
PART 2

N8 EQUIPMENT SHARING TOOLKIT (N8 EST)

2.1 Health and Safety Questionnaire Template

Sample Submission and Work Activity Form and Checklist - version 5

Summary Checklist

The N8 Equipment Sharing Toolkit aims to promote equipment sharing. Successful sharing requires prior discussion between visitor and host to evaluate any risks associated with the equipment and/or any samples or products involved. Below is an N8 agreed checklist of the key areas that should be considered before any work commences. Further information regarding each area is available in the detailed Sample Submission and Work Activity Form.

Proposed Activity

1. Has the proposed activity been discussed and agreed? Yes/No

Equipment Details (if the visitor is operating the equipment themselves)

2. Have the risks associated with the operation of the equipment been considered? Yes/No/NA
 3. Have the equipment control measures and training requirements been agreed? Yes/No/NA
 4. Have the data storage and computer access been agreed? Yes/No/NA
 5. Have the necessary access arrangements been put in place? Yes/No/NA

Samples and Products (if samples and/or products are involved)

6. If any samples are to be brought on site by the visitor, have the risks, control measures, and approval requirements associated with these samples been agreed? Yes/No/NA
 7. Have sample and product storage, return and waste disposal been agreed? Yes/No/NA

Other Aspects

8. Have any potential ethical issues and approvals that might be associated with the work or the samples involved been considered and agreed? Yes/No

The host and visitor are strongly advised to formally record the details covering the agreed access, in particular the required training and its subsequent delivery.

Declaration:

To the best of our knowledge, we have covered the above aspects. The recommended control measures and training will ensure that any risk to all persons and equipment associated with the proposed activity is as low as reasonably practicable. All identified requirements and training will be completed before the work commences.

Signed (Visitor): _____ Name: _____

Date: _____

Signed (Host): _____ Name: _____

Date: _____

Sample Submission and Work Activity Form Introduction

The N8 Equipment Sharing Initiative aims to maximise the research performance and efficiencies of all the partners within the N8 through promoting equipment sharing wherever this is feasible. To reduce inertia barriers to equipment sharing, this form outlines the aspects agreed within the N8 that must be considered when undertaking a risk assessment of proposed equipment sharing. The form can be used as a stand-alone pro forma but can also be used in conjunction with existing protocols and procedures, or even just as a prompt to ensure all the key areas have been considered.

Access to each piece of equipment is at the absolute discretion of the owner and not all equipment will be available or appropriate for sharing. Prospective visitors should initially check with the owner whether access might be possible in principle prior to commencing detailed considerations. The type and frequency of access requested will also influence the final decision by the owner and this form is also designed to help identify any major issues.

Completing the form will undoubtedly require a dialogue between the prospective visitor and host and these discussion should be commenced well in advance of the proposed activity. While it is recommended that the full form is used for each new area of sharing, the Summary Checklist can also be used as a quick reminder of the potential areas to consider.

Prospective Visitor Details

Name:

Email:

Telephone:

Web:

Organisation (School/Department/University):

Prospective Host Details

Contact name:

Email:

Telephone:

Web:

Organisation (School/Department/University):

You are strongly advised to check with the prospective host whether access might be possible in principle prior to attempting to fill in this form. The form should be completed through discussion between both the prospective visitor and host.

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Section A – Proposed Activity

A1 Summary of Proposed Activity

Equipment (where applicable - make/model/database):

Type of Access (please tick one option)

- Full service (host undertakes all the experimental work)
 Supervised access (appropriate training and support provided by the host)

For supervised access please indicate the level of experience with this type equipment (please tick one option)

- Highly competent user
 Some experience
 No experience

Will samples be brought on site?

- No
 Yes

If Yes, please specify:

Brief description of the proposed work (objectives, measurements to be made, process to be undertaken, etc.):

Does a risk assessment already exist for the sample and/or the proposed work?

- No
 Yes

If Yes, please provide a copy:

Please indicate the estimated level and frequency of usage as far as it is practical to predict.

Section B: Equipment Specific Details

Only to be completed if the visitor will be operating the equipment themselves.

B1. Identification of Equipment Hazards

Can the proposed work be covered by the host's generic risk assessment that already exists for the equipment involved?

YES: NO:

If Yes, please ensure that a copy is provided to the visitor.

If No, please answer the following questions:

Are there any significant hazards associated with the use of the identified equipment to analyse/process the samples and/or undertake the proposed work activity?

YES: NO:

If YES, which ones? (Please append further details if required)

Lasers

If YES, please specify the category of laser involved and what interlocks are in place.

Electrical

If YES, please specify the type of electrical hazard.

Mechanical

If YES, please specify the type of mechanical hazard.

Manual handling

If YES, please specify the type of manual handling involved.

Other Hazards not listed above (please specify).

B2. Recommended Equipment Control And Training Measures

Special Precautions:

Are special precautions required to prepare the equipment, operate the equipment and decontaminate the equipment for the proposed work beyond the normal operating procedures for the equipment?

YES: NO:

If YES, please specify:

Training:

Is specific and/or statutory training required?

YES: NO:

If YES, please specify along with details of any previous training the visitor has already received and any future training requirements that have been agreed between the visitor and the host.

B3. Data Storage And Computer Access

Will the proposed work require any data to be stored at the host site after the completion of the work or access to proprietary analysis software at the host site?

YES: NO:

If YES, please specify the following:

- a) Estimated amount of storage space required
- b) Period over which the storage space will be required
- c) The software that will be required and over what time period

B4. Facility Access And Security

What arrangements will be required for the visit or to gain access to the facility?

- Accompanied at all times
- Issue of visitor card/pass
- Other (please specify)

Section C – Sample And Product Details

Only to be completed where samples are to be brought onto the host's site, provided for analysis by the host, or where the use of the equipment will generate physical products and materials (rather than just results).

C1. Identification Of Sample Hazards

Are there any significant hazards associated with your samples?

YES: NO:

If YES, which ones? (Please append further details if required)

Chemicals

If YES, which chemicals are involved? Please identify any substances that are considered to carry a high or exceptional level of danger as these will require a specific safety assessment to be agreed with the host Departmental Safety Officer / Lab Manager. The host will identify the need to provide Safety Data Sheets and COSHH assessments as required under the local rules.

Radioisotopes

If YES, which isotopes, level of activity in use, and disposal routes? A local assessment will need to be agreed with the host Radiation Protection Advisor (RPA).

Micro-organisms

If YES, which ACDP category? All pathogens (Hazard Group 2 to 4), will require a specific assessment to be agreed with the host Departmental Safety Officer.

Genetically Modified Material

If YES, what type (microbial, plant, animal) and what Containment Level has the material been associated with? All work with GM organisms must be covered by an assessment, approved by the host GM safety committee.

Human Derived Material

If YES, provide details and state whether an assessment has been agreed with the host Safety Officer and, if appropriate, with the host Ethics Committee.

Other Hazards not listed above (please specify)

C2. Identification Of Exposure Potential

Where the samples pose a significant hazard, please answer the following questions:

Sample Pre-processing

Will the samples need to be processed at the host site prior to use with the equipment?

YES: NO:

If YES, please specify below and identify any additional risks associated with the processing to be undertaken at the host's site:

Sample Exposure during Operation of the Equipment

Will the proposed operation of the equipment result in the potential for the operator to be exposed to the samples brought on site?

YES: NO:

If YES, please detail below:

C3. Recommended Sample Control Measures

Identify appropriate measures that are required to adequately control the risks associated with the hazards identified above. These may include containment of samples in a fume hood or safety cabinet; the use of personal protective equipment, following a standard operating procedure or protocol. Also consider any specific training of personnel that may be required.

- There are no significant hazards associated with the identified samples and all work can be conducted using standard laboratory practice only.
- Specific control measures recommended for the transport, storage and handling the identified samples (including action to be taken in the event of spillage) are summarised below. Reference should be made to any specific assessments required or undertaken as appropriate.

Statutory Training

Is any statutory training required to handle the types of samples described?

YES: NO:

If YES, please specify and state any previous training the visitor has received and the future training requirement that has been agreed between the host and the visitor:

General Training

Is any general training required to handle the types of samples described?

YES: NO:

If YES, please specify and state any previous training the visitor has received and the future training requirement that has been agreed between the host and the visitor:

C4. Sample Delivery

Will the samples be sent prior to attendance at the Host site?

YES: NO:

If YES, please provide the following information:

- a) How will the samples be sent (post, courier, etc.)?
- b) What action is required on receipt and how should the samples be stored?

The Host should provide the correct delivery address to use below:

FAO XXX
 Address line 1
 Address line 2
 Post Code

It is the visitor's responsibility to ensure that the samples are packed and labelled appropriately.

It is the visitor's responsibility to obtain any approval required to remove the samples from their home site.

If the visitor is bringing the samples themselves it is assumed that these will be transported appropriately.

In all cases, only those samples identified in the previous sections can be brought on site unless additional agreement with the host is made in advance.

C5. Sample And Product Storage, Return And Waste Disposal

Samples and Products Produced

Will there be any samples or products produced as a result of the work?

YES: NO:

Will you remove all samples or products along with any waste generated from site after completion of the work?

YES: NO:

If you require the Host to store and/or return any samples or products, please answer the following questions.

- a) How should the samples or products be stored after completion of the work?
- b) How should the samples or products be sent to you?
- c) Are there any packing or labelling requirements?

Please provide the full delivery address:

FAOXXXX
Address line 1
Address line 2
Post Code

Sample and Waste Disposal

If you are NOT removing all excess samples and any waste generate from site, please answer the following questions:

Are there any specific and/or statutory waste disposal requirements? If you answer "no" you are confirming that any waste can be safely disposed of through normal landfill and/or waste water routes.

YES: NO:

If YES, what routes of disposal should be used (e.g. autoclaving, incineration, specialist waste disposal contractor, etc.)?

