Research Overheads and Infrastructure Costs Policy

Section 1 - Purpose

(1) This Policy specifies the requirement to include a contribution towards the Overhead and Infrastructure Costs incurred by the University for external research Grants, collaborations, and consultancies. It sets out certain exemptions to that requirement. It also details how much the minimum contribution should be and how it will be allocated internally.

Background

(2) Research Overhead and Infrastructure Costs (also referred to as Indirect Costs) are real costs incurred by the University while undertaking research projects and consultancy services. If the University undertakes externally funded, non-Category 1 research or consultancy projects that make no contribution to the University’s Overhead and Infrastructure Costs, the University effectively subsidises those projects significantly from its own resources.

(3) The University does not receive full compensation for Overheads and Infrastructure Costs from government or other sources through the provision of research block Grants. Analyses conducted in early 2020 by the University Office of Financial Services team indicated a range of real research project overheads incurred by the University of between 31% and 34% of direct project costs, regardless of the research discipline, project size, or complexity of design. Accordingly, a flat minimum rate has been set, which is intended to recover as much of the overhead expenses as is practical, with a view that more than this minimum can be requested from partners and funders where circumstances allow.

(4) Recovered Overheads and Infrastructure Costs play a vital role in supporting strategic research initiatives within the University in addition to helping to ensure the financial viability of the University’s research portfolio. At the most basic level, Overheads and Infrastructure Costs that are recovered help the University to pay for facilities and infrastructure such as lights, electricity, IT and communications, equipment, stationery, and printing. Centrally, Overheads and Infrastructure Costs support: Research Services activities; University-wide internal Grant schemes; co-funding requests for fellowships, projects, and large programs; central support for large research facilities and research hubs; and HDR student scholarships. At Faculty and Department level, Overheads and Infrastructure Costs contribute to: Faculty Research Offices; Faculty-specific funding schemes and travel funds; Departmental costs for running offices, labs, and research support personnel; Departmental and Faculty costs for utilities, IT infrastructure, and purchase and maintenance of equipment; salary on-costs and top-ups for Grant funded personnel; funding of Faculty research centres and co-funding of University research centres; and funding of research-only academic appointments.

(5) While recognising the competitive and funding pressures facing researchers, the University is a provider of high-quality and high-value research. Externally funded research projects must be appropriately priced to reflect both the high quality of Macquarie’s research, and the actual costs incurred in the conduct of research by including a mandatory contribution towards Overheads and Infrastructure Costs unless an exemption, waiver or discount applies in accordance with this Policy.

Scope

(6) This Policy applies to all staff, students, Honorary, Visiting and Clinical Academics, and any other personnel...
involved in the costing, pricing, or conduct of externally funded research on behalf of the University including its controlled entities. Research covered by this Policy may include research activities administered by Research Services, Faculties and Departments, or AccessMQ.

Section 2 - Policy

(7) The minimum Overhead and Infrastructure Costs that must be recovered on all funded research projects is 25% of the Direct Costs of the research project activities and personnel (not including GST), unless an exemption, discount or waiver applies in accordance with this Policy.

(8) Where this Policy is not applied correctly, resulting in Overhead and Infrastructure Costs being omitted or undercalculated, cost recovery will still occur, and project budgets will therefore be reduced. Staff calculating project costs and budgets, and negotiating with external funders regarding project scope and pricing, must apply the minimum 25% Overhead and Infrastructure Costs to the Direct Costs of the research project, unless the external provider and / or the project is specifically exempt under this Policy.

(9) In cases where a fixed limit is imposed on the project costs, staff are required to revise the scope of the project to ensure the viability of the project after the Overhead and Infrastructure Costs have been deducted.

Pricing of Overhead and Infrastructure Costs

Grants

(10) Often the full Overhead and Infrastructure Costs cannot be recovered in a Grant due to funding rules that specifically preclude or limit overheads being recovered or, in recognition that some Grants attract performance-based funding from other sources as compensation for the overheads associated with attracting and managing the Grant funding (e.g. Category 1 Grants).

(11) Where recovery of overheads is possible in a Grant, the full minimum 25% should be applied to the Direct Costs.

(12) Recovery of less than 25% is only acceptable if the funder has a publicly available policy of limiting overheads, in which case the upper limit stated in the funder’s rules must be applied in the requested budget.

Partnership or Collaborative Research Projects

(13) Partnership or Collaborative Research projects are those where the external funder(s) is collaborating in the research activities and will therefore incur in-kind costs, their own Overheads and Infrastructure Costs, and other costs for their own research activities associated with the project. In the preliminary costing negotiations with external collaborative partners, University staff must make provision for Macquarie University’s Overhead and Infrastructure Costs, including any project-specific costs of project management that are not already costed into the project as Direct Costs.

