

COSTING AND INDIRECT COST RECOVERY FOR EXTERNALLY FUNDED RESEARCH AND COMMERCIAL CONTRACTING POLICY

Section	Research
Contact	Office of AVC Research, Academic and Enterprise
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Purpose:

The purpose of this policy is to establish greater transparency and accountability relating to costing and pricing practices for externally funded research and commercial contracting, where Massey University is the supplier of these services.

Policy:

Where Massey University staff are contracting to provide research and commercial services to non-Massey University clients (e.g. Government Ministries and Vote Research Science and Technology purchase agents) they are to identify and record *all* direct and indirect costs associated with the service. Indirect costs will be calculated by applying the University's official audited overhead rate to the direct salary and professional time components of these direct costs;

Massey staff involved in external contracting under the auspices of Massey University will take all reasonable steps to recover the full costs of research and commercial work by agreeing a price with the client which meets or exceeds the total cost;

It is expected that:

- Budget approvals for all fully costed external research contracts will occur at the time the funding proposal is submitted through Research and Enterprise. If successful, they would then progress to the contract stage.
- Full costs (direct and indirect) will be recovered from Research Science and Technology contracts from agencies that have been committed by the government to fully fund the research they sponsor (see footnote¹ for the full list of agencies);
- Full costs (direct and indirect) will be recovered from contracts where all of the intellectual property is assigned to the client;

¹ Government departments and Ministries which received the directive to support fully costed research include: MPI, DoC, Education, Justice, , MSD, Health, , Environment, NZ Defence Force, Police, Tourism Board, EQC, Lottery Grants Board

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There will be instances, however, where:

a) the price negotiated with a client will not meet the full cost of the service and;
b) the deliverables cannot be negotiated down to ensure that the price covers the full cost. These contracts may be acceptable where other non-monetary or deferred benefits accrue to Massey University and will have any one or more of the following characteristics:

- Add directly to the reputation of the University (e.g. related to charitable, public good purposes);
- Represent grants in aid for existing or intended academic research (as opposed to a fee-for-service);
- Have clear, direct and stated educational benefits to students;
- Allow for the University to capture a significant share in the IP ownership or benefits arising from the contract.

Where this happens, the nature of these benefits will be recorded in a way that is connected with the contract and readily retrievable for reporting and auditing purposes;

In instances where discounts are given, they must be reviewed and approved by the HoU or equivalent and needs to state that the Unit will be subsidising the cost of fulfilling the contract.

Research and Enterprise will record both the agreed price for the service and the full actual cost of the project in a manner that clearly identifies the extent of subsidies and surpluses against indirect research costs, salaries, consumables and other costs;

A client group or groups will be recorded against each research contract. Research and Enterprise will report annually (for the financial year) to the AVC (Research, Academic and Enterprise) on the cost incurred, the price received, and surplus/loss by College for each client group;

A central indirect cost levy will be applied to the contract price (*i.e. total contract revenue*) as *an accounting process internal to the University for all University Research and Consultancy contracts*. This rate will be set and reviewed from time to time by the Vice-Chancellor;

No waivers of central indirect cost levies are available.

Definitions

Direct costs – Costs that can clearly and solely be attributed to the project or programme.

Indirect costs – Costs that are incurred that cannot be readily attributed to any one project or programme. These include central administrative costs (e.g. financial services, HR services) and central facilities like libraries, rooms and laboratories.

Full costs – The total direct and indirect costs of providing the services incurred by the university.

Price – That received by or agreed with the client. This may be above (surplus) or below (loss) the full cost of the service.

Audience:

All Massey academic staff, PV-Cs, HoS/I/Ss and Research Services.

Related procedures / documents:

[Research and Consultancy Contracts Policy](#)

[Research and Consultancy Activity Proposals Policy](#)

[Research Practice Policy \(Responsible Conduct\)](#)

[Code of Responsible Research Conduct and Procedures for Dealing with Research Misconduct](#)

[Use of External Research and Consultancy Funding](#)

[Procedures for Approving Research and Consultancy Activity Proposals](#)

Document management control:

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**ANNEX TO POLICY ON COSTING AND INDIRECT COST RECOVERY FOR EXTERNALLY RESEARCH AND
COMMERCIAL CONTRACTING**

Exclusions from the Central Indirect Cost Levy

The central indirect cost levy will not be applied to the following bona fide grants and financial transactions.

Subcontracts to parties outside Massey University that are managed through Research and Enterprise;
Externally funded capitalised equipment valued at greater than \$2000;
Externally funded scholarship;
Externally funded gift (i.e. there is no contract for delivering an output to the purchaser);
Others as approved by the Assistant Vice-Chancellor (Research, Academic and Enterprise).