

Consultancy Handbook

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1. What is consultancy

Consultancy is defined as ‘the provision of expert advice, analysis and interpretation, which draws upon and applies the expertise and knowledge relating of University members of staff’.

It is unlike research in that it does not have as its prime purpose the generation of new knowledge. Consultancy contracts are thus usually short-term, from a day to a few months, and involve extra work for existing staff members rather than employment of new staff.

The direct benefits arising from consultancy are considered to include:-

- Increasing the expertise and experience of University staff by involving them in 'real world' problems, thus enriching their teaching and research.
- Enhancing staff training and career development.
- Building links between the University and outside bodies which may subsequently help the University gain research contracts, place students for project work, recruit students for advanced or continuing professional education, generate case studies that might be suitable for REF submission and many other similar benefits.
- Enabling staff whose expertise has a commercial value to obtain additional financial benefit.

The consultancy policy can be found in Appendix 1 of this handbook.

2. What is not classed as consultancy

Consultancy does not include activities undertaken on behalf of the University and covered elsewhere in contracts of employment, such as:-

- Research – Defined as a process of investigation leading to new insights, it includes work of direct relevance to the needs of commerce, industry, and to the public and voluntary sectors; scholarship; the invention and generation of ideas, images, performances, artefacts including design, where these lead to new or substantially improved insights; and the use of existing knowledge in experimental development to produce new or substantially improved materials, devices, products and process, including design and construction.
- Teaching, Training & CPD
- Occasional scholarly work which may involve payment of modest fees for short periods (e.g. participation in external assessment procedures such as QAA, REF, or external examining, course validation, book royalties and prizes, editing professional journals, media interviews, policy advice to government and related organizations)
- Measurement/Testing Services and Material transfers - Consultancy may involve a degree of measurement or testing and the transfer of materials, but is dependent on a high degree of intellectual input. Where clients do not require expert advice, analysis and interpretation the work will be classed as University fee-for-service work. Further information on how to deal with this work can be found in Appendix 2.
- Use of University facilities. Further information on how to deal with this work can be found in Appendix 2.
- Other activities defined in a member of staff's job description.

If a member of staff is uncertain whether any activity falls within the scope of scholarly work they should consult their Head of School in the first instance. If they are providing professional advice to outside bodies that may have legal implications then it would also be advisable to discuss this with their Head of School. If the duration of the work is not short then staff are advised to seek advice.

Final Decisions

The Dean has the final decision on whether to class a piece of work as consultancy or not. Guidance can be requested from Research & Innovation Service.

3. Who can undertake consultancy

The following rules exist for consultancy:

- Academic members of staff are permitted to undertake up to 30 days consultancy work in any financial year (pro rata for part time). The Dean must approve any consultancy that exceeds the 30 day allowance on a case by case basis, approving the additional days to be worked and the % of salary to be recovered.
- All Faculty consultancy contracts will have a member of academic staff as PI
- Other members of staff are permitted to carry out consultancy however they must request approval from the Dean of Faculty, Head of School as appropriate and this must also be an approval to take a personal payment.
- Lab technicians and students are also permitted to work alongside academic colleagues on Consultancy however they will not normally take a personal payment. The Dean of Faculty, Head of School as appropriate must approve any personal payments proposed.
- Consultancy for members of staff who work in a service does not require academic time however approval must be requested from VCEG and a host faculty must be found. Personal payments are not taken in this instance and the fees belong to the service department.

Academic Staff wishing to undertake consultancy projects can do so by one of three means and are subject to certain contractual safeguards, as detailed in the Procedures. Failure to use the Procedures may result in disciplinary action. The three means are:-

1. University consultancy
2. Clinical private practice
3. Private consultancy

Agreement must be sought for all consultancy work, whether University or Private, prior to carrying out the work whether during normal hours of work or not. Appendix 3 must be completed for all work approved, whether public or private.

Each consultancy project requires prior agreement for the work to be undertaken and the resources to be used in carrying out the project from the Faculty Dean (or delegate as appropriate) by completing the process described in this manual. In cases where the consultant is the Dean, approval should be sought respectively from the Pro Vice Chancellor (Research & Innovation). In the case of private consultancy this agreement should include confirmation that any IP involved is not the property of the University.

If the Consultancy is to exceed the 30 day allowance prior to or during the contract then approval must be sought from the Dean (or nominee) and recorded in the Consultancy Days Template (Appendix 3).

4. Types of consultancy explained

4.1. University consultancy

Academic staff may, with agreement, undertake consultancy commitments up to 30 days in any financial year (to 31 July) for each full time member of academic staff, pro rata for part time staff.

When calculating the number of consultancy days undertaken, one day is equal to 7.5 hours/half day is equal to 3.75 hours and consultancy days are recorded to the nearest half day.

The University will require recovery of specified costs that are incurred in undertaking University consultancy. The costs recovered from a University consultancy contract carried out within the 30 day allowance will include all directly incurred and allocated costs and the Indirect and Estates costs at the prevailing fEC rate. Direct and allocated costs include equipment access charges and, where Faculties decide to recover such costs, business development, contract management and additional administration charges incurred in the delivery of consultancy projects. The business development, contract management and additional administration charges will be set at a faculty level and will not exceed 10% of costs. Costs within the 30 day allowance will exclude the consultant's salary. Any contracts approved where the 30 day allowance has been exceeded will include the consultant's salary as a cost which will be reimbursed to the School in addition to the costs noted above. It is expected that the full daily salary cost is recharged but, with approval of the Dean (or nominee), the portion of the salary recharged can be reduced (but not to zero). There needs to be a strategic reason, i.e. demonstrable benefits derived by the University, for charging less than the full salary cost. This information must be captured in Appendix 3.