Commercial, Contract or Consultancy Research Projects

(14) Commercial, Contract and Consultancy Research projects are those where external funder(s) financially support research activities without collaboration, generally to answer research questions of specific interest and value to them and their business. In addition to the Direct Costs of performing the research, as a general principle where the market can bear, the 25% Overheads and Infrastructure Costs should be considered as an absolute minimum necessary to support Overheads and Infrastructure Costs. A separate profit margin may be charged over and above the Overheads and Infrastructure Costs, depending on market forces, other competitor pricing, and relative strategic benefit of the research to the University. This principle is particularly relevant where the University is providing a fee for service or research consultancy, equivalent to a service that could be provided by a commercial competitor or consultancy firm.
(15) Such fee for service arrangements may be subject to government Competitive Neutrality legislation. For assistance with pricing and budgeting matters, refer to the staff contacts under ‘Advice on this Policy’.

(16) There is no mandate under this Policy as to how the Overhead and Infrastructure Costs and profit margin amounts are expressed in budgets and costings to the funder. Unless specifically requested as a line item, Overhead and Infrastructure should be amortised into a single project price expressed to the funder, or expressed as an amalgamated price for individual items (e.g. salaries, travel, equipment) with Overhead and Infrastructure Costs included in the calculation of those items and expressed as an overall cost.

Allocation of Recovered Overhead and Infrastructure Costs

(17) The 25% Overhead and Infrastructure Costs, or whatever percentage is recoverable under the funders rules, will be distributed 40% centrally and 60% to the Faculty of the Lead Chief Investigator. In cross-Faculty projects, researchers in collaboration with Faculty General Managers should negotiate cross-Faculty distribution of the 60% portion where appropriate, based on relative contributions to project and infrastructure.

(18) Where Overhead and Infrastructure Costs are recovered at a rate higher than the 25% minimum, the 40 / 60 ratio of allocations between Central and Faculty (or Faculties) will be maintained as far as possible.

Exemptions, Waivers and Discounts

Exemptions to Recovery of Overhead and Infrastructure Costs

(19) There are a number of exemptions to Overhead and Infrastructure Costs contribution requirements allowable under this Policy. These exemptions are automatic and do not require Deputy Vice-Chancellor (Research) approval, however evidence of compliance may be required for certain exemptions. No contribution to Overhead and Infrastructure Costs is required for:

a. any scheme that specifies (in the publicly available funding rules, guidelines or funding agreement) that no Indirect Costs or overheads may be charged;

b. any competitive Grant determined as a Category 1 Grant under the Higher Education Research Data Collection (HERDC) research income classifications;

c. any Macquarie University internal Grant;

d. that part of a shared Grant or contract that will be distributed to Macquarie University’s partner university or universities;

e. project funding secured by Aboriginal and Torres Strait Islander researchers (not including NHMRC or Australian Research Council (ARC) funds) as part of the University’s commitment to building Indigenous research capability and capacity;

f. donations given to the University for research without being tied to a project or specific outcomes / deliverables;

g. projects funded by charities and not-for-profit organisations for research projects in the public interest (excluding government departments, public hospitals, and other government-funded entities); or

h. partner organisation funding where contributions have been promised for an Australian Research Council (ARC) Linkage Project or NHMRC Partnership (or equivalent), which is subsequently unsuccessful, but where the partner wishes to invest some or all of the promised support to fund a preliminary phase of the project with a view to resubmission of the Linkage, or partnerships Grant in a future round.

(20) The minimum Overhead and Infrastructure Costs will be adjusted where the research funding entity regulates how prices are set in Grants, thereby limiting the amount of cost recovery to below the University’s minimum level. Publicly available evidence of the funding body’s policy in this regard is required.
Where staff are unsure as to whether an exemption applies, or what documentation is acceptable evidence of compliance, please seek advice from the University staff listed in ‘Advice on this Policy’ before commencing partner negotiations or submission of a Grant application.

Exemptions, Waivers, or Discounts

As a general rule, the central Overhead and Infrastructure Costs allocation will not be waived, however, Faculty Executive Deans are at liberty under this Policy to waive any or all of the Faculty allocation, under the understanding that this will affect their budget bottom-line.

Any other exceptions to the cost recovery or internal allocation requirements set out in this Policy will require the approval of the Deputy Vice-Chancellor (Research) or authorised nominee.

Advice on this Policy

The Officers responsible for responding to initial enquiries regarding exceptions, waivers or discounts to Overhead and Infrastructure Costs prior to requesting Deputy Vice-Chancellor (Research) approval, and for providing interpretations of the provisions outlined in this Policy are:

a. for partnerships, contracted research, tenders, and consultancies facilitated by Research Services – Research Partnership Managers – refer Research Partnerships;

b. for AccessMQ facilitated projects – Project Coordinator (AccessMQ) via amq.crt@mq.edu.au; and

c. for Grants and other competitive funding opportunities – Research Services Manager, Pre-Award via research.preaward@mq.edu.au.

