

Finance Procedure - Cost Recovery

Section 1 - Purpose

- (1) The purpose of this document is to outline the application and management of the indirect costs applied to externally funded activities to ensure Charles Sturt University (the University) meets the requirements of the [Competition and Consumer Act 2010](#).
- (2) This revised procedure replaces the previous competitive neutrality levy (CNL) and research infrastructure levy (RIL).
- (3) The University operates in an environment where cost recovery principles are applied, including indirect costs (previously levies).

Section 2 - Policy

- (4) This procedure supports the [Finance Management Policy](#).

Section 3 - Procedure

Background

- (5) The 'Infrastructure Levy Policy' was implemented in 1999 in response to the Commonwealth Government's Policy of Competitive Neutrality and the recommendations of the National Federation Reform Council, which seeks to ensure that government businesses do not gain an advantage over private sector competitors.
- (6) The Research Infrastructure Levy was implemented in September 2020 to replace the Infrastructure Levy Policy for Research. The intention of the change was to bring the University in line with the university research sector and ensure sufficient funding is available to enable the University to continue to provide a high-quality research environment.
- (7) Advantages arise from a range of sources, such as the University's tax-free status, shared infrastructure, and resources (i.e. payroll, finance, legal services, and IT) which typically underwrite the direct costs of activities.
- (8) Commercial activities within the University are required to recognise and charge a competitive amount for services, rather than at a reduced-price base that arises from being part of a large, government-funded institution.
- (9) An activity's total cost is the sum of the full direct and indirect costs. Total cost principles are established to inform price settings for all external activities.
- (10) Instances that do not include the total cost (direct + indirect) implicate the University by not meeting our obligations under the [Competition and Consumer Act 2010](#) and devalue the activities which impact the financial viability and quality.

University activities

(11) The University's activities can be divided into discrete areas for the application of indirect costs and contributions. [Refer to attachment table 1 – University Activities.](#)

(12) Staff engaged by the University may undertake private consultancies subject to the provision of the [Employment Conditions Procedure - Additional Employment and University Consultancies.](#)

Non-research activity - University indirect cost (UIC)

(13) The University indirect cost (UIC), previously infrastructure levy, recovers the indirect costs (overhead or infrastructure costs) of the institution that cannot be easily allocated to single projects but must be recognised in line with competitive neutrality principles.

(14) The UIC incorporates an allocation for faculty/institute indirect support referred to as program and faculty administration cost (PFAC). The PFAC accounts for the management of externally funded activities through indirect costs of the faculty office, school staff time and resources consumed during the life of the program (i.e. Faculty Executive Officer, Strategic Projects Officer, Faculty Operation Team, School Executive Support Officer).

(15) Refer to [attachment table 2 - Non-research activity - University Indirect Cost \(UIC\)](#) for rates.

(16) The UIC must be added to non-research activities at the time of costing (program cost (direct) + UIC).

(17) The UIC does not apply to reimbursements, donations, or research activities covered in the 'Research activities' heading in this procedure. Refer to the 'In-kind and indirect cost recovery reduction' heading below.

(18) When entering a new commercial arrangement or renegotiating existing agreements with a partner institute, the maximum UIC is to be included.

Research activities

(19) The following applies to activities that meet the definition of research. Refer to 'Non-research – University Indirect Cost (UIC)' heading for all other activities.

(20) Refer to [attachment table 3 - Research Activities](#) for rates.

(21) Where laboratory and high-cost facilities are identified as not required, the administering unit may apply a percentage greater than the minimum of 25%.

(22) Where funding guidelines restrict the percentage chargeable to less than 25%, the funding guidelines take precedence. Under these circumstances, the indirect costs percentages will be recovered in the above order (first to Deputy Vice-Chancellor and Vice-President (Research), then to the project administering organisational unit), up to the maximum allowable.

(23) Indirect costs will apply unless one of the following exemption categories are met:

- a. Scholarships for higher degree by research students, both operating and stipend portion (this is scholarship-specific agreements only. Does not include stipends and operating within larger research projects).
- b. Grants from registered charities.
- c. Where published guidelines specifically exclude the recovery of indirect costs.

In-kind and indirect cost recovery reduction

(24) In instances where the indirect cost recovery rate of the funding provider is less than the University's minimum

indirect cost recovery rates stipulated in the 'University indirect cost (UIC)' and 'Research activities' headings, the difference is considered an in-kind contribution by the University.

