



# Consultancy (Research and Enterprise)

Guidance and procedures

Research and Enterprise,  
Research Enterprise and Scholarship  
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# Contents

<b>Section A: University Consultancy</b>	<b>3</b>
<b>Section B: Supported Consultancy</b>	<b>10</b>
<b>Part C: Frequently asked questions</b>	<b>14</b>

These guidelines are to be used in conjunction with The Open University [Consultancy Policy \(Research and Enterprise\)](#).

# Section A: University Consultancy

## 1. Costing and pricing

- 1.1 The [Awards Management System](#) (AMS) should be used to calculate the Full Economic Cost (FEC) of the Consultancy. The record should be set to 'Project Type: Consultancy' and the 'Project Activity Type: Other or Teaching'. The HE-BCI Main category should be set to 'consultancy'.
- 1.2 All directly incurred costs should be included. Directly allocated costs and overheads (indirect costs and estates) will be applied as appropriate to generate the full cost of the work. The Open University (OU) overhead for consultancy is 80% of staff costs.
- 1.3 When pricing the consultancy, the ambition should be 100% recovery of the full costs plus a commercial premium (i.e. profit) appropriate to the client. A pricing matrix has been established that provides a framework to enable a consistent approach to pricing that takes into consideration the nature of the client and the potential for follow on activity:
  - 100% of directly incurred costs must be recovered as a minimum
  - there may be adjustment in the price (see [1.4](#) and [Table 1](#))
  - where possible a commercial premium should be added (see [1.7](#) and [Table 2](#))

1.4 For consultancy the price set should cover the economic cost noting student income cannot be used to subsidise commercial contracts. The price rate may be adjusted within bands detailed in Table 1. It should be noted that:

- the bands in Table 1 for SMEs, Charities and the third sector are the maximum discounts where possible a higher percentage should be obtained.
- Discounts can only be applied if the work is aligned to at least once element of the expectation criteria.

**Table 1: Pricing matrix for use in determining the price**

<b>Client</b>	<b>Band</b>	<b>Expectation</b>
<b>Large business</b>	No discount	<ul style="list-style-type: none"> <li>• Cost plus a profit element</li> </ul>
<b><u>SME, Charity and third sector</u></b>	No discount	<ul style="list-style-type: none"> <li>• Work not aligned to current research activities or limited impact potential</li> <li>• Low potential for future Knowledge Exchange (KE) activities with client</li> </ul>
<b><u>SME, Charity and third sector</u></b>	Up to 20% discount on price (80% FEC recovery)	<ul style="list-style-type: none"> <li>• Work aligned to current or recent research activities and/or</li> </ul>

Client	Band	Expectation
		medium impact potential <ul style="list-style-type: none"> <li>• Medium potential for future KE activities with the client</li> </ul>
<u>SME, Charity and third sector</u>	20% to 30% discount on price (to 70% FEC recovery)	<ul style="list-style-type: none"> <li>• Work closely aligned to current research activities and/or high impact potential</li> <li>• High potential for future KE activities with the client</li> </ul>

1.5 If a discount is being applied, approval must be sought as per the OU [Approval matrix \(internal link only\)](#). This is done via the normal AMS approvals workflow.

1.6 In pricing, 100% FEC must be achieved before a commercial premium can be added. A commercial premium can then be added above the cost to give the overall price of the consultancy:

$$\text{Price} = (\text{Direct Costs} + \text{Overheads} + \text{Commercial Premium}) + \text{VAT}$$

1.7 The commercial premium is dependent on the opportunity, there is not a fixed percentage. Table 2 outlines factors that should be taken into consideration when

