

Melbourne School of Population and Global Health

BEST PRACTICE IN BUDGETING FOR RESEARCH PROJECTS

Preamble

It is critical that when we seek external research funding that we budget appropriately for the research that we are proposing to do. This is all the more important in the context of COVID-19. The university sector has been hard hit by the financial fall-out from the pandemic, and maximising our revenue will help us to retain our cadre of world-class academic researchers and maintain our position as the top school of public health in Australia and one of the best internationally.

This document provides guidance on best practice in budgeting for externally funded research projects. It should be read in conjunction with the University's [Research Funding, Costing and Pricing Policy \(MPF1347\)](#) and [Enterprise Agreement](#). It begins with some key definitions. It then describes how research funding flows. It then provides advice on how to put best practice in budgeting.

Definitions

External research funding

External research funding means income from outside the University, and may include competitive research grants, contract research, joint ventures and consultancies. More specifically, it includes income from the four categories of the [Higher Education Research Data Collection \(HERDC\)](#). These are:

- Category 1: Australian competitive grant R&D income, such as grants from the National Health and Medical Research Council (NHMRC), the Australian Research Council (ARC) or the Medical Research Futures Fund (MRFF)
- Category 2: Other public sector R&D income, like tenders from government departments
- Category 3: Industry and other R&D income, including income from international competitive grants and income from foundations or philanthropic organisations
- Category 4: Cooperative Research Centre (CRC) R&D income

In our School, the majority of our income comes from Category 1 and 2 sources.

Direct costs

Direct costs are amounts that can be completely and easily calculated and attributed to the delivery of a project (e.g. salary and salary-related costs, consumables).

The nature of the research we do in the School means that often, although not always, the majority of the direct costs on given projects are salary and salary-related costs.

Salary and salary-related costs

Salary and salary-related costs means base salary and all on-costs, including superannuation, workers compensation, leave loadings etc.

Indirect costs

Indirect costs, or overheads, relate to costs such as building space, research administration staff salaries, telecommunications and IT infrastructure, legal services and library services. Indirect costs may not be immediately apparent when thinking about the budget for a given project, but they represent the true costs of doing research in a university environment. The true cost includes academic salaries of investigators supported fully or in part through the operating budget if their salaries are not included in the budgets of externally funded research projects.

Minimum cost recovery multiplier

Minimum cost recovery multiplier means the multiplier that must be applied to the salary and salary-related costs component of the fully costed direct research costs of a project in order to be compliant with the University's [Research Costing and Pricing Policy](#). It is designed to capture the full cost of research, including full staff costs and indirect costs. The minimum cost recovery multiplier varies by year, and the correct multiplier to use is the one for the starting year of any given project. In multi-year projects, this first-year multiplier is applied across all years. It is important to check that you are using the most up-to-date rates for the starting year of your project. The multiplier for given years is tabulated in [Schedule A](#) of the [Research Costing and Pricing Policy](#).

How funding flows

Universities receive research block grants from the Department of Education, Skills and Employment based on factors like research income and research higher degree student completions. They also receive income from coursework students' fees. As a School, we contribute to this income by conducting research projects and supervising research higher degree students, as well as by teaching coursework students. The School pays a proportion of its income from block grant returns and teaching income to the University and Faculty, for facilities and services. The minimum cost recovery multiplier income is used to off-set some of these charges, and provides funding to run our own business.

The return from the minimum cost recovery multiplier on any given project is split between the School, the Centre and the Chief Investigator. At the School level, the funds are used for strategic purposes (e.g., funding the Academic Programs Office, supporting teaching activities, and enabling strategic appointments). At the Centre level, the funds are used to help with costs that cannot be covered by other operating or project costs (e.g., maintaining the fleet of computers, subsidising open access journal fees, offering opportunities for early career researchers, and resourcing other Centre operations). Chief Investigators often use the proportion of funding that comes back to them to maintain their own units (e.g., topping up salaries for people who aren't fully covered from other sources, making cash co-contributions for internal grant schemes).

These sorts of activities are crucial to our success, and most are 'core' in the sense that if they are not funded through the return on the multiplier, they will need to be funded from some other source. In practice, what this means is that if the multiplier is not applied (or is only partially applied), or if projects are under-budgeted in some other way (e.g., if salaries and salary-related costs are not fully accounted for), costs will be shifted to elsewhere in the School, Centre or Unit budget. Ultimately, this may mean that certain lines of research will have to be discontinued if they cannot be sustained in a challenging fiscal environment.