Section D – Other Aspects

D1. Ethical Considerations

It is expected that any potential ethical issues and approvals that might be associated with the work or samples involved have been considered and agreed. All of the N8 Universities follow the general principles of the Research Councils UK (www.rcuk.ac.uk/research/Pages/ResearchIntegrity.aspx) and Universities UK (www.universitiesuk.ac.uk/highereducation/Pages/Theconcordattosupportresearchintegrity.aspx)

As outlined in the Universities UK Concordat, all work should meet the range of ethical, legal and professions frameworks, obligations and standards that reduce the potential for harm, in particular to human participants, the environment, and animals involved in research.

Of particular concern is likely to be work associated with:

- samples comprising or derived from human tissue.
- samples comprising or derived from animal experimentation.

Other areas that should generally be discussed with the host include work that involves:

- materials associated with or intended for use as weapons.
- tobacco products.
- cosmetics testing.

Please confirm below whether there are any potential ethical issues and approvals that might be associated with the material being brought on site or the work to be undertaken?

YES: NO:

If Yes, please give details:

Any identified ethical issues may need consideration by the appropriate Ethics Committee at the host institution.

D2. Other Considerations Specific To The Proposed Work And Not Covered Elsewhere

Are there any other considerations that should be brought to the attention of the prospective host that are not covered elsewhere?

YES: NO:

If Yes, please give details below:

N8 EST Insurance And Liabilities – Proposed Principles Of Operation

Discussions between the insurance contacts at the N8 Universities have led to the following operating principles being formulated for incorporation into the formal agreements.

1. Insurance and liability should be covered in the agreements.
2. All Universities will have in place a minimum of £10m Employers and Public Liability insurance.
3. The Host University will decide on the appropriate level of maintenance and repair cover to put in place to deal with any breakdowns due to normal usage. This could include having no cover. For equipment purchased as a joint N8 project the level of maintenance and repair cover will be agreed in advance between the parties involved and stated in the purchase agreement.
4. The Host University will not be obliged to repair the equipment in the event of a breakdown. For jointly purchased equipment the level of cover will have previously been agreed between the parties involved and stated in the purchase agreement.
5. The Host University will take out Material Damage cover in respect of equipment offered for sharing as it sees fit. The extent of the cover, the excess and the inclusion of both repair/replacement and any losses due to business interruption will be at the discretion of the Host University. For equipment jointly purchased as an N8 project the extent of cover will be agreed in advance between the parties involved and stated in the purchase agreement.
6. The Host University will be responsible for any excess in the event of any non-negligent damage or breakdown. For equipment jointly purchased as an N8 project the mechanisms to deal with the policy excess will be agreed in advance between the parties involved and stated in the purchase agreement.
7. In the unlikely event of negligent damage it is presumed that the Host University or their Insurer may seek a recovery against the negligent third party.
8. For equipment that is being borrowed and removed from site, the appropriate insurance, including handling and loading/unloading is the responsibility of the University who is borrowing the equipment.

3.1 Provisional Banding Model Summary

The provisional banding model used by the group is detailed below:

- **Band 1:** strategic facilities, where the criteria for sharing the equipment will be part of the competitive award winning process, and will form part of the research growth of N8 (new infrastructure framework to be applied).
- **Band 2:** larger pieces of equipment where formal/informal sharing already exists as a result of collaborative working. Equipment with the capacity and capability to be shared. For this equipment uptake of the model is optional.
- **Band 3:** smaller equipment that does not lend itself to sharing and identified via the new N8 database.

Equipment Bands

These provide a useful framework with which to use the toolkit:

Band 1 - New Infrastructure Framework Applies

- Strategic Facilities as defined by N8 Universities that are part of the competitive award winning process and research growth of the eight universities.

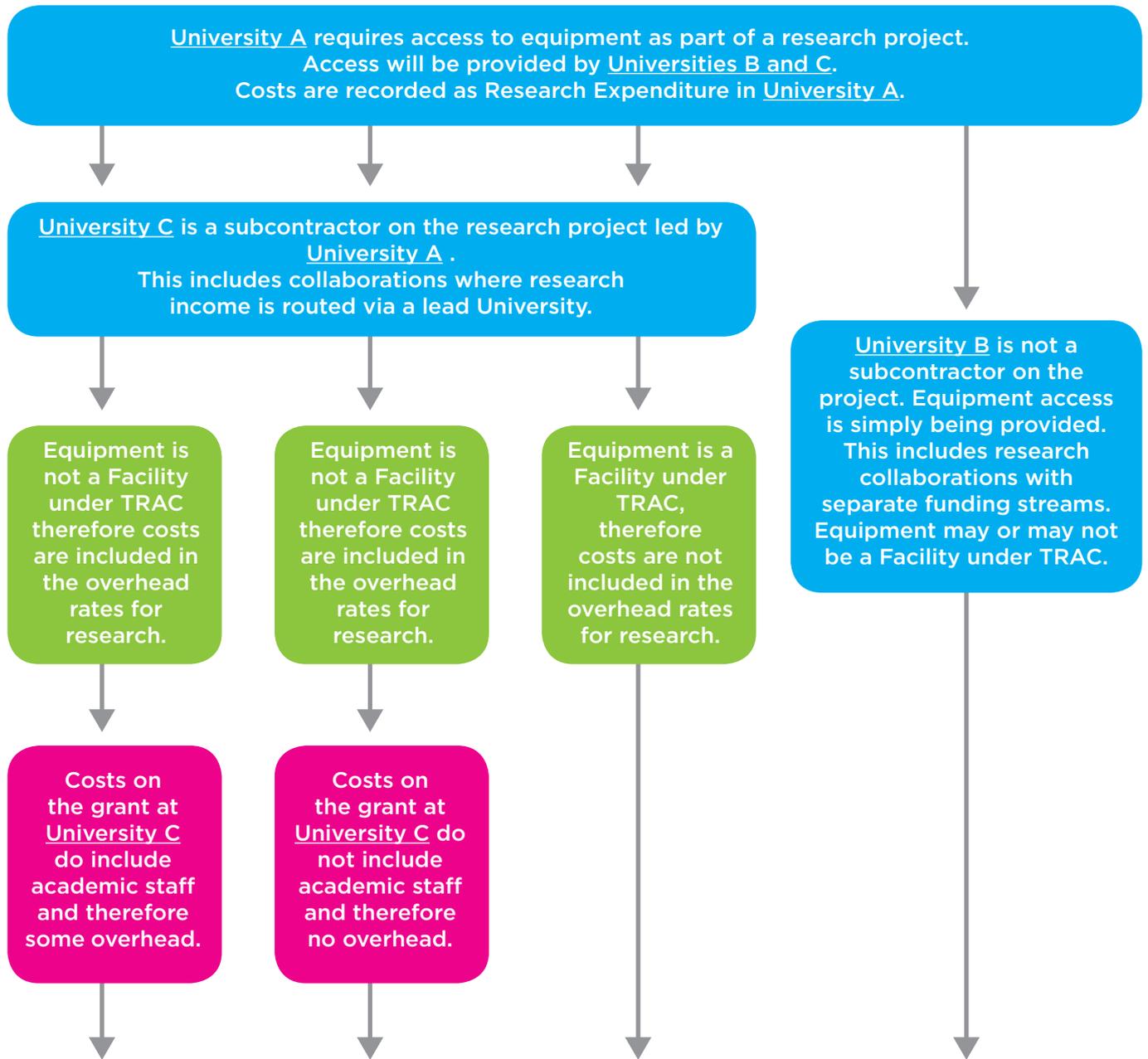
Band 2 - New Infrastructure Framework Optional

- Larger pieces of equipment where formal/informal sharing may already exist as a result of collaborative working.
- Equipment with the capacity and capability to be shared. For this equipment uptake of the model is optional.

Band 3 - New Infrastructure Framework Unlikely to apply

- Smaller equipment that does not normally lend itself to sharing and identified via the N8 database.

3.2 - Access to Equipment - Proposed routes for when to Charge



Treatment in books of Universities



3.3 Research Facility Cost Model - Cost Elements and Key Points

Cost Element	Further Detail	Key points to note
1. Pay Costs	<p>These might include:</p> <ul style="list-style-type: none"> • Technicians • Experimental Officers • Dedicated support staff • Academic Lead • Project/Facility Manager 	<ul style="list-style-type: none"> • Check coding. Where staff are funded from Research (in whole or in part) these costs should be excluded. • Check if any time records exist-these may help. • Can a proportion of time be allocated specifically to one piece of equipment? • Can time be split between fixed time maintaining kit and variable time supervising use? Is there a benefit to splitting this? • If not, discuss basis for spreading time with key personnel eg. Lead Technician/Facility Manager. <p>Example bases include:</p> <ul style="list-style-type: none"> • Usage • Facility Manager weighting • Cost (less likely)
2. Non Pay Costs	<p>These might include:</p> <ul style="list-style-type: none"> • Maintenance/Service Contracts • Spare parts if not included in above • Consumables • Administrative costs • Utilities costs where directly charged • Other costs where significant e.g. travel, training <p>These would not include:</p> <ul style="list-style-type: none"> • Indirect Costs 	<ul style="list-style-type: none"> • Are Maintenance/Service Contracts in place? If not, are there plans to take these up? Do they cover the cost of spare parts? • Include consumables directly attributable to the Facility. • Some facilities may have utilities charged direct, particularly where these are significant. • Note if utilities form part of the cost here they should not also be part of a generic space charge which would also cover these types of costs. • Specific training may be required for new users. This should be factored in. <ul style="list-style-type: none"> • Indirect Costs are specifically excluded from Research Facility costings in the guidance and should be excluded here.

