

OTAGO POLYTECHNIC MANAGEMENT POLICY		Number: MP1104.01	
Title:	External Research Contracts		
ITPNZ Standard:	11 Research		
Leadership Team	Approval Date: 3 Feb 10	Effective Date:	3 Feb 10
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Contact Authority:	Deputy Chief Executive	Status:	Current

Purpose

The purpose of this policy is to ensure that all research income received from external sources that involve a contractual relationship between Otago Polytechnic and the funding body/purchaser are applied for and spent in accordance with Otago Polytechnic policies and procedures.

In particular, this policy seeks to ensure that all external research income is received and accounted for appropriately and that research is conducted in a manner that meets contractual obligations.

In addition, this policy will ensure that all PBRF eligible research income (ERI) is recorded and reported to the Tertiary Education Commission (TEC) in accordance with the Performance-based Research Fund (PBRF) Guidelines.

Background

Definition of Research

- Research as defined by the Tertiary Education Commission (Performance-Based Research Fund Guidelines 2006:20) is "original investigation undertaken in order to gain knowledge and understanding.

It typically involves enquiry of an experimental or critical nature driven by hypotheses or intellectual positions capable of rigorous assessment.

It is an independent, creative, cumulative and often long-term activity conducted by people with specialist knowledge about the theories, methods and information concerning their field of enquiry. (Note: The term 'independent' here should not be construed so as to exclude collaborative work.) Its findings must be open to scrutiny and formal evaluation by others in the field, and this may be achieved through publication or public presentation.

In some fields, the results of the investigation may be embodied in the form of an artistic work, design or performance.

Research includes contribution to the intellectual infrastructure of subjects and disciplines (eg dictionaries and scholarly editions). It also includes the experimental development of design or construction solutions, as well as investigation that leads to new or substantially improved materials, devices, products or processes."

- Contract research is defined as research and/or development work that is conducted with the support of a sponsor or purchaser who is external to the Polytechnic. It includes both research purchased by organisations such as the Foundation for Research, Science & Technology (FRST), the Royal Society of New Zealand, the Health Research Council (HRC) and charitable bodies and commercially sponsored research.

A project may include elements of both research and consultancy. In such cases a clear description of the components of the project that are research and the outcomes from those activities must be indicated sufficiently to enable an audit trail for claiming the ERI component of the PBRF. This generates an additional revenue stream for externally funded research payable through the PBRF mechanisms as indicated below. Check with the Research Office regarding eligibility criteria for ERI



in such cases.

PBRF External Research Income Measure

One of the components of the PBRF funding formula is external research income (ERI). Otago Polytechnic is required to report to TEC our ERI annually. The ERI measure contributes to funding received from PBRF. In order to be included in the ERI measure, income must be for the purposes of research as defined for PBRF and is received by Otago Polytechnic and/or the 100% owned subsidiaries of the Polytechnic (for inclusions and exclusions see the PBRF Guidelines 2006: (194-195).

**Statutory
Compliance**

**National
Guidelines**

**Policy and
Procedures**

Performance-Based Research Fund Guidelines 2006

1. Research Contracts

- 1.1 All research contracts involving Otago Polytechnic are between the sponsoring/purchasing agent and the Polytechnic, not between the sponsoring/purchasing agent and the individual investigator involved in the research.
- 1.2 All contract research must be fully costed in order to establish the true cost of undertaking the research. For commercial research, this cost must be met in full by the sponsoring/purchasing agent. For non-commercial research, the cost of research must still be fully met but may be met by a combination of Polytechnic and sponsoring/purchasing agent contributions.
- 1.3 Contract research, by definition, is conducted on a contractual basis between the Polytechnic and the purchasing/sponsoring agent. It may involve confidentiality and restrictions upon publication, particularly if it is commercial research. All IP issues must be fully disclosed in the contract prior to beginning the research activity.
- 1.4 All Contracts are to be calculated as GST exclusive.
- 1.5 Contracts for research involving the Polytechnic or its facilities may only be authorised by one of the following: the Chief Executive, the Deputy Chief Executive/Research Director or a person with authority officially delegated within the delegations policy by one of the above.
- 1.6 Where a project originates as a research activity this Policy will apply. Where a project includes research but originates from any other source of funding application such as consultancy then the relevant policy will apply, notwithstanding the PBRF requirements around ERI must be met.

2. Authority for Approving Research Contracts

In order to be eligible for approval, research contracts must meet the following conditions:

- (a) Where appropriate the research must meet all criteria set out in all Otago Polytechnic policies on research practice, intellectual property, health and safety and ethical conduct;
- (b) The project is clearly identified as research. Where the project includes aspects of consultancy, the dollar amount agreed for each research and consultancy is clearly recorded on the "*Costing Worksheet*" and communicated to the Research Office, for PBRF purposes;
- (c) The contract details are approved by the Contracts Manager and a copy of the proposal/application and contract are held by the Research Office.



