Research Pricing Policy (MPF1254)

SCOPE

This policy applies to all staff in the University undertaking externally-sponsored research projects, except where those sponsors and schemes are listed on the Australian Competitive Grants Register. For the purposes of clarity, this policy applies to Categories 2, 3 and 4 as defined in the Higher Education Research Data Collection (HERDC).

This policy does not apply to non-research commercial endeavours such as consultancies, lab testing services and non-research clinical trials. However, the principles of cost recovery apply to such activities.

POLICY

1. Preamble/Philosophy

1.1. The aim of this policy is to support a sustainable research capability at the University through the recovery of indirect costs of research.

1.2. This policy aims to support an approach to the pricing of research that represents value to all parties and has regard to competitive neutrality principles.

1.3. This policy requires transparency in the pricing of research, and in the budget models of the University and faculties.

1.4. The University will provide ongoing support for operationalising this policy, acknowledging the shared responsibilities involved in successful implementation, by ensuring all staff members have appropriate knowledge, understanding and tools.

1.5. The University acknowledges the diversity of reasons for entering into a research project. This policy will provide flexibility to manage this diversity.

   • Faculties will take a portfolio approach in managing this diversity.
   • Heads of budget divisions will be expected to meet annual targets for cost recovery.

1.6. The University recognises that the sustainability of research requires close attention to the 'scope' and 'price' of research.

2. Principles

2.1. The University seeks to recover the cost (research cost) for any research it carries out.

2.2. Funds generated from indirect cost recovery remain in the faculties from which the funds were generated. Faculties will disburse such funds as per individual faculty priorities, policies and procedures.

2.3. The University mandates the use of charge-out rates for staff time on all externally funded research within the scope of this policy (Schedule A).

2.4. Charge-out rates incorporate full salary costs, salary on-costs, and a proportion of indirect costs. They do not include the non-salary direct project costs.
2.5. Where the University (via its staff members) is subcontracted on a grant or research contract by an external party to provide a service, charge-out rates will apply to the contract price.

2.6. Where the University contracts other parties to provide a service (subcontracting), charge-out rates or other indirect costs are not required to be added to the price paid to the other party.

2.7. Charge-out rates are not applied to internally funded research, that is, internal funding schemes run by Melbourne Research, faculties or other similar mechanisms.

2.8. Charge-out rates are not applied to post-graduate student stipends.

2.9. Faculties may include a discretionary multiplier of 1.1 on non-salary costs. (This allows faculties the option to recover a proportion of costs where research infrastructure or equipment costs are significant).

2.10. In cases where research sponsors or funders require a more detailed breakdown of costs, an alternative pricing method may be used that produces, where possible, an outcome equivalent to that provided by the charge-out model.

2.11. Pricing below the mandated minimum charge-out rates may only be approved by the dean or designated authority under exceptional circumstances and by a process of justification, developed and approved by the relevant faculty, and fully documented.

2.12. Faculties, departments, deans and researchers may charge more than the mandated rates, particularly for commercial research contracts, or in circumstances where there are extraordinary costs to a project.

2.13. Faculties may also apply a loading to non-salary direct costs to take into account, for example, the costs of providing infrastructure or research platforms.

2.14. In cases where the University (as opposed to a faculty) negotiates a project at a lower than minimum charge-out rate, it must negotiate with the affected faculties as to how any financially negative impact on the faculties will be mitigated.

3. Researcher responsibilities

3.1. Researchers are expected to be familiar with this policy and to understand the broad principles of how indirect costs are calculated. With the support of the University, researchers must communicate the University policy on research pricing with the funder.

3.2. Researchers, in consultation with their faculty/school/department, are expected to price all non-ACGR research (i.e., Category 2, 3 and 4 research) in compliance with this policy. Where this is not possible, researchers must not agree to a price with the funder until the proposed price has been agreed to in principle by the designated authority in the faculty.

3.3. Researchers must comply with the faculty and/or school processes for negotiating and signing off a research agreement or contract.

4. Faculty responsibilities

4.1. Faculties must support the introduction of the policy through a communication process to faculty staff members, with the support of Melbourne Research.
4.2. Faculties are responsible for developing an internal process for managing the negotiation and sign-off of any research agreement or contract under this policy.

4.3. Faculties must induct new researchers and research administration staff into the research pricing policy and processes.

4.4. Faculties are responsible for meeting any cost-recovery targets agreed to between the University and the faculty.

4.5. Faculties must comply with the University policy for research cost-recovery, including maintaining the minimum charge-out rates set by the University and the administrative and financial processes established by the University.

4.6. With the dean’s approval, faculties may modify the charge-out rates upwards or downwards as necessary.

4.7. Faculties must ensure that higher than the minimum mandated rates are charged for research contracts where there is clear commercial focus.

4.8. Faculties must develop a programme to incentivise researchers in the recovery of indirect costs. The University does not mandate how this is done, but delegates this responsibility to each faculty in consideration of the diverse research and funding cultures across the University.

5. Melbourne Research responsibilities

5.1. Melbourne Research is responsible to communicate this policy to the University and to work with faculties in ensuring the policy is understood and effectively implemented.