Review of this Policy

The University will review this Policy annually.

Compliance and Breaches

The University may commence disciplinary action if a person to whom this Policy applies breaches this Policy.

Disciplinary measures for repeated breaches may include, but are not limited to:

a. refusal to consider any exception, waiver or discount under this Policy where the staff member could be reasonably expected to be aware of the Policy. This action would result in a project account being levied for the minimum applicable Overhead and Infrastructure Costs regardless of whether the cost has been included in the budget;

b. deeming the staff member ineligible to apply for internal funding schemes for a certain period commensurate with the severity of the breaches;

c. deeming the staff member ineligible for internal funding support (e.g. PhD stipends, postdoc funding, administrative support) to enhance external funding applications for a certain period commensurate with the severity of the breaches; and

d. imposing restrictions on submission of Grants and approval of partnerships or research contracts.

Section 3 - Procedures

Nil.
Section 4 - Guidelines

(29) Nil.

Section 5 - Definitions

(30) Commonly defined terms are located in the University Glossary. The following definitions apply for the purpose of this Policy:

a. Category 1 (and, Category 2, 3 and 4) Research Income means the Category system used by the research sector and the Australian government to recognise different types of research funding. It is used by the government as a way of measuring university research income performance and plays a part in determining research block Grant funding to universities for that performance. Category 1 encompasses Australian competitive Grant funding schemes, Category 2 covers other public sector funding, Category 3 covers Industry and other research and development income, and Category 4 recognises income derived from Cooperative Research Centres sources and schemes. Macquarie Research Services use a self-assessment decision tree tool to determine the correct Category for all external research funding sources in order to ensure accurate reporting to the Australian government.

b. Commercial, Contract, or Consultancy Research means an arrangement between Macquarie University and one or more other organisations in which Macquarie University makes available the expertise of researchers for funding to conduct a project that is solely or predominantly for the benefit of the organisation paying for the conduct of the research project. Researchers in this style of project have limited intellectual freedom to pursue their own research directions. This style of project generally results in intellectual property owned by the funder, and not able to be exploited by Macquarie University or the individual researchers.

c. Competitive Neutrality means the principle governed by federal and state legislation that promotes fair competition between a government organisation and a private organisation and prevents a government organisation from being advantaged over a private organisation in the same market by virtue of their public ownership.

d. Direct Costs means all costs incurred over the length of the project specifically for the purpose of the research, such as staff costs (salary costs plus on-costs and any applicable loadings), travel and accommodation, consumables, maintenance, project management costs, equipment that is purchased for the particular project in question, communications and IT, and subcontractors’ fees and expenses.

e. Grant - In the university sector, the term ‘Grant’ can have two different meanings.
   i. Funding for a project resulting from a formal (generally competitive) application process which is open to more than one organisation. These may be referred to as research project or program grants. They commonly have rules attached as to how and on what items funding can be spent, and generally have financial reporting or auditing requirements associated with them.
   ii. A block funding amount provided to a university or research facility to support or defray overheads and infrastructure, equipment, facilities, or joint venture costs.

f. Overhead and Infrastructure Costs (also referred to as Indirect Costs) means overheads and other costs that provide necessary resources for the purpose of the project but are NOT specifically costed items dedicated to the project. Overhead and Infrastructure Costs applied to a project are extra costs that are incurred to support the research project and which would otherwise not be incurred if the research project did not exist. These costs primarily relate to the provision of:
   i. administrative and management services;
   ii. contract negotiations and management services;
   iii. buildings and physical infrastructure (including lighting, electricity, workspaces, stationery, facilities,
maintenance and repair);
iv. research equipment and facilities that do not incur per use charges;
v. information and communication technology (ICT) infrastructure (software, hardware, data storage and management, internet access);
vi. library access and services;
vii. internal research Grant schemes (Faculty and Central); and
viii. research training and development.

Overhead and Infrastructure Costs may also include costs associated with managing the relationship with the other parties involved in the project.

g. Partnership or Collaborative Research means projects and programs that share project resources between Macquarie University and one or more other organisation. Shared resources contributed by parties involved in the research could include cash, personnel, equipment and facilities, knowhow and background intellectual property, and networks.
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| **Responsible Executive** | Sakkie Pretorius  
                        Deputy Vice-Chancellor (Research)  
                        +61 2 9850 8645 |
| **Responsible Officer** | Ross McLennan  
                          Executive Director, Research Services  
                          +61 2 9850 7737 |
| **Enquiries Contact** | Ross McLennan  
                          Executive Director, Research Services  
                          +61 2 9850 7737 |