1.8 The commercial premium is the only part of the price that can be negotiated with the client.

1.9 Pricing of consultancy in a commercial market cannot put the OU at risk of reputational damage or financial penalty.

**Table 2. Factors to consider when determining the commercial premium**

<b>Consideration</b>	<b>Consider lower premium</b>	<b>Consider medium premium</b>	<b>Aim for higher premium</b>
<b>Type of client</b>	Charity	SME	Large business
<b>Potential for future KE</b>	High	Medium	Low
<b>Alignment with current research</b>	High	Medium	Low
<b>Value to business</b>	Low strategic value/economic value	Medium strategic value/economic value	High strategic value/economic value
<b>Degree of specialism</b>	Low specialism	Medium specialism	Highly specialised
<b>Competition from other providers</b>	Widely available from other providers	Some availability from other providers	Limited availability from other providers

<b>Consideration</b>	<b>Consider lower premium</b>	<b>Consider medium premium</b>	<b>Aim for higher premium</b>
<b>Geography</b>	A lot of local competition	Some local competition	Limited local competition
<b>Delivery time</b>	Slow	Medium	Fast

## 2. Income Management

- 2.1 Income flows to the organisational units listed on the AMS record and the income will be split between units as per the AMS record.
- 2.2 Where a consultancy contract has achieved a commercial premium and the Faculty are comfortable in their delivery of their KE and other income contribution targets they may create a budget equal to their share of the premium for use by the PI or their research group on KE activity. The budget should be profiled against the current or future year+1 but as it is not income it cannot be carried forward. No additional University funding is available to support the budget.
- 2.3 The budget can be spent on the activities aligned to KE including, but not limited to:
- i) Raising the technology/innovation readiness level of intellectual property
  - ii) Conference attendance
  - iii) Travel and meetings with non-HEI organisations to promote OU intellectual property
  - iv) Organising KE and showcasing events
  - v) KE training and development

2.4 In cases where only a small premium is achieved and creation of a unique budget is not practical, priority will be given for the PI and their research group to utilise HEIF to an equivalent amount for KE activity.

## **3. Process for undertaking University Consultancy**

### **Step 1: project planning**

The opportunity may be initiated via an existing relationship or through the OU being approached by a new client. The PI should discuss the scope of the project with the client (The Research, Enterprise and Scholarship Unit (RES) or local business development manager (BDM) support is available). The client may request a non-disclosure agreement (NDA) prior to confidential discussions. RES will support preparing NDAs. The price of the consultancy should NOT be discussed at this stage.

### **Step 2: notification**

The opportunity should be discussed with the Head of Unit (or equivalent) and permission obtained prior to proceeding. Time allocation, strategic relevance, risk to university, and allocation of income should all be considered. The % overheads to be applied when calculating the price should be discussed with The Finance Business Partner team using the principals detailed in the pricing matrix (Table 1).

### **Step 3: costing and pricing**

The faculty office should be contacted, and the opportunity costed on AMS. The price should then be adjusted based on the overheads recovery agreed. Where appropriate a commercial premium should be added based on the principals shown in Table 2 (Financial Business Services (FBS), RES and/or local BDM support available). The PI

should contact the client and agree the price, after which the AMS record should be submitted for formal approval.

#### **Step 4: project agreement**

A consultancy agreement should be drafted and signed by all parties. RES will (i) lead on preparing and approving standard agreements under £50k or (ii) liaise with Legal Services on non-standard agreements or those greater than £50k. Once the agreement is signed by both parties RES will contact the client and request a PO.

#### **Step 5: project commencement**

Work should not begin until (i) the consultancy agreement is signed by the OU and the client and (ii) the PO is received from the client. The PI should undertake the project ensuring compliance with the terms and conditions of the consultancy agreement.

#### **Step 6: reporting and payment**

Invoicing should be requested in line with the contract via the School/Faculty and raised by FBS. The PI should submit the project report to the client. Records should be retained for institutional level reporting (for example, the HE-BCI survey).

#### **Step 7: distribution of income**

Income flows to the unit listed on AMS and income split in line with the cost distribution.

# Section B: Supported Consultancy

All Supported Consultancies will be managed by RES who will lead on negotiations with the Client and OU staff member engaged to undertake the work (i.e. the 'Consultant').