3. Procedures for Proposals and Research Grant Applications for External Funds

- 3.1 All research applications/proposals being submitted to an external funding source must be submitted via the Research Office. To ensure an application is submitted on time it should be delivered to the Research Office at least 5 working days before the application is due.
- 3.2 All applications and formal proposals for external funding must be accompanied by an Otago Polytechnic Costing Worksheet. The Costing Worksheet must be signed off by the Head of School, Group Manager or Research Director. It is the role of the Principal Investigator to collect the required authorisations prior to lodging their application/proposal with the Research Office.
- 3.3 Where the Worksheet shows a difference between the calculated full cost of the research and the sum requested, it must be noted in the comments section on the cover sheet to acknowledge this fact. The Costing Worksheet is available from the Research Office intranet page on Polybase. This is an internal document only and is not to be forwarded to the funding body, however the final budget can be copied from the worksheet into an application or proposal.
- 3.4 The Research Office checks applications and worksheets on their receipt. Amendments are negotiated with the applicants. The Research Office then copies the applications or proposals and forwards them to the funding body by the application deadline.
- 3.5 The Research Office acts as the primary intermediary for communications with external contractors. When a contract is received from the research purchaser the Research Office will arrange a meeting between the Contracts Manager and the Principal Investigator(s) to read and review the contract. Following any modifications, a final version of the contract is signed by a representative of the purchasing body and the Research Director, or an authorised delegate, on behalf of the Polytechnic.

4. Overhead Charges

- 4.1 The total **support infrastructure** charge which totals 45% of all direct costs is designed to recover the actual departmental and central costs attributable to the research output provided. In other words, the charge ensures that the research output is fully costed and fully priced to recover these costs. This ensures that the cost of performing research is not subsidised by other Polytechnic activities.
- 4.2 A Research Office overhead charge of up to 10% of the total final contract price will be credited to the Research Office. The charge will be relative to the services provided by the Research Office in managing the contract, on a case by case basis.

5. Applying Full Cost Recovery

Polytechnic staff involved in external contracting under the auspices of Otago Polytechnic will take all reasonable steps to recover the full costs of research work by applying the Polytechnic's indirect research cost rate (45%) to the direct salary and professional time components of the budget.

It is expected that:

- full costs (direct and indirect) will be recovered from Vote RS&T contracts (HRC, FRST and Marsden) as all of these agencies have been instructed by the Ministry of Research, Science and Technology to fully fund the research



they sponsor;

- full costs (direct and indirect) will be recovered from contracts where all of the intellectual property is assigned to the client;
- where the offered price falls below the cost in these areas, the deliverables for the project or programme will be reduced accordingly (and thereby the cost) to ensure that the price covers the full costs incurred by the Polytechnic.

There will be instances, however, where a) the price negotiated with a client will not meet the full cost of the service and b) the deliverables cannot be negotiated down to ensure that the price covers the full cost. These contracts may be acceptable where other non-monetary or deferred benefits accrue to Otago Polytechnic and will have any one or more of the following characteristics:

- add directly to the reputation of the Polytechnic (eg related to charitable, public good purposes);
- represent grants in aid for existing or intended academic research (as opposed to a fee-for-service);
- have clear, direct and stated educational benefits to students;
- allow for the Polytechnic to capture a significant share in the IP ownership or benefits arising from the contract.

Where this happens, the nature of these benefits will be recorded in a way that is connected with the contract and readily retrievable for reporting and auditing purposes.

6. Research Accounts

Research accounts are set up for research contracts by the Research Office. Each grant is set up under the Department as a separate activity with a budget so that income and expenditure can be monitored by the staff member responsible for the grant.

6.1 Closure of Research Accounts

- Research project accounts will be closed three months after the end of the contract. If allowable by the Contract surpluses, inclusive of unspent monies, may be used to meet academic units' budgeted contribution targets. Conversely, deficits in research project accounts could impact on the ability of an academic unit's ability to meet budgeted contribution targets and will need to be recovered by the academic unit concerned.
- Research contracts are subject to the Otago Polytechnic internal audit processes. Contracts will be selected at random each year for financial audit.

6.2 Deficit Balances

It is not permissible to operate research grants with a deficit balance without express approval of the Research Director.

7. Depreciation Monies

Depreciation costs awarded in fully funded grants will be credited to the Department/School in respect of the equipment used in the research programme.

8. Staff Salary Recovery Monies

Salary recovery costs awarded in fully funded grants will be credited to the Department/School (where applicable) for buying out of the researcher's time to enable them to undertake the research contracted for in the research programme.



9. On Resignation

- All items purchased with research grant money, including internally funded research grants, must be returned to the Polytechnic before departure.
- Principal investigators, before the date of their resignation, must liaise with the Research Office in regard to any current research contracts they hold to ensure all contractual requirements are completed.

10. Recording PBRF Eligibility of External Research Income (ERI)

- The Finance Department is responsible for recording and reporting ERI for PBRF purposes. The Research Office has a role in determining the eligibility of ERI particularly in instances where a contract includes aspects of research and consultancy.
- The Principal Investigator should indicate on the cover sheet of "Costing Worksheet" whether this project would be PBRF eligible as ERI should external funding be granted.

**Referral
Documents**

MP1100 Intellectual Property
MP1101 Research and Study Release

Otago Polytechnic "Costing Worksheet" available on the Research Intranet Page:
<https://webit.tekotago.ac.nz/departments/index.cfm?dept=RES>
under the section Profiles & Templates for External Funding

Chief Executive Approval



Signature

3 February 2010

Date

