Management of External Research, Consultancy and Related Contracts Policy

Research Policy

1 Purpose

Victoria University of Wellington ('the University') seeks to increase its external research and consultancy income and engage more actively with industry. This not only supports the University's Research Policy, but also helps ensure the relevance of research and contribute to the University's income. The policy deals with the organisation and administration of research and consultancy income, the costing and pricing of research and consultancy, and the distribution of the income.

2 Organisational Scope

This is a University-wide policy.

3 Definitions

For purposes of this policy, unless otherwise stated, the following definitions shall apply:

Consultancy:	An activity that involves the application of existing knowledge in client projects.
Deficit/Surplus:	A negative/positive balance remaining in a project account at the end of the project due to an over-spend/under-spend against revenue.
ERCI:	External Research and Consultancy Income. This is income used by the University to meet part or all of the costs of research or consultancy (including any profit) performed by staff or contractors to the University. In this context 'research and consultancy' generally excludes work where lecturing, teaching, examining, supervising or other academic/teaching related activity is dominant.
ERI:	External Research Income. This is income derived from non-University sources for the purposes of Research.
FTE:	Full time equivalent staff member.
MSI:	Ministry of Science and Innovation.

PBRF:	Performance-based Research Fund.
Principal Investigator:	The staff member within a School or Research Centre having intellectual and managerial oversight of a research project and who is responsible for project outcomes and budget.
Profit:	Any budgeted margin built into a project.
Research:	An activity that involves the generation of new knowledge. A more comprehensive definition is provided in the Research Policy.
Research Development Advisor (RDA)	The staff member in RDO who has responsibility for a research project within the context of Portfolio Managers' accountabilities.
Research Finance:	A unit within the Research Office that manages RTV.
Residual Balance:	A surplus remaining in a project account at the end of a project due to an under-spend against revenue.
Residual Grant:	A new internal grant awarded from all or part of a principal investigator's Residual Balance.
RDO	Research Development Office.
RTV:	The Research Trust of Victoria University of Wellington.
RTV Strategic Funding Pool:	Untagged funds held in RTV to be applied to the purposes of the Trust.
SLT:	Senior Leadership Team.
Staff:	Full and part-time employees of the University.
University:	Victoria University of Wellington.

4 Policy

4.1 Policy Coverage

This policy focuses on contracts relating to research and consultancy activities (e.g. collaborations, services, grants, joint ventures etc.). However, other related contracts such as confidentiality agreements, licences, exchange of biological material, and facilities access agreements should also be processed through the Research Office.

Section 4.2 of this policy deals with organisational arrangements relating to ERCI.

Sections 4.3 to 4.5 of this policy deal with the financial issues associated with ERCI acquired under contracts that confer certain responsibilities and obligations on the University. Section 4.3 deals with pricing, section 4.4 deals with budgeting, and section 4.5 deals with distribution of income.

Section 4.6 deals with ERCI which comes by way of 'grant in aid' and where there is no contractual obligation to the provider of the funds.

This policy excludes any research and consultancy activity which may be funded from the University's internal resources (such as that provided by Student Achievement Component funding, student fees and PBRF).

Neither the University nor RTV has a role in research or consultancy activities undertaken by staff in their private capacity. The University and its associated entities do not accept liability or responsibility for such activities, which are covered by the Entitlement to Undertake Private Work

Policy.

This policy shall apply to all research and consultancy contracts irrespective of size.

4.2 Organisational Arrangements

4.2.1 Responsibilities of Academic Staff:

(a) To seek (and endeavour to secure) external funding for research and consultancy projects. In so doing, academic staff should involve RDO at an early stage so that the best contractual outcomes are achieved and before any commitments (such as financial, HR, other resources, and intellectual property commitments) are made or liabilities are entered into.

(b) To deliver contracted outcomes of research and consultancy contracts within budget and in accordance with the terms and conditions of contracts.

(c) To manage budgets for the duration of research and consultancy contracts.

(d) To alert RDO to any impending issues which may inhibit the successful delivery of research and consulting contracts.

(e) To notify (as provided under the Intellectual Property Policy) any intellectual property with commercial potential and to not publicly disclose it until formal protection has been secured.

4.2.2 Responsibilities of RDO:

RDO and Research Finance will manage contract processes:

(a) **Research contracts:** RDO and Research Finance are responsible for all processes associated with securing and managing all publicly funded research contracts including, for example, those funded through the MSI, the Tertiary Education Commission, the Health Research Council, the Royal Society of NZ, government departments and ministries, and any subcontracts arising from such grants held by other research organisations such as Crown Research Institutes and universities. Similarly, they are responsible for all processes associated with securing and managing all privately funded research contracts including, for example, those funded by companies, trusts and other private corporate entities, industry organisations, Crown entities, and individuals.