(25) All program costings are to recognise the equivalent dollar value of in-kind where external project funding for indirect costs is equal to or below 51% of direct costs. This recognises the University's subsidisation of indirect costs from alternate funding sources (the costing tool will auto-calculate).

(26) An application to request approval of in-kind is only required for relevant activities when the cost recovery rate is below the minimum % of direct cost (refer to [attachment table 4 - In-kind and indirect cost recovery reduction](#)).

(27) Requests for in-kind are to be submitted seeking prior approval in line with [Delegation Schedule C - Finance](#), on the application template (refer to Section 4 below):

- a. UIC: in line with [Delegation Schedule C - Finance](#), to the Vice-Chancellor (as required) with the endorsement of the Chief Financial Officer and Chief Operating Officer.
- b. Faculty: Executive Dean via Faculty Executive Officer with Head of School endorsement.
- c. Research: this does not apply as exemptions are listed in under the 'Research activities heading' (see clause 23).

(28) An in-kind request may not be approved if submitted to the University after a funding application has been provided to the funding body. This may result in a reduction to the budget available to fund project direct costs.

(29) Approved in-kind is to be stipulated clearly in reporting and submissions as a 'University in-kind contribution.' This recognises the total cost and subsidisation from University funds.

Other costing principles

(30) The following principles are established as a minimum (direct or in-kind) for all programs (for Research, these are to be considered in line with research activities in 23 and funding guidelines):

- a. Salary rates are to be calculated at the top step of the level.
- b. Salaries are to include all oncosts (superannuation, payroll tax, leave loadings, Workcover) as per the salary calculator.
- c. Salaries are to include 5% for staff-related operational expenses. This is to be added to the direct oncosts.
- d. Project administration staffing must be incorporated in the costing as a direct cost, at an appropriate level and reasonable FTE to support the program.
- e. Future years are to be escalated by award-based percentages for salaries. All other costs are to be escalated by the CPI (consumer price index) as a minimum.
- f. The University asserts the right to apply the indirect cost recovery at the minimum rates of the total externally funded program cost.
- g. The percentages set out in the procedure are minimum thresholds.
- h. All applications are to recognise the equivalent dollar value of in-kind where external project funding for indirect costs is equal to or below 51% of direct costs. This recognises the University's subsidisation of indirect costs from alternate funding sources (Refer to In-kind).
- i. Any surplus will be shared between the University and administering University unit in line with the relevant University policy unless otherwise stipulated (i.e. [Employment Conditions Procedure - Additional Employment and University Consultancies](#), published funding provider documentation).

Applying indirect cost recovery

(31) The appropriate percent set at or above the minimum threshold is to be applied to the total direct cost during the

costing process.

(32) This will inform the price setting, is included as part of the total invoiced amount, and ensures that the correct allocation occurs in line with the applied calculation methodology.

(33) A costing tool will be developed to assist with this process (Refer to Section 4 below) and used as supporting evidence when the indirect costs are transferred to the relevant GL codes.

(34) Please refer to [attachment heading 5 - Applying indirect cost recovery](#) for the flow chart which outlines the process for distribution and an example in calculation of in-kind under the section of UIC.

Section 4 - Guidelines and other resources

(35) The following resources support this procedure

- a. [Competition and Consumer Act 2010](#)
- b. [NSW Government's Policy Statement on the Application of Competitive Neutrality](#)
- c. Application for in-kind indirect costs (non-research) (TBC)
- d. [Delegation Schedule C - Finance](#) (authority to approve external fees, charges, levies and contract income)
- e. [Delegation Schedule E - Academic and Research](#) (authorities to approve Schedule of Fees for research and research consultancy activities and disbursement of income to individuals from commercialisation and royalties arising from research)
- f. Program cost calculators (TBC)
- g. [OPA Budget Tool](#)
- h. [Employment Conditions Procedure - Additional Employment and University Consultancies](#)
- i. [Australian Charities and NFP registration status](#)
- j. [Budget approval form \(research\)](#)

(36) For additional information, please contact the relevant area below:

Non-research activities	Contact email
Faculty of Arts and Education	FinanceFOAE@csu.edu.au
Faculty of Business, Justice and Behavioural Sciences	FinanceFOBJS@csu.edu.au
Faculty of Science and Health	FinanceFOSH@csu.edu.au
Divisions and general queries	FinanceMS@csu.edu.au

