

This guidance material provides a brief overview of the broad differences between research and consultancy activity, particularly as these relate to income classification for the **Higher Education Research Data Collection (HERDC)** process that the University undertakes each year. The following is designed as a basic guide for researchers and finance staff at VU.

# Research

In the [2014 HERDC Guidelines](#), the Department of Education defines research as:

the creation of new knowledge and/or the use of existing knowledge in a new and creative way so as to generate new concepts, methodologies and understandings. This could include synthesis and analysis of previous research to the extent that it leads to new and creative outcomes.

This definition of research is consistent with a broad notion of research and experimental development (R&D) as comprising of creative work undertaken on a systematic basis in order to increase the stock of knowledge, including knowledge of humanity, culture and society, and the use of this stock of knowledge to devise new applications.

As this definition indicates, research involves a creative program of systematic investigation. In the pursuit of discovering new knowledge and/or creating novel applications and outcomes, the activity of conducting research is based upon potential innovation and risk. With research, it is not possible to predict with certainty whether a given objective can be achieved. An essential characteristic of research is that it leads to publicly verifiable outcomes that are open to peer-appraisal. At a broad level, there are two categories of research activity – **Sponsored Research** and **Contract Research** – which can be included in the University's annual HERDC submission and which are described in further detail below.

## Sponsored Research

Funding for sponsored research is normally provided on the basis of an application or proposal. The granting of funds for sponsored research is typically subject to a highly competitive assessment process, which is epitomised by funding opportunities administered by government research councils such as the [Australian Research Council \(ARC\)](#) and the [National Health and Medical Research Council \(NHMRC\)](#). Historically, activities undertaken through sponsored research are not driven by commercial outcomes, but by the advancement of knowledge. However, government agencies are increasingly interested in safeguarding the development of any **Intellectual Property (IP)** that may arise from such research – see the [ARC National IP Guidelines](#) (PDF, 21Kb).

The ARC Linkage Program is an example of sponsored research that is supported by both the Commonwealth Government and Industry/Sector/International partners. In this scheme, the Commonwealth seeks to ensure that IP arrangements between the industry partner/s and the university player/s are negotiated before the project commences. Sponsorship for such research does not generally cover total project costs – the university administering the project, together with any other collaborators or partners involved, usually contributes some of their own resources to support the research endeavour. The IP arising from the project is typically owned by the administering university, which claims an unfettered right to publish the results of the project in most cases.

The Research Grants & Funding team in the Office of Research manages all administrative processes relating to Sponsored Research, including: advertising opportunities; reviewing and submitting applications; communicating outcomes; creating accounts for funded projects; and assisting with reporting requirements to the funding body. Acquiring external sponsorship for research is often a difficult task; however, by the same token, it confers great prestige on the researcher(s) and the University when competitive grants are won. The Office for Research is eager to assist researchers to apply for and secure funding through sponsored research opportunities. For more information, please contact the [Research Grants & Funding](#) team in the Office of Research.

## Contract Research

Contract research may arise from a jointly initiated collaborative project between the University and one or more external agencies (industry, government, etc.) or may follow on from a specific request from an external agency for a research project to be undertaken. Contract research has identified aims, objectives and project milestones and often involves commercial outcomes. Like all research, it involves potential innovation and risk.

The contract may arise as a result of a competitive bid, or may follow on from extensive negotiations between the University and the external agency/ies. With contract research, the IP arising from the research is negotiated between the parties on a case by case basis and may depend on:

- the financial and intellectual contributions of the parties
- the existing IP (background IP) brought to the project by each partner

The external partner will often seek to negotiate the right to commercially exploit the final IP arising from the project, in return for a royalty stream to be paid to the University. VU always seeks to ensure the right to publish, in peer reviewed media, the outcomes arising from contract research, while being mindful of any commercialisation or confidentiality constraints. With the exception of ARC and NHMRC agreements, which are handled by the Research Grants & Funding team, all research contracts involving VU are managed by the [Research Facilitation & Development](#) team in the Office for Research.

## Consultancy

Another method of acquiring funding from external organisations is through consultancy. Superficially, there are some similarities between contract or sponsored research and consultancy, as the latter involves the purchase by external agencies of (a) skills and expertise of University staff, and/or (b) access to University equipment or facilities to work on a specific project. However, the overall contractual framing of consultancies usually differs substantially from sponsored or contract research. In contrast to sponsored or contract research, consultancies often preclude the contracted party (i.e. the University) from owning any project IP or publishing the results of the project in a public forum (and thus subjecting them to peer appraisal). Another key difference is that work conducted through consultancies typically involves a higher, commercial or for-profit rate of payment. Consultancy rates for VU researchers to provide a service for external organisations are fully costed and coordinated by the [Research Facilitation & Development](#) team in the Office for Research.

However, one of the most important distinctions between work conducted through consultancy and that undertaken through sponsored or contract research is that the latter can be included in the University's HERDC submission while the former usually cannot. The HERDC guidelines explicitly prohibit the inclusion of income derived from consultancies in a university's submission where such consultancies do not involve activities that support research – see pages 6-8 of the [2014 HERDC Guidelines](#) for the Government's definition of consultancy and a list of activities that do and do not meet the definition of research. Many of the listed activities that do not support the conduct of research – i.e. scientific and technical information services, general purpose or routine data collection, or standardisation and routine testing – are typical university consultancy services.

While as a general rule consultancy projects cannot be counted towards the University's HERDC submission, they can have a component that meets the definition of research. In these cases, a segment or fraction of the project (and its associated income) can be reported as research even though the project as a whole might be classified as a consultancy. As such, there is a potential "grey area" between research and consultancy. In these cases, it is important to highlight the research aspects of the project in the wording of the contract where the University is able to influence the scope or framing of the work (more on this below).

# Annual Reporting on Research Activity

All research income received in a calendar year by VU is reported to the Department of Education as part of the HERDC process, which is co-ordinated by the Office for Research. The reported research income is then analysed by the Department and feeds back into the allocation of different Government funding streams that return to the University. As the functional unit of the University responsible for collecting documentation relating to research income for the purposes of the HERDC submission, it is vital that the Office for Research receives all relevant paperwork on research grants and contracts to ensure that VU's HERDC funding return from the Government can be maximised.

For auditing purposes, the Office for Research must retain copies of contracts as evidence to support the University's research income claims. It is important that all research contracts are framed in such a way that they can be included in the HERDC submission. Features of a contract that can serve to confirm and verify that the income received by the University relates to research activities include:

- Use of the word "research" or related words such as "analysis", "experimentation", "inquiry", etc.
- A description of the work to be undertaken through the contract that emphasises its research elements or components, e.g. creation of new knowledge or methodologies, review, testing, reporting, evaluation, etc.
- Mention of the novelty or originality of the approach and/or the findings, results, outputs and outcomes that are anticipated to arise from the contracted work
- The ability for VU to retain project IP and/or disseminate the results of the work in publicly accessible media, such as peer-reviewed academic journals

It is essential to ensure that there is adequate evidence within the contract itself that the funding arrangement it describes relates to research. It is not sufficient to simply append additional justification paperwork to a contract to vindicate its classification as research – this must be apparent from the content of the contract itself considered as a stand-alone document. If the contract has been drafted as a result of an earlier application process, the research proposal should usually be incorporated into the contract as an appendix. By ensuring that it is clearly evident from the contract that the funds distributed to VU are indeed for research activities, VU can maximise its HERDC return and subsequently re-invest into the building of research capacity across the University.