## 1. Initiating a Supported Consultancy

1.1 If a University Consultancy is not possible due to workload constraints or other valid reasons, a request can be made to undertake Supported Consultancy.

1.2 OU staff wishing to deliver Supported Consultancy need to complete the ['Supported Consultancy declaration form'](#) to:

- Ensure compliance with [Staff terms and conditions of service \(internal link only\)](#) (informing the appropriate level of management of workload).
- Provide a rationale on why the activity is being undertaken as Supported Consultancy (as opposed to a University Consultancy)

Completed declaration forms should be [sent to the RES Research and Enterprise team](#). RES will confirm within three working days whether they are able to facilitate the Supported Consultancy.

1.3 RES will be unable to facilitate activity with a price less than £5,000 excluding VAT and will prioritise higher value activity during busy periods.

## 2. Contracting

2.1 RES will liaise with the Client, Legal Services (LS), Finance Business Services and the Consultant to:

- Draft a consultancy agreement between the OU and the Client

- The Consultant will undertake the work as an Additional Responsibility. A schedule of work setting out the deliverables, timescale and payment will be agreed between the OU and the Consultant

2.2 Once the contract is agreed RES will request the Client submits a Purchase Order (PO). Work will not begin until the PO has been received.

### 3. Costing and pricing

3.1 RES will liaise with the Client and the Consultant to cost and price the activity. To ensure that a reasonable price is charged for Supported Consultancy (and that this mechanism of delivering consultancy is not used to undercut University Consultancy), the costing and pricing principles described for University Consultancy should be applied.

3.2 The price will comprise:

$$\text{Price} = (\text{Consultants Fee} + 20\% \text{ Management Fee}) + \text{VAT}$$

3.3 RES will be responsible for creating and approving the AMS record. The record should be set to 'Project Type: Consultancy' and the 'Project Activity Type: Other or Teaching'. The AMS project title will be "Supported Consultancy: xxx". When adding Staff time, the Time on Project will be set to 'offsite'.

3.4 To ensure income is reported in HE-BCI statutory return, the HE-BCI Main field in AMS should be set to consultancy. The HE-BCI Sub field should be set based on the consulting organisation.

3.5 AMS will interface with the ledger to create a project WBS, which will subsequently be used by RES to Invoice the Client .

## **4. Income management**

4.1 Once work is complete or at set milestones (as per contract), RES will request FBS invoice the Client for payment.

4.2 Upon receipt of the income (and deduction of VAT), RES will retain the 20% management fee for future Investment into KE activity. The remaining income will be paid to the Consultant as an Additional Responsibilities Allowance. Payroll will apply employers/ees tax and NI as required by HMRC.

## **5. Process for undertaking Supported Consultancy**

### **Step 1: project planning**

The opportunity should be presented to RES in situations where University Consultancy is not possible due to workload constraints. The PI should discuss the scope of the project with the client (RES or local BDM support is available). If the client requests an NDA, RES will support the implementation of the NDA. The price of the consultancy should NOT be discussed at this stage.

### **Step 2: notification**

The rational on why the consultancy is not being done as University Consultancy should be discussed with the Head of Unit along with factors including conflict of interest. The PI will send a [Supported Consultancy declaration form \(internal link only\)](#) to RES. RES will confirm within three working days if the Supported Consultancy can be undertaken.

### **Step 3: costing and pricing**

RES will cost the activity on AMS and liaise with the PI on the price. RES will contact the client and inform them of the price. Once the price is agreed the AMS record will be approved by RES and a project WBS created in the ledger.

### **Step 4: project agreement**

A consultancy agreement will be drafted and signed by the OU and the client. RES will liaise with Legal Services, FBS and the client in drafting of the agreement as appropriate. RES will prepare a schedule of work with the PI for the consultancy work. The schedule of work will define the work to be completed, timeframe and payment. Once the agreement is signed by the client, RES will contact the client and request a PO.