Cost Element	Further Detail	Key points to note
<p>3. Replacement Cost Depreciation</p>	<p><u>Replacement Cost</u></p> <ul style="list-style-type: none"> Replacement Cost should be defined by the HEI. RCUK's view is that this should cover an appropriate specification of equipment for the research to be carried out. <p><u>Useful Life</u></p> <ul style="list-style-type: none"> TRAC guidance allows for inclusion of depreciation based on the Facility Manager's assessment of Useful Life. Review of different approaches for definition of Useful Life has demonstrated this to be the most appropriate mechanism. Work was commenced by Leeds to look at Useful Asset Lives based on the Taxonomy. This work is available as a point of reference if required. Factoring in the sustainability of equipment is a key concern for HEIs and RCUK. Their preference would be to fund depreciation costs in preference to funding a replacement piece of equipment. 	<ul style="list-style-type: none"> As defined by what is required to fulfil the terms of the work to be carried out at the point that the equipment is replaced. Facility Managers can assess Useful life to take into account factors such as how the equipment is used locally. Care is needed to ensure that there is no manipulation here to set price at either at an unrealistically low level or to deter use through under estimating this figure. Please document reasons for Useful Life where it does not fall between 5 and 10 years. RCUK have not yet confirmed that they will fund on this basis. This is being argued for on the grounds of sustainability.
<p>4. Space Charges</p>	<ul style="list-style-type: none"> Include Space Charges where material. A suggested level of materiality would be >10% impact on cost. If a decision is made to include Space Charges a suggested mechanism is to use an appropriate Space Rate as calculated through TRAC. 	<ul style="list-style-type: none"> Modelling of pilots has shown that Space charges associated with particular equipment tend to be either immaterial or significant. Each HEI will have its own way of including Space charges. TRAC allows for varying levels of sophistication based on type and/or category of space eg. Research Laboratory Category 4 space would be more expensive than Class Based Category 2 space. Equally, simply a generic rate for Space or Research space could be used. Impact on price may be a factor here.

Cost Element	Further Detail	Key points to note
5. Efficient Usage	<ul style="list-style-type: none"> This plays a key part in setting price. All usage should be taken into account in line with the TRAC guidance on the Research Facility Model i.e. unfunded internal use such as use by PhD students should also be included in the figure. 	<ul style="list-style-type: none"> Usage has a major impact on price. Getting it wrong has a major impact on recovery. There may be a temptation to over-estimate efficient usage and thereby reduce the price-making the price more competitive, but if this usage is not achieved the facility cannot cover its costs. Is there any usage data available? Look at the usage history, say for the last 3 years compared to what is being estimated. What's the average? Does the current estimate look reasonable in the light of this and if there are large differences are the reasons for these clearly understood? E.g. A large research project due to start shortly?

3.4 Notes on Methodology

<p>Staff Time (See also Staff Time and Cost Breakdown, page 48) Costs for staff should include “on costs” and these will be added by your Finance team.</p> <p>1) Technical Staff Please provide an analysis of all EOs/ Technicians by Facility. The time of the EOs/Technicians should be split as follows: Time spent on maintenance, cleaning etc of the kit.</p> <p>Time spent on general running of the facility to include supervision of equipment operation and training.</p> <p>The total number of hours should equal 37.5 per week over a 44 week year ie. 1650 hours per year in total. This is prescribed as per the TRAC guidelines for costing Research Facilities</p> <p>Only the proportion of EO/Technician time spent working in the Facility should be included. Any time funded from a Research project should be highlighted and excluded from the costings (since this is already being recovered elsewhere).</p> <p>2) Administrative Support Staff Include administrative costs associated with running the facility.</p> <p>3) Academic Staff Include costs of academic staff overseeing operation of the facility.</p>	<p>Equipment Depreciation This should be included at Replacement Cost Depreciation, even though it is not University policy to depreciate in this way in the published accounts.</p> <p>An estimate of Useful life should be made. See further guidance on Equipment tab</p>
<p>Service Include actual service contract costs if a service contract is in place. If not, include an estimate of likely service costs arising.</p> <p>Spare Parts Include a reasonable estimate for spare parts if these are not covered in the Service Contract. Consider likely replacement timescales.</p>	<p>Space Charges These should be added where material to the costing in line with TRAC guidance.</p> <p>A rate per square metre may be appropriate based on the TRAC calculated space charges.</p> <p>Allocation of Facility Related Costs Several of the costs identified above may not be attributable directly to one piece of equipment and we therefore need a mechanism to apportion these over all activity of the facility. This could be simply based on usage or weighted according to the relative complexity of each piece of equipment for example. There may be Health and Safety requirements which require more resource in a particular area. Please provide a suitable basis for allocating these costs.</p>
<p>Consumables Include projection of consumables costs for the coming year taking account of actual costs incurred per Finance Ledger, usage variations and likely price rises where known.</p> <p>If you are unsure of likely price rises highlight with the Cost Accounting team who will build this in for you.</p>	<p>Usage This data is crucial for the cost calculation and can have a significant impact on the final rate. It is extremely important that an estimate of efficient usage is used but one that is reasonable for the facility. If the usage is set too high then the facility will under recover its costs, if set too low it is likely to lead to too high a price for the market.</p> <p>Usage could be weighted eg, training time v actual use. See further guidance on Table 3.9 on page 54.</p>

3.5 N8 Facility Costing Template

Equipment Fixed Costs		Equipment 1	Equipment 2
Technical Staff		24,000.00	8,000.00
Service		30,000	20,000
Spare Parts		0	0
Consumables		50,000	10,000
Sub-total fixed costs		104,000.00	38,000.00
Depreciation on Replacement Cost			
Replacement cost		1,000,000.00	500,000.00
Useful life in years		6	5
Annual depreciation		166,666.67	100,000.00
General Facility Costs			
Technical Staff - General Support	12,000.00		
Facility Administration			
Academic Lead	3,000.00		
Sub-total Facility staff	15,000.00		
Non-staff Costs	12,000.00		
No. of square metres occupied	80.00		
TRAC calculated rate from 2011-12 TRAC Return	200.00		
Sub-total general Facility costs			
Basis for allocation of Facility Costs - Staff		25%	25%
Basis for allocation of Facility Costs - Non-Staff		37%	53%
Basis for allocation of Facility Costs - Space		31%	56%
Facility Costs allocated - Staff		3,750.00	3,750.00
Facility Costs allocated - Non-Staff		4,441.28	6,405.69
Facility Costs allocated - Space		5,000.00	9,000.00
Total Costs - Staff		27,750.00	11,750.00
Total Costs - Non-Staff		84,441.28	36,405.69
Total Costs - Depreciation		166,666.67	100,000.00
Total Costs - Space		5,000.00	9,000.00
TOTAL COSTS		283,857.95	157,155.69
Usage Data			
Forecast based on Current Usage	Enter Units	1,800	2,500
Forecast based on Estimated Efficient Usage	Enter Units	2,080	3,000
Costings			
fEC		£ /unit	£ /unit
fEC Costs based on Current Usage		157.70	62.86
fEC costs based on Estimated Efficient Usage		136.47	52.39
Indexation Rate			
fEC Calculated Charge Rate		136.47	52.39

Note: If Variable costs are incurred per process these should be added in to the fEC rate once calculated

Equipment 2	Total	Notes
16,000.00	48,000.00	Staff direct time specific to kit-maintaining, cleaning kit etc
5,000	55,000.00	Actual or estimated cost of service/contract
0	0.00	If not included in a Service contract
8,000	68,000.00	Where identifiable to piece of kit
29,000.00	171,000.00	
800,000.00		Replacement cost at todays prices-"new for old"
8		Estimated useful life - See Eqt tab
100,000.00	366,666.67	
	12,000.00	Deduct any staff that are research funded
	0.00	Admin cost if applicable
	3,000.00	Academic Lead time if applicable
	15,000.00	General staff costs of facility to be split over separate kit
	12,000.00	General non staff costs of facility to be split over separate kit
	16,000.00	Base on sq m at TRAC rate for space type (if material)
	43,000.00	
50%	100%	For example, percentage estimate
10%	100%	For example, base on efficient usage projected
13%	100%	For example, specific space occupied where known
7,500.00	15,000.00	
1,153.02	12,000.00	
2,000.00	16,000.00	
23,500.00	63,000.00	
14,153.02	135,000.00	
100,000.00	366,666.67	
2,000.00	16,000.00	
139,653.02	580,666.67	
540	4,840	Enter number of hours/days etc Current Use
540	5,620	Enter number of hours/days etc Efficient Use
£ /unit		
258.62		
258.62		
		As calculated based on TRAC Guidance
258.62		

3.6 Staff Time and Cost Breakdown

Staff Details	Full Costs inc. On Costs (excl. any research funded time)	Proportion of time spent on Facility work	Full Cost inc. On Costs for time spent on Facility work only	Directly Allocated time-Hours or %			
				Equipment 1 Time	Equipment 1 Cost	Equipment 2 Time	
Staff Detail 1-Tech/EO	40,000.00	100%	40,000.00	10%	4,000.00	20%	
Staff Detail 2-Tech/EO	40,000.00	50%	20,000.00	50%	20,000.00	0%	
Staff Detail 3-Academic	60,000.00	5%	3,000.00		-		
Lead			63,000.00		24,000.00		

3.7 Equipment Breakdown and Useful Life

Equipment Fixed Costs	Equipment 1	Equipment 2	Equipment 3
Replacement Cost	1,000,000.00	500,000	800,000
Facility Manager assessment of Useful Life (Years)	6	5	8
Years Per Taxonomy Useful lives work-Leeds based on MRC guidelines			
Please provide justification for number of years assessed as Useful Life where outside range 5-10 years			

Directly Allocated time-Hours or %							
	Equipment 2 Cost	Equipment 3 Time	Equipment 3 Cost	General Facility support time	General Facility cost-to be split based on proxy eg. Usage	Total time to equal Col C	Total Cost
	8,000,00	40%	16,000,00	30%	12,000.00	100%	40,000.00
	-		-		-	50%	20,000.00
	-		-	5%	3,00.00	5%	3,000.00
	8,000,00		16,00.00				63,000.00

APPENDIX 2

3.7.1 Asset Life preliminary work

Following on from the development of the asset register taxonomy, Leeds reviewed the possibility of developing a common view as to the productive lifespan of equipment for each of the genus in our N8 taxonomy.