The price of a contract will be the cost plus the consultant's fee. The amount of the fee will be negotiated on a contract by contract basis, depending on the nature of the client and project. It is recommended, based on experience of external market conditions, that consultancy fees should usually be no less than 3 times the consultant's gross salary costs. The full amount of the consultant's fee will be owed to the consultant. The consultant can agree to waive their right to the income owed to them by adhering to the University policy on the waiving of income (see Appendix 10) and by completing a Deed of Waiver included within the Policy.

4.2. Clinical private practice

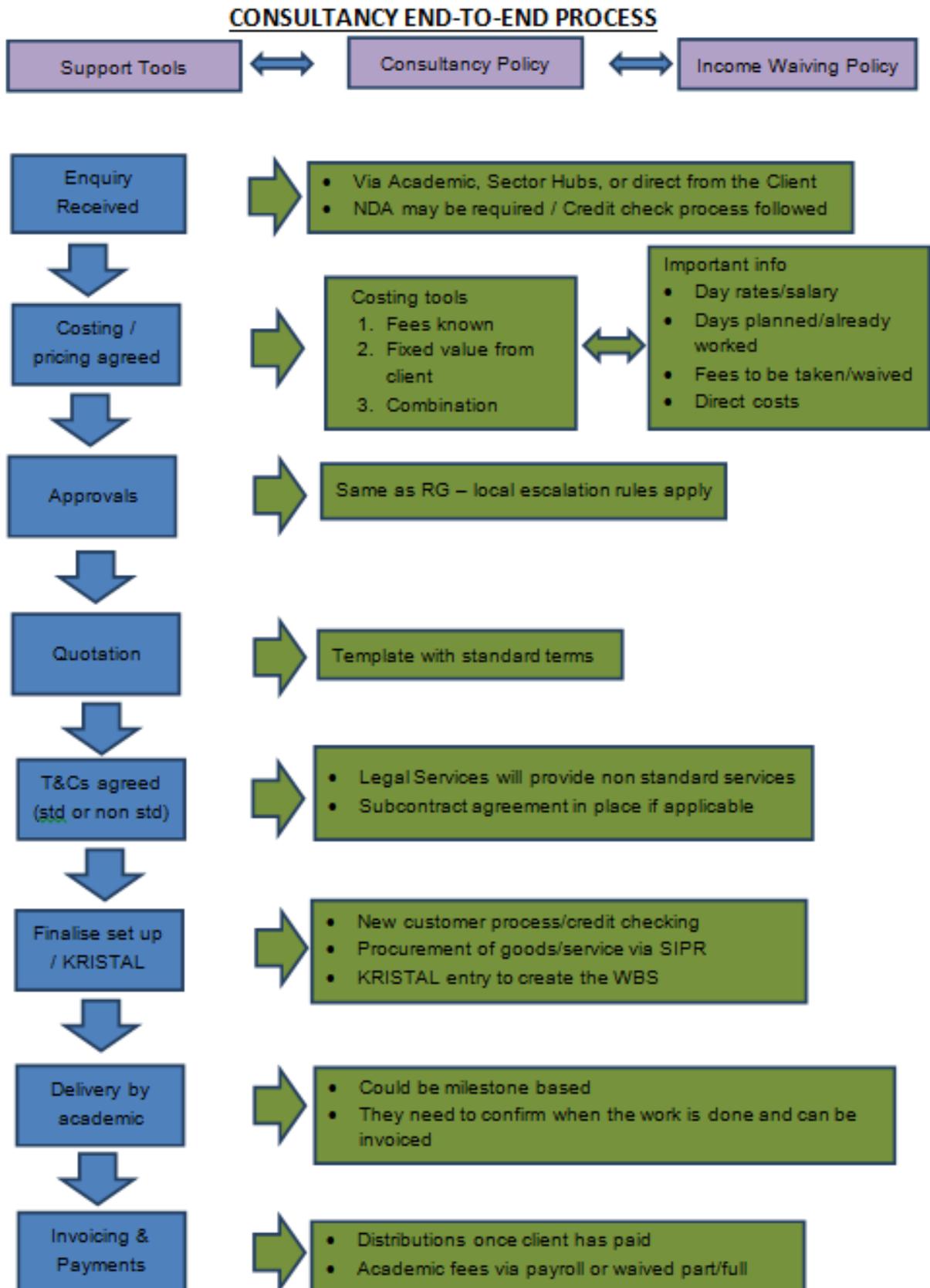
Clinical academic staff holding Honorary Consultant contracts with the National Health Service are permitted to engage in private practice subject to a limit of 30 days in any financial year (to 31 July) and the extent of such practice being consistent with the overriding obligations of teaching, research and clinical service attaching to the holding of a full time post and to the approval of the relevant health authority.

4.3. Private consultancy

These are where the individual acts entirely in a private (personal) capacity. The client contracts directly with the consultant, therefore the client has no link to the University and the University does not have any legal liability to the client. The consultant is responsible for their own insurance and professional indemnity cover.

If an initial enquiry for consultancy work is made to a member of staff through their University address, telephone or email address this is University Consultancy and may not be considered to be Private Consultancy.

5. Consultancy End to End Process



6. The Account management process

Consultancy will be managed and accounted for using SAP. The KT hierarchy AD1-KT has been established to enable the separate reporting of consultancy data.

6.1. How to set up project accounts

Projects will require the set up of a WBS account on the KT hierarchy. The WBS account should only be set up once the project has been approved by the Faculty and terms and conditions have been agreed with the client. Detailed notes for guidance have been prepared showing users how to set up an account. Please see Appendix 15 for the single level notes for guidance and Appendix 16 for the multi level notes for guidance.