### **Step 5: project commencement**

Work should not begin until (i) the agreement is signed by the client, and (ii) the PO is received from the client. The PI should undertake the project ensuring compliance with the schedule of work.

### **Step 6: reporting and payment**

The PI should submit the project report to the OU who will correspond with the client. RES will contact FBS requesting the invoice be sent to the client in line with the contract. Records should be retained for institutional level reporting (for example, the HE-BCI survey).

### **Step 7: distribution of income**

Upon receipt of payment, RES will contact payroll and request the additional responsibilities allowance is paid. The management fee will be set against the service activity in year and will be retained by RES for in year investment into KE activities.

# Section C: Frequently asked questions

## 1. Who does this policy apply to?

The Consultancy Policy applies to all staff and research student with the following exceptions/points to note:

Research students may contribute to University Consultancy work, subject to the terms of any studentship funding, right to work or visa regulations. Advice should be sought from the Graduate School in the first instance.

Part-time staff may have restrictions imposed on them by their contracts of employment with other institutions which should be taken into account before considering consultancy work. People Services should be contacted for advice in this area.

Staff that are fully funded by external bodies may have terms and conditions of funding that restrict consultancy activity and these should be consulted prior to undertaking consultancy work. Heads of Unit (or delegate) or People Services can advise in such circumstances.

Visiting honorary and emeritus role holders are not eligible to engage in University Consultancy or Supported Consultancy under the standard letters of engagement with the OU, as such appointees are not covered by the OU's professional indemnity insurance. RES can be consulted as to the possibility of putting in place appropriate arrangements to permit the involvement of such appointees.

## 2. What is consultancy and how does it differ from primary and contract research?

Consultancy is a non-research activity where a service is provided to an external organisation that does not fall within the definition of a research grant or research contract. More specifically:

### Primary research

Comprises creative work undertaken on a systematic basis to increase the stock of knowledge, including knowledge of humankind, culture and society and the use of this stock of knowledge to devise new applications.

### Contract research

Work fulfils the definition of research, but the contract may restrict the University's right to publish; the findings and IP will usually directly benefit the funder and/or remain the property of the funder.

### Consultancy

The provision of expert advice and work which is crucially dependent on a high degree of intellectual input from the institution to the client (commercial or non-commercial) without the creation of new knowledge. Common features include:

- the work relies on existing know-how, expertise and assets
- the price usually arises from negotiations between the parties
- projects are relatively short
- the external party usually owns the IP

- there may be restrictions on publications to maintain confidentiality

See '[RES guidance – types of income](#)' for full definitions of income types.

### **3. What activities does consultancy involve?**

Consultancy is usually purchased by an external party who require access to the specialist knowledge and/ or facilities that reside in universities. Activities include advisory services and expert opinion, analysis and routine testing services, product and process development, and specialist training.

### **4. What is University Consultancy?**

As defined in the Consultancy policy, University Consultancy is an arrangement between the OU and a third party which may involve a member of staff/research student and use of the University's facilities and other resources in the provision of the consultancy services. University Consultancy offers a safe, well-resourced and supported route through which consultancy can be delivered. It can also be included in workload planning and promotion plans. Features of University Consultancy include:

- The use of resources including research facilities, equipment and IT systems (including the use of email)
- Permission to use OU branding on tenders and outputs
- Automatic cover by the University's professional indemnity insurance
- Access to OU support services to manage the production of consultancy agreements, invoicing, and wider stakeholder management activities

## 5. What are the benefits of doing University Consultancy?

There are numerous personal and professional benefits associated with undertaking University Consultancy, including:

- Providing opportunities for staff development (e.g. KE Promotion pathway), job enrichment and income generation
- Maintaining up-to-date expertise among staff of the social, industrial, and commercial relevance of their research and teaching, and thus enhancing the quality and relevance of the University's courses and research
- Building links with industry, commerce, the public sector, and other external organisations
- Providing broader access to, and more efficient use of, the University's extensive educational and research expertise, facilities, and resources
- Assisting in regional, national, and international goals of improving the quality of life and wealth creation
- Contributing towards institutional level reporting (e.g. KEF/HE-BCIS/as a REF Impact Case Study) and supporting the generation of KE platform funding in England (Higher Education Innovation Fund), Scotland (University Innovation Fund/Knowledge Exchange Innovation Fund) and Wales (Research Wales Innovation Fund).

