

# INDIRECT COST RECOVERY POLICY 2016

The Vice-Chancellor and Principal, as delegate of the Senate of the University of Sydney, adopts the following policy.

Dated: 13 October 2016

Last amended: 29 May 2017 (administrative amendment only)

Signature:

Name: Dr Michael Spence

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### 1 Name of policy

This is the Indirect Cost Recovery Policy 2016.

### 2 Commencement

This policy commences on 18 October 2016.

### 3 Policy is binding

Except to the extent that a contrary intention is expressed, this policy binds the University, staff and affiliates.

## 4 Statement of intent

This policy:

- (a) states the University's requirement for indirect cost recovery in dealings with external parties; and
- (b) provides for determining and varying the required indirect cost recovery amount.

## 5 Application

This policy applies to:

- (a) University staff and affiliates, including academic units; and
- (b) all external party activities.

## 6 Definitions

- academic unit** includes, for the purposes of this policy:
- faculties, University schools, schools, departments or disciplines; and
  - foundations, institutes, centres or associations not separately incorporated.
- authorising officer** includes, for the purposes of this policy:
- Vice-Chancellor and Principal,
  - Provost,
  - Deputy Vice-Chancellor (Research),
  - Vice-Principal (Operations), and
  - Chief Financial Officer.
- Australian Competitive Grants Register (ACGR)** means the register maintained by the Department of Education and Training of schemes that provide competitive research grants to higher education providers. These schemes are included in the Category 1 income reportable to the Higher Education Research Data Collection (HERDC) which in turn is a metric used in driving the allocation of the Australian Government's Research Block Grants.
- commercial activity** means a commercial activity or commercial function as provided in the [Guidelines Concerning Commercial Activities](#) and the [University of Sydney Act 1989 \(as amended\)](#).
- direct cost** means all costs directly attributable to an activity, including:
- salary and salary on-costs for all staff involved in the activity;
  - non-salary costs including materials and supplies, equipment and components, and provision of communications.

<b>discretionary funding</b>	means additional funding made available by the research portfolio, with the approval of the Deputy Vice Chancellor (Research).
<b>external party</b>	<p>means an individual or entity external to the University. For the avoidance of doubt, the following are not external parties for the purpose of this policy:</p> <ul style="list-style-type: none"><li>• University staff and affiliates;</li><li>• internal University structures including foundations, institutes, centres and associations not separately incorporated;</li><li>• controlled entities, as defined in the <a href="#">Controlled Entity Policy 2012</a>; and</li><li>• associated or affiliated entities, as defined in the <a href="#">Associated and Affiliated Entities Policy</a></li></ul>
<b>external party activity</b>	<p>means any activity undertaken by the University together with an external party which involves:</p> <ul style="list-style-type: none"><li>• research contracts or grants;</li><li>• consultancy work conducted by or on behalf of the University;</li><li>• clinical trial activities;</li><li>• provision of services by or on behalf of the University; or</li><li>• any other work using University resources or facilities.</li></ul> <p><b>Note:</b> Some external party activities may be commercial activities, in which case the <a href="#">Guidelines Concerning Commercial Activities</a> will also apply.</p>
<b>full cost</b>	means the total of the direct and applicable indirect costs of an activity.
<b>indirect cost</b>	<p>means a cost incurred by the University in supporting an activity, but which cannot be directly attributed to individual projects. This includes, but is not limited to:</p> <ul style="list-style-type: none"><li>• providing utilities;</li><li>• cleaning and maintaining buildings;</li><li>• providing and maintaining information technology and computing services, systems and infrastructure;</li><li>• management, legal and accounting costs;</li><li>• procuring equipment or recruiting personnel;</li><li>• providing and maintaining libraries; and</li><li>• insurance necessary for the activity.</li></ul>
<b>indirect cost recovery fee</b>	means the minimum fee required by clause 9 of this policy.
<b>unit indirect cost rate</b>	means a standard indirect cost rate which reflects the indirect costs of both management and administration within an academic or administrative unit, established consistently with clause 7(3) of this policy.

**University Economic Model (UEM)** means the University's financial management tool aimed at encouraging sustainable business management through a framework for resource allocation within the University. This tool provides indirect cost rates that can be applied to the costing of an external party activity.

