



UNIVERSITEIT
STELLENBOSCH
UNIVERSITY

Finance Policy: Costing and Pricing of Research and Research Related Contracts

Type of Document:	Policy
Purpose:	To set a standard full cost calculation basis for the calculation of the costs related to research and research related contracts at SU
Approved by:	Finance Committee
Date of Approval:	2010/04/19
Date of Implementation:	2010/08/01
Date of Next Revision:	2015/03/13
Date of Previous Revision(s):	Revised version no. 1 on 19 November 2012 Revised version no. 2 on 17 April 2013
Policy Owner¹:	Chief Operating Officer
Policy Curator²:	Chief Director: Finance
Keywords:	Full Cost Budgets, Research Contracts, Intellectual Property, Indirect Costs
Validity:	In case of differences in interpretation the English version of this policy will be regarded as the valid version.

SU Policies are available at www.sun.ac.za/policies

¹ Policy Owner: Head(s) of Responsibility Centre(s) in which the policy functions.

² Policy Curator: Administrative head of the division responsible for the implementation and maintenance of the policy



STELLENBOSCH UNIVERSITY (SU)

POLICY FOR COSTING AND PRICING OF RESEARCH AND RESEARCH RELATED CONTRACTS

Statement of policy	
Purpose	Standard full cost calculation basis for the calculation of the costs related to research and research related contracts at SU.
Type of document	Policy
Commencement date	01/08/2010
Date of next review	13/03/2015
Revision history	Revised version no. 1 on 19 November 2012 Revised version no. 2 on 17 April 2013
Ownership of policy	
Owner of policy ¹	Vice-Rector: Research and Innovation ¹
Protector of policy	Senior Director: Research and Innovation Division for Research Development
Date of approval	April 2010
Approved by	Stellenbosch University Council
Key words	Full cost budgets, research contracts, Intellectual Property, indirect costs.

¹ The Vice-Rector: Research and Innovation will initially accept responsibility as policy owner at the institutional level.

1 PURPOSE OF THE POLICY

The purpose of the policy is to set a standard full cost calculation basis for the calculation of the costs related to research and research related contracts at SU.

2 BACKGROUND

Under the new Intellectual Property Rights from Publicly Financed Research and Development Act (IPR Act), No. 51 of 2008, any research that is undertaken by private funding on a full cost basis, normally will not be subject to the concerned legislation (Refer clause 15.4 of the relevant Act). It is therefore in the interest of SU and its research partners to ensure that the costing of all research and research related contracts takes place on a full cost basis where applicable.

A Task Team from the Finance Executive Forum (FEF) developed an approach that complies with the regulations of the IPR Act and that can be used by Universities as a basis for the calculation of indirect costs. This approach was submitted via the FEF to Higher Education South Africa (HESA), who submitted it to the National Intellectual Property Management Office (NIPMO²) on behalf of all the Universities.

3 POLICY

3.1 Application

The policy applies to all projects where SU personnel contractually undertake to render research and research related services and consultation to external parties. The Policy must be read in conjunction with the Indirect Cost Recovery Rate (ICRR) Policy with regard to third-stream income.

The contract cost must be determined according to the guidelines set out in the policy. If the contract price is determined at less than the full cost, a request for such deviation from the

² National Intellectual Property Management Office, regarding Intellectual Property Rights from Publicly Financed Research and Development Act (IPR Act), No. 51 of 2008.

prescribed policy must be directed to the Manager: Research Contracts, who will consider it in consultation with the Senior Directors Research & Innovation and/or Finance (as applicable) for recommendation to the Dean, where the Dean must provide final approval for deviations from this policy. Any contract where it has been agreed with the client that the client will obtain intellectual property rights, will however not be priced at less than full cost. The pricing of such contracts is also subject to the SU Policy in respect of the Commercial Exploitation of Intellectual Property (IP Policy).