## 6. What is Private Consultancy?

As defined in the Consultancy Policy, Private Consultancy is a direct arrangement between the individual acting in a personal capacity and a third party which is set-up

and managed directly by the individual as permitted by their terms and conditions of employment. A Private Consultancy Declaration form should be submitted to the Head of Unit (or equivalent) to notify them of the consultancy and, where appropriate, permission obtained to proceed. The activity should not be incorporated into unit workload planning, incentives or promotion plans. Furthermore:

- Where permission is required, Private Consultancy may not be permitted when the activity:
  - Impacts upon the individual's ability to fulfil their OU contractual duties
  - May result in a conflict of interest, including when there is competition with services provided (or which could be provided) at the University
  - Would not align with the university's health and safety responsibilities under the Working Time Directive
  - Has the potential to bring the university in disrepute
- The following are **not permitted** for Private Consultancy:
  - Use of any university resources including office space and IT systems
  - Use of OU facilities such as laboratories (unless specific approval is given, and all costs are remunerated)
  - Use of OU branding or implied links with the university (including OU email addresses)
  - Use of OU professional indemnity insurance (all liability resides with individual who is required to ensure their client is explicitly informed that the University has no responsibility or liability in the activities)

- Access to OU support services (all legal and financial matters must be managed by the individual)
- Inclusion of the activity in institutional level reporting (e.g. KEF/ HE-BCIS/ as a REF pathway to impact).

## 7. What is Supported Consultancy?

As defined in the Consultancy Policy, Supported Consultancy is a hybrid of University Consultancy and Private Consultancy whereby (i) the University contracts with a third party and (ii) engages an OU member of staff (the 'Consultant') who will undertake the project as an Additional Responsibility. The OU member of staff benefits through the University managing the interaction with the third party but being able to undertake the work outside of agreed academic workload planning restrictions. As the University takes on the risk, Supported Consultancy is a safer option for the member of staff compared to Private Consultancy. The OU benefits through being able to include the consultancy in the HE-BCI return. Supported Consultancy can only be undertaken when the OU member of staff does not have sufficient time in their academic workload planning to undertake the activity as a University Consultancy.

## 8. What is the difference between cost and price?

Cost is driven by project activity, should reflect all activity and is matter of fact whilst price is what the client will pay and is a matter of judgement. The **cost** of University Consultancy is calculated using AMS and will be based on Full Economic Costing (FEC). The **price** of the consultancy (i.e. what we charge the customer) will normally be FEC plus a commercial premium. The cost should never be discussed with the client, only the price.

There are no hard and fast rules to determining the commercial premium. [Table 2](#) in Section A provides guidance, but this needs to be interpreted with a wider knowledge of the client and the longer-term opportunities for the OU. A 'rule-of-thumb' is to add 20% commercial premium for small businesses.

## 9. Where does the money go?

### University Consultancy

Consultancy income will be paid by the client directly to the School or Unit within the University that generated the income. See [Section A](#) (parts 2.1-2.2) for details on the distribution of the income.

### Private Consultancy

The University will not receive any of the income. The individual will be responsible for invoicing the client, ensuring payment, and allocating the income (e.g. to third parties or suppliers) as appropriate. The individual will also be responsible for ensuring compliance with tax and national insurance payments.

### Supported Consultancy

Consultancy income will be paid by the client directly to RES who will deduct the 20% management fee and arrange for the remaining income to be paid to the Consultant as an Additional Responsibilities Allowance. The member of staff will then be paid by the University. [See Section B](#) (part 4.2) for details on the distribution of the income.

