

GUIDELINES FOR COSTING AND PRICING OF RESEARCH AND RESEARCH-RELATED FUNDED PROJECTS

This is a summary of the “Policy on Budgeting, Costs and Levies on External Research-Related Income” – IRC 402.06 – and provides additional new information regarding Intellectual Property and Full Costing of Projects.

1. SCOPE

- 1.1. This Policy applies to all research and research-related funded Projects supported by external funds. This includes:
 - Research Grants (e.g. MRC, WRC, USAID, Ford Foundation, EU, NRF);
 - Research Contracts (e.g. Sasol, Eskom, Kumba, MTN, CSIR, SMMEs);
 - Consulting Projects.
- 1.2. This Policy applies to all Employees as defined by this policy and when University Resources are used for the purposes of research.

2. PRINCIPLES

- 2.1. The University adopts a transparent methodology for costing research and research-related projects based on the Universities South Africa (USA) recommended Expenditure Apportionment method as endorsed by the National Intellectual Property Management Office (NIPMO). This method apportions the university’s non-faculty support costs between research and other activities.
- 2.2. The Full Cost of all Projects must be determined, using the University’s standard costing template before determining the Price.

3. DETERMINATION OF THE FULL COST OF A PROJECT

There are two components of the Full Cost of any Project:

- 3.1. Direct Costs (DC) associated with the Project, including all costs that are not included in the University Overhead. These include:
 - Council-funded staff costs, including time for student supervision, calculated using the Median Cost to Company (CtC) per annum for the particular grade of Employee.
 - Non-Council-funded staff costs, including time for student supervision, calculated using the Median Cost to Company (CtC) per annum for the particular grade of Employee or the actual staff cost if known;
 - Project running costs including laboratory and analytical costs, external services and charges, travel and subsistence costs, specific office costs, specific software costs, subcontracting costs, IP protection costs;
 - Bursaries;
 - Equipment costs.

- 3.2. Indirect Costs (IC) calculated by applying the Indirect Cost Recovery Rate (ICRR) to the Modified Total Direct Cost (MTDC)

4. DETERMINATION OF THE PRICE OF A PROJECT

- 4.1. The Price of a Project does not necessarily equate to the Cost. The Price may be:
- Greater than Full Cost. For some Research Contracts and Consulting Projects a surplus can be made as the funder receives a benefit at the Price.
 - Equal to Full Cost. For some Research Contracts and Research Grants the funding stream does not allow a profit/surplus to be made by the University.
 - Less than Full Cost. Some Projects funded by major international competitive schemes (e.g. NIH, Gates Foundation etc.) and national schemes (e.g. NRF, SARChI Chairs, MRC SHIP etc.) are priced in accordance with the funding rules of the relevant scheme which only allow limited Indirect Costs.
- 4.2. On a case by case basis, the Innovation Office, the Finance Office or the DVC: Research & Engagement may approve a reduction or complete waiver of the Indirect Costs given sufficient justification and where there is no claim to the IP from the funds provider. Instances recognized to fall within this category include, but are not limited to:
- Selected start-up projects where it is anticipated that the collaboration will result in future growth of external funding;
 - Cases wherein Indirect Cost is an eligible category of cost-share;
 - Cases wherein the benefit to the University outweighs the loss of Indirect Cost, for example, the project represents an important university outreach effort or a mandated activity that the University would otherwise be paying for;
 - Cases wherein a large percentage of the project budget involves student assistantships and materials and supplies that support student activities.
- 4.3. Projects where the funder wants to own the Intellectual Property must be done at Full Cost otherwise NIPMO must approve the ownership.

5. MANAGEMENT OF SURPLUSES WHEN PROJECTS ARE PRICED ABOVE FULL COST

- 5.1. If the Project is priced above Full Cost, the surplus will accrue to the Project Cost Centre concerned.
- 5.2. The researchers can access any surplus funds in the Project Cost Centre in terms of University policy and the rules of the Project Cost Centre i.e. funds can be used for approved research expenditures, or taken as remuneration, after the relevant income tax deduction.
- 5.3. The intention to take the access as remuneration must be disclosed, requested and approved by the relevant Dean at the time the relevant agreement is entered into.