The account set up will follow the format below. 1st level required for a single location project and where multi locations are required it will be a 2nd level WBS required. The multi level set up within SAP has been eased by the introduction of a template. Please ensure you use the template as it pre-populates many of the fields required.

1st level KT.MECH.500000 (Mechanical Engineering shown as the lead faculty)

2nd level KT.MECH.500000.CNS (This is one per school or institute not at faculty level)
KT.PHAS.500000. CNS
KT.PHIL.500000. CNS

Account numbers will not be automatic within SAP so the Faculty will need to ensure that they keep a log of the numbers already in use (this can be a manual or electronic document). This will ensure that you do not waste time trying to use numbers already in use or use numbers out of sequence. Each Faculty has been given a number range and this is explained in more detail in Appendix 4.

6.2. Account management

Recoveries

Recoveries posted from the project WBS account will need to be made at internal order level, this also applies to your research accounts. The profit centres within Core are now used for both research and KT recoveries so you should ensure that you are posting at internal order level (and not cost centre). Appendix 11 should be placed on each project file to ensure that recoveries are posted to the correct account.

Posting of recoveries will be a manual process and it is advisable to do this when as part of the distribution of funds when a client has paid an invoice.

WIP

WBS accounts will enable automatic reporting of the WIP to be undertaken by central finance.

6.3. Account code use

The following table indicates how each cost category for consultancy is posted in SAP using GL codes.

Consultancy cost category	GL code
Academic Fees to be taken	Payroll GL codes dependant on grade.
Travel & Subs	GL codes 55000 thru to 55225
Subcontractor – via payroll	Payroll GL codes

Subcontractor – via SIPR	GL code 53840
Student payments	Payroll GL codes
Equipment – purchase	GL codes for equipment
Equipment – SRF/MRF	69850 thru 69871
Academic fees waived to dept	GL code 46015
Management fees	GL code 53899
Salary recovery	staff transfer codes 50310 thru 50390
Estates/Indirect – DACs	GL codes 69800 thru 69831
Income	GL codes 43100 thru 43140
Surpluses (relating to Employers NI)	69993

7. Overview of Consultancy

Roles and Responsibilities

FROs are responsible for the end-to-end processes of consultancy administration, including:

- the set up, maintenance and closure of projects;
- the invoicing and payment function
- recording of days planned/worked by each academic either on public or private consultancy
- the integrity of project data held on SAP;

The academic member of staff will assist with negotiations on price, terms and conditions, milestones and recovery of the debt. Academic members of staff are fully responsible for delivery of the work. If subcontractors are involved it is the responsibility of the academic member of staff to manage the relationship and to ensure that the delivery is taking place to the contractual requirements. If milestones are agreed as part of the project then it is the academic member of staff responsibility to ensure that the FRIO are notified of completion.

Research & Innovation Service will provide central support to the Faculty-based Research and Innovation Offices through guidance and governance of the consultancy process.

Academics are allowed to undertake up to 30 days (in any one financial year) public or private consultancy. It is the responsibility of the faculty to keep a detailed picture of the days that the academic member of staff has worked on any consultancy contracts. This information is an internal audit requirement and will be required on an annual basis as part of the reconciliation to the annual staff declaration process. Appendix 3 should be used to record the days approved.

8. The Enquiry Stage

8.1. What is an enquiry

An enquiry is the first initial contact made to the University regarding a piece of consultancy work.

The enquiry can come from a number of sources, including direct from the client, via the academic member of staff or via the Sector Hubs. The academic member of staff may have an existing relationship with the client either through past consultancy or research. Consultancy projects must have a lead academic with time charged to the contract.

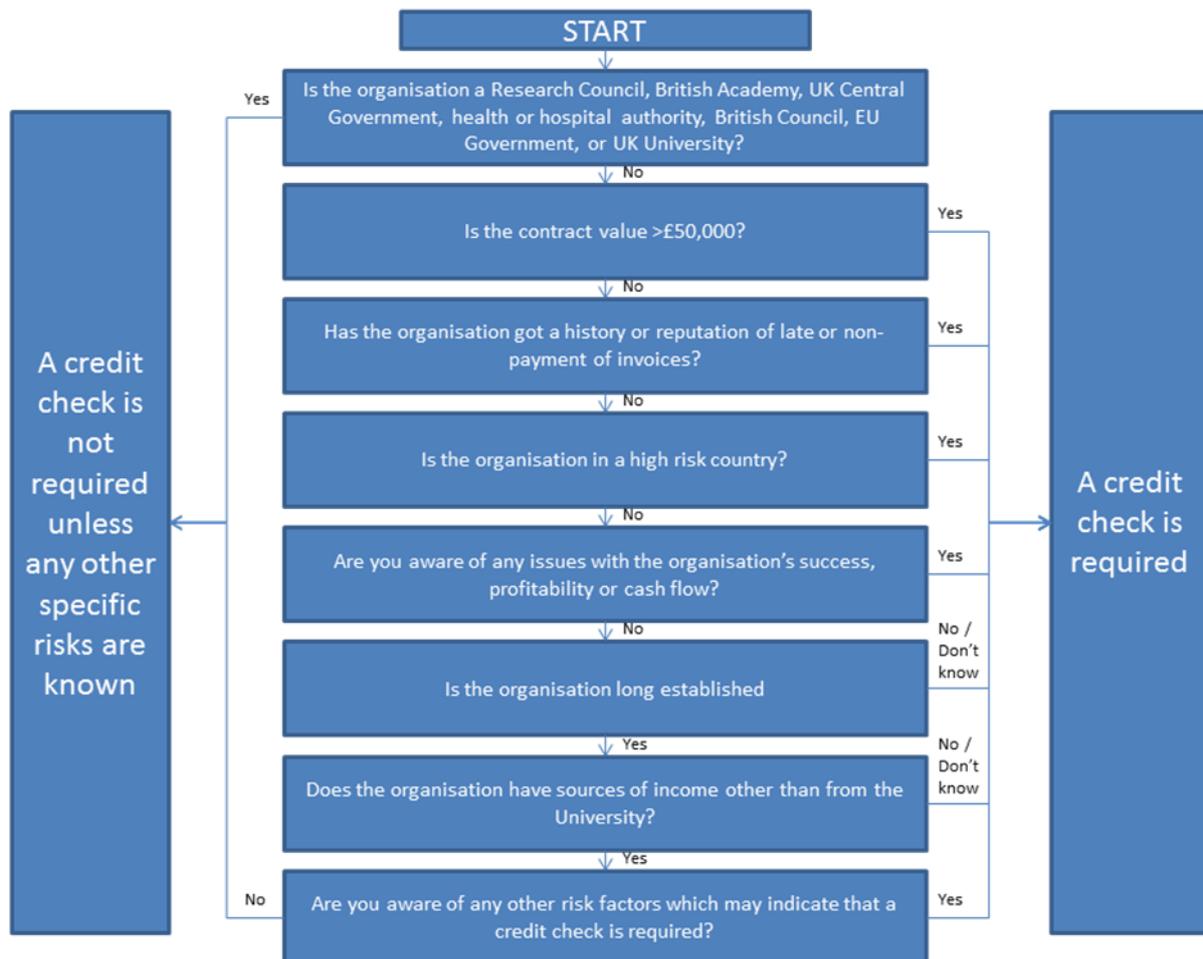
Regardless of where the enquiry comes from process to be followed for an enquiry is exactly the same.

