

CONTRACT RESEARCH POLICY

Approving Authority:	Board
Establishment Date:	3 December 2009
Date Last Amendment:	3 December 2009

I. PREAMBLE

In general, SSRI expects that all costs incurred in the conduct of professional activities that attract a payment to the Institute or to a staff member will be recovered. Wherever possible, the Institute also expects to receive an additional margin or reasonable compensation for access to the expertise of its employees, for re-investment in the Institute. Any unrecovered costs will be properly recognised as a SSRI's in-kind contribution to the activity, where applicable e.g. in collaborative research. The Institute adopts practices that provide reasonable assurance that public funding received by the Institute is not used to cross-subsidise its contractual research activities.

II. OBJECTIVES OF THE POLICY

This policy establishes a uniform set of guidelines for the development and administration of all externally funded research and R&D contracts, establishes the authority for signing contracts, describes SSRI's policy on the costing of contract services, and overhead cost recovery, and establishes how overhead recoveries are to be distributed between Administration and Laboratories.

III. SCOPE AND DEFINITIONS

This policy applies to all Institute's externally-funded research contracts and contracts for research services. This Policy does not apply to funding received from donations and bequests.

3.1 Research Agreements

This policy makes a distinction among Research Contracts, Research Grants, Grants-in-Aid, Contribution Agreements, and Research Service Contracts. The general features of Grants, Grants-in-Aid, Research Contracts and Research Service Contracts are described in Table below.

In some cases, the Institute may choose to enter into another type of agreement, called a Contribution Agreement, which typically have multiple funding sources, such as combinations of government agencies and private sector companies, and may require that the Institute contribute part of the resources required for the project. Contribution Agreements are usually negotiated for projects which have a value to the Institute greater than the non-recovered costs. Contribution Agreements may contain restrictions on publication of research results, claims against intellectual property, or other conditions that require them be treated as Research Contracts. In some cases, the restrictions placed on the research results may be offset by the transfer of any new intellectual property to the Institute or by agreements on the sharing of revenues from the commercialisation of new intellectual property. All of the terms and conditions of a Contribution Agreement, including overhead rates and contributions-in-kind from the Institute to the project, are negotiated as a package.

Research Grants	Grants-in-Aid	Research Contracts	Research Service Contracts
Work conceived and planned by investigator	Subject area suggested by external organisation, project idea initiated by investigator and jointly planned with external organisation	Work conceived by contractor or jointly with investigator. Both parties participate in planning	Contractor defines work
Generic description of deliverables	General description of deliverables with some flexibility in content and timing	Specific deliverables with time lines	Specific deliverables with time lines
Payment is fully committed in advance	Payment is fully committed in advance	Payment by instalments on completion of deliverables	Payment on completion of deliverables
No payment for Principal Investigator's time	No payment for Principal Investigator's time	Include payment to Principal Investigator	Include payment to Principal Investigator
No restrictions on publication or limited	Very limited restrictions on publication	Results may be confidential with restrictions and delays on publication	Results are confidential with restrictions
Intellectual Property owned by the Investigator and Institute	Intellectual Property owned by the Investigator and Institute	Intellectual Property owned by the contractor and/or the Investigator/Institute	Little or no expectation of IP
Investigator and Institute can sell commercial rights to third parties	Investigator and Institute can sell commercial rights to third parties	Institute may have research, teaching and non-commercial use rights only	Results have no commercial resale value to Institute
No guarantee of a specific result	No guarantee of a specific result	No guarantee of a specific result	Generally routine work without a risk factor

3.2 Capital and special costs

means the sum of the cost of special space requirements, charged at suitable commercial rates and depreciation costs for major equipment items.

3.3 Full Costing

means identification of all relevant costs associated with the activity, including capital and special costs, direct costs, overheads and GST.

3.4 Direct costs

are the total of all those costs that are explicitly identified with the project and itemised, including professional fees and/or payroll costs, specific service costs, laboratory expendables, equipment purchases, travel and per diems etc.

3.5 GST

stands for Goods and Services Tax, a 10% tax on sales and services rendered.

3.6 Margin for reinvestment

means a component of the professional fee or price charged to a client or funding agency that is over and above recovery of the full costs of the activity or service. It is a charge that is applied in pricing activities when a commercial return or a margin to compensate for risk is considered to be warranted.

3.7 Pricing

means the determination of the amount the client is charged, whether it be less or greater than the full cost of the activity, plus GST. Where the GST exclusive price exceeds full costs, the difference is margin or profit. Where the price charged is less than the full cost, the difference constitutes an in-kind contribution by the Institute.