Best practice in budgeting

1. Work closely with your Business/Centre Manager

Your Business/Centre Manager is your greatest asset in preparing any budget. Business/Centre Managers are professional staff with specialist expertise in managing the administrative side of projects. Each unit in the School has someone in this role. If you don't know who yours is, find out!

Business/Centre Managers are across the relevant budgeting policies, understand the different rules that different funders have, and can shepherd the budget through the School and University approvals processes. Collectively and individually, they have a wealth of experience in preparing budgets and know all the best strategies!

2. Liaise with your Centre Director or Unit Head

You should also liaise with your Centre Director or their delegate (often your Unit Head) from the outset. They will help you decide whether the grant or tender is financially viable and worth pursuing from an academic standpoint.

3. Reflect salaries and salary-related costs as accurately as possible

Wherever possible, the salaries and salary-related costs of anyone working on a research project should be reflected in the budget. Most commonly these will be academic research staff, but sometimes they may also be professional staff with project-specific roles. Often true salary costs are not adequately captured in funding applications, with individual contributions being under-costed or not costed at all. In some cases, for example, the salary costs of lead investigators are not accounted for in tender budgets.

Sometimes there are reasons for this. Some funders will only fund salaries to a certain cut-off point and/or will not fund lead investigators. For example, the NHMRC funds [Personnel Support Packages](#) which typically only cover a proportion of the equivalent academic salary, and many of its schemes place limits on investigators applying for salary coverage. In addition, there are rules about the extent to which people on fellowships can seek salary from other sources. For example, the [NHMRC Investigator Grant Guidelines](#) note that those holding Investigator Grants cannot request salary from other government funded schemes and can only request up to 20% of their NHMRC-awarded salary from non-government sources.

There are also cases where lead investigators decide that if they factor in salary costs for themselves this may reduce the amount of salary they can legitimately seek for a more junior member of the team (e.g., a research assistant who may do the bulk of the work). This can occur in circumstances where the total amount of funding for a given project is capped. It can also occur when the notional total for the project is unknown, but researchers have a perception that charging full salary costs for themselves or other team members may make the project too expensive and rule them out as being uncompetitive. In these situations, it is worth seeking advice from more experienced colleagues or Research, Innovation and Commercialisation (RIC). If you feel comfortable doing so, it can sometimes be worth approaching the funder directly and enquiring whether there is a total budget figure they have in mind. Often they will not be in a position to tell you, but sometimes they may.

However, there are cases where salary support is not sought when it could be and should be. In the current climate, salaries and salary-related costs should be reflected in budgets wherever this is within the funding rules and not likely to jeopardise the likelihood of funding success. For someone who is funded – wholly or in

part – from the School’s core funding, this may create opportunities to offset a proportion of their salary costs, creating savings that can be passed on and increasing the sustainability of their line of research. For someone who is funded from external sources, depending on their level of coverage, this may act as ‘top-up’ for their own salary or allow them to provide support for others. In all cases, there are direct benefits for staff of the School.

4. Give careful consideration to other direct costs

Careful consideration should be given to non-salary direct costs too. Wherever possible, direct costs that are permitted by the funding body should be included in the budget. In the past, equipment costs (e.g., computers and software), project costs (e.g., travel for site visits, printing, photocopying and phone calls) and dissemination costs (e.g., open access journal fees, conference attendances) might have been overlooked. Some funders may not allow some of these costs, but others will.

Currently, many of these costs are borne by the School, the Centre, the Unit or the individual researcher. As budgets contract, it may be difficult to continue to find some of these infrastructure and consumable costs from these sources, so wherever we are able to seek project-specific funding for them, we should.

5. Seek opportunities to include PhD student stipends

It is worth including PhD student stipends in your budget wherever possible. Obviously this will not always be appropriate or relevant, but where it is it can create a win-win situation. From your perspective as a lead investigator on a project, involving PhD students can add enormous value, often taking the work in new and different directions. It can also be a way of increasing the researcher complement on the project without adding full staff salary costs. From the student’s perspective, joining an existing team and embedding a PhD in a larger project makes for a fulfilling candidature and a good likelihood of timely completion. From the School’s perspective, attracting excellent PhD students will help us to maintain and strengthen our reputation as one of the top schools of public health in the world. When these students complete their degrees, the School will also benefit from block grant funding.