8.2. Credit check process and new sales vendor process

When a new client is identified that the University has not used before then the following process should be followed:

A new customer form may be required to set up the vendor in SAP and a copy can be found as Appendix 5.

When working with a client (new or not) you will need to verify whether a credit check should be undertaken. The following diagram will be useful to determine if a check is required or not (Information in support of the flowchart can be found in University Financial Procedures) :



To undertake a credit check Appendix 6 must be completed. If a report is requested for the UK it is an instant report however if it is in relation to Europe or outside Europe there are different timescales involved, please contact Central Finance to discuss.

Credit checks should be forwarded to new-sales-customer@leeds.ac.uk

8.3. Non disclosure agreements

As part of an initial enquiry phase and prior to a contract being signed it is common for client to request that a non disclosure agreement is signed. A template agreement can be found

http://ris.leeds.ac.uk/ris/info/29/contracts_and_grant_t_and_cs/91/model_contract/4 or in Appendix 7, alternatively please contact Legal Services, Research & Innovation Support.

If there are no changes to this document then it can be signed within the Faculty by the authorised signatory (Dean or nominee). If the wording is amended it must come to Legal Services, Research & Innovation Support for review. NDAs issued to the University rather than by us must also come to Legal Services, Research & Innovation Support as non-standard.

9. Costing overview

9.1. Cost Vs. Price

Why does a consultancy costing differ to a research costing

When you are costing a consultancy contract you will notice that there are small differences in the way that it is costed when compared to a research project. Consultancy is generally based on two methods, either using a day rate for academic time or using a fixed price that the client wants to spend.

Cost vs price

The minimum price for consultancy is the direct and indirect costs of undertaking the work, and then the academic fee to be taken is added on top. Increasing the price of a consultancy contract benefits the academic. The costs of a consultancy project will typically be similar to that of research however the client will pay 100% of the costs and the academic will be able to take a personal fee for the work that they do.

The costing tool

Consultancy is always costed using the consultancy costing tool. The tool is a series of spreadsheets designed for 3 scenarios and can be found in Appendix 8.

1. When you have a clear idea of day rate/s
2. When you have a fixed price from the client
3. When you have neither of the above

No of days worked

It is an internal audit requirement that the University monitors the numbers of days that an academic spends undertaking consultancy and other activity. As part of the approval for consultancy the person approving the consultancy is also confirmed that the academic is within their 30 day allowance. Appendix 3 must be maintained of all consultancy time spent, whether public or private and this is updated on each occurrence of consultancy.

The information kept by the Faculty is then provided to central finance on an annual basis as part of the Annual Staff Declaration audit. Faculties will be required to ensure that the information is kept up to date and accurate.

When an academic member of staff exceeds the 30 days allowance then the Faculty are entitled to recover salary costs in full for the period of the contract. The Dean when approving consultancy over 30 days must also approve the % of salary to be recovered, this should also be recorded in Appendix 3 by the FRIO.

9.2. Pricing guidance

The academic will often know that daily rate that they will want to charge. Sometimes however an academic may require guidance. A rule of thumb is to take their annual salary (with on costs) multiply by 3 and divide by 220 days. This will give you a minimum daily rate but obviously they can charge more. Fluctuations may occur in day rates dependant on the type of client i.e. a charity.

Note that by increasing the price of a piece of consultancy work it is the academic that will benefit financially, not the department. Consultancy policy states that once the costs are recovered the remaining value belongs to the academic.