Philanthropic funding of research and funding of research in support of intellectual property commercialisation go through the Victoria Foundation and Viclink Ltd. respectively (see also 4.6).

(b) **RTV:** is the legal entity which acts as the contracting party to research contracts managed by RDO and which holds in trust the income accruing from contracts prior to it being distributed. RTV is managed by the Research Finance group in the Research Office.

(c) **Consultancy contracts:** RDO and Research Finance are responsible for all consultancy contracts, whether funded publicly or privately.

RDO and Research Finance will maintain 'good practice' systems and procedures for the management of research and consultancy contracts:

(d) Before proposals and contracts are signed, RDO must ensure that:

(i) the commitments to be entered into are able to be met;

(ii) resources will be available, either from the University's Schools and Research Centres or from subcontractors;

(iii) contract pricing meets the University's policy (refer sections 4.3 and 4.4);

(iv) budgets have been prepared and agreed;

(v) contract terms are acceptable;

(vi) following consultation with Viclink Ltd., the terms relating to Intellectual Property are acceptable to Vice-Provost (Research) or delegate;

(vii) ethics requirements have been met; and

(viii) contracts having unusually large resource implications or which are of a strategically significant nature are brought to the notice of SLT.

(e) RDO will maintain and disseminate project budgeting templates which are consistent with the costing and pricing details of this policy (refer section 4.4).

(f) Once contracts have commenced, RDO and Research Finance will ensure that income and expenditure transactions are processed and regular financial reports are made available to principal investigators.

(g) On an on-going basis, RDO and Research Finance will analyse and report to SLT (and to RTV Board) on their aggregate bidding and contracting activity.

4.2.3 Protocols

(a) All research proposals and applications, and resulting contracts, are to be submitted to clients and funders via RDO but in the name of RTV.

(b) Authorised signatories to such documents will be limited to the Provost or Vice-Provost (Research) The Provost may delegate the above authorities in writing but not the authority to delegate.

(c) PVCs controlling the resources to be committed in applications and contracts will sign off their agreement prior to applications being submitted or contracts signed.

(d) Whilst participating in projects managed by RDO, University staff legally remain employees of the University, i.e. they are not employed directly by RTV. RTV will pay the University the budgeted salary costs for each staff member.

(e) In certain circumstances the University may pay some or all of this budgeted salary cost to the staff member or members concerned as an extra, taxable emolument (refer section 4.5.2).

(f) As required, RDO will employ or contract staff who are not already employed by the University to work on projects.

(g) No University staff member, whether part-time of full-time, either personally or through a company or partnership, can invoice RTV for work undertaken on a project.

4.3 Pricing Policy for Externally Funded Work

(a) A budget must be created for all externally funded work on a fully-costed basis to include staff time, operating costs, and University overheads.

(b) The price quoted to the funder or client should be in accordance with the following principles:

(i) every effort should be made to ensure full recovery of overheads;

(ii) the price should be consistent with the *going rate* for such work and should not, without good reason, undercut significantly the prices that would be charged for comparable work by competing contractors or consultants;

(iii) the price should be set with due regard to the value of the work to the customer; and

(iv) a price discount may be considered if justified by the potential PBRF benefits.

(c) Where the funding available is less than the full costs (including overheads), the project may be priced at a loss in which case it can only be undertaken with a subsidy from the School, Research Centre or University central administration. Such funding can only be accepted with the approval of the Head of School, the relevant PVC and the Vice-Provost (Research). Approval is predicated on a reasonable (although admittedly not complete) contribution to total costs, creation of a strategic advantage for the University, and/or development of a future platform upon which the University's research and teaching capabilities may grow.

(d) Schools and Centres seeking to marginally-cost or under-cost contracts (e.g. to offer prices in which overheads are not fully recovered) will be required to justify this in terms of their research strategy and that of the University.

4.4 Establishing a Project Budget

4.4.1 Wage and salary costs

(a) For salaried staff the hourly labour charge-out rate will be annual salary, plus 10% for superannuation, ACC and other employment related costs (on-costs), multiplied by the percentage of chargeable FTE allocated to a project (where one FTE's chargeable hours are 1500 per annum or chargeable days are 187.5 per annum.)

(b) For casual staff the rate will be the actual paid rate plus 8% for holiday pay.

4.4.2 Overheads

All activities undertaken by the University and its staff are underpinned by a range of support services and infrastructure such as finance, HR, information technology, contract management, library, marketing and corporate management. These services and infrastructure represent real costs to the University and consequently must be explicitly budgeted for on all externally funded contracts and grants.