## 7 Full cost recovery principles

- (1) The University recognises that there are direct and indirect costs to the University in undertaking external party activities.
- (2) External party activities, and the cost to be charged by the University for such activities, must be approved by the appropriate delegate(s) in accordance with the [University of Sydney \(Delegations of Authority – Administrative Functions\) Rule 2016](#).  
**Note:** Depending on the subject matter of the activity, different aspects of a transaction may require approval from different delegates, particularly Part 5 Fundraising and Alumni Relations, Part 12 Research, Part 13 Education & Student Management and Part 14 Commercial and Corporate Affairs.
- (3) The responsible Dean, Head of School and Dean (University School) or authorising officer of each academic or administrative area must determine an annual rate of unit indirect cost charges, in consultation with relevant heads of school, heads of administrative units and faculty finance directors.
- (4) In all external party activities the University will seek to recover the full amount of:
  - (a) the direct cost of the activity; and
  - (b) indirect costs, estimated as being:
    - (i) central costs for professional services units and Deputy Vice-Chancellor portfolios identified by the UEM; and
    - (ii) an amount calculated by applying the current unit indirect cost rate.**Note:** An [indirect costs calculation template](#) is available.
- (5) An additional cost loading should be considered if the external party activity that may require additional unpaid activities.
- (6) Documentation of an external party activity should recognise and disclose any in-kind contributions by the University so that full cost is considered and understood in any costing decision.

## 8 Costing approval

- (1) The proposed costing should be consistent with the full cost recovery principles.
- (2) A delegate approving an external activity agreement must carefully consider the added value of the activity to the external party and should only consider reduced indirect cost recovery if there is significant added value in other areas.
- (3) Delegates must review and carefully consider the value to the University of any proposal for an external party activity which does not provide for full recovery of direct and indirect costs or which may incur a loss, to determine if it is financially viable to proceed.

## 9 Indirect cost recovery fee

- (1) Where indirect costs applicable to an external party activity under clause 7(4)(b) cannot be determined, the University will instead charge a minimum indirect cost recovery fee of 35% of the direct costs.
- (2) The indirect cost recovery fee will not be applied to:
  - (a) agreements for research income from agencies and schemes listed on the ACGR; and
  - (b) agreements which include contractual or regulatory restrictions to indirect cost recovery.
- (3) The relevant Dean, Head of School and Dean (University School) or authorising officer may vary the rate of the minimum indirect cost recovery fee having considered the value and risk profile of the activity under clause 9(1), on the recommendation of the relevant head of school or head of administrative area.
  - (a) The relevant Dean, Head of School and Dean (University School) or authorising officer must record any such variation in writing. Supporting documentation should include details of the amount discounted on the indirect costs and the funding source for any shortfall of funds.

**Note:** See the [University Recordkeeping Policy](#) and [Recordkeeping Manual](#).
  - (b) Variations must not be approved retrospectively.

## 10 Distribution of indirect cost recovery fees

- (1) All indirect cost recovery fees will accrue to the relevant faculty or professional services units at discretionary funding level.
- (2) The relevant Dean, Head of School and Dean (University School) or authorising officer, or their nominee(s), will determine the manner of application and distribution of indirect cost recovery fees within their faculty or professional service unit.

## 11 Rescissions and replacements

This document replaces the *Indirect Costs Recovery (Overheads) Policy*, which commenced on 8 November 2006 and which is rescinded as from the date of commencement of this document.

## NOTES

Date adopted:	13 October 2016
Date commenced:	18 October 2016
Date amended:	29 May 2017 (administrative amendment only)
Administrator:	Chief Financial Officer
Review date:	18 October 2021

Related documents:

University of Sydney Act 1989 (as amended)

University of Sydney (Delegations of Authority – Administrative Functions) Rule 2016

Australian Competitive Grants Register

Guidelines Concerning Commercial Activities

University Recordkeeping Policy

Recordkeeping Manual

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## AMENDMENT HISTORY

<b>Provision</b>	<b>Amendment</b>	<b>Commencing</b>
6	Administrative amendment - revised definition of external party.	7 December 2016
7(2); related documents	Amended references to University of Sydney (Delegations of Authority – Administrative Functions) Rule 2016	1 June 2017
7(3); 9(3); 9(3)(a); 10(2)	Amendments relating to organisational design change	1 June 2017