The list (shown on pages 50-53) which has been tested out on colleagues in Leeds, is based on a draft internal MRC policy document on equipment depreciation. The document was submitted to MRC and EPSRC for their comments, and additionally to N8 PVCs for discussion.

If a common understanding as to the productive life of our assets could be reached, this could be incorporated into our respective databases, which will give us a powerful tool, both in terms of equipment planning within our own and across N8 institutions, but also will assist in our discussions with RCUK/HEFCE/BIS of the need for capital investment to protect the UK's infrastructure. Therefore it would be useful to have feedback from N8 partners as to whether the lifetimes which have been used seem reasonable.

Asset Life preliminary work

Productive lifespan of equipment for each of the genus in our N8 taxonomy:

Class	Order	Genus	Productive Lifespan
Process Equipment - Physical	Thin Film Deposition	Evaporator	11
		Molecular Beam Epitaxy	15
		Sputterer	15
		Pulsed Laser Deposition	11
		Chemical Vapour Deposition	11
		Electrodeposition	11
		Ion Beam Deposition	15
	Lithography	Optical	11
		Electron Beam	15
		Ion Beam	15
		Laser (Direct-Write)	11
	Etching	Reactive Ion	11
		Plasma	11
Laser		11	
Mechanical		11	
Ion Beam Milling		15	
Controlled Environment	Furnace	11	
	Rapid Thermal Annealer	11	
	Glove Box	11	
	Atmospheric Reactors	11	
Packaging	Wire Bonding	15	
	Dicing	11	
	Encapsulation	11	
Characterisation	Ellipsometry	15	
	Profilometry	15	
Chemical Reactor	Crystallisation	11	
	Distillation	11	
	Parallel Synthesis	11	
	Particle Formation	11	
	Automated Extraction	11	
	Automated Synthesis	11	
Sample Manipulation	Liquid Handling	8	
	Robot	8	
	Stopped Flow	11	
Textiles	Textiles Production	15	
	Textiles Printer	11	
Process Equipment - Biological	Growth and Manipulation	Bacteriology	11
		Virology	8
		Cell Culture	11
		Fermentology	8
	Centrifuge	Ultracentrifuges	11
		High Speed	8
	Tissue Processing	Tissue Processor	8
		Cryostat	8
		Microtome	5
Immunostainer		5	
Dehydration		8	
Cell Disruptor	5		

Class	Order	Genus	Productive Lifespan
	Sterilisation	Autoclave	11
		Water Purification	5
Irradiation		11	
VHP Decontamination		11	
	Characterisation	Fluorescent Readers	5
		UV	8
		Infra-Red	8
		Cell Counters	5
		Plate Readers	5
		Analysers	5
Scintillation Counters	11		
Materials Characterisation	Spectroscopy	Raman	11
		Infra-Red	11
		Nuclear Magnetic Resonance	11
		Optical	8
		EPR	11
		X-Ray Photoemission	11
		Fluorescence	8
		Circular Dichrometer	8
	Spectrometry	Spectrophotometry	8
		X-ray	11
		Mass Spectrometry	8
	Imaging	Magnetic Resonance	15
		X-ray	15
		Infra-Red	15
Ultrasound		8	
In vivo fluorescence		5	
Optical Microscopy	Confocal	11	
	Near Field	11	
	Transmission	15	
	Reflection	15	
	Microdissection	8	
	Live Cell	8	
	Fluorescence	11	
Stereo	15		
Electron Microscopy	Scanning	15	
	Scanning Transmission	15	
	Transmission	15	
	Detectors	15	
	Sample Manipulation	8	
Surface Probe Microscopy	Atomic Force	11	
	Scanning Tunnelling	11	
	Magnetic Force	11	
Surface Analysis	Charge	8	
	Adsorption	8	
Diffraction	X-ray	15	
	Low energy electron	11	
	High energy electron	11	

Class	Order	Genus	Productive Lifespan
	Magnetometry	Vibrating Sample	11
		SQUID	11
		Kerr Effect	11
	Mechanical Properties	Tensometer	15
		Rheometer	15
		Load	15
		Hardness	15
		Tribometer	15
		Vibration	15
	Chemical Analysis	Air Analysis	8
		Distillation Analysis	8
		Water Analysis	8
		Solids	8
		Chromatography	8
		Macromolecular	5
		Electrophoresis	8
Physical Properties	Particle Size Analysis	11	
	Zeta Potential	11	
	Thermal	11	
	Geometric	11	
	Balance	11	
	Fibre	11	
	Analytical Centrifuges	11	
Sample Measurement / Analysis	Cryogenic	77K	15
		4K	15
		1.4K	15
		He3	15
		Milli-Kelvin	15
	Electronic	Network Analyser	8
		Microwave	8
		RF	8
		Oscilloscope	8
	Motion	High Speed Video	8
		Low Speed Video	5
		Telemetry	8
		Fluid	8
		Haptics	8
	Laser	Characterisation	11
		Dye	11
		Excimer	11
		Fibre	11
		High Power	11
		Opto-Acoustic Systems	11
Pulsed Femtosecond		11	
YAG	11		
Optical	Quantum Information	8	
	Surface Plasmon Resonance	5	
	Dual-Polarisation	8	

Class	Order	Genus	Productive Lifespan		
		Bolometric	8		
		High Resolution Imaging	8		
	Proteins/Nucleic acids		Arrays	5	
			PCR	5	
			Sequencers	5	
			Synthesisers	5	
			Electrophoresis	8	
	Bio-medical		Cardiovascular	8	
			Orthopedic Wear	8	
			Dental	8	
			Whole Body	11	
			Cells	5	
Acoustic		Tissues	5		
		Doppler	8		
		Ultrasound	8		
Field Deployable		Audio	8		
		Solids	5		
		Liquids	5		
		Gases	5		
Plasmas		Plasmas	5		
		Acoustics	15		
		Combustion	15		
		Driving	15		
Large Scale Instruments	Simulated Environments	Flight	15		
		Server	5		
		Storage	5		
		Workstation	3		
Infrastructure	IT	Parallel Computing	3		
		Data Management	3		
		Display	5		
		Mechanical	Hydraulic	15	
		Workshop		CNC Machines	15
				Drill	15
	Grinding			15	
	Joining			15	
	Lathe			15	
	Milling			15	
	Sawing			15	
	Sintering			15	
	Other Cutting	15			
	Laboratory		Fluids	15	
			Medical	15	
			Controlled Atmosphere	15	
			Controlled Environment Growth	15	
			Controlled Environment Storage	15	
Electromagnetic Screening			15		
Optical			15		
Field Deployable	8				
Cryogenic	Liquefier	15			
Vehicles		Personnel	5		
		Equipment	5		
		Agricultural	5		
In vivo	Washing and Watering Systems	5			

3.8 Space Breakdown

To be added by Cost Accounting Team based on room details provided by Facility

Include extract space database or similar. For example:

Building ID	Floor ID	Room ID	Room Name	Room Category	Equipment Housed	School	Discipline	Functional Suitability	TRAC/fEC Category	% Research	% Teaching	% Other	% Commercial	% Admin
ABC	1	1A	QUIET/CONSULTING ROOM	SPECIALIST	Equipment 1 prep area	MHS-CES	CES-IGP	2	2	100	0	0	0	0
ABC	1	1B	PREP ROOM	SPECIALIST	Equipment 1	MHS-CES	CES-IGP	2	2	100	0	0	0	0
ABC	1	1C	PET SCANNER	SPECIALIST	Equipment 2	MHS-CES	CES-IGP	2	3	100	0	0	0	0
ABC	1	1D	PREP ROOM	SPECIALIST	Equipment 3	MHS-CES	CES-IGP	2	2	100	0	0	0	0

3.9 Usage Breakdown

Usage

Further analysis of Usage to show any split and associated weighting applied

Proportion of facility use relating to Teaching, Research and Other	%
Teaching	
Research	
Other	

Research activity includes use by PGRs, institution/own funded research and externally sponsored research.

Justification for Usage

Data to be provided where available

	Equipment 1	Equipment 2	Equipment 3
Mean actual usage 2010 - 2013			
Estimated efficient usage 2012 - 13			
Actual usage 2012 - 2013	1800	2500	540
Proposed estimated efficient usage Aug 2013 - July 2014	2080	3000	540
Proposed less mean actual			
Justification for difference in proposed less mean			

% Balance	Room Area	% Space	Research Area m2	Teaching Area m2	Other Area m2	Commercial Area m2	Admin Area m2	Balance Area	CTU Area m2	Unalloc Space m2	Total Area	School	Description
0	10	100	10	0	0	0	0	0			10	MOZ	Imaging, Genomics & Proteomics
0	15	100	15	0	0	0	0	0			15	MOZ	Imaging, Genomics & Proteomics
0	45	100	45	0	0	0	0	0			45	MOZ	Imaging, Genomics & Proteomics
0	10	100	10	0	0	0	0	0			10	MOZ	Imaging, Genomics & Proteomics
											80		

Justification for Weighting (if applied) not currently weighted at MCR.

Breakdown of activity - Equipment 1	No. Of hours	Weight	Weighted No. Of Hours	Justification
Training Hours	100.00	0.80	80.00	
Productive Hours	2,000.00	1.00	2,000.00	
Total Hours	2,100.00	-	2,080.00	

Breakdown of activity - Equipment 1	No. Of hours	Weight	Weighted No. Of Hours	Justification
Training Hours	-	-	-	
Productive Hours	3,000.00	1.00	3,000.00	
Total Hours	3,000.00	-	3,000.00	

Breakdown of activity - Equipment 1	No. Of hours	Weight	Weighted No. Of Hours	Justification
Training Hours	50.00	0.80	40.00	
Productive Hours	500.00	1.00	50.00	
Total Hours	550.00	-	540.00	

4.1 Overview of the Cost Sharing Group VAT Exemption

VAT on Sharing Equipment and Capital Assets

VAT has always been seen in the sector as a barrier for sharing assets between partly exempt¹ organisations such as universities. This is because, in most circumstances, when an asset is supplied from one party to another VAT must be levied on that charge. The VAT charge will be, at best, only partly reclaimable by the recipient, thereby introducing a worst case 20% cost to asset sharing, which could negate the one of the reasons for sharing - financial efficiency.