The University incorporates overheads into its pricing by including a multiplying factor on the labour charge-out rate according to a model agreed by Universities New Zealand. The University's costs using this model have determined this factor to be 1.1 times the labour charge-out rate (annual, daily or hourly).

Overhead is required on all permanent staff contributing directly to a project, and any casual staff hired for a project, who occupy a dedicated working space and/or use University resources e.g. phone, computer etc.

4.4.3 Calculation of Minimum Charge-out Rates

Equation 1: ((Salary*1.1)*%FTE) + (((Salary*1.1)*%FTE)*1.1))) = salary and overhead recovery rate (NB: one FTE equals 1500 chargeable hours or 187.5 chargeable days per annum)

Equation 2: ((Salary*1.1) + (Salary*1.1*1.1))/1500 = minimum hourly charge-out rate

Equation 3: ((Salary*1.1) + (Salary*1.1*1.2))/187.5 = minimum daily charge-out rate For

example if the staff salary is $70,000 per annum, then (for 1 FTE):

The labour cost is ($70,000 x 1.10) equals $77000 per annum, or ($77,000/187.5) equals $410.67 per day, or ($77,000/1500) equals $51.33per hour.

The overheads to be added are ($77000 x 1.1) equals $86,240 per annum, or ($410.67 x 1.12) equals $459.95 per day, or ($51.33 x 1.1) equals $57.49 per hour.

The total charge-out rate is therefore ($77,000 + $86,240) equals $163,240 per annum, or ($410.67 + $459.95) equals $870.62 per day or ($51.33 + $57.49) equals $108.82 per hour.

Note: the charge-out rate quoted to prospective clients should take into account the principles in section 4.3(b); for example, if the work has a value to the client/funder above its cost, which the market is prepared to pay, then that value should be charged.

4.4.4 Equipment Hire

(a) If a research contract makes use of equipment already owned by the University and recorded on the capital assets register, a charge-out rate for its use should be established and factored into the project budget. The rate should take into account the asset's utilisation, and include such costs as depreciation (i.e. the annual cost of the asset), maintenance and other operating expenses.

Note: Asset utilisation is the equivalent of an asset's chargeable hours.

(b) If an asset is acquired specifically for a research contract and it has no productive use beyond that research contract it should be fully charged-out over the life of the contract. At the end of the contract the asset remains the property of the University.

4.4.5 Operating expenses

Operating expenses such as travel, materials etc. should be budgeted at estimated cost (excluding GST).

4.4.6 Scholarships

Scholarships should be budgeted at actual costs as advised by the Scholarships Office plus tuition fees.

4.4.7 Profit margin

As appropriate a profit margin may be added to some contracts, taking into account the principles in 4.3(b). The University's prudential requirement that it maintain a 3-5% surplus on a 3 year rolling average should guide the level and frequency of any profit margin applied.

4.4.8 Budget model

In general projects should use the following budget model. RDO and Research Finance staff should be contacted to assist with completing the budget model.

Permanent staff costs	(Salary * 1.10) * FTE commitment to project
Fixed term staff costs	(Salary * 1.10) * FTE commitment to project
Casual staff wages	(Cost * 1.08) * FTE commitment to project
Overheads	(Salaries and on-costs + wages and holiday pay, committed to project) * 1.1

Equipment hire	At an agreed charge-out rate
Operating expenses	At cost
Scholarships	At current rates
Total cost	A
Profit margin	Total cost A * 1.04
Total price	B
GST	Total price B *1.15
Total price (GST incl.).	C

4.5 Distribution of Contract Income

4.5.1 Permanent Staff Salary Component

The budgeted staff salary component will be paid to Schools and Research Centres. Use of this funding is at the discretion of Heads of School or Directors of Research Centres who are responsible for the contracted outputs of the project.

4.5.2 Personal payments

(a) No personal payments can be made from research projects held within RTV.

(b) For contracts held outside of RTV where the income has arisen from sources other than Vote RS & T research funds, this salary component may be paid to the staff member(s) concerned as an additional taxable emolument. This decision must be agreed between the staff member(s) and Head of School at the time the contract proposal is developed.

(c) Where the salary component is paid as an emolument to a staff member it will be calculated as (annual salary/2080) per hour.

(d) Where the project is subsidised, as defined in 4.3(c), the salary component will generally not be available for a personal payment, unless the overhead components have first been met.