9.3. The costs

Cost categories

- Academic Fees – worked out either on a day rate basis or salary basis. These costs are payable to the academic once the client has paid. If milestones are agreed as part of the contract then it is possible to break these fee payments up. The academic can opt to take a personal payment or waive their right to the income in favour of the University. The University policy on the waiving of income can be found in Appendix 10. Any fees that the academic takes are fully deductible, i.e. Tax and National Insurance is payable.
- Employers NI – This is calculated as a direct cost so that it is deducted prior to the academic fee being taken. The NI is calculated on an average cost of 13.8% and will differ due to personal circumstances. Any underspend in this category is dealt with when the account is closed. Employers National Insurance contributions are not deducted if the academic/s chose to waive their income.
- Student Fees – dependant on the type of work that the student undertakes will dictate whether the student is employed or self employed. To ascertain the relationship that exists for Tax/NI purposes the HMRC ESI tool should be used. If employed the student should be entered into the costing tool along with the consultant, stating the number of days to be worked, the fee that will be taken/or waived. This will ensure that employers NI is included and that estates and indirect costs are calculated and included as a recovery to the department. If the relationship is deemed to be self employed using the HMRC ESI tool then the student costs should be included as a subcontractor (direct cost in the costing tool), with a subcontract agreement put in place.
- Travel & Subsistence – these costs should be should be classed as a direct cost, charged directly to the project account and should adhere to University financial regulations and procedures. The costs will be drawn down by the academic during the course of the consultancy agreement.
- Consumables – these costs should be classed as a direct cost, charged directly to the project account and should adhere to University financial regulations and procedures as well as procurement rules.
- Equipment – classed as a direct cost, if these costs relate to a purchase should be charged directly to the project account and should adhere to University financial regulations and procedures as well as procurement rules. If the equipment relates to use of MRF/SRF then the costs should be calculated using the existing MRS/SRF costing tool, included as a direct cost in the consultancy costing tool and charged to the account directly.

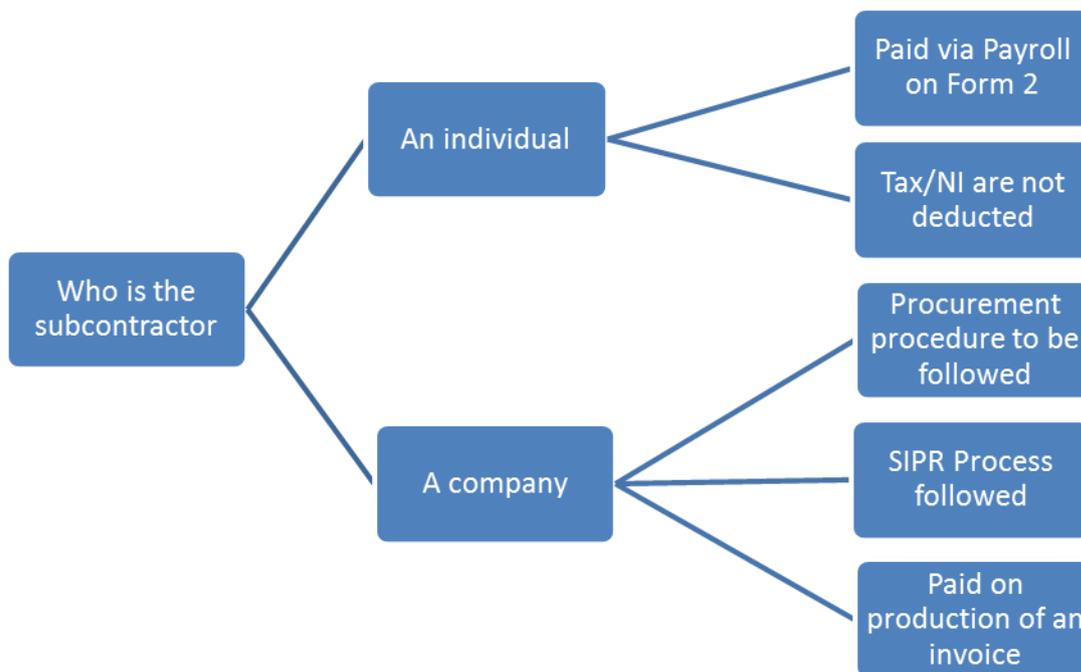
- Estates & Indirect Costs – calculated using the same rates as research these are formulated in the costing tool based on the number of days that the academic plans to work and the activity type i.e. Classroom, High Lab and Laboratory
- Management fees – to cover the additional consultancy administration cost to the Faculty. The fees are recoverable by the lead Faculty and are optional, ranging from zero to 10%.
- Subcontractor costs –If a subcontractor is involved in the consultancy contract then a separate process needs to be followed. See the separate guidance on this area. These should be treated as direct cost.

What happens when the academic goes over 30 days

When an academic member of staff exceeds the 30 days allowance (either before or during a contract) then the Faculty are entitled to recover pro rata salary costs for the period of the contract.

9.4. Subcontractor process

If a subcontractor is required to work on a consultancy project then the following process needs to be followed to allow for payments to be made.



The following rules apply:

- A subcontractor agreement must be established and agreed. See Appendix 9 for a template agreement
- Goods receipting should only occur when the client has paid and only then is an invoice payable

9.5. The costing tool

What is it

The costing tool is a simple but effective tool that will help you to establish the consultancy costs and price of undertaking a piece of work. The tool is intended to give guidance and advice but using the tool will not commit you to a set price. It is expected that prices will fluctuate depending on the nature of the client and the consultancy project.

Who owns it

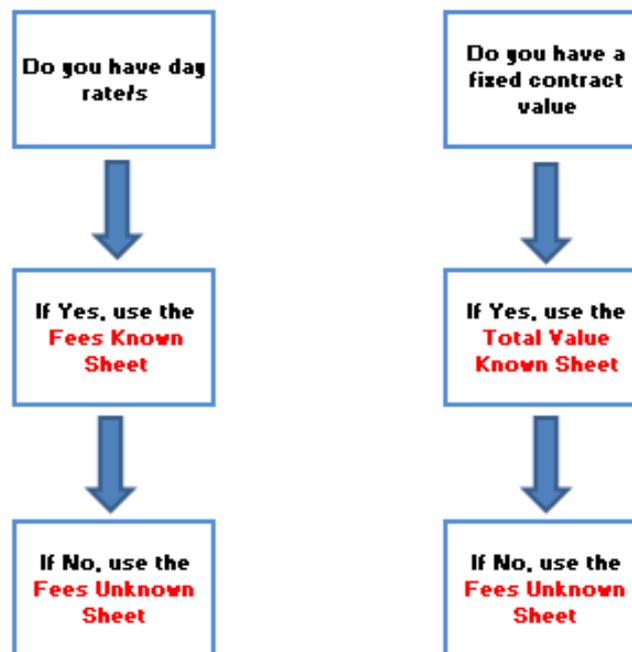
The costing tool is owned and managed by Research & Innovation Service. Any amendments to the tool and rates held within the tool will be administered by Research & Innovation Service.