VAT exemption for “Cost Sharing Groups”

In autumn 2012, HMRC introduced the VAT exemption, enacting a piece of European VAT legislation which has been in place since 1978. Unfortunately the legislation is drafted in such a manner to be ambiguous. HMRC’s guidance on interpreting the legislation is helpful in that it seeks to make the best of the exemption within the restrictions placed upon it by EU law.

Use of a CSG

In order to test its validity, both from a VAT technical perspective and also from a practical perspective, N8 engaged Deloitte (through the University of Sheffield) and set up a sub-group of University Tax & VAT Managers (from all N8 universities). The workstrand lead from Sheffield drafted guidance for implementing the CSG structure. This was peer reviewed and then reviewed by Deloitte. Having completed the guidance in May 2013 an approach was made to HMRC to gain sign off that it met the criteria, this being new legislation. Finally, in November 2013, after a lengthy exchange of correspondence, HMRC Policy consented to a meeting in which they expressed approval of the model.

What legal form should the separate legal entity take?

The legal entity may take any legal form, for example, it could be a company limited by shares, a company limited by guarantee, an LLP, etc. The proviso is that it must have a membership structure so that members can influence its activities. Initial thinking from the legal advisors is that a CLG will be the most appropriate legal form for the company.

Corporation Tax position

Where the CSG trades only with its members (and this trade has to be at cost to satisfy the Cost Sharing Exemption rules) then this is exempt from corporation tax. Therefore trade amongst the N8 members will be exempt. The transfer pricing rules will need to be considered where the host university and the CSG interact, but these will not create any cost implication. However, where trade occurs outside of the N8 membership then VAT will be levied on the transaction and it will be liable to corporation tax on any profits/ surpluses arising. A CSG may make a profit, but not on any transactions which it wishes to fall under the cost sharing exemption. An N8 university will need to decide its stance on whether to extend membership to other universities (or similar non-profit making organisations) and how it wishes to trade with industrial partners. For example, it may wish to trade with industrial partners from the main university or through its CSG. Trade with non-members is subject to tax in the university CSG or as non-charitable trade in the universities.

¹ “Partly exempt” organisations are those which have a mix of activities for VAT purposes. Some activities are exempt from VAT (e.g. fee charging education), some are taxable (e.g. consultancy) and some are “non-business” (e.g. grant funded research). The net result is that most universities can only claim less than 10% of the VAT they incur back from HMRC, meaning 90% of VAT incurred is a real cost.

Complying the with VAT exemption criteria

Once a CSG is established it will need to invite membership of other N8 universities. In order to prevent VAT being chargeable by the host university on its supply to the CSG, the CSG needs to be included in a VAT group registration with the host. To qualify for inclusion in a VAT group the CSG must be >50% owned by the host university. For VAT grouping purposes this is not simply owning >50% of any shares, etc it is having controlling rights of the CSG.

Does the CSG need to have an 'exclusive interest' in the asset?

The CSG needs to have a 'right' of access to the asset in order to be eligible make an onward supply of the asset to CSG members. We would expect in most cases that the host university will purchase the asset (using any grant funding as applicable, etc) and then only the use by CSG members will be licensed to the CSG. This means that the hosts own use of the asset will not be charged out to the CSG and then recharged back again. The host university will reclaim any VAT charged to it subject to its 'normal' VAT reclaim position when purchasing such an asset. Most universities would expect to partly reclaim the VAT charged under their partial exemption methods. The CSG is therefore only placing the host university in its normal position.

HMRC Policy insist that in order to meet the terms of the CSE there must be a 'qualifying supply' made to all members, including the host. A qualifying supply is one that the recipient uses in order to make its own exempt or non-business supplies. Therefore for the CSG members other than the host university, the qualifying supply is of research equipment, which will be used in non-business research or exempt education. However, for the host university it will not buy in the equipment from the CSG.

What services will the CSG provide to its host University?

The CSGs will be established to provide a resource management service to the host. It will primarily have responsibility to:

- 1) Disseminate best practice for meeting the CSE criteria for the host's staff.
- 2) Manage and monitor asset use by members, report annually to the host University.
- 3) Locate assets to share to reduce costs of research for members.
- 4) Licence access to a database for members, of host University's assets.
- 5) Populate and maintain the database with host University's assets.
- 6) Facilitate sharing of the host University's assets amongst members.

Membership fee

It is suggested that each university charges a membership fee to enable it to cover the administration costs of running its own CSG. A nominal sum is suggested, say £500, which should provide initial working capital to cover day to day administration.

Key points to be aware of with the VAT Cost Sharing Exemption

- It does not remove VAT on purchases of equipment. i.e there is no improvement on normal VAT costs associated with equipment purchases.
- Not all services made by the CSG automatically qualify for exemption.

The second bullet point introduces another condition of the CSG exemption legislation, namely that the services supplied must be 'directly necessary' for the recipient of the service to carry out VAT exempt or non-business activity. For the asset sharing project this will not present a major obstacle. HMRC has stated that providing a university's overall VAT recovery position is that it reclaims 15% or less than the VAT which it incurs, all services supplied to it will benefit from the exemption. However, if a university reclaims more than 15% of the VAT it incurs through its partial exemption and business/ non-business apportionment methods then it must look directly at the service being provided and how the recipient uses the service. The member will need to ensure that when it buys in the use of assets from another CSG that it uses the assets in a discrete area which is >85% exempt/ non-business. This should not be difficult to achieve with the vast majority of research being publicly funded (which is non-business).

If the research is commercially funded then the member will be charging VAT on its supply to its customer meaning that although the CSG should charge VAT to it on equipment access it will be able to claim this VAT charge from HMRC making the overall transaction VAT neutral.

VAT Cost Sharing Exemption - Alternatives

Alternative structures have been considered for satisfying exemption criteria. However, the selected structure has been deemed most appropriate for the asset sharing project. The full N8 structure is shown in diagram 1. It demonstrates that where an N8 university has an asset to share with other members it needs to create its own CSG entity. This will then allow the VAT exempt use of assets around the N8 members, which should facilitate the sharing in excellence and growth agenda.

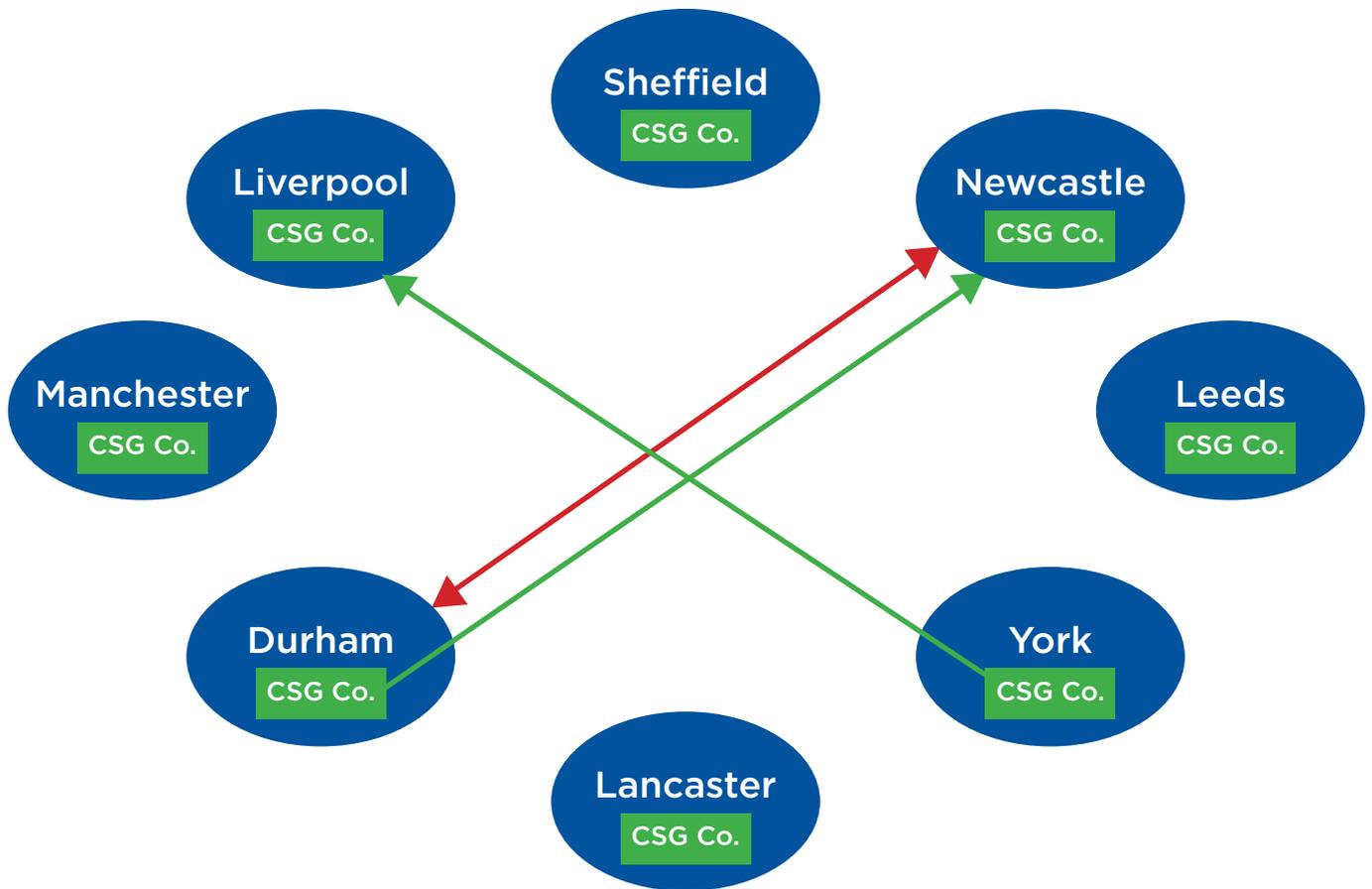
Process

Each N8 university will create a CSG which it will have 'control' over. This will allow the CSG to be included within the university's VAT group registration. This will allow the VAT exempt movement of staff and assets between the university and its CSG. Where all N8 universities create their own CSG it will allow further VAT exempt supplies to be made. For example if a member of staff from a different university to that of the host university was required to provide technical input to a project for a third N8 member, this technical advice should also be provided VAT exempt through the structure.