6. MANAGEMENT OF COUNCIL-FUNDED STAFF SALARIES BUDGETED FOR ON A PROJECT

- 6.1. For a Project to be Fully Costed, all Council-funded staff members contributions to the Project must be also accounted for in the Project budget.
- 6.2. These funds will be managed as follows:
- If the staff member is undertaking the project as part of their workload, the funds may accrue to the Project Cost Centre concerned.
 - If the staff member is undertaking the project on top of their workload, the funds may accrue to the Project Cost Centre concerned or taken as remuneration, after the relevant income tax deduction. The intention to take the access as remuneration must be disclosed, requested and approved by the relevant Dean at the time the relevant agreement is entered into.
 - If the staff member's workload is reduced to undertake the project, the funds will accrue to the salary cost centre for the Faculty.

7. MANAGEMENT OF INDIRECT COSTS ON A PROJECT

- 7.1. A Contribution to Indirect Costs (CTIC) will be taken by Finance Office from all Projects unless otherwise agreed in terms of 4.2 above.
- 7.2. The CTIC will be based on a percentage of Project income.
- 7.3. Any additional Indirect Cost amounts received will accrue to the Project Cost Centre concerned.

8. DEFINITIONS

Direct Cost (DC)	Direct Cost includes all costs that are either directly incurred by the project or that can be directly attributed to the project. This includes the staff costs of the academic involved on the project, whether s/he is paid elsewhere. Support provided by the Faculty or department can be included as directly attributable costs provided the allocation method is clear and auditable, e.g. properly maintained and authorised timesheets of research finance staff working on different projects.
Contribution to Indirect Cost	The amount taken by Finance Office as a contribution to IC as per policy (currently 15% of Project income). This can be reduced or waived only with approval of Innovation Office, the Finance Office or the DVC: Research & Engagement. This approval will only be given after presentation of a full project budget and justification.
Employees	Employees means full-time and part-time faculty (of all ranks and status) and all levels of full-time and part-time staff and support staff members.
Full Cost (FC)	The Full Cost of a project is the sum of the direct and indirect costs recoverable against such project.
Indirect Cost (IC)	Indirect Costs refer to the cost of services and benefits/advantages provided to the project via the University's central offices. It covers actual and contingent services provided or available from a number of departments, including: <ul style="list-style-type: none"> • Finance department: includes financial admin, management, reports,

	<p>accounting tools, controls and governance via the finance system, including internal and external audit services;</p> <ul style="list-style-type: none"> • HR department: includes payroll, personnel records and services to personnel; • IT department: includes IT connectivity, communications and support by the university; • Library: includes use of library materials and services; • Facilities (property and services departments): includes accommodation – space, electricity, water, security, maintenance services; • Registrar, VC and DVC’s Offices: includes authorisation, oversight, governance, etc.; • Institutional Planning department: includes, planning & quality assurance; • Research Departments (Innovation Office, Research Management, Research Capacity Development): includes assistance with proposals, negotiations, contracts, intellectual property, technology transfer, database maintenance etc. • Department of Communication and Marketing: includes promotion and public relations of UCT and its various projects.
<p>Indirect Cost Recovery method used at Nelson Mandela University</p>	<ul style="list-style-type: none"> • Nelson Mandela University uses the Universities South Africa recommended Expenditure Apportionment method endorsed by our statutory National Intellectual Property Management Office (NIPMO). • This method apportions the university’s non-faculty support costs between research and other activities, taking into account the ratio between Research Direct Costs and Total University Costs. • It does not recover the support provided by the academic department or faculty office because of the current difficulty in calculating such support with sufficient confidence as to its reliability. Where feasible, such costs should be included with the direct costs of the project.
<p>Indirect cost recovery rate (ICRR)</p>	<p>ICRR is the rate to be applied to the MTDC when calculating the indirect cost to be recovered and is 31%.</p>
<p>Modified Total Direct Costs (MTDC)</p>	<p>MTDC is the recovery base used by the University to recover the indirect costs. It consists of the total direct costs of the project, less:</p> <ul style="list-style-type: none"> • Bursaries; • Sub-grantee / consortium partner costs greater than R250,000 per sub-contract; • Equipment costs greater than R250,000 per item.
<p>Intellectual Property</p>	<p>“Intellectual Property” means any creation of the mind that is capable of being protected against unauthorized use by any other person, whether in terms of South African law, or foreign Intellectual Property law, and includes any rights in such creation, but excludes copyrighted works such as a thesis, dissertation, article, handbook, or any other work, in the ordinary course of business, which is associated with conventional academic work. For the avoidance of doubt, Intellectual Property is inclusive of (without limitation):</p>