5.2. Melbourne Research must set the charge-out rates on behalf of the University and review these annually.

5.3. Melbourne Research must provide the appropriate University business systems (administration and financial) to support faculty level administration and financial processes.

5.4. Melbourne Research must provide appropriate budget forms and processes for budget sign-off. This needs to be integrated into the research contracts process.

5.5. Melbourne Research must provide training and support for faculty research administrators, managers and associate deans (research) in the implementation of the policy and processes.

5.6. Melbourne Research will provide faculties with 6-monthly reports on cost recovery performance.

5.7. Melbourne Research is responsible for ensuring that engagement with the University’s key funders regarding the new policy takes place. Discussions with funders will take place after consultation with the appropriate faculties. In some cases, it may be appropriate for faculties (i.e. deans or associate deans (research)) to engage with funders on behalf of the University.

SCHEDULES

- Schedule A - Minimum Charge-out Rates for Category 2-4 Research Contracts and Agreements at the University of Melbourne
## DEFINITIONS

<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
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<tr>
<td><strong>Australian Competitive Grants Register (ACGR)</strong></td>
<td>The ACGR lists schemes that provide competitive research grants to higher education providers (HEPs). The income HEPs receive from schemes listed on the ACGR is a metric used in driving the allocation of the Australian Government's Research Block Grants.</td>
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<td><strong>HERDC categories</strong></td>
<td>Research income is grouped into four categories: Category 1, Australian competitive grants; Category 2, Other public sector income; Category 3, Industry and other research income (including donations, bequests, foundations and international); and Category 4, Cooperative Research Centres.</td>
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<td><strong>Charge-out rate</strong></td>
<td>A charge-out rate incorporates the full salary cost plus a proportion of the indirect costs. Under this research pricing method, indirect costs are included in the salary component of the budget.</td>
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<td><strong>Competitive neutrality</strong></td>
<td>Competitive neutrality is the elimination of resource allocation distortions arising out of the public ownership of entities engaged in research. The University must ensure that the price it charges for research is not unreasonably low and is not being subsidised by the use of public assets.</td>
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<td><strong>Consultancy</strong></td>
<td>Professional service to a client that does not meet the definition of research.</td>
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<td><strong>Research</strong></td>
<td>The creation of new knowledge and/or the use of existing knowledge in a new and creative way so as to generate new concepts, methodologies and understandings. This could include synthesis and analysis of previous research to the extent that it leads to new and creative outcomes.</td>
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<td><strong>Full salary cost</strong></td>
<td>Full salary cost refers to the gross salary paid to the staff member plus the salary on-costs (statutory and employment obligations) for that salary.</td>
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<td><strong>Higher Education Research Data Collection (HERDC)</strong></td>
<td>This comprises research income and research publications data submitted by universities each year, and is used, in conjunction with the Higher Education Student Data Collection, to determine the allocation of the Australian Government's research block grant funding each year.</td>
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<td><strong>Indirect costs</strong></td>
<td>Indirect costs are those costs of research that are not directly attributable to the project or program. These are calculated using the Commonwealth Transparent Costing methodology, and include research administration staff salaries, space charges, and human resources. A similar term is “overhead”.</td>
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<td><strong>Portfolio approach</strong></td>
<td>Each budget unit (e.g., faculties), is responsible for achieving indirect cost recovery targets. Managing targets within a portfolio allows faculties flexibility in how they achieve that, including discounting the research price for strategic reasons in specific cases while recovering a higher than the minimum price for commercial work.</td>
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<tr>
<td><strong>Price</strong></td>
<td>Price refers to how much the client is charged for the research project. It may differ from the research cost.</td>
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<td><strong>Research cost</strong></td>
<td>Research cost refers to the calculation of the cost of research that includes all direct costs, including full salary cost, direct non-salary costs, and all indirect costs. Research cost does not include teaching or other non-research costs.</td>
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<td><strong>Scope and price of research</strong></td>
<td>The scope of research refers to the agreed work program, including the research outputs. The scope needs to fit within the time frame allowed for in the price being charged for the research.</td>
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<td><strong>Subcontract</strong></td>
<td>'Subcontract' refers to the contract developed under the main funding agreement or contract to obtain the services of an external party or service funded by the funding</td>
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**Subcontracting**

'Subcontracting' refers to a subcontract the University enters into enabling staff member/s to offer paid services for an external party. The external party will have a head agreement or contract.

**RESPONSIBLE OFFICER**

The Deputy Vice-Chancellor (Research) is responsible for the development, compliance monitoring and review of this policy and any associated guidelines.

**IMPLEMENTATION OFFICER**

The Executive Director, Melbourne Research is responsible for the promulgation and implementation of this policy in accordance with the scope outlined above. Enquiries about interpretation of this policy should be directed to the implementation officer.

**VERSION HISTORY**

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<th>Version</th>
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<th>Approval Date</th>
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<td>Senior Executive</td>
<td>12 Dec 2012</td>
<td>3 Jun 2013</td>
<td>N/A</td>
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<td>9 Oct 2017</td>
<td>Schedule A updated.</td>
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