Research activities	Contact email
Grant development (research)	research-preaward@csu.edu.au
Research (Finance Business Partner)	Financersch@csu.edu.au
Research institutes (Finance Business Partner)	Fininstitute@csu.edu.au

Section 5 - Glossary

(37) For the purpose of this procedure:

- a. Calculation methodology – percentages are calculated by analysing prior year expenditure captured in the

University activity-based costing system, Pilbara, to determine the annual Overhead cost for the University. This value forms the basis for calculating the UIC. These values are reviewed by the Division of Finance annually as part of the Budget Build Principles. The following methodology is used as the methodology for calculation:

- i. Overheads = total cost by org unit – organisational units/direct support divisions that deliver core University functions (for example faculty, research, learning and teaching).
 - ii. UIC = % of overheads (as above) that would vary with an increase in core University function e.g. increase in EFTSL (for example Library, Student Success, Governance, DIT) + PFAC.
 - iii. PFAC = Faculty support costs (as identified in Pilbara) / total cost (whole of University).
- b. Direct cost/direct project cost – means costs are directly attributable to the activity, including but not limited to:
- i. salaries and on-costs of staff, including the principal investigator/consultant
 - ii. materials and supplies, workshop, laboratory, and other scientific services
 - iii. stipends of research assistants
 - iv. external consulting services
 - v. IT resources
 - vi. photocopying, printing, and report production
 - vii. brokerage and freight
 - viii. travel costs and living expenses
 - ix. equipment and components
 - x. communications (telephone, courier, postage).
- c. Funding provider – means a party providing funding, including but not limited to government, commercial, or other external entities.
- d. Indirect cost/indirect project cost/overhead costs/infrastructure costs – means the costs to the institution that cannot be easily allocated to single projects but must be recognised in line with competitive neutrality principles. The indirect costs include, but are not limited to:
- i. provision and maintenance of buildings and physical infrastructure
 - ii. University-wide information resources and technology
 - iii. basic telecommunications
 - iv. insurance (or cost to cover any uninsured risk exposure), licenses, and legal services
 - v. security
 - vi. non-faculty administrative services.
- e. In-kind – means non-cash costs (direct and indirect) contributed by the University and not included in the price.
- f. Margin – means the amount above direct costs and indirect costs that a commercial contract may be able to attract based on market forces. This forms part of price setting and is usually determined in advance in consultation with Business Development.
- g. Partner institutions – means entities that the University collaborates with for higher education and research with an agreement outlining the partnership's primary function, which contains income-sharing arrangements. Some examples are the School of Theology (St Marks Theological College, includes United Theological College (UTC)), Centre for Islamic Studies and Civilisation (CISAC) (ISRA), School of Policing Studies (SoPS), School of Business (SOB) China Joint Cooperation Partnerships.
- h. Price – means the commercial contract price that a consultancy or contract research project can command. The appropriate market price is influenced by many factors such as competition, the provision of intellectual property, risk, and the uniqueness of the expertise, infrastructure, or personnel. Price = direct costs + indirect costs + margin.
- i. Program and faculty administration contribution (PFAC) – means the cost associated with faculty/institute indirect support. These are costs that are not easily allocated to single projects but must be recognised as foundational costs to manage externally funded activities. These include, but are not limited to, indirect costs

of faculty office and school staff time to provide support during the application process and administration during the project's life, e.g. Faculty Executive Officer, Strategic Projects Officer, Faculty Operation Team, School Executive Support Officer. This minimum rate is calculated at an average annual amount using the data from the Pilbara system. Refer to the Calculation Methodology definition.

collective term for research grants, contract research, and consultancy.

- j. Program/project – means the collective terms used for research grants, contract research, and consultancy.
- k. Project administering unit – Administering Org is listed on the project as the managing unit and the Finance Org code.
- l. Research – as defined in the [Research Policy](#).
- m. Surplus – means funds left over after all direct and indirect costs have been recovered, including margin.
- n. University indirect cost (UIC) – means the overhead or infrastructure costs of the institution that cannot be easily allocated to single projects. This includes an allocation for the program and faculty administration contribution (PFAC). This is calculated at an average annual amount using the data from the Pilbara system. Refer to 'calculation methodology'.

Status and Details

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