Conclusion

Our work has now proven that existing assets and new assets can be shared in a VAT efficient manner between N8 universities. Clearly there are administrative hurdles to overcome to satisfy the CSE criteria, but we are confident that once CSGs are established and operated as part of a normal working practice that they will become second nature to operate and deliver significant VAT savings, helping to further enhance the sharing agenda. Where new equipment or medical equipment is being purchased other structures may be more efficient and individual universities will need to determine their preferred mode of operation. There is a real cost to implementing the Cost Sharing Exemption, but if it is not operated through such a structure there will remain a real VAT cost to sharing assets. This VAT cost is likely to significantly outweigh the administrative costs. N8 universities must therefore be prepared to commit additional resources to facilitate the successful operation. N8 universities must therefore be bold and prepared to commit additional resources to facilitate the successful operation of CSGs in order to reap the much wider financial and collaborative benefits stemming from sharing equipment and ideas.

Diagram 1-N8 - Sharing Equipment with VAT Cost Sharing Groups - full model



Key:

University VAT Group



Company controlled by University

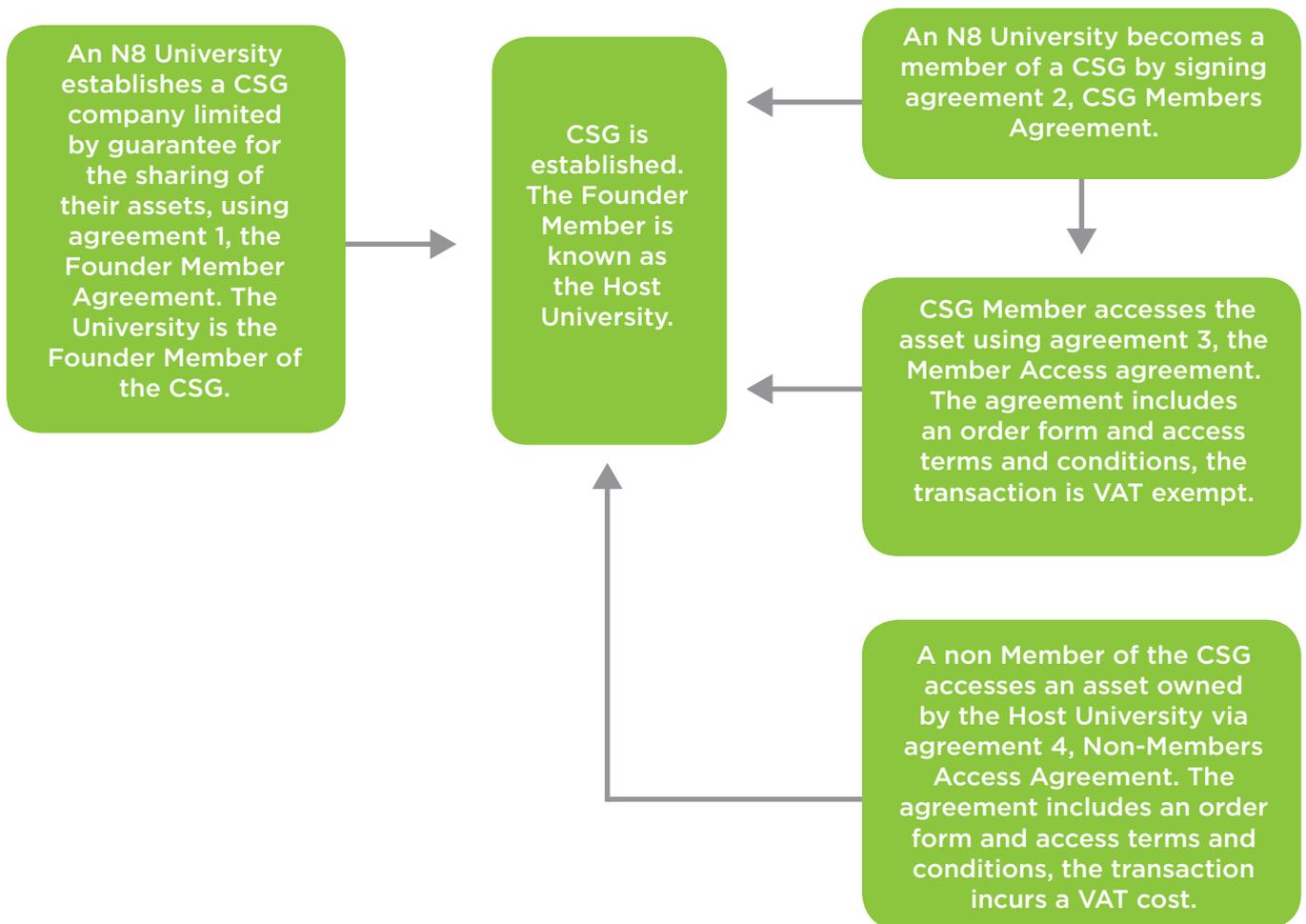


Notes:

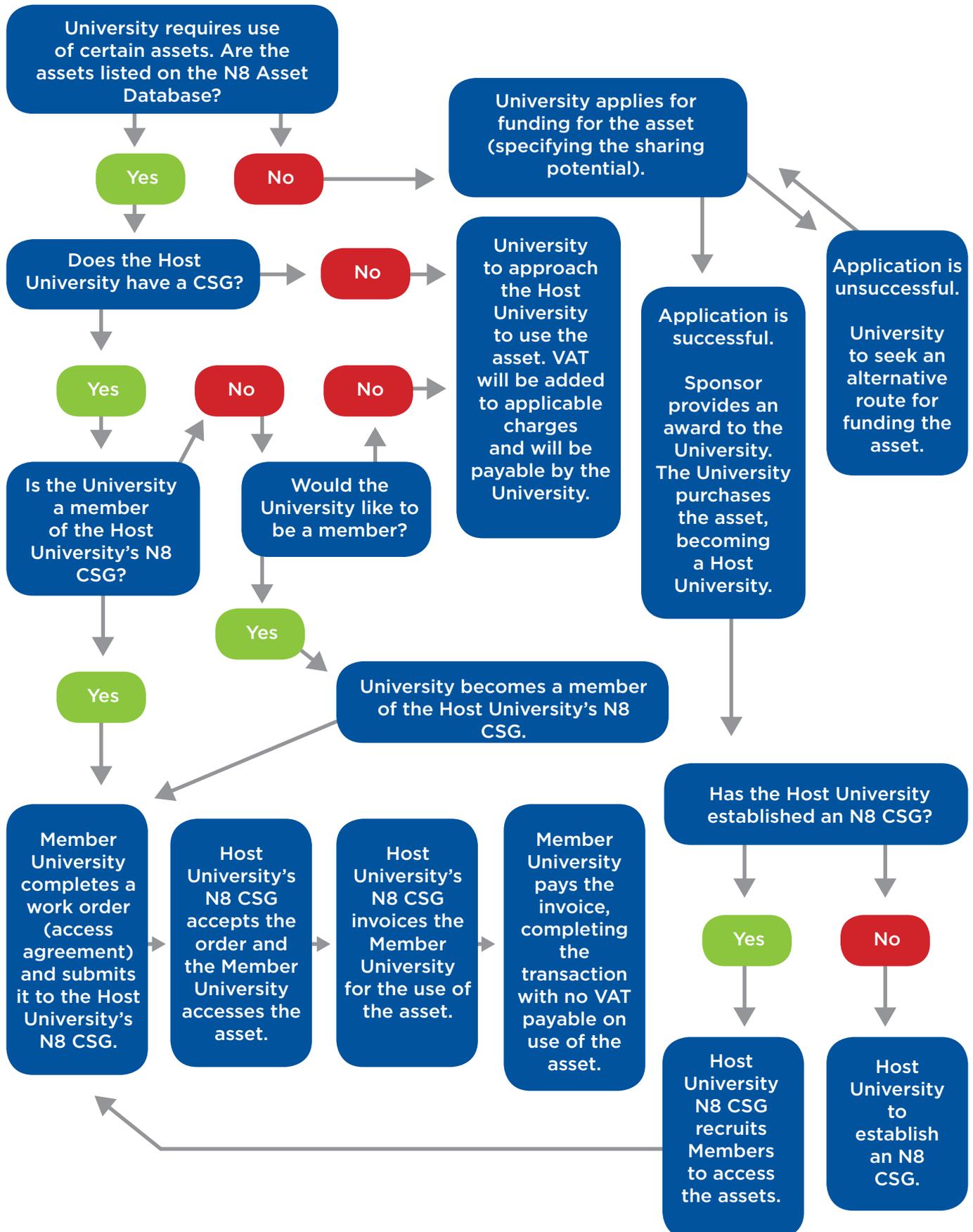
- All Universities must be Members of all CSGs
- A VAT exempt supply can be made through a CSG 
- A supply by a University to another University is subject to VAT 

Figure 5.1 Legal documents – Flowchart of agreements

The flow chart below provides an overview of when each agreement will be required in the sharing of assets.