Explanation of the tabs and when to use each one

There are three tabs on the costing tool designed to offer you a range of ways to cost and price your piece of work.

1. When you have a clear idea of day rate/s – Use the 'Fees Known Tool'
2. When you have a fixed price from the client – Use the 'Total Value Known Tool'
3. When you have neither of the above- Use the 'Fees Unknown Tool'

The flowchart below shows you which tool you would use in which scenario.



General guidance when completing any of the three tools

- Yellow cells must be completed
- Blue cells are formula driven and you will not be able to edit the cells unless indicated
- If you click on the title cells you will find helpful hints to aid completion.
- Consultancy is driven by the number of days that the consultancy is going to take so it is important before you start to have a clear indication of how many days work is involved.
- Estates / Indirect costs are driven by the numbers of days to be worked so this will have a bearing on what your total costs will work out to be and the recoveries due to the department.

Specific guidance on each of the three tools is explained below:

9.5.1. Fees Known Tool

TIP - Before you start make sure you know the **day rate**, the **days involved**, **how many days** they have already worked and what **proportion** of the payment they are taking via payroll. To use this tool fill in the yellow shaded cells first (blue cells are formula driven).

- **Start / End dates** - Remember to distinguish between a 'project' start and end date and 'individual academic' start and end dates. Each academic working on a contract could be undertaking work at different stages of the contract spread out over several months. There are further cells to complete for each academic indicating their start/end dates
- **Department and Lead Academic** - It is important to start with the lead academic first as some of the eligible costs only go to the lead department. Choose the correct Faculty as lead.
- **Day rates and days planned** - You will need a day rate and the number of days planned to complete a costing using this tool
- **Days exceeded** indicates if this academic has already exceeded the University policy of 30 eligible days. You will first need to find out how many days the academic has worked. The department will have a log of this information and the days on this contract needs to be added to the list of days already worked. If the days exceed 30 then you should note the additional approval procedure, make a note on the costing tool and find out how much salary is due to be recovered. Departments are eligible to recover the pro rata salary for any academic who plans to work over 30 days consultancy
- **About the fees** - An academic is eligible to take a personal payment in respect of the fees earned through consultancy. The academic has three choices, take the fee via payroll in full (but not more than fees eligible), take it in part and waive their right to the rest or finally to waive the whole amount. You must specify how much of the fees the academic wishes to take. Tax and National Insurance will be deducted from the payments made via Payroll. Employers National Insurance is also a cost to the contract and this is included in the costings and calculated based on a fixed percentage set by Payroll. Fluctuations to this rate do occur dependant on personal circumstances. Waiving of income by the academic must be compliant with the waiving policy as set out in Appendix 10 and a Deed of waiver form must be completed (this forms part of Appendix 10).
- **Activity Type** – there are three choices to choose from, classroom, high lab or laboratory. Please make a selection based on your department policy.
- **Direct costs & categories** – please choose the appropriate headings and insert a value in the cells.
- **Subcontractor** – if you have a subcontractor involved you should enter the cost in the direct cost category, along with a value. Note – also be aware of the processing rules for paying a subcontractor and ensure that there is a subcontractor agreement in place.
- **Faculty Management Fee** – this is only eligible to the lead department. The department can chose between 0-10% as a management fee.

9.5.2. Total Value Known Tool

TIP - Before you start make sure you know the **total value** that the client wishes to pay, the **days involved** and **how many days** they have already worked and what **proportion** of the payment they are taking via payroll. **If you have known day rates for all academics** then you can use the lower half of the tool where indicated. This sheet is complex and **it is advisable to enter the fees part in last**. To use this tool fill in the yellow shaded cells first (blue cells are formula driven).

- **Start / End dates** - Remember to distinguish between a 'project' start and end date and 'individual academic' start and end dates. Each academic working on a contract could be undertaking work at different stages of the contract spread out over several months. There are further cells to complete for each academic indicating their start/end dates

- **Department and Lead Academic** - It is important to start with the lead academic first as some of the eligible costs only go to the lead department. Choose the correct Faculty as lead.
- **Days planned** - You will need the number of days planned to complete a costing using this tool
- **Days exceeded** indicates if this academic has already exceeded the University policy of 30 eligible days. You will need to first find out how many days the academic has worked. The department will have a log of this information and the days of this contract needs to be added to the list of days already worked. If the days exceed 30 then you should note the additional approval procedure, make a note on the costing tool and find out how much salary is due to be recovered. Departments are eligible to recover the pro rata salary for any academic who plans to work over 30 days consultancy
- **About the fees** - An academic is eligible to take a personal payment in respect of the fees earned through consultancy. The academic has three choices, take the fee via payroll in full (but not more than fees eligible), take it in part and waive their right to the rest or finally to waive the whole amount. You must specify how much of the fees the academic wishes to take. Tax and National Insurance will be deducted from the payments made via Payroll. Employers National Insurance is also a cost to the contract and this is included in the costings and calculated based on a fixed percentage set by Payroll. Fluctuations to this rate do occur dependant on personal circumstances. Waiving of income by the academic must be compliant with the waiving policy as set out in Appendix 10 and a Deed of Waiver must be completed (this forms part of Appendix 10).
- **Activity Type** – there are three choices to choose from, classroom, high lab or laboratory. Please make a selection based on your department policy.
- **Direct costs & categories** – please choose the appropriate headings and insert a value in the cells.
- **Subcontractor** – if you have a subcontractor involved you should enter the cost in the direct cost category, along with a value. Note – also be aware of the processing rules for paying a subcontractor and ensure that there is a subcontractor agreement in place.
- **Faculty Management Fee** – this is only eligible to the lead department. The department can chose between 0-10% as a management fee.

