

## **Costing and Pricing Policy** **for Knowledge Exchange (KE) and Executive Education (EE) projects**

The aim of this policy is:

- i. to provide a definition of different types of KE projects;
- ii. to ensure that the College recover full economic cost (fEC) when engage with industry and business partners to deliver KE projects;
- iii. to outline general principles to KE project costing and pricing in order to generate a surplus for the College and Schools;
- iv. to set up principles for staff incentives for KE projects;
- v. to ensure a consistent approach across the College for KE projects.

### **1. Project Definitions**

Knowledge Exchange projects cover a range of industry funded activities including:

**Collaborative research with industry:** long-term joint research projects undertaken by RCA academic staff to solve specific R&D challenges. The aim of collaborative research projects is to generate new knowledge and academic outputs (e.g. academic publications, joint publications, green papers). Intellectual Property (IP) resulting from collaborative research projects is normally shared between the RCA and a company partner on a pre-agreed basis.

*Main purpose: REF outputs: research*

**Contract research:** mid- to long-term joint research projects undertaken by RCA academic staff to solve specific R&D challenges. The main difference between collaborative research projects is that Intellectual Property (IP) resulted from contract research is normally assigned to a company rather than to the RCA.

*Main purpose: REF outputs: research*

**Consultancy projects:** industry-funded projects where RCA's staff is carrying out work to address a specific challenge based on a company's brief. The main focus of consultancy projects is the translation or exchange of research expertise and know-how into outcomes that have economic, social or cultural benefits. Consultancy projects use pre-existing knowledge and know-how. The results of consultancy projects belong to clients. *Main purpose: REF outputs: impact and commercial income with a 100% surplus*

**Studio and Live projects:** Short-term (normally one term) projects which are run as part of the RCA's MA programmes and designed to offer students an opportunity to work with business partners. They are typically more open and exploratory in nature. Studio projects are supervised by

academic and teaching staff and may generate new ideas and concepts. The RCA normally grants a non-exclusive royalty free licence for the use of Intellectual Property (IP) arising from such projects.  
*Main purpose: REF outputs: environment, students' learning experience and at least fEC recovery.*

### **Executive Education projects:**

The courses are run by academics and teaching staff. There are two types of Executive Education projects:

- **Custom:** Programmes for business, government and the public sector.  
*Main purpose: commercial income with at least 100% surplus and upselling to KE consultancy*
- **Open/public short courses:** These courses are either senior-level executive masterclasses/workshops; or student level short courses.  
*Main purpose: commercial income, student recruitment.*

## **2. Costing and Pricing approach**

2.1. The RCA's KE and EE activities must be costed accurately and completely to ensure full economic costs (fEC) are covered by the price charged to the client. The costs to include are:

- **directly allocated costs** are costs of shared services and facilities or part of staff time used by the project, e.g. staff allocated time (in days or as a percentage)
- **directly incurred costs** are directly brought to the project, e.g. research, administrative and/or technical staff recruited specifically for the project, contractors, travel, purchased materials, technology and services, meeting costs including venue and catering, communication materials, new equipment purchases & maintenance, databases, marketing and promotional costs
- **overheads**, which cover **indirect costs** (e.g. central management and administration services including finance, HR, legal support, library facilities, central ICT services, registry, research office) and **estate costs** (e.g. costs related to buildings and premises, including capital (depreciation), maintenance, utilities costs, cleaning, security and safety).

2.2. Staff daily rates should be calculated using a top point rate for a relevant salary grade to ensure, if necessary, staff interchange and replacement in order to deliver a project on time and within agreed budgets.

2.3. Staff daily rates are costed with on-costs, i.e. RCA's NI and pension contributions as applicable.

2.4. Staff daily rates are calculated using a multiplier of x1, x2 or x3 to reflect various types of projects outlined in section 1, market demand and competitive offering. The multiplier reflects staff cost elements to cover x1 staff time, x1 backfill cost if required, x1 staff incentive.

2.5. Staff costs (both directly allocated and directly incurred) are subject to 46% flat rate for overheads\*, which are to be added to a sub-total amount, which includes all staff costs outlined in sections 2.2-2.4.