	<ul style="list-style-type: none"> • Inventions, discoveries and other developments of a technical nature, whether or not these may be the subject of legal protection in terms of the legislation governing patents, copyright and registered designs; • Works subject to copyright protection; • Nelson Mandela University's name, badge and other trademarks; • Tangible research property arising from research activities (e.g. prototypes, drawings and diagrams, biological organisms and material, reagents, integrated circuit chips, software and data);
Project	Project means a research or research-related project with funding provided through an agreement with the university, whether the agreement would be considered a grant, contract, consultancy agreement, or whether the agreement takes any other form.
University Resources	University Resources include, but are not limited to, university infrastructure, personnel (including students) and support services.

Research-related Funded Projects

Contracting Process

Proposal Development Phase

Researcher Develops Proposal

- Scope of work
- Budget
 - Includes CTIC as a minimum

Note: Proposal should be discussed with relevant Dean or Manco member, especially if:

- > R500 000
- Includes multiple parties

Proposal Approval Phase

Researcher Submits Proposal & Budget to IO:

- IO discusses with Finance
- IO and Finance Approve Budget



Contract Approval Phase

Researcher Submits Contract to IO:

Must include:

- Contract Approval Form
- Draft Contract (If provided by Funder)*
- Budget

* If contract not provided, IO will assist with drafting and negotiation

IO Submits contract to DVC for signature

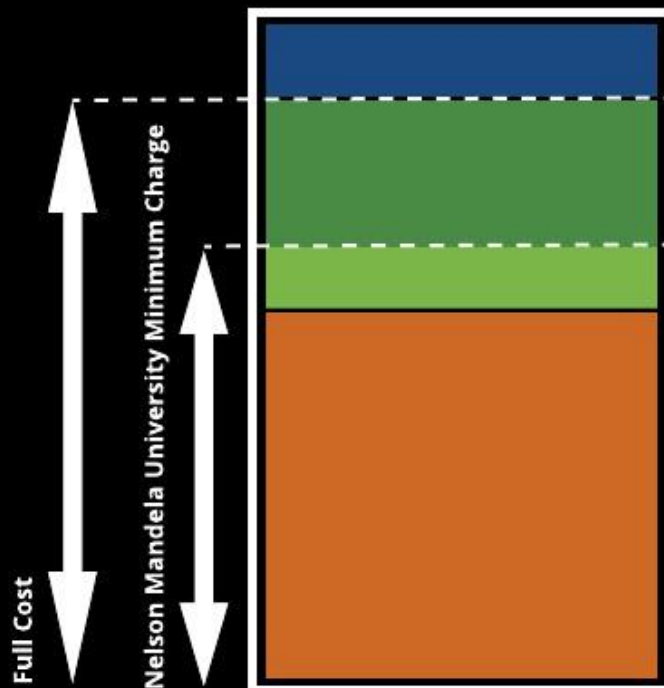
Full Cost Budget Breakdown

Full Cost *
(Direct Costs + Indirect Costs)

Nelson Mandela University Minimum Charge

(Direct Costs + Contribution to Indirect Costs)

* Full Cost required as minimum if funder wants to negotiate the Intellectual Property Ownership



Price (Price ≠ Cost ; Cost + Surplus / Profit = Price)
Price depends on:

- Type of project
- Type of funder
- Why you are doing it

Indirect Costs (IC)

- Legal
- Finance
- Access to libraries
- Printing Material
- HR Admin
- Rent
- Telephone costs
- Space, etc.

Direct Costs (DC)

- Staff costs:
 - Council-funded staff
 - Contract staff
- Other In/Out costs:
 - Running costs (travel, consumables, waste, maintenance, audit fees, etc.)
 - Bursaries
 - Equipment

Surplus / Profit

- Profit can be:
- Positive (Price > Cost)
 - Zero (Price = Cost)
 - Negative (Price < Cost)

Contribution To Indirect Costs (CTIC)

NMMU policy requires a minimum CTIC of 15% of Price. If Price includes large bursaries or large equipment, the CTIC can be negotiated to exclude CTIC on bursaries and large equipment.

Abbreviations:

- CTIC** - Contribution to Indirect Costs
- DC** - Direct Costs
- IC** - Indirect Costs
- IO** - Innovation Office