

Costing and Pricing of Research and Research Related Grants and Contracts

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Purpose:	To set a standard full cost calculation basis for the calculation of the costs related to research and research related grants and contracts at SU
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Policy Owner¹:	Chief Operating Officer and Deputy Vice-Chancellor: Research, Innovation and Post Graduate Studies
Policy Curator²:	Chief Director: Finance and Senior Director: Research and Innovation
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

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 grants and contracts at SU.

2. BACKGROUND

At the outset it is important to consider the financial sustainability of our research endeavours as a research-intensive university. To fully understand what the research project will cost, the full cost calculation will form the basis for the decision to continue with the research project whether on full cost or not.

A further important consideration is the Intellectual Property Rights from Publicly Financed Research and Development Act, No. 51 of 2008 ("IPR Act"), which indicates that 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 grants and contracts takes place on a full cost basis where applicable.

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 or entering into collaborative research activities with external parties.

The grant and contract cost must be determined according to the guidelines set out in the Policy and by use of SU's official Full Cost template, which provides for the *Full Cost* vs the *Contract Price* with reported deviations per line item. The full cost budget must be submitted to the Full Cost Accountants in the Division for Research Development for review in terms of the requirements of the funder and the IPR Act, and further recommendation to the Dean or Vice Dean: Research (where delegated).

If the contract price is determined at less than the full cost, a request for such deviation from the prescribed Policy must be directed by the researcher (after review by the Full Cost Accountant) to the Dean or Vice-Dean (Research) where delegated, who will consider it where applicable in consultation with the Director: Research Contracts to ensure that any deviation of the Full Cost budget, will not have an impact on the type of contract transaction. The Dean or Vice-Dean (Research) where delegated, must provide final approval for deviations from this Policy. This process will occur within the signing of the internal declaration letter as part of the approval process for the research contract.

Any contract where it has been agreed with the client that the client will obtain intellectual property (IP) rights, will however not be priced at less than full cost and with consideration of an appropriate IP transfer fee or a separate commercialisation contract as the case may be.

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.

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. Where IP assignment to a client is required, no deviation lower than the BRL, will be allowed.
- Salaries / bursaries for students participating as research assistants.
- Consumable material / stock.
- Purchase and maintenance of equipment and components specifically for the project.
- Maintenance of equipment.
- Computer equipment and software.
- Administrative cost and professional management costs directly related to the project. This includes project and accounting services where the specific research grant requires audit reports or strict financial reporting; the project accountants assisting in this regard is available at DRD and the Grants Management Office at FMHS.
- Laboratory cost.
- Cost for use of specialised equipment (eg The Central Analytical Facilities).
- Consultation services that are bought in.
- Audit fees (e.g. where the client specifically insist on i.e. annual audited financial reports).
- Travel and 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 costs are 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 is calculated as described in the Policy in respect of the Indirect Cost Recovery Rate (ICRR) with regard to third and fifth stream income at Stellenbosch University (SU).

3.3.3 Approval of Full Cost calculation

The SU's official Full Cost template, as mentioned in Section 3.1.is available on the

Division for Research Development's website. It is the responsibility of the researchers to ensure that the budget is completed correctly and submitted to the Full Cost Accountants in DRD for review in accordance with the Full Cost Policy. During the review process the accountants will liaise with the researchers to obtain the needed information and ensure that all relevant costs are taken into account for the costing of a research contract or grant on the full cost basis, as well as the calculation of a final contract amount taken into account VAT and any additional cost as determined by the researcher. The final approval takes place in accordance with the process explained in Section 3.1.

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 directly be ascribed to the project.

4.3 INDIRECT COST

Indirect or overhead cost is those 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 contains the calculation of the Full Cost of a project.

4.5 ESTIMATION OF PRICE

Estimation of price contains the discretionary inclusion or exclusion of profit margins and/or IP transfer fees, additional to the Full Cost of a project.

¹ National Intellectual Property Management Office, under the Intellectual Property Rights from Publicly Financed Research and Development Act, No. 51 of 2008