4.5.3 Distribution of Overhead Component

(a) The overhead component of the total income as calculated in section 4.4.2 is to provide for indirect costs incurred by the School(s), Research Centres, the University, and Vice-Provost (Research). An analysis of the University accounts has determined that on average, the relative contributions (and therefore the distribution of overheads) of the parties are:

	RDO Contracts:
School or Research Centre:	45%
University Central Administration:	20%
Vice-Provost (Research):	35%

(b) The above distribution of overheads should normally be used. However, if the circumstances of a particular project are unusual, the percentages may be varied in the range +/- 15% to reflect the costs and contributions incurred and made by each party. This must be agreed between RDO and the Head of School, Director of a Research Centre, PVC, and Vice-Provost (Research) before the contract is signed.

(c) Where a contract has been priced with less than full overheads, the work is being subsidised by the University. Any available overheads should first be distributed to Vice-Provost (Research) such that up to the equivalent of 35% overhead is recovered. Any overheads then remaining should be split between the School and University central administration in the ratio 70:30 noting that both the School and University central administration will be subsidising the project. This may be adjusted with agreement from the Head of School, Director of a Research Centre, PVC, and Vice-Provost (Research).

4.5.4 Distribution of profit margin and residual balances

(a) Under the budgeting process outlined under section 4.4, any profit margin which may be applied occurs as an explicitly budgeted item. Budgeted profits are paid to the University central administration.

(b) In addition to the profit margin there may arise a residual balance or a deficit as a result of actual project expenditure being below or above revenue.

Note: Some funders require the University to return unspent monies to the funder. However, these contracts also require that the salary and wage costs of staff are charged to projects at the contracted amount, so no residual balances (or deficits unless the project is over- delivered) can occur from this source. They may, however, arise from under or over-spending of operating costs.

(c) For all RTV external contracts:

(i) if a deficit exists, then RTV will require reimbursement from the principal investigator and/or the Head of School/Research Centre Director. The project is closed upon repayment.

(ii) If a residual balance exists but the project was subsidised as described in 4.3(c), then residual balances are first applied to recover all or part of the unfunded costs. Any residual remaining after that is dealt with as under (iii) and (iv) below.

(iii) if a residual balance exists, the principal investigator can apply in terms of (e) below for use of all or part of the residuals in a Residual Grant. Criteria for Residual Grants are as set out below.

(a) The maximum amount that can be applied for is the total residual amount. If the application is for less than this total, the remainder is returned in the first instance to the Faculty/School/Research Centre account of origin within RTV and becomes subject to the internal funding processes, or, if not required, is returned to the RTV Strategic Funding Pool.

(b) The maximum duration for grants of less than $20k is one year, and for grants greater than $20k, two years.

(c) Residual Grants can only be used to undertake research consistent with the RTV trust deed.

(d) The application deadline is no later than 2 months after residual funds become available. Funds not under application by this time will in the first instance be returned to the Faculty/School/Research Centre account of origin and become subject to the internal funding processes or, if not required, then to the RTV Strategic Funding Pool.

(e) The decision body will be at the Faculty level as identified by the PVC; this could be the PVC, Associate Dean for Research, or Faculty Research Committee. Residuals not awarded to the principal investigator 1 month after application (d) above will in the first instance be returned to the Faculty/School/Research Centre account of origin within RTV and become subject to the internal funding processes or, if not required, then to the RTV Strategic Funding Pool.

(iv) If a residual balance exists and the funding stream was externally funded private work, the residual is paid into the RTV Strategic Funding Pool.

4.6 Research and Consultancy Funded via 'Grants-in-aid'.

(a) The University frequently receives sums of money for the pursuit of research where the funder does not wish to specify the nature of the work to be done and does not wish to enter into a contractual arrangement relating to the expenditure of the funds.

(b) Such bequests are normally processed through the Victoria University Foundation but may also be processed through RTV. For grants-in-aid a project will be created, the funds will be held by the Foundation or RTV in a project account and a budget will be created for the project. Often grants-in-aid only partially fund a project. In such cases the budget must show the source of the balance of funding required.

(c) Research funded this way may still attract overheads because it uses overhead resources. Budgets should take this into account.

5 Legislative Compliance

Though the University is required to manage its policy documentation within a legislative framework; there is no specific legislation directing this policy.

6 References

Entitlement to Undertake Private Work Policy

Intellectual Property Policy

Research Policy

Previous Version: Management of External Research Consultancy and Related Contracts Policy

7 Appendices

None

8 Approval Agency

Vice-Chancellor

9 Approval Dates

This policy was originally approved on:	1 April 2003
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10 Policy Sponsor

Provost

11 Contact Person

The following person may be approached on a routine basis in relation to this policy:

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