9.5.3. Fees Unknown Tool

TIP - Before you start make sure you know the **days involved, the individual salaries, how many days** they have already worked and what **proportion** of the payment they are taking via payroll. To use this tool fill in the yellow shaded cells first (blue cells are formula driven)

- **Start / End dates** - Remember to distinguish between a 'project' start and end date and 'individual academic' start and end dates. Each academic working on a contract could be undertaking work at different stages of the contract spread out over several months. There are further cells to complete for each academic indicating their start/end dates
- **Department and Lead Academic** - It is important to start with the lead academic first as some of the eligible costs only go to the lead department. Choose the correct Faculty as lead.
- **Days planned and salary** - You will need the number of days planned and their salary to complete a costing using this tool
- **Days exceeded** indicates if this academic has already exceeded the University policy of 30 eligible days. You will need to first find out how many days the academic has worked. The department will have a log of this information and the days of this contract needs to be added to the list of days already worked. If the days exceed 30 then you should note the additional approval procedure, make a note on the costing tool and find out how much salary is due to be recovered. Departments are eligible to recover the pro rata salary for any academic who plans to work over 30 days consultancy

- **About the fees** - An academic is eligible to take a personal payment in respect of the fees earned through consultancy. The academic has three choices, take the fee via payroll in full (but not more than fees eligible), take it in part and waive their right to the rest or finally to waive the whole amount. You must specify how much of the fees the academic wishes to take. Tax and National Insurance will be deducted from the payments made via Payroll. Employers National Insurance is also a cost to the contract and this is included in the costings and calculated based on a fixed percentage set by Payroll. Fluctuations to this rate do occur dependant on personal circumstances. Waiving of income by the academic must be compliant with the waiving policy as set out in Appendix 10 and a Deed of Waiver must be completed (this forms part of Appendix 10).
- **Activity Type** – there are three choices to choose from, classroom, high lab or laboratory. Please make a selection based on your department policy.
- **Direct costs & categories** – please choose the appropriate headings and insert a value in the cells.
- **Subcontractor** – if you have a subcontractor involved you should enter the cost in the direct cost category, along with a value. Note – also be aware of the processing rules for paying a subcontractor and ensure that there is a subcontractor agreement in place.
- **Faculty Management Fee** – this is only eligible to the lead department. The department can chose between 0-10% as a management fee.

9.6. How the fees are broken down

9.6.1. Academic fees

The key difference between an academic undertaking research compared to consultancy is that when an academic undertakes consultancy they are entitled to receive a personal payment. The fees can be taken in full or part via payroll (deductions of tax and national insurance will apply) or waived in full in favour of their department. **Fees are only payable once the client has paid the invoice/s.**

The University has introduced a policy covering the waiving of income earned. The policy sets out the rules around waiving of income and also indicates the process that should be followed. The key rule to the policy is that an academic must state their wishes to waive income in full or part prior to starting the work with a client. When income is waived it is no longer owned by the academic. Whilst an academic can make a request as to how the income is spent it is not a guarantee. Department policy will take priority in this area.

The University policy on the waiving of income can be found in Appendix 10. An application form to enable the waiving of consultancy income can also be found in Appendix 10.

When an academic chooses to take income earned from Consultancy then an employers national insurances contribution will apply. Employers national insurance is calculated on an average percentage because payments will be different for every personal circumstance. Any underspend on this category is deployed back to the department and when an academic waives their right to the income the full amount of employers national insurance is waived.

9.6.2. Recoveries to the department

Estates/indirect costs which are known as recoveries and are returned in full to the department. Management fees are optional and where taken are recoverable by the lead Faculty only. The Faculty will also recover any waived income not taken by an academic. Appendix 11 should be placed on each project file to ensure that recoveries are posted to the correct account. The posting of recoveries is manual and should be done on a journal when the client has paid.

9.6.3. Subcontractor fees

Subcontractor fees will be paid out to the subcontractor once the client has paid the invoice/s.

9.6.4. Other Direct Costs

Costs such as travel & subsistence, consumables & equipment should be charged directly to the account. MRF/SRF should be included within equipment and charged to the account.

10. Approvals

Agreement must be sought for all consultancy work, whether University or Private, prior to carrying out the work whether during normal hours of work or not.

<30 days	Dean or nominee in FRIO
>30 days	Dean (or nominee in FRIO) to approve days to be worked and % salary to be recovered

Appendix 3 will be required to be updated for all consultancy work.

11. Quotation and Standard Terms

Once the piece of work has been through the approvals process and a price has been agreed internally then a quotation is sent to the client.

A quotation is a communication stage of the consultancy process with an external client. University standard terms and conditions for consultancy are sent out to an external client along with a description of the work and the price using the Quotation Template (Appendix 12). An additional document providing a detailed specification of the work should also be sent with the quotation if the space provided on the quotation template is not sufficient. The standard terms built into the Quotation Template are pre-approved terms and conditions for consultancy work.