3.2 Price estimation of contracts

According to the requirements for the estimation of price according to the full cost approach, all contract prices must be calculated in such a way that all costs relating to the project are taken into account by the contract price. The final price or price estimation of a contract, subject to the applicable minimum requirements regarding the full cost calculation, is left to the discretion of the relevant environment, because the costing model provides for a contract margin which can be determined by the relevant environment itself.

3.3 Full cost calculation

In order to calculate the full cost of an activity/project, the direct cost to the project has to be identified and determined; the indirect cost to the project must also be calculated and the full cost of the project amounts to the sum of these two categories.

3.3.1 Direct cost

Direct cost is all those costs which can directly be ascribed to the project and can include the following:

- Salary and salary related expenses of personnel involved with the project. The minimum cost of salaries is specifically instructed to correspond with SU's accepted basic remuneration levels and any deviation must be recommended by the Dean/Environmental Head.
- Salaries / bursaries for students participating as research assistants
- Consumable material / stock

- Purchase & components specifically for the project
- Maintenance of equipment
- Computer equipment & software
- Administrative cost and professional management costs directly related to the project
- Laboratory cost
- Cost for use of specialised equipment (eg The Central Analytical Facilities)
- Consultation services that are bought in
- Audit fees (eg where the client specifically insist on i.a. annual audited financial reports)
- Travel & accommodation cost, as well as day fees
- Additional insurance not included in SU's overhead insurance portfolio
- Any other expenses which can directly be ascribed to the project and are not listed above

3.3.2 Indirect Cost

Indirect or overhead cost include those expenses incurred by SU, and is essential to provide the necessary support in order to successfully manage and deliver the specific research project. Indirect cost does not represent a profit margin for SU, but is determined by a percentage levy of the total project cost. The ICRR is based on the HESA approach taking into account the unique environment of SU.

The indirect cost that is recovered from research contracts, by the ICRR as referred to above, includes the following:

- Overhead administrative and other costs within the Faculty/Environment
- Information and Communication Services & Support
- Overhead Financial Services
- Legal Services

- Human Resource Services
- Communication and Liaison Services
- Library Services
- International Office
- Overhead Research Support Services
- Student Administrative Services
- Banking cost
- Audit fees (as prescribed by the client)
- Liability insurance
- Facility Management and Planning Services
- Maintenance of buildings
- Security Services
- Buildings and content insurance
- Cost of municipal services
- Usage of equipment (does not include the use of i.a. Central Analytical Facilities)

A set template will be made available by the Divisions Research Development and Finance to assist SU researchers in the calculation of a full cost budget (as prescribed by the relevant Divisions) with a full explanation of costs that should be taken into account for the costing of a research contract on the full cost basis, as well as the calculation of a final contract amount taking into account VAT and any additional cost as determined by the researcher or faculty.

In the event where external parties, according to their own protocol, do not allow SU to impose a ICRR or where another percentage is being prescribed by external parties, a request for exemption or reduction from the ICRR must be submitted as prescribed in the ICRR Policy with regard to third-stream income.

In the event where an external party or the NIMPO requires a certificate that a specific project has been priced on a full cost basis and / or has been completed, SU will request an external audit report. The relevant environment is at liberty to recover the audit cost from the external party as part of the full cost calculation.

4 DEFINITIONS

4.1 FULL COST

The total cost of all resources used to complete the project, as determined in accordance with the International Financial Reporting Standards (IFRS) and it therefore includes all applicable direct and indirect cost as prescribed.

4.2 DIRECT COST

Direct cost is all those costs which can be directly ascribed to the project.

4.3 INDIRECT COST

Indirect or overhead cost is the expenses incurred by SU, and is essential to provide the necessary support in order to successfully manage and deliver the project.

4.4 COSTING

Costing entails the calculation of the Full Cost of a project.

4.5 ESTIMATION OF PRICE

Estimation of price entails the discretionary inclusion or exclusion of profit margins, additional to the Full Cost of a project.