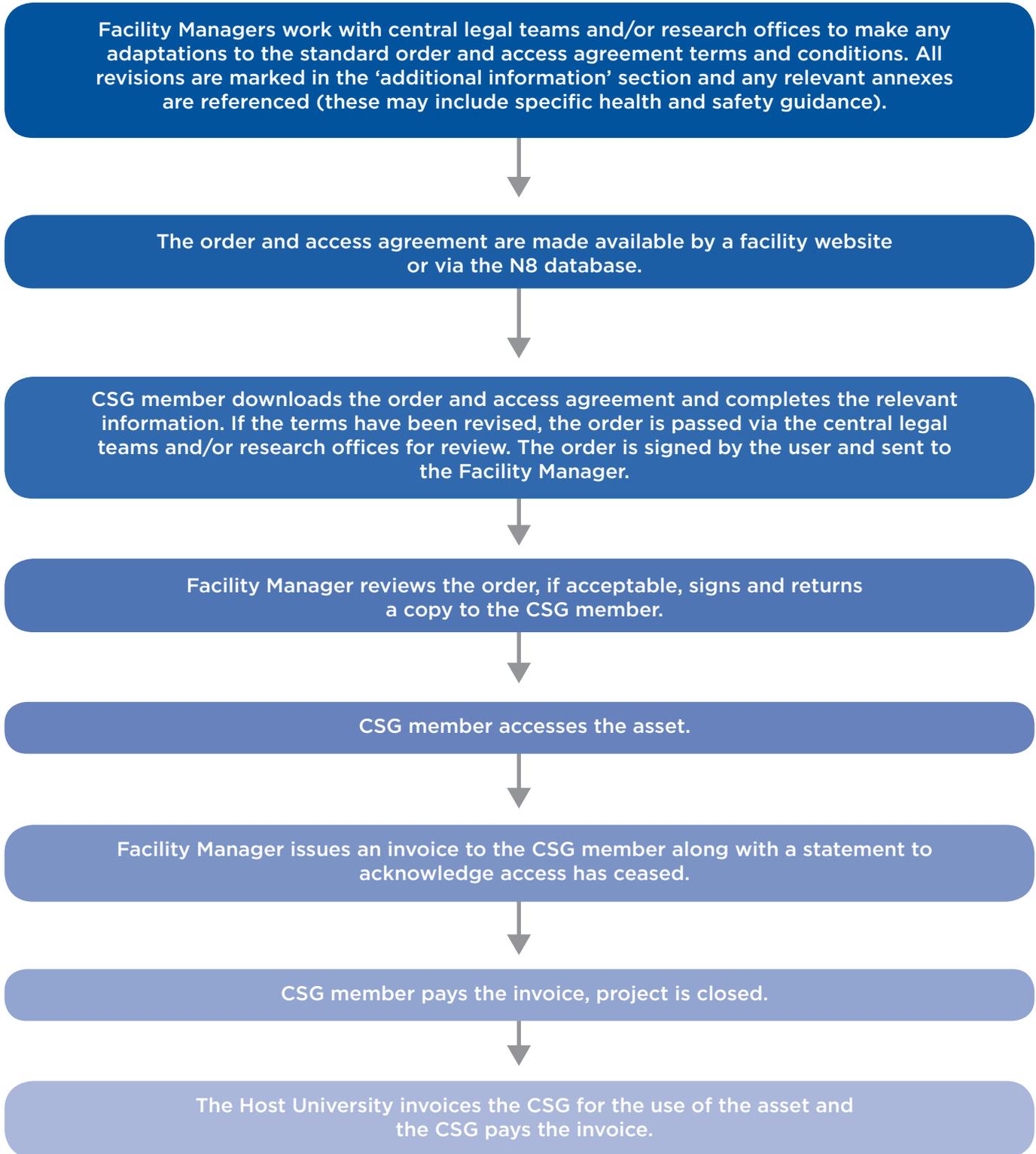


5.2 Legal documents - Flowchart of the overall process for sharing assets



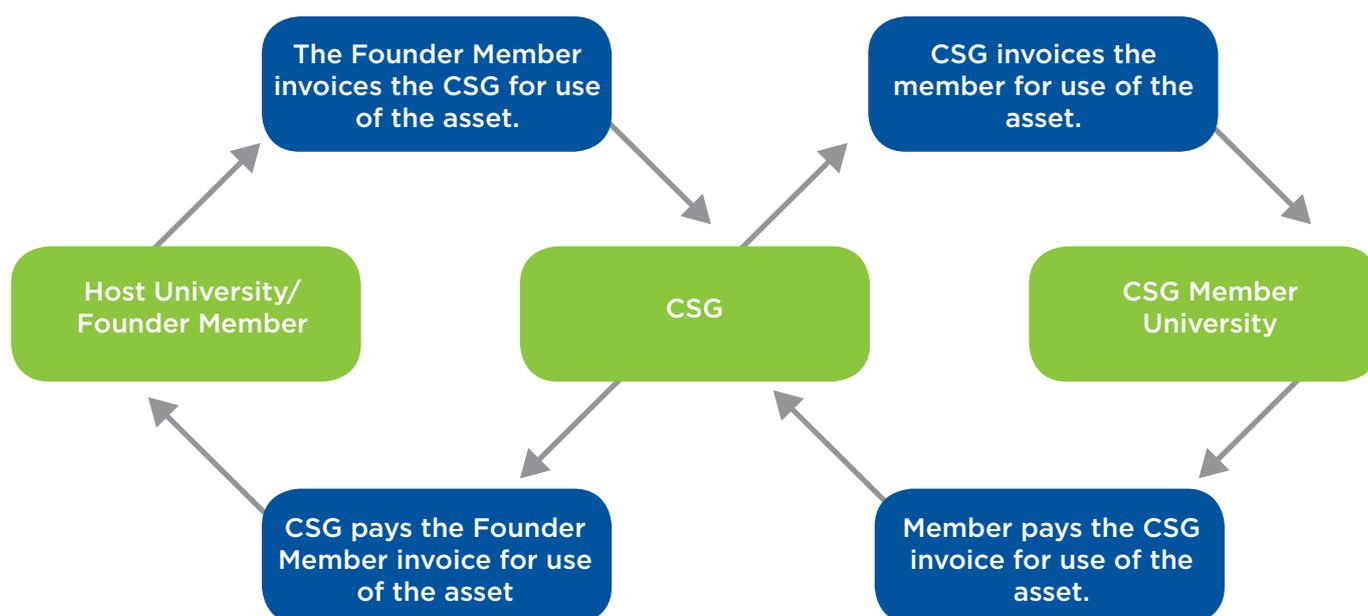
5.3 Legal documents - Flowchart of using the N8 CSG member access agreement

The flowchart below sets out how the contracting process for sharing assets with CSG members may be managed by an institution. It is recognised that each University will establish its own process for managing the contractual arrangements which may vary from this suggested route.



5.4 Legal documents - Flowchart flow of finances

The flowchart below provides an overview of how the money will flow for an N8 University using equipment of another N8 University via a CSG.



The University owning the asset is the Host University and therefore is the Founder Member of the CSG.

The University using the asset will be a CSG Member University.

Frequently Asked Questions

Health & Safety and Training

1 Do I have to complete the form?

No, you can use your own system if you wish. However, it is important that all of the aspects outlined are covered, the appropriate level of training is provided, and that this can all be substantiated if required, for example should there be any problems associated with the work.

2. Where statutory training is required to undertake the proposed work and the visitor has been trained at their own university, do they also need to go through our training?

This will need to be discussed with your local safety advisor. In some cases there will be cross-validation of training programmes which will mean that the training already received will be sufficient. In other cases it may be necessary to attend the local training as well. Where there is significant demand, we will seek to put in place the necessary cross-validation to avoid the need for double training.

3. What happens if I need specialist software to analyse the data?

This will need to be discussed with your host. If the host has a copy of the software you require they would normally provide you with access where this is allowed under their licence. However, the software may only be accessible on-site and you need to take this into consideration if you were intending to undertake the analysis of the data back at your own university.

4. Why have ethical considerations been included in what is really a health & safety document?

As any ethical issues are likely to be associated with the samples being analysed, this seemed to be the appropriate place to consider whether there could be any potential issues. Although there are unlikely to be any problems with the vast majority of the work associated with equipment sharing, it is felt to be important that the host can reassure themselves that the types of sample involved have been ethically sourced and will not compromise any local rules and regulations. For example, in one area there is a local rule that proscribes any work involving tobacco products due to the level of charity funding, even if the work was associated with making tobacco products less harmful.

Pricing and Charging

Further questions and responses will be added here as they arise.

1. Can I include all types of staff in the costing?

The most common types of staff in costing access to equipment are the technicians/Experimental Officers who maintain and run the equipment.

Other staff costs can also be included where directly attributable to the Facility. For example, a proportion of the time of a Lead Academic or an administrative member of staff running bookings.

Note that if this area is being costed as a Research Facility under TRAC then a mechanism must be in place to ensure that these costs do not also form part of the overhead rates.

If the area is not being costed as a Research Facility under TRAC then this does not apply.

2. My equipment is already shared on an agreed charge basis. Do I need to re-cost?

Not necessarily. If you already have an agreement in place which is working effectively there is no requirement to change this unless you feel there is a benefit in doing so.

The principles and templates are provided as an aide to do this if you so choose.

3. My equipment is already a Research Facility under TRAC but includes only direct costs. Should I change the cost model and when?

You should not change the cost model in the current year since these costs have already been deducted from the rates calculated through TRAC. A good time for review is at the time facilities are re-costed for the next TRAC round and an assessment of the benefits of doing this can be made at this time.

4. Is it ok to charge if the equipment is not a facility under TRAC?

Yes, as long as there are no staff at your HEI providing access to the equipment who are also attracting overhead as part of this project. The rationale for this is that you are not recovering these costs in any other way as part of this work.

5. What about charging different types of funders?

Not all funders pay the overhead rates, for example charitable funders. For these types of funders there is no other mechanism to recover the cost other than through a direct charge. Funders do however have different rules on the types of costs that are allowed on research projects, for example whether or not they will pay depreciation and space costs. Please check their Terms and Conditions.

