



Policy: Costing and Pricing of Externally Funded Research Projects, University Consultancies and Commercial Services

Purpose

This Policy describes the principles by which externally funded Research Projects, University Consultancies and Commercial Services are costed and priced.

Overview

All activity has both direct and indirect costs and in some cases a commercial value. To support the high quality research environment at ANU it is essential that all eligible direct and indirect costs are recovered from funds providers. The University has determined that costing of externally funded projects should be guided by the principles embodied in the Federal Government's policies on [Competitive Neutrality](#) and [Cost Recovery](#).

The definition of terms as they apply to the process of budgeting, costing and pricing of activities, and services provided to third parties, is provided at the end of this document.

Scope

This policy applies to ANU staff (academic, professional, honorary appointments) undertaking research projects, University consultancies and commercial services.

All Projects that use University resources except Education Services are subject to this Policy.

Definitions

ANU Indirect Cost Recovery Rates determined by a formula approved by the Deputy Vice-Chancellor (Research). The rates shall not exceed the actual indirect costs calculated from the financial accounts. The ANU Indirect Cost Recovery Rates are expressed as a percentage of salary plus salary on-costs. The rates are reviewed every two years by Finance & Business Services and Research Services

Division. Where the calculation varies by 5% or more the rate will be adjusted. Any rate adjustment will apply to new projects from the commencement of the next ANU Financial Year.

Commercial Service is a contract or agreement between the University and a third party undertaken to apply the existing stock of knowledge and known methods of analysis to problems specified by third parties utilizing technical facilities of the ANU. The activity is not intended to generate peer reviewed publications or new patentable inventions.

Deficit is where the total of funds received from a funds provider is less than the Full Cost of the Project, defined as the difference between the total of funds received from a funds provider and the Full Cost.

Direct Costs are those costs specifically tied to an identified activity or Project that would not be incurred if the Project was not undertaken. Direct costs take two forms:

Directly Incurred Costs are those costs that can be explicitly identified and recorded against a Project. For example: the costs of a research assistant or technician working full-time on a Project, equipment bought specifically for a Project such as computers, or database charges or consumables or travel; salary on-costs for staff supported from the Project.

Directly Allocated Costs are those costs that are attributable to a Project but not directly recorded. As a result, these are estimated costs. For example, 10% of time an investigator may spend on a Project or time that existing technicians may spend on a Project.

Education Services are those services offered to third party organisations by the ANU in the field of education and training.

Full Costs are the total of Direct Costs and Indirect Costs.

Indirect costs are those costs that are not directly attributable to a Project but are incurred by the ANU in executing the Project activities. For research, these costs include libraries, information communications technology infrastructure, college and university management and administration services, campus grounds and building maintenance and all other costs required to keep the ANU functioning effectively. By definition these costs are not directly attributable to a Project without substantial review and costly administrative processes. Both within and beyond the higher education sector indirect costs are typically expressed as a multiplier of staff costs or full direct costs from an analysis of overall institutional finances.

Market Price is the price at which the Project services will be provided. Where the Project services could be available from a commercial provider, the Market Price is set with reference to the price at which the services are commercially available. Direct Costs and Indirect Costs that are not Sponsor-Supported Items in the case of a specific funds provider are not included in the Market Price.

Project(s) is collective for Research Projects, University Consultancies, and Commercial Services.

Research Project is a Project to undertake creative work on a systematic basis in order to increase the stock of knowledge in new and creative way so as to generate new concepts, methodologies and understandings across science, culture and society. The use of this stock of knowledge could include synthesis and analysis of previous research to the extent that it leads to new and creative outcomes and advances. Research is expected to lead to publication, or research output.

Sponsor-Supported Items are the Direct Costs and Indirect Costs that a specific funds provider is prepared to support as set down in any formal rules of the funds provider.

Surplus is where the total of funds received from a funds provider is greater than the Full Cost of the Project, defined as the difference between the total of funds received from a funds provider and the Full Cost

Threshold is:

- \$50,000 for projects led by the College of Physical & Mathematical Sciences, College of Medicine, Biology & Environment, and College of Engineering & Computer Science; and
- \$20,000 for projects led by the College of Arts & Social Sciences, College of Asia & the Pacific, College of Business & Economics, ANU College of Law, and National Centre for Indigenous Studies.

University Consultancies are contracts or agreements between the University (or its subsidiaries) and a third party undertaken to apply the existing stock of knowledge and known methods of analysis to problems specified by third parties. This includes providing expert advice, specialist knowledge or object review within a particular field. The activity is not intended to generate peer reviewed publications or new patentable inventions. The primary direct cost in a consultancy is staff time.

Policy statement

Costing

1. All externally funded Projects where direct costs exceed the Threshold must be fully costed to take account of all Direct and Indirect Costs of undertaking the work, using the ANU Indirect Cost Recovery Rates.
2. Staff undertaking consultancy services in a personal capacity or other non-University professional activities that do not make use of any University resources, are managed under the Policy Paid Outside Work – the 52 Day Rule. Such work is undertaken through a contract or agreement which does not involve the University.

Pricing and Recovery

3. When calculating the Market Price, the Full Costs and any Surplus or Deficit must be taken into account.
4. The Market Price is adjusted to take account of:
 - a. Sponsor-Supported Items;
 - b. the indirect cost rates of the funds provider where these are approved by ANU;
 - c. access to unique research expertise, infrastructure or personnel;
 - d. provision of intellectual property;
 - e. risk; and
 - f. for purely commercial services, the price for which similar services may be available on the commercial market and high risk projects.
5. The full Indirect Cost Recovery Rates are not applied to Direct Costs of activities funded by schemes listed on the Australian Competitive Grants Register (HERDC Category 1 Income). The University may determine funds providers and schemes where a reduced recovery rate can be applied to the Direct Costs. Such a list will be maintained by Research Services.
6. Where the total of funds received from a Funds Provider is lower than the Full Cost, the level of the resulting Deficit is subject to approval by the College Dean or their nominee.
7. Where the total of funds received from a Funds Provider exceeds the Full Cost, the resulting Surplus will be apportioned as set out in the Procedure.

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