

Research Funding, Costing and Pricing Policy (MPF1347)

1. Objectives

1.1. The objectives of this policy are to:

(a) set out principles concerning the costing and pricing of externally funded research in order to support the financial sustainability and academic aspirations of the University;

(b) ensure transparency and accountability in the management of research pricing and costing;

(c) support an approach to research pricing that recognises value to all parties; and

(d) take into account the principle of **Competitive Neutrality**.

2. Scope

2.1. This policy applies to all externally-funded research projects undertaken at the University.

2.1. This policy does not apply to non-research commercial endeavours such as non-research consultancies and laboratory testing services. However, the principles of cost recovery and **Competitive Neutrality** apply to such activities.

2.3. Nothing in this policy prevents delegation of authority in accordance with the [Delegations Policy](#).

3. Authority

3.1. This policy is made under the [University of Melbourne Act 2009 \(Vic\)](#) and the [Vice-Chancellor Regulation](#) and supports compliance with the *Australian Competition and Consumer Act 2010* (Cth).

4. Policy

Agreements

4.1. **External Research Funding** must be governed by an agreement detailing:

(a) the funding to be provided;

(b) the terms and conditions of funding; and

(c) the rights and responsibilities of the parties (including a consideration of the ownership and use rights of intellectual property).

4.2. Section 4.1 does not apply to gifts where the creation of such an agreement is not practicable. In such cases, acceptance and administration must comply with the [Gift Policy](#).

4.3. Section 4.1 does apply to research grants offered by philanthropic bodies and/or research contracts negotiated with philanthropic bodies.

Cost calculation

4.4. When costing a research project the direct research costs of a research project must be fully calculated (including all Salary and Salary-Related Costs of people working on the research project, equipment maintenance and in-kind contributions) and documented in the project budget. In-kind contributions should be clearly listed in the budget.

4.5. Section 4.4 does not apply to NHMRC, ARC and other competitive grants that define how projects must be costed to be eligible for their grants. The funders' budget mechanism must be used in such cases. This exemption applies to both lead and non-lead participation on such grants.

Pricing

4.6. The University is committed to developing a sustainable research capability by recovering costs incurred in the course of undertaking externally funded research (i.e. research supported by **External Research Funding**). Subject to the requirements of relevant laws, regulations, policies and processes, the University adopts a flexible approach to research pricing, which reflects the diversity of research projects undertaken by the University community. This includes a commitment to the principle of Competitive Neutrality.

4.7. The pricing of external research agreements must, at a minimum:

(a) Cover the full direct cost of research including the costs of all University staff time in the research project (unless this is prohibited by the funding conditions).

(b) Recover the **Indirect Costs** of research by applying a **Cost Recovery Multiplier** equal to, or greater than the **Minimum Cost Recovery Multiplier** set out in [Schedule A](#) to the **Salary and Salary-Related Costs** component (staff time) of fully calculated direct research costs. The Cost Recovery Multiplier applicable in the first year of funding for the project should be applied for the life of the project.

4.8. Where a University staff member is subcontracted on a grant or research contract by an external party to provide a service, section 4.7 applies in full.

4.9. Section 4.7 does not apply where full cost recovery is expressly prohibited by the terms and conditions of ARC, NHMRC, other competitive grant schemes or the funders' funding rules. In cases where the terms and conditions of a funding scheme allow only limited cost recovery, applicants must request cost recovery to the maximum allowable.

4.10. Section 4.7 outlines the minimum requirement and does not operate as an upper limit on pricing. It does not prohibit the setting of higher requirements by Academic Divisions.

5. Procedural principles

Approvals

5.1. Prior to seeking external research funding, a researcher must consult with the **Head of Budget Unit** to ensure that the project is academically and financially viable for the budget unit.

5.2. All externally-funded research projects undertaken at the University must be approved (including approval of the budget) by the relevant **Head of Budget Unit**.

5.3. For externally-funded research proposals which do not comply with the minimum pricing requirements in section 4.7, documented approval is required from the relevant **Dean** or from the appropriate delegated officer as defined in the [Delegations Policy](#).

5.4. Chancellery may negotiate an agreement which is not compliant with this policy, provided any financial risks are mitigated in consultation and with the approval of any relevant Academic Divisions.

5.5. The Deputy Vice-Chancellor (Research) is responsible for approving any changes or updates to the minimum cost multiplier rate in [Schedule A](#).

Compliance

5.6. The budgeting, costing and pricing of externally-funded research projects in accordance with this policy and all other relevant University policies is the responsibility of staff within Academic Divisions.

5.7. **Deans** are responsible for ensuring compliance with this policy within their **Academic Division**. Funds generated from cost recovery remain in the Academic Division in accordance with the University budget model.

Support and review

5.8. The Deputy Vice-Chancellor (Research) will periodically report to University Executive Committee detailing all cases in which a Dean has approved the **Pricing** of a research project with a **Cost Recovery Multiplier** less than that set out in [Schedule A](#).

