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 consistency, transparency and accountability in the development and management of research costing and pricing including:

i. A consistent approach to the capture of the true and total cost of research (including direct and indirect costs of research activity)
ii. Provision of principles around the recovery of direct and indirect costs; and
iii. Ensuring appropriate and transparent pricing of externally funded research grants.

(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.
2.2 This Policy applies to anyone undertaking research projects on behalf of the University of Melbourne
2.3 This Policy does not apply to grants, contracts and projects that are not research related.
2.4 Nothing in this Policy prevents delegation of authority in accordance with the Delegations Policy.

3. Authority

3.1. This policy is made under the https://www.legislation.vic.gov.au/in-force/acts/university-melbourne-act-2009/007University 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 .

Cost calculation

4.3. This policy requires that in costing a research project, all direct costs and indirect costs must be included and fully calculated. This includes:

a) the full direct cost of research including the costs of all University staff time, or where a University staff member is subcontracted on a grant or research contract by an external party to provide a service in the research project, and
b) all Indirect Costs of research by using the University's approved Research Costing and Pricing Tool.

The capture of all direct and indirect costs represents a project 'at cost' amount, exclusive of margin.

4.4. Multi-year projects must include relevant indexation to ensure forecast cost changes are appropriately captured.

4.5. All cost calculations must be determined using the University's approved Research Costing and Pricing Tool.

Price Calculation

4.6. Pricing should, wherever possible, seek to fully cover all direct and indirect costs associated with activities required to undertake the project.

4.7. Section 4.6 does not apply where the funder rules specify the level of cost recovery permitted. In such cases, funder rules must be applied and the maximum amount of permitted cost recovery sought.

4.8. In addition to Section 4.6, where full cost recovery is not prohibited and where appropriate researchers should, apply a margin, that is, a price in excess of the 'at cost' amount as determined by the University's approved Research Costing and Pricing tool. This ensures alignment with market-based pricing and compliance with the University's commitment to competitive neutrality.

4.9. In limited instances, and with the necessary approvals, researchers may apply to price below the 'at cost' amount through a 'cost share**'** arrangement where the University chooses to provide a cash or in-kind contribution to a project to enable a price at below 'at-cost'.

4.10. Researchers may also apply to 'discount' the University's standard margin. Discounts cannot be applied where the university is in a 'cost share' arrangement with the funder.

4.11. Where the University chooses to share or handover IP to a research partner, or agrees to delay publication or output, the price must appropriately reflect the benefit to the research partner of this arrangement and the potential opportunity cost of the delay to the University. This should take into account the commercial status of the partner and their ability to pay for research activity.

5. Procedural principles

Application

5.1. All research costing and pricing activity must be determined using the University's approved Research Costing and Pricing Tool.

Approvals

5.2. All applications for external research funding must be developed in consultation with the **Head of Budget Unit** or delegate who is required to ensure that the project is academically appropriate and financially viable for the budget unit.

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

5.4. All externally-funded research proposals made under Section 4.9 of this Policy must be approved by the relevant **Dean/s** or an appropriate delegated officer as defined in the Delegations Policy taking into consideration the financial status of the budget unit.

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

5.6. The Deputy Vice-Chancellor (Research) is responsible for approving any changes or updates to the University's costing and pricing methodology.

Indirect Cost Recovery & Margin

5.7. Indirect cost recovery will apply to all direct project costs irrespective of any discounts applied. The rate of indirect cost recovery will be determined by the University.

5.8. Where not prohibited by the funder, researchers should seek a margin on work performed, relative to the industry or sector and in line with the funder's ability to pay and benefit derived from the research. The principle of competitive neutrality should be a consideration to ensure that market rates are applied wherever possible.

5.9. Indirect costs recovered will follow the principle of distribution to the Faculty Operating budget where the cost of the activity was incurred. Further distribution is at the discretion of the faculties involved. Refer to the Research Costing and Pricing best practice manual for guidance on principles to be considered in deciding distribution, including across faculties.

Compliance

5.10. 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.

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

Support and review

5.12. This policy should be read in conjunction with the Procedures, Best Practice Guide and a Training program support linked within policy Supporting Process in policy header.

5.13. The Deputy Vice-Chancellor (Research) will periodically report to University Executive Committee detailing all cases in which a Dean has approved 'cost share' or where 'discounts' to the margin have been applied to the **Pricing** of a research project

5.14. 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 approved Research Pricing Tool to the Deputy Vice-Chancellor (Research) annually.

6. Roles and responsibilities

Role/Decision/Action	***Responsibility***
• 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
• Approve Research Proposals and Budgets in accordance with this Policy.	Head of Budget Unit
• Approve projects which do not meet the minimum pricing requirement set out in **section 4.9**. • Ensure compliance with this policy within Academic Divisions.	Dean or delegated authority
• Provide annual review of cost drivers to assess if +/- variation require an update to the splits sit with RIC	Chancellery Finance
• Review and approve changes to the costing and pricing approach. • Review and report on divisional performance and compliance with this policy.	Deputy Vice-Chancellor (Research)
• 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 University's Costing and Pricing Models	Research, Innovation and Commercialisation

7. Definitions

At cost The total of all direct and indirect costs in the price of a research project represents a project 'at cost' amount, exclusive of margin, including in-kind contributions.

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. https://www.oecd.org/en/topics/sub-issues/competitive-and-fair-markets/competitive-neutrality-in-competition-policy.html

Cost Share arrangement where a Faculty or Department provides a cash or in-kind contribution to a project to enable a price at below at-cost

Delegations Policy refers to the University's Delegations Policy.

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Discount refers to an amount deducted from the 'commercial margin' applied to a project.

Direct costs can be directly attributed to a specific project and are directly related to achieving the aims, objectives and outcomes of the research endeavor. Direct costs include but are not limited to:

- Personnel costs (salary and salary on-costs)
- Scholarships & stipend payments
- Equipment
- Data management
- Consumables and maintenance
- Travel
- Hospitality
- Platform access costs
- Other direct project costs

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

Cost Recovery means the amount of funding sought to cover the direct and indirect costs of the research. The University's approach to cost recover is set out within the Research Cost Recovery procedure**.**

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) are the costs incurred by the University in support of the research project, but which cannot be directly attributed to a specific project. Indirect costs include, but are not limited to:

- Faculty research support, Governance and management
- Shared Services (incl HR, Finance, IT and Library Services)
- University Governance

Space charges applied *pending project type* **Indirect cost recovery** means the amount of indirect cost incurred by undertaking the activity. Indirect cost recovery is applied to all direct costs and cannot be discounted. In some circumstances cost-share can be applied to these costs.

Margin percentage applied to the 'at cost' amount of the project representing the profit of the project.

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 dd mm yyyy.

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