6. Apply the minimum cost recovery multiplier

As noted above, the minimum cost recovery multiplier must be applied to the salary and salary-related costs component of the budget in order to be compliant with the University’s [Research Costing and Pricing Policy](#) unless the funding body will not pay ‘overheads’. The NHMRC, ARC and MRFF, for example, will not permit indirect cost recovery, and neither will some non-government and philanthropic organisations. There are many organisations that will, however, and indeed lots that expect it. Many government departments fall into this category. They are accustomed to receiving tenders from universities and consulting firms, all of which routinely apply some sort of multiplier to their base costs.

Sometimes researchers may feel that using the minimum cost recovery multiplier will lead to their proposal being considered too expensive by the funder. In some cases this may be true, but it is worth remembering that our competitors will also be using similar multipliers. Decisions about who to fund often come down to value for money, which means that it may not be the cheapest proposal that is funded but rather the one that provides the highest quality research for a fair and reasonable price. There are also considerations relating to the principle of competitive neutrality, outlined in the [Research Costing and Pricing Policy](#). This requires the University to ensure that the price it charges for research is not unreasonably low and is not being subsidised by the use of public assets, thereby ensuring that state-owned and private businesses compete on a level playing field.

Sometimes researchers may feel uncomfortable about charging the multiplier because it feels inappropriate to be charging for anything other than direct research costs. It is important to remember that most providers of research services, including other universities and independent consultants, charge indirect costs. Indeed, many even seek to make a profit. We are commissioned to undertake research work for a range of reasons, many of which relate to us being a top-tier academic institution. These reasons include: reputation and credibility; ethics approval; legal integrity of agreements; insurance capability; workforce quality and reliability; access to the evidence base; access to additional expertise; value-add from related research being conducted; and capacity to publish the findings.

In circumstances where the funder will not pay 'overheads' or you feel that applying the minimum cost recovery multiplier would significantly reduce your likelihood of funding success, it is possible to apply for a full or partial waiver of the multiplier. Your Centre Director or Unit Head can help you think through whether a waiver is justified and, if you decide to pursue a waiver, your Business/Centre Manager can assist you with the process. A waiver may be justified in some circumstances, such as when the project is critical or is likely to lead to further, better-funded research. It is important to note that a waiver does not mean that overhead costs are not incurred. Waivers allow responsibility for these costs to be shifted from the funder to the School, Centre or Unit. This in turn has implications for the School, Centre or Unit budget.

A final point to make here is that the minimum cost recovery multiplier should be regarded as exactly that – the minimum. There will be some circumstances where it is possible and even desirable to charge more than the minimum multiplier (e.g., with some corporate funders doing so may increase the perceived value of the work, particularly if it requires highly specialised skills and knowledge). Where there is an option to charge more than the minimum cost recovery multiplier without jeopardising the competitiveness of the application, it should certainly be considered.

7. Consider how to frame and justify particular budget items

Often the way in which you frame and justify particular budget items is as important as coming up with the actual dollar figures. For example, sometimes it is possible to present certain budget line items in terms of functions or tasks rather than as positions with associated salary costs. The cost of a research assistant's salary might be presented as the amount required for data consolidation, data checking and cleaning, and data analysis, and the salary for a lead investigator might be presented as in terms of management fees. Often it is preferable to include summary information in the budget (e.g., minimal line items) and provide additional details in a budget justification provided below the budget. This allows for some flexibility in how funds are used over the course of the project.

8. Use the Research Costing and Pricing Tool to prepare budgets

The University has a [Research Costing and Pricing Tool](#) that is designed to assist researchers and their Business/Centre Managers in costing and pricing research projects. It takes the form of an Excel spreadsheet with embedded formulas that assist with cost and price projects in the manner described above. It reflects the University's [Research Funding, Costing and Pricing Policy](#) and [Enterprise Agreement](#) and makes budgeting – including the calculation of indirect costs – simple and straightforward.

In addition to making budget preparation easy for researchers, the [Research Costing and Pricing Tool](#) also provides the necessary information to allow a project's budget to be assessed by an Academic Division (Head of Budget Unit and if necessary, Dean or Dean's delegate). It also creates a project budget for internal University of Melbourne use.

9. Follow the approval process

All externally funded research projects undertaken at the University must be approved by the Centre Director (budgets ≤\$500,000) or the Head of School (budgets >\$500,000). Applications for waivers must be approved by the Head of School. All funding applications must be signed off by the Centre Director or Head of School before they are submitted to the funder, regardless of whether the funder requires this sign-off.

