price charged to the sponsor should be above the FEC equivalent. However, there are some special cases where the charge to the sponsor may be less, for example where there are strategic benefits to City arising from the consultancy activity. These decisions should be made within the approval process, informed by the FEC figures.

According to FEC principles, the expenditure, and hence the covering incoming funds, is categorised into:

- Directly incurred cost (for example salary costs for staff to be employed to undertake some of the work, travel and subsistence and equipment); and
- Contribution to the running costs of the City
  - Directly allocated cost for clerical/technical staff time or facilities
  - Directly allocated cost for investigator time
  - Estates cost
  - Indirect cost
  - Subsidy (negative amount, where the sponsor is charged less than FEC) or Surplus (positive amount, where the sponsor is charged more than FEC).

Any directly incurred cost has to be paid directly from the funds received for the work. Such expenses are managed by the Principal Investigator through the account set up for the project by the City Research Office in accordance with the agreed budget. Any income relating to the directly allocated cost for clerical/technical staff time or facilities will be retained by the School as it relates to resources made available at School level.

The sum of directly allocated cost for investigator time, estates cost and indirect cost minus/plus subsidy/surplus is that part of the contribution to the running cost of City which is the subject of distribution in the proposals below (“Distributable Contribution”). The total value of the consultancy
contract will generally be greater than the Distributable Contribution as the former will include directly incurred costs (for example researcher salary costs) and any directly allocated cost for clerical/technical staff time and facilities. The thresholds below have however been set to be consistent with the proposed arrangements for University consultancy (non-FEC).

The following distribution (once the corresponding incoming funds from the sponsor have been received by City) will be made for income from University consultancy where FEC has been applied. Personal payments from the income received will be permitted on a basis consistent with the arrangements for University consultancy (non-FEC), but must be included in the original budget as a separate item of directly incurred cost for agreement by the School as part of the FEC and approval processes. If more than one member of staff is involved, the basis for division of income as personal payment or to discretionary balance accounts must be agreed during the initial costing process.

For work in this category with up to £20k of Distributable Contribution, the member(s) of staff may opt to have the full amount, once received by City, transferred to their discretionary balance account(s) or to receive all or part of it as a personal payment through the City payroll.

For work in this category with between £20k and £50k of Distributable Contribution, a deduction of 20% will be made from the balance above £20k, to be retained by the School. The member(s) of staff may receive up to £20k as a personal payment through the City payroll as above, or a larger personal payment where approved by the Dean in advance of the consultancy contract being issued, with the remaining income transferred to their discretionary balance account(s), or may have the full amount less the School deduction transferred to their discretionary balance account(s).

For projects with Distributable Contribution above £50k, the above arrangements will apply for the initial £50k and individual discussions will take place to agree on the distribution of the remaining Distributable Contribution.

**Management and use of funds**

Discretionary balance accounts for individual members of staff will be permitted for the management of funds derived on this basis, along with funds derived from research grants and contracts in accordance with the existing City Research Sustainability policy. Discretionary balance accounts may also exist at Department (or Faculty/Centre/Division) level for Research Sustainability funds where this is the School policy, and individual members of staff undertaking University consultancy may opt to transfer some or all of their share of the Distributable Contribution or of income received through University consultancy (non-FEC) into their Department's balance account for wider use by their Department in support of research activities. This will occur only with the agreement of the member(s) of staff concerned. Both types of balance accounts will have the ability to carry forward unspent balances across financial years. They will be subject to the following arrangements and restrictions:

- A financial cap: unspent balances remaining at the end of the financial year of £50k per member of staff and £100k per Department/Faculty/Centre/Division (where this applies). Once these limits are reached, any surplus will normally go towards the School’s annual balance unless there is good justification for a breach of the limit on a temporary basis only, for example where there are approved plans for the use of funds in the following year.
- Use of funds by an individual member of staff will require the approval of their Head of Department (or equivalent) to ensure that the funds are being used for a relevant purpose.
- Where the funds held are to be reduced by more than £10k in any one financial year, the prior approval of the School Financial Controller will be required. The School Financial Controller will review expenditure and establish financial plans for the following year with all holders of discretionary balance accounts during the annual budget review process so that planned expenditure can be built into budget projections in order to avoid significant variance in School accounts.
- Balance accounts are not permitted to go into deficit (if they do they will be closed down and subject to School review).
- Funds can only be transferred into balance accounts once invoices have been paid, all directly incurred expenditure has been processed and the activity is finished to the satisfaction of the sponsor.
The funds held in these accounts, whether for an individual member of staff or a Department (or equivalent), can only be used to support City-based activity. This will include activity in support of research such as conference attendance, purchase of equipment or bridging of research staff funded through external contracts, and match-funding arrangements for any relevant School-based initiatives/schemes in support of research and enterprise.

Further guidance and advice can be obtained from the City Research Office.

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