In addition to the standard terms there may be other pre-approved consultancy terms which have already been negotiated and approved by the RIS Legal Services team. These can be found on the RIS website at:

http://ris.leeds.ac.uk/ris/info/29/contracts_and_grant_t_and_cs/84/contracts_and_grant_t_and_cs

12. Contract review

12.1. Non-standard terms

A client may respond to our quotation with their own contract and/or terms and conditions, or with some requested amendments to our standard terms. These, as in research, are called non-standard terms. The most common areas that are requested to be changed are IP/Use of results for teaching/research, liability, confidentiality and payment terms.

RIS Legal Services will carry out a review of the terms; highlighting to the Consultant and the Faculty any terms that it considers carry undue risk (in exactly the same manner they do for research contracts). The faculty will review these risks when deciding whether to proceed with the consultancy

Contract terms must be agreed and signed prior to any consultancy work commencing.

12.2. Eligibility for Contract Review

Client terms for contract values below £10,000 will only be considered where either the contract terms have previously been reviewed and agreed or by request from the Dean (or delegate as appropriate) to RIS Legal Services, providing details of the strategic importance of the work and the requirement to consider the clients' terms.

12.3. Process

If a client responds to the quotation with non-standard terms, or requests amendments to the standard terms (and the contract is eligible for contract review under 12.2) the FRO should then email RIS Legal Services with details of the case reference number, the proposed work and the client's proposed terms and conditions. RIS Legal Services will then undertake contract negotiations and will liaise with the FRO, the PI and the client as appropriate to put in place mutually acceptable terms.

RIS will send a Consultancy Contract Review Form (Appendix 14) to the FRO and the PI outlining any areas in which the agreed terms differ from the standard terms, highlighting any which it considers carry undue risk. The faculty will review these risks when deciding whether to proceed with the consultancy.

If the decision is made to proceed, the Consultancy Contract Review form will be signed by the FRO and the PI and saved on file in the FRIO. Subcontracts should be put in place as required (see 9.3 and Appendix 9).

13. Delivery & Reporting

13.1. What happens when the project is running

Once the project has been approved and the account has been set up then the lead academic will begin the work. If milestones have been set then the academic must indicate when those milestones have been agreed to allow invoicing to occur (this includes completion of the work).

During the life of the project the academic is able to charge direct costs to the project that will later be recovered from the client. This is only the case if those direct costs were part of the original costing agreed.

13.2. Once the project has ended / or at milestones

Once the work is complete or milestones reached the FRIO should invoice the client. **ONLY** when the funds have been received into the University the following process should be followed:

- a. Personal payments to those participating (academics or non academics that have approval from Dean/nominee) should be reimbursed via a payroll memo. A template of the memo is provided in Appendix 13. National insurance and tax will be deducted in all circumstances and the payment will be made as part of normal monthly payroll procedures.
- b. Subcontractors, dependent on the route chosen earlier in the process should be paid using one of the following routes:
 - i. Via payroll on fees form 2 – this is only applicable to a subcontractor who is not a company and does not hold a company bank account. These fees are paid gross of national insurance and tax.

- II. Via the P2P process. The goods should now be receipted and the invoice will then be processed by Accounts Payable on the next available payment run.
- c. Student fees to be taken should either be reimbursed via payroll on a fees form 2 (for self employed) or using a payroll memo (appendix 13 if employed).
- d. A manual journal should then be instigated to ensure that the following are charged to the account:
 - I. Estates/indirect costs
 - II. Management fees to the faculty
 - III. Salary recovery (if over 30 days) if applicable
 - IV. Academic fees waived
 - V. MRF/SRF

When charging these costs to the account it is important that you use the correct GL code. The GL codes to be used can be found in Appendix 4.

To ensure that the recoveries are posted to the correct account a template has been provided (appendix 11). It is recommend that this should be completed for each project and saved on the project file.

14. Closure of accounts

14.1. Procedure for closure

A check should be made to ensure that all invoices have been processed, paid and distributed and that the total income matches the total expenditure as per the costing.

Where any balances exist then a reconciliation of the transactions should be undertaken. Balances that relate to employers national insurance contributions being different to that budgeted should be transferred from the account to the relevant recoveries account for that department.

If debts remain outstanding then the accounts cannot be closed. The academic lead on the project may be able to help with any outstanding debts as they often have a good longstanding relationship with the client.

The account should then be closed. Normal SAP protocol is followed.

15. Reporting and governance

15.1. HEFCE reporting

Consultancy activity is reported to HEFCE as part of the HESA return. On an annual basis the Faculties will be asked to provide a report of the consultancy activity breaking down the income between

- Value and no's of contracts with SMEs
- Value and no's of contracts with non SME commercial organisations
- Value and no's of contracts with non commercial organisations

15.2. Monthly reporting

Consultancy is also reported internally as part of the monthly statistics. Faculties will be provided with data as per the current format for research grants.

15.3. Annual staff declaration and internal audit

On an annual basis Faculties will be asked to provide the Appendix 3 which should clearly indicate all of the days worked by the academics and the approvals that were granted. This information will be cross checked with the Annual staff declaration.

15.4. Quality Assurance

Quality Assurance is essential to ensure that the University's consultancy data is as accurate and up to date as possible. The consultancy activity is reported to HEFCE as part of our HESA return. The roles and responsibilities are set out below:

Roles and Responsibilities

FROs are responsible for the end-to-end processes of consultancy administration. This includes assurances that:

- The consultancy policy has been adhered to at all times
- The income waiving policy has been adhered to at all times
- The consultancy handbook has been adhered to at all times
- Internal audit areas for improvement are incorporated into process

The FRO can only deviate from the above with prior approval from RIS and the PVC for Research & Innovation.

Internal audit

The Research & Innovation Service will provide guidance and assistance where required. As part of the quality assurance process they will visit the Faculties on a periodic basis to ensure that the policies and processes above are being followed and that appropriate administration and support is in place.