6. What will the Research Councils pay?

The Research Councils have indicated that they will pay for these costs for charging pathways as shown in the Charging Pathways Flowchart. We are awaiting confirmation on whether depreciation will be funded in all cases or just in cases where the original source of funding was not from a research grant. Guidance will be updated once we have this.

7. My equipment has been funded/part funded from a Research Grant. Can I therefore include the depreciation?

Until further guidance is received from RCUK this should be excluded for work funded in this way. Please see other funders Terms and Conditions.

8. Can I include Indirect Cost?

No. Indirect costs are not allowed as part of costing a research facility under the TRAC model. The same principle should be adopted and they should not be added here.

9. Should I charge these costs as DI or DA?

The Research Councils have not issued any specific guidance on this as part of this process. TRAC guidance allows for access charges to equipment to be charged on either basis. Both approaches have advantages and different policies have built up over time in Universities.

There may be a requirement to charge as DI to comply with HMRC requirements on reimbursement of actual costs where these are routed through a Cost Sharing Group (CSG) to avoid the need to charge VAT. Guidance will be updated as soon as this is fully known.

10. My HEI is providing access to the equipment but with no charge since we have staff also working on the project and attracting overhead. How do I ensure that I have enough costs included in my grant proposal to cover this equipment access?

The only scenario where access charges for equipment should not be levied is where there are staff at the HEI providing access to the equipment who are also attracting overhead as active researchers on the grant. In this scenario, the resource estimate for their role on the project should also reflect the access required.

11. How do I record the Income?

Income should be recorded as per the Charging Pathways Flowchart.

Where the institution is simply “selling” the use of a piece of equipment or facility these should be treated as “Other” income in the books of the Institution providing the access.

Where an institution is participating in the actual research this would constitute “Research” income. Treatment should also comply with the Frascati definition for research.

12. How do Subcontracts work?

Subcontracts arise where an award is made to a lead organisation who then subcontracts a defined piece of work or service to a third party. Terms and Conditions of the contract would flow down through any subcontract arrangement. The third party is not necessarily named on the award and the subcontractor could be appointed after the award is made.

VAT would be chargeable on access to equipment provided in this way unless routed through a CSG.

13. How do Collaborations work?

Collaborations arise where other organisations (collaborators) are named as part of the award. A lead organisation is appointed to co-ordinate the project and potentially the financing. Income on Collaborative projects can be routed in two ways, either via the lead or direct to all parties.

To avoid the need to charge VAT on access to equipment Universities should be named on collaborations wherever possible.

14. Is it possible to have a Subcontract or Collaborative arrangement where there are no researchers involved at the subcontracting or second University?

Yes it is. There are known examples of Universities being part of a Collaborative agreement and simply

providing access to facilities or even just consumables. These include studentships where the student is based at another HEI and provision of data archive services. In these cases there is no mechanism for overhead recovery other than an access charge.

See Charging Pathways Flowchart.

15. Should I charge VAT?

VAT should be charged except there are specific reasons not to such as where there is a collaborative arrangement as detailed above or where the access is being routed through a Cost Sharing Group (CSG).

16. What is a CSG?

Cost Sharing Groups are defined in the VAT Section of this report.

VAT and Cost Sharing Exemption (CSE)

For VAT purposes it is essential to understand what is actually being supplied and that to some degree words used such as 'contract', 'agreement', 'grant', 'collaboration', etc., will be viewed by HMRC on their merit, i.e., they will look at the reality rather than simply words. If you are in any doubt, you are strongly advised to seek advice from your local VAT expert.

Background

- Generally, charging another party for use of an asset is a 'supply' for VAT purposes and subject to VAT except in limited circumstances
- In Autumn 2012 HMRC enacted legislation which now allows VAT exemption on the above, subject to certain conditions
- N8's Asset Sharing project envisages charges for use of assets between N8 universities, therefore unless HMRC's criteria are met a 20% VAT cost is introduced, reducing or removing the efficacy of sharing assets
- A structure has been developed by the University of Sheffield's VAT Manager which has been peer reviewed and also validated by professional advisors & HMRC Policy. The structure is purely required to remove potential VAT charges, it does not produce any additional savings.

Guidance providing full detail is available to all N8 Members.

- 1. What is the Cost Sharing Exemption?** - This is a VAT exemption, implemented into the UK VAT legislation in Autumn 2012 by HMRC despite it being contained in EU VAT law since 1978. It allows, under certain circumstances, supplies of services undertaken by an organisation, owned by members, made to its members to be VAT exempt, rather than subject to standard rate VAT.
- 2. Why is a structure necessary?** - Without the structure we are required to add VAT to recharges between N8 universities which will be an additional cost.
- 3. What is the basic structure?** - An 'independent entity' must be formed which is a membership organisation. Members are exempt from paying VAT on the services provided to them from the 'independent entity'.
- 4. Can any party control the entity?** - Yes. The most VAT efficient structure is for each N8 university to form its own Cost Sharing Group (CSG) Company where the 'host' has control, but invites each N8 university to join as a member. This 'control' allows the CSG company to be included within the host's VAT group registration, removing potential VAT charges between the host and the CSG company.
- 5. Why can't N8 have one CSG company?** - One company would be VAT inefficient as it will be charged VAT which it then can't claim back by N8 universities for the use of their assets (and staff) as it can't be included in a VAT group registration.
- 6. What happens if we don't meet the conditions of the CSE?** - If the terms of the CSE are not met then organisations are required to add 20% VAT to the value of the services in all but a few specific cases.
- 7. Does the CSE remove VAT from equipment purchases?** - No - VAT will still be payable and represent a cost on both purchasing and running costs. There is no additional VAT relief as a result of the CSE.
- 8. Can we make money out of equipment sharing?** - The Cost Sharing Group (CSG) cannot make a profit from services supplied to members. It could make a profit on services provided to non-members as these would not be covered by the terms of the CSE and would be subject to VAT.
- 9. Does the CSE cover all services between the N8 Universities?** - No - only supplies of services which are 'directly necessary' for 'qualifying research' to be carried out will benefit from the exemption. Qualifying research is research which is 'non-business' research (funded by way of a grant, e.g. from

9. Continued - RCUK, etc). Also qualifying is collaborative research which is grant funded. Non-qualifying research is where it is supplied under a contract to any customer and VAT is chargeable on the supply.

Supplying a right of access to / or a lease of equipment is a supply of 'services' for VAT purposes. Therefore the services of staff or equipment used in qualifying research will gain the exemption.

Non-qualifying research would generally include services to a University spin-out or where one N8 University (the Receiving University) is obtaining services from another N8 University (the Supplying University) as part of a commercial (non-grant funded) contract held by the Receiving University.

- 10. How does the CSG company enter into a VAT group & how does this remove VAT charges?** - In order for a CSG company to be included in a university VAT group the university must have 'control' of the CSG company. For VAT purposes this means the university must have >50% of the voting shares of the CSG company. Once a company is in a VAT group supplies between members of the VAT group are disregarded for VAT purposes. This means any supply of staff or loan of equipment, etc, by the university to the CSG company does not carry a VAT charge.
- 11. How does a CSG company make VAT exempt supplies to other universities?** - The other universities would need to become members of the CSG. In order to do so the most practical solution is for each university to have an interest in the CSG company. Once this is established the CSG company can make VAT exempt supplies to its members.
- 12. Will the CSG need to own the equipment to enable it to supply it to Members?** No. The CSG must have some form of access right to the host University's equipment in order to be able to supply it to the members. The CSG will supply resource management services to the host University to ensure it supplies qualifying services to all members.
- 13. This seems incredibly bureaucratic and cumbersome?** - The EU legislation is drafted in such a way to restrictive the exemption only to specific scenarios. Many Member States have enacted the CSE into their domestic VAT legislation in different ways. The EU has taken infraction proceedings against some Member States leading the UK to be cautious in its approach.
- 14. Can we make it work?** - Yes, we can provide the structure and guidance to follow in order for supplies between the N8 universities to benefit from VAT exemption.
- 15. Any other points?** - The supply of research services between universities is already no longer VAT exempt (from 1 August 2013) and therefore the CSG could potentially be used to remove this new VAT cost.

Certain qualifying equipment purchased for use in medical research, teaching, treatment or diagnosis is already eligible for VAT relief on the purchase. Therefore sharing such equipment is already VAT free, however, it may be simpler to share all equipment through the CSG structure.

- 16. Cost of implementation?** - An off the shelf company can be purchased at very little cost. Addition of the CSG company to a VAT group can be done by finance staff within a university. However, the company will incur the usual fees, such as audit, etc. It will also need to set up requisite legal documents for the use of equipment by CSG company members, which may be carried out in house or by professional advisors. One would hope that the benefits of creating a CSG and enabling VAT free supplies between N8 members will outweigh the other costs.

Contracts and Legal

1. Why do we need to establish a CSG?

There is no direct benefit to the host university; however, establishing a CSG will allow others to access your assets without incurring a VAT charge.

2. Do we have to be members of each N8 CSG?

There is no requirement to be a member of every CSG, however, until your university is a member it will be unable to use assets from the host university without incurring a VAT cost.

3. My asset has special requirements which aren't in the access agreement, what can I do?

The access agreements contain a special conditions section to allow it to be tailored to the requirement of each asset.

4 How will the agreements be used at my university?

Each university has their own internal procedures and you should therefore contact your internal contracts team to identify the procedure at your university. An example of how the agreements might be used is shown in figure 5.3, part II of the N8 EST.

5. Another university, not in the N8 would like to access an asset at my university, which agreement should I use?

Any university, whether in the N8 or not, may become a member of a CSG which will enable them to access your assets exempt of VAT costs. In this scenario the university will need to become a member of a CSG and access your asset via agreement 3, N8 CSG Member Access Agreement. If the university does not wish to become a CSG member they can access your asset via agreement 4, Third Party Access Agreement, this will incur VAT.

6. Another institution has accessed an asset at my university, who should we send our invoice to?

If the other institution is a member of your CSG, you should invoice your CSG; your CSG will then invoice the member university.