*\*In 2016-17 academic year the RCA's overheads are £50,137 per full time equivalent (FTE) research staff including indirect costs of £36,967 and estate costs of £13,170 per full time equivalent (FTE) research staff.*

2.6. In addition to staff cost, KE/EE projects should include costs of materials, consumables, technology, facilities, marketing, events and travel as required to deliver a project.

2.7. Once the total project cost including staff cost, non-staff costs and overheads is calculated, the next step is to decide what percentage of a surplus is appropriate for each type of project and what price to charge on a project.

As a guideline, consultancy and custom executive education projects aim to recover at least 100% surplus. For contract research, collaborative research and studio (live) projects funded by industry we recommend to add at least 10% surplus in order to generate a surplus for the College and Schools.

2.8. Costing and Pricing approach for Knowledge Exchange and Executive Education projects is summarised in Table 1.

2.9. Staff should always check whether the RCA should charge VAT on KE and EE. As a general rule, VAT is charged on all service and consultancy activities including custom executive education activity. VAT is not normally charged on educational and research activities, e.g. teaching, public courses and collaborative research. Staff should consult Research and Innovation Office and Finance to ensure a correct approach.

### **3. Surplus allocation**

3.1. Where applicable, the purpose of KE and EE projects is to generate a surplus for the College and School/s, which is re-invested to the College's strategic projects, growth and development (e.g. Battersea, capital investment).

3.2. The surplus is equally divided between the College and the School/s who contributed to the delivery of a KE/EE project.

3.3. The Schools retain a share of PAYE staff time (both FT and PT) allocated to a project as this cost has been recovered via a KE/EE project.

3.4. If the School does not use the PAYE staff time or backfill cost (for executive education and consultancy projects), it is considered to be a surplus and is equally split between the College and the School/s at the end of the project.

3.5. The College's surplus is intended to be reinvested in strategic research and knowledge exchange activities, development and growth.

3.6. The School's surpluses are cumulated throughout the financial year and a cumulative surplus is added to the School's budget for the next financial year. The School needs to complete an application form to demonstrate a strategic approach to the use of the additional budget allocation.

3.7. The College does not take a share of any surpluses generated from knowledge exchange activities by HHCD, it is funded on a different basis to the Schools.

#### **4. Staff incentives**

4.1. Where a project cost is based on x3 daily rates for staff time (refer to 2.4), a member of staff is entitled to an incentive equivalent of a staff daily rate applicable to a staff member salary grade.

4.2. For part-time staff, where a member of staff worked outside his/her normal working hours, an incentive amount will be equal to x 2 (two) daily rates applicable to a staff member salary grade.

4.3. All incentives are paid through payroll as PAYE after completing an incentive payment request form authorised by Director of Research and Innovation in line with the KE/EE project budget.

#### **5. Executive Education - Open/Public Short courses**

5.1 The RCA can only achieve a certain level of income to deliver the course through delegate fees based on market rates; for the RCA summer courses, we are already proposing to pitch them at higher rates than similar courses available elsewhere. There is a difference in the per day delegate fee between open/public short courses (or taster or summer courses) and custom (commercial fee) or executive masterclass courses. For example: typical open/public short courses delegate fees are up to £250 per day and usually paid by the individual, whereas executive masterclasses and custom (commercial fee) executive education course fees are up to £900+ per day and paid by either the business/client or the employer. Masterclasses and custom courses can thus generate up to 3 x higher income.

5.2 Open/Public Short Course costing and pricing approach:

- **Contracted RCA academic (FT and PT)** - budget x1 for development and delivery time (like studio projects). No incentive payment and the academic is paid their usual salary. If the academic works on non-RCA contracted days then they are paid x1 to cover their time at staff member salary grade daily rate.
- **VL (non-contracted) and PhD students** - paid VL rate x 1 and no incentive payments.
- **Technical Service Staff** - For open/public short course delivery (or taster courses or summer courses) the support provided by Technical Services staff is considered part of

their usual duties. Budget x1 and no incentive payments. If PT and work on non-RCA contracted days then they are paid x1 to cover their time at staff member salary grade daily rate. Some open/public short courses may require dedicated technical expertise which take Technical Services staff away from their usual day-to-day jobs. If this is the case, the Head of Technical Services should be consulted and can advise on whether any backfill is required. If it is, the replacement backfill time should be costed into the budget at x 1 daily rate to buy in extra backfill resource by ILTS. There is no incentive payment to the individual Technician.