5.9. Research, Innovation and Commercialisation (RIC) is responsible for:

(a) developing **Costing** and **Pricing** guidance and support tools to assist Academic Divisions with research pricing in accordance with this Policy;

(b) developing relevant forms and processes to support research **Pricing** and budget sign-off in accordance with this policy;

(c) providing the Deputy Vice-Chancellor (Research) and Academic Divisions with periodic reports on cost recovery performance; and

(d) reviewing and recommending changes (if necessary) of the cost recovery multiplier rate to the Deputy Vice-Chancellor (Research) annually.

6. Roles and responsibilities

<i>Role/Decision/Action</i>	<i>Responsibility</i>
<ul style="list-style-type: none"> Budget, cost and price externally funded research projects in accordance with this policy. Consult the Head of Budget Unit before seeking External Research. Funding to ensure the project is academically and financially acceptable to the budget unit. 	Academic Division staff
<ul style="list-style-type: none"> Approve Research Proposals and Budgets in accordance with this Policy. 	Head of Budget Unit
<ul style="list-style-type: none"> Approve projects which do not meet the minimum pricing requirement set out in section 4.7. Ensure compliance with this policy within Academic Divisions. 	Dean
<ul style="list-style-type: none"> Provide annual financial data to allow calculation of the Cost Recovery Multiplier. 	Chancellery Finance
<ul style="list-style-type: none"> Review and approve changes to the Cost Recovery Multiplier. Review and report on divisional performance and compliance with this policy. 	Deputy Vice-Chancellor (Research)
<ul style="list-style-type: none"> Provide relevant forms and processes to support research costing and Pricing and budget sign-off in accordance with this policy. Provide Chancellery Research and Enterprise and Academic Divisions with periodic reports on cost recovery performance. Provide training to Academic Divisions staff to support research costing and pricing in accordance with this policy. Review and recommend changes to the minimum cost recovery multiplier. 	Research, Innovation and Commercialisation

7. Definitions

Competitive Neutrality requires the University to ensure that the Price it charges for research is not unreasonably low and is not being subsidised by the use of public assets. Competitive Neutrality means that state-owned and private businesses compete on a level playing field. Competitive neutrality, a concept that was originally established in Australia under the National Competition Policy, is based on the principle that significant government businesses should not enjoy any net competitive advantages over private businesses operating in the same market simply because they are publicly owned.

Delegations Policy refers to the University's [Delegations Policy](#).

Direct Costs are amounts that can be completely and easily calculated and attributed to the delivery of a project (e.g. consumables or the Salary and Salary-Related Costs). Costs that are more difficult to calculate and attribute to the delivery of a project (such as building and laboratory space, telecommunications and IT infrastructure) are referred to here as Indirect Costs.

External Research Funding means income from outside the University, and may include competitive research grants, contract research, joint ventures and consultancies.

Full Cost Recovery Multiplier means the multiplier applied to the Salary and Salary-Related Costs component of the direct research costs of a project in order to cover the full costs (including all indirect costs) of the project. The Full Cost Recovery Multiplier is detailed in [Schedule A](#).

Gift means any transfer of property to the University to pursue its objects and where:

- (a) the transfer is made voluntarily;
- (b) the donor does not expect to receive anything in return for the gift; and
- (c) the donor does not materially benefit from the gift.

The term gift includes gifts held by the University on trust and excludes all payments (including grants) from government and statutory bodies (including universities).

Head of Budget Unit means the relevant Head of Department, Head of School or other appropriate senior member of the academic division who has responsibility for ensuring that work undertaken in that budget unit is academically and financially acceptable to the budget unit.

Indirect Costs, or overheads, relate to costs such as building and laboratory space, research administration staff salaries, telecommunications and IT infrastructure, and library services. Indirect costs may not directly relate to a specific research project or program but still must be recovered by the University. Indirect costs are calculated using the Commonwealth Transparent Costing methodology.

Minimum Cost Recovery Multiplier means the multiplier that must be applied to the Salary and Salary-Related Costs component of the fully costed direct research costs of a project in order to be compliant with section 4.7 of this policy. The Minimum Cost Recovery Multiplier by year is tabulated in [Schedule A](#) and represents a phased implementation of the Full Cost Recovery Multiplier.

Price (or Pricing) means how much the client is charged for the research project. It may differ from the cost.

Salary and Salary-Related Costs means base salary and all on-costs, including superannuation, workers compensation, leave loadings etc.

POLICY APPROVER

Deputy Vice-Chancellor (Research)

POLICY STEWARD

Pro Vice-Chancellor (Research Collaboration & Partnerships)

REVIEW

This policy is to be reviewed by 22 April 2025.

VERSION HISTORY

Version	Authorised by	Approval Date	Effective Date	Sections modified
1	Deputy Vice-Chancellor (Research)	14 November 2019	22 April 2020	New policy arising from the Policy Consolidation Project, incorporating content from the Research Pricing Policy and the Research Funding and Fees for Services Activities Policy.
2	Policy Officer	5 October 2020	5 October 2020	Amended 5.8 'University Executive' to 'University Executive Committee'.
3	Pro Vice-Chancellor (Research and Collaboration Partnerships)	25 November 2020	26 November 2020	Updated terminology to align with Gift Policy.