3.8 Overheads

are those costs that relate to the general infrastructure associated with the functioning of the Institute and are not easily calculated and assigned to the specific project or activity. They include but are not necessarily limited to financial, personnel and payroll services, legal, contractual and administrative services, utility costs, library access cost, computing and telecommunications, laboratories, workshops, insurance and indemnity cover, cleaning and maintenance.

IV. COSTING OF CONTRACTUAL AGREEMENTS

4.1 Items to be Included in the Expenditure Budget

Research Grants usually have very specific guidelines as to allowed costs and should be adhered to. Research Contracts, Grants-in-Aid, Research Service Contracts and Contribution Agreements must be budgeted to identify the full cost of delivering the research or service. The following guidelines should be considered in developing the budget and negotiating the cost of delivery of any research agreement. The schedule of costs must include:

- Salaries and benefits for staff who will be working on the contract;
- Supplies and services to be purchased (including replacement of existing supplies used up in the work);
- Appropriate overheads; and
- Source and amount of other contributions to the costs of the contract project, where applicable.

4.2 Calculation of Salaries and benefits costs

The following formulas will be used to calculate the staffing costs. To determine the appropriate rate to be used for each staff person on the contract, obtain the salary and benefits rate to be used from the Payroll Officer and round up the individual's salary to the nearest \$5000 to determine a base salary. Then use the following formulas to calculate the charge out rates:

- Daily base rate for staff person A = $[(\text{Base salary}) + (\text{Base salary} \times \text{benefits } (9 - 24\%))] / 261$
- Hourly base rate for staff person A = $\text{Daily base rate} / 7.5$

Should there be a requirement to pay overtime for any part of the work, obtain the appropriate overtime rates from Payroll Officer and apply these to the base formulas.

4.3 Supplies and Services Costs

These should be calculated on the best estimate of anticipated expenditures and be based on actual prices or quotations from suppliers. Travel costs are estimated on the basis of standard level expenses.

4.4 Overhead Costs

The overhead rate to be applied meets the following criteria. It should:

- (a) reflect the full cost of provision of the service,
- (b) be not significantly less than that charged for equivalent work in the private sector,
- (c) be within the range charged at the other non-private sector institutions, and
- (d) recognize the value of the work to the Institute and the external community

A summary of the overhead rates to be charged is given in the following table:

Client Category	Minimum Overheads	Notes
Commercial	25%	Where commercially appropriate a higher rate should be applied commensurate with market conditions (rate above 25% is internally treated as margin for reinvestment) .
Government	20%	Where appropriate, a higher rate should be applied, commensurate with market conditions.
Not for Profit/ Philanthropic	15%	If possible, a higher levy, up to 25% should be applied.

It is recommended that the overhead on salaries and benefits be calculated and then combined with the base rate for salaries and benefits to get a fully loaded rate to be entered in the contract budget unless the contracting partner explicitly requests that the overhead be broken out.

Contracts for Research Services may be priced on cost-per-item or cost-per-service bases with the researcher bundling all of the appropriate overheads into the quoted cost for the service. The price quoted per service item should include the full cost of the service plus a small margin to allow for contingencies. A detailed breakdown of such costing must be specified.

Many government organizations and NGOs limit overhead rates by specifying maximum fully loaded rates and/or maximum overhead rates. These agreements are acceptable provided such rate represents a reasonable percentage of full cost recovery.

"In-kind" expenses contributed by any participant in the project are not subject to overheads.

4.5 Waiver of Overhead Charges

Although there is some flexibility in decisions about the collection of overhead charges on various types of research agreements and, with some restrictions, these may be decided on a case by case basis, the budgets for Research Contract, Grants-in-Aid, Contribution Agreement and Research Service Contract are to be developed on a full cost basis even if the overheads and some costs are to be waived. The recorded full cost of delivering the work will be used for calculating the percentage ownership and/or revenue sharing from Intellectual Property and/or in calculating the general contribution of the Institute to the community.

Subject to the following, the overhead component of externally contracted research may be reduced to not less than 15 % of the total direct cost.

V. RESPONSIBILITIES

- 5.1** Responsibility for establishment and amendment of this policy rests with the Board.
- 5.2** Responsibility for enforcement of this policy rests within Executives Director.
- 5.3** Responsibility for initiating review of this policy rests with the Executive Director. The policy is to be reviewed every three years.
- 5.4** Responsibility for day-to-day adherence to the policy rests with Principle Investigator/Project Manager of specific project

VI. DISTRIBUTION OF REVENUES

- 6.1** Direct costs will be reimbursed to the relevant laboratory where the expenditure is incurred.
- 6.2** The overheads at the specified rate will apply to research and non-research revenue as deemed by Executive Director.
- 6.3** Subject to any over-riding contractual requirement, the margin for reinvestment or any surplus revenue remaining after recovery of all costs and distribution of overheads will be available for strategic purposes as determined by the Institute's Board.