



## **POLICY ON RESEARCH OVERHEAD COSTS**

### **1.0 Purpose**

This policy is intended to set out principles and guidelines for making recoveries to cover the unfunded (or indirect) costs of research associated with externally funded research and contracts at the Mount. Such cost recoveries will enable the University to continue its mission of research and support faculty and students in their research pursuits.

### **2.0 Background and Rationale**

Overhead costs are indirect expenditures incurred by the University in the conduct of research which are not readily identifiable as specific expenses to a project. These costs are incurred by the University in the support of infrastructure required to allow an externally funded research project to proceed. There are significant benefits to researchers and to the University if the indirect costs of research are recovered and appropriately distributed. For example, these recovered funds can help support special research initiatives or increase the University's capacity to support research projects that require financial commitments.

Through the Federal Research Support Fund (RSF) (formerly Indirect Costs of Research Program), universities are annually awarded a portion of the indirect costs of research based on successful Tri-Council (SSHRC, NSERC, CIHR) research grants. However, funds from the RSF Program cover only a portion of the indirect costs of doing research. There are also other forms of research which are not covered by this program. It is estimated that Canadian universities spend \$.40 to \$.60 on indirect costs for every research dollar incurred. Overhead costs that are not covered by the RSF come out of the University's operating budget.

The range and scope of research activity at the Mount has increased considerably over the past decade. At the same time, the type and sources of research funding also have changed as researchers seek funding from agencies other than the Tri-council, and as the volume of contract research has increased. To address the indirect costs of research contracts, it has become standard practice at Canadian universities to include an overheads charge on research funded through (non-Tri-council) research grants and on contract research.

### **3.0 Overhead (Indirect Costs) Rates**

This Policy on Research Overhead applies to all research contracts and external research funding agreements<sup>1</sup>. Overhead costs are normally charged according to the procedures and rules of the granting agency. It is recognized that not all agencies permit overhead charges, and some agencies (e.g., small non-profits) may not have the capacity to cover such costs. Nevertheless, all research carries with it indirect costs, and it is expected that these should be covered by the sponsoring agency, whenever possible.

Mount Saint Vincent University's recovery and distribution model is based on:

- a scan of policies and practices of all universities with publicly available information;
- survey data on overheads policies and practices made available through the Alliance of Canadian Comprehensive Research Universities (ACCRU);
- an in-depth look at a selection of policies from several universities, especially institutions comparable in size and focus;
- contact with research administrators at local universities; and analyses and consideration of different models applicable to our research context.

**3.1** Research applications and/or project funding include the **maximum allowable** indirect costs allowed by the agency/sponsoring institution. The Mount will charge a minimum **flat rate of 20%** based on the total direct costs of research delineated in a funding agreement. In cases where a separate line item for overhead costs does not show on a contract or funding application, the overhead charges can be built in to other costs. Advice on how to build in overheads charges is available through Financial Services and the Research Office.

**3.2** In cases where funding agencies do not allow overhead charges or only allow charges less than 20%, researchers must submit, along with the funding proposal, a copy of a statement from the agency's funding agreement policy pertaining to overheads or administration charges. Overhead charges less than the 20% flat rate charge require the approval of the Associate Vice-President, Research and Director, Finance and Administration.

### **4.0 Distribution of Overheads**

Funds recovered by the University from overheads charges on external funding agreements and contracts will be distributed as follows:

• University General Operating Fund	40%
• Research Office	20%
• Research Initiatives Fund	20%
Research Centre/Institute or Department Enhancement Fund	20%

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<sup>1</sup> The exception is research externally funded by the Tri-Council agencies: SSHRC, NSERC, and CIHR.

**4.1** Funds allocated to the University General Operating Fund will be used according to the needs of the University to offset the overhead costs associated with administering research.

**4.2** Funds allocated to the Research Office will be used to promote and support research activities of the University.

**4.3** Funds allocated to the Research Initiatives Fund will be used to support special research initiatives or projects requiring an extra investment of University resources (e.g., large-scale projects requiring matching funds, seed money for applied research initiatives). These funds will be allocated under the direction of the Associate Vice-President, Research.

**4.4** Overhead allocations for projects affiliated with a Research Centre or Institute will be distributed to that Centre/Institute to help with administrative and other unfunded costs and to help the Centre/Institute become self-sustaining. Overhead allocations through projects not affiliated with a Centre/Institute will be allocated to Research Support Fund of the researcher's home department. This fund will be used to support research activities *at the department level*. Examples of eligible expenses include: student support for conference travel, purchase of research-related equipment or research presentations' costs to the department. Spending from these funds will require approval of the appropriate Dean. If more than one department is involved, the proration of the allocation will be approved by the Associate Vice-President, Research.

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**Sources:**

Saint Francis Xavier-Overhead Policy

Memorial University-Overhead Policy

Saint Mary's University-Policy on Research Contracts and Overheads.

University of Prince Edward Island-Research Contracts policy

## Appendix A–Definitions

*Indirect Costs* –Support costs common to some or all research activities undertaken at the University. Indirect costs include, but are not limited to:

- Use of laboratory equipment/maintenance costs
- Use of university buildings/equipment
- Human resource and payroll costs
- Cleaning and maintenance
- Utilities (heat, power, water, telephone)
- Financial administration of research projects
- Communications and IT resources
- Legal fees
- Library resources
- Project management/research support resources
- Research ethics and other compliance regulatory activities
- Research facilities operation and maintenance
- Depreciation

*Overhead costs*- Overhead costs are those indirect expenditures incurred by the University in the conduct of research which are not readily identifiable as specific expenses to a project.

*Research Project*- a project covered by a Research Agreement

*Research Agreement*- any legal arrangement involving researchers, granting agencies or external sponsors in one of the following:

*Research Grant* –an award provided by a granting agency to an individual Principal Investigator or a group of researchers working in collaboration to support research in a defined area. Research grants follow the regulations and protocols of the granting agency for a specific funding amount and a specific time period.

*Research Contract*-an agreement to deliver results of a specific research project to an external sponsor at a specific time for a pre-negotiated price.

*Research Services Contract*-a services agreement of a routine nature that requires expertise or laboratory facilities to conduct the work.

*Research Collaboration*- an agreement outlining the contributions of researchers and their universities, usually on larger research grants.