You should follow the steps below:

- Contact your Business/Centre Manager to discuss the application and requirements, and talk it through with your Centre Director or Unit Head. RIC Grants or RIC Contracts may also need to be involved from the outset; your Business/Centre Manager will be able to advise you on this.
- Send the draft funding application and budget (and indirect cost waiver form if applicable) to your Business/Centre Manager for checking/review. Please include the Research Costing and Pricing Tool. Your Business/Centre Manager will also need the scheme guidelines or a link to the relevant website, so that they can perform their checks.
- Your Business/Centre Manager will send the checked application and budget to the Centre Director, School Finance Manager or Head of School for sign off. In circumstances where the application requires University sign-off (usually by someone from RIC), your Business/Centre Manager will shepherd the application through this process too. Please allow at least three days for sign off at the School level, and a similar amount of time for University sign-off if this is required.
- Signed-off documents will be returned to you for submission to the funder.

Examples

NHMRC grant application

Elsie is applying for an NHMRC grant. She discusses the idea with her Business Manager who works with her to make sure she is across all of the funding rules associated with the grant scheme. She also speaks to her Unit Head and her Centre Director, as well as to the appropriate contact person in RIC. The rules of the scheme stipulate that Personnel Support Package rates are used for calculating salaries, and Elsie notes that these rates are lower than the equivalent university salary rates. The scheme's rules also preclude Elsie from seeking salary for herself as the lead Chief Investigator on the grant. There is no cap on the permissible budget for any individual application being submitted to the scheme. Elsie and her Business Manager work together to prepare the budget. They determine the personnel requirements to ensure that the objectives of the grant can be achieved, and tailor the salary component of the budget accordingly. They also factor in costs for a PhD student stipend. In addition, they consider the full range of direct research costs required for the project, noting that some items (e.g., computers) are not permissible but that others (e.g., computer software) are. They also incorporate some casual research assistant support into the direct research costs. Once they have finalised the budget, Elsie forwards it with a full draft of the application to RIC for compliance checking, and Elsie's Business Manager shepherds the application through the School's sign-off processes.

Government tender

Hector is applying for a tender that is being let by a government health department. It is for a major piece of work but the tender documentation gives no indication of the maximum budget. Hector attends a briefing about the tender and ascertains that his competitors include teams from other universities and consultancy groups that are likely to have policies around overhead cost recovery that are similar to the University of Melbourne. Hector talks to his Business Manager and makes sure that she has all of the requisite documentation and is able to follow the appropriate internal university processes while he is preparing the

tender. He also speaks to his Unit Head and Centre Director. Hector and his Business Manager work together to prepare the budget, using the [Research Costing and Pricing Tool](#). They determine the personnel requirements to ensure that the objectives of the tender can be met, and apply the minimum cost recovery multiplier to the salary and salary-related costs component of the budget. Hector seeks funding to cover some of his own salary in this process. In addition, Hector and his Business Manager consider the full range of direct research costs required for the project, and budget appropriately for these. Once they have finalised the budget, Hector's Business Manager shepherds the application through the School's sign-off processes.

Non-government tender

Oscar is applying for a tender that is being let by a non-government organisation. It is for a small scoping study that will later be followed by a much larger piece of research that is directly within Oscar's area of expertise. The tender documentation indicates that the maximum budget for the current piece of work is \$30,000. It also indicates that the organisation will only fund the direct costs of the research and will not pay overheads. Oscar speaks to his Unit Head and Centre Director and they decide that although the funding for the current study is small, if his application is successful then he will be well-positioned to apply for the broader piece of research. Once they decide that Oscar should go ahead, Oscar speaks to his Business Manager, making sure that she has all of the requisite documentation and is able to follow the appropriate internal university processes while he is preparing the tender. Oscar and his Business Manager work together to prepare the budget, using the [Research Costing and Pricing Tool](#). They determine the maximum personnel costs that can be factored into the budget, ensuring that it will be possible to deliver on the project within these constraints. They present the budget line items in terms of tasks, rather than as positions with associated salary costs. Oscar's Business Manager then helps him to seek a waiver on the minimum cost recovery multiplier, shepherding the application through the School's sign-off processes.

A library is being created of detailed examples of budgets from successfully funded applications submitted by MSPGH staff.