- **Administrators and Project Managers** – budget x 1 and no incentive payments. The School/Centre should aim to use administrators or project managers within their team who have responsibility to RKE/EE to maximise surplus. If the school needs additional resource beyond this then it should be costed into the budget. If there is a case where the course requires the services of a specific individual administrator and in working on this course their role requires1 backfill, then the replacement backfill time should be costed into the proposal at x 1 daily rate, to buy in the extra resource. There is no incentive payment to the individual administrator. If they work on non-RCA contracted days they will be paid x 1 to cover their time.
- **Surplus** - all courses aim for up to 100% surplus.

## **6. KE pipeline and reporting**

6.1. The RCA established KE and Executive Education annual targets, which are cascaded to the Schools and are monitored against the School's budgets.

6.2. To enable an accurate reporting for KE and Executive Education, staff involved in project administration and management should use the following account codes:

- 1205000** Research Grants & Contracts - UK industry
- 1208000** Research Grants & Contracts - Non UK Industry & Other
- 1310000** Staff consultancy
- 1310001** Studio & Live projects
- 1116000** Executive Education (bespoke/custom)
- 1116001** Executive Education (public)
- 1116002** Summer Schools

6.3. All Knowledge Exchange proposals must have an approved budget to ensure accurate budget control and reporting.

**Table 1: Costing and Pricing approach for KE and EE projects**

	<b>Contract Research (1)</b>	<b>Studio &amp; Live Projects</b>	<b>Custom ExecEd(2)</b>	<b>Open/Public Short Courses ExecEd</b>	<b>Consult- ancy(2)</b>
<b>Staff costs</b>					
FT academic staff (daily rate)	x1	x1	x3	x 1	x3
PT academic staff (daily rate)	x1	x1	x2	x 1	x2
VLs	x1	x1	1x or x2	x 1	x2
FT/PT technicians/admin	x1	x1	x1	x 1	x1
Non-employee (daily rate)	n/a	n/a	daily fee	daily fee	daily fee
MA / PhD student CWs	£120	bursary	£120	£120	£120
<b>Plus</b>					
<b>RCA overheads – OH (3)</b>	46%	46%	46%	46%	46%
<b>Plus</b>					
<b>Non-staff costs</b>	100%	100%	100%	100%	100%
<b>= Total direct costs</b>					
Surplus	10% +	10% +	100% +	aim 100% +	100% +
<b>= Project price</b>					
RCA surplus (4)	50% surplus	50% surplus	50% surplus	50% surplus	50% surplus
School surplus (5)	50% surplus + x1 staff cost	50% surplus + x1 staff cost	50% surplus + x1 staff cost	50% surplus + x1 staff cost	50% surplus + x1 staff cost
FT staff incentive (6)	n/a	n/a	x1	n/a	x1
PT staff/VLs incentive (7)	n/a	n/a	x1 or x2	n/a	x1 or x2

### Notes

- <sup>(1)</sup> All commercial prices are subject to VAT – check with the RKE office for specific details
- <sup>(2)</sup> FT staff daily rates with on-costs are multiplied by 3 to reflect x1 PAYE, x1 buy-out time (if necessary) and x1 incentive; PT staff daily rates are calculated x2 to align with the FT incentives approach, provided PT staff deliver Exec Ed and/or Consultancy activities outside their normal working days;
- <sup>(3)</sup> OH (overheads) = indirect and estate costs;
- <sup>(4)</sup> RCA-School share surplus as 50%-50%. NB Overheads are considered costs and not a surplus. Surplus is generated by adding up to 100% mark up to the fEC project cost including overheads;
- <sup>(5)</sup> School retains 50% surplus and x1 PAYE apportionment for staff time delivered a KE project (a saving element for the School). If a School does not use the PAYE staff time or backfill cost during an academic year it will be shared 50-50 with the College as a surplus. A School's surplus is added to the School's next year budget after all KE projects are completed;
- <sup>(6)</sup> FT staff are paid daily rate x1 PAYE via payroll plus x1 incentive by completing an incentive payment form. All payments are done via PAYE payroll;
- <sup>(7)</sup> PT staff/VLs paid x1 or x2 daily rate incentive provided they deliver a project outside their normal working days. All payments are made via PAYE payroll.

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