



# Recovery of Overhead (Indirect Costs) on University-Administered Non-Research Funds

**Category:** Finance;

**Jurisdiction:** Vice President, Administration and Finance;

**Approval Authority:** Executive Team as of May 2009 (previous approval authorities: Board of Governors, President);

**Established on:** February 26, 1998;

**Amendments:** February 15, 2001; September 2002; May 2009; May 2015; May 8, 2018.

---

## 1.0 Preamble

The cost of conducting non-operating related business at a Canadian university such as Lakehead includes not only the direct costs of the project but also a range of indirect costs. These indirect costs include expenditures that are frequently taken for granted but are real costs incurred by the University to support the infrastructure required to allow a business project to proceed. Unless the indirect costs of the business project are recovered in the form of overhead charges to the project, they will have to be found within the operating budgets of the University.

It is important when a self-sustaining budget is established that every effort is made to ensure that whenever possible that the full indirect costs, associated with the business project, are recovered. This policy applies to overhead charges on income from sales of supplies and services and rental income such as ancillary services, non-credit course offerings, workshops, camps, and other activities not included in the operating budget and not covered under the Recovery of Overhead (Indirect Costs) on University-Administered Research Funds Policy.

## **2.0 Overhead (Indirect Costs) Defined**

Indirect costs include items such as: accounting (invoicing, project account maintenance, preparation of financial reports), purchasing, human resources and payroll, support for the libraries, access to computer services, the provision and maintenance of facilities and office space, risk management, external relations, legal, enrolment services, and institutional planning and analysis.

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

The following overhead rates will apply on non-operating and non-research activities administered by Lakehead University:

### **3.1 Overhead Rate**

For non-operating and non-research activities accepted by the University, an overhead allowance of 20% must be included in the budget submitted to the Office of Financial Services. (It should be noted that this contribution falls well below the full indirect costs (excluding capital costs and faculty time) which have been estimated by the Canadian Association of University Business Officers to be at least 50% of direct costs.)

Special rates will be calculated for those units which provide their own overhead services or reimburse the University for such services. For example some ancillary services reimburse the university for utility costs; in these instances the overhead rate is adjusted accordingly.

**3.2** The Vice President (Administration and Finance) and/or Associate Vice President (Financial Services) has the authority to negotiate exceptions concerning the amount of overhead charged.

**3.3** A pass-through or convenience account will be exempted from this overhead policy to the extent that cash revenue is collected and passed to a non-University service or product provider. (Holding Council of Ontario University events on campus where an account has been established would be an example of a pass-through account.)

## **4.0 Allocation of Overhead**

**4.1** Revenues generated from overhead charges will normally be distributed as follows:

**4.1.1** Central Administration - 100% of the overhead charge assists in supporting central university services/facilities.

**4.2** The Office of Finance Services will be responsible for the final calculation and recording of the overhead charges.

## **5.0 Project Net Income (Deficit)**

**5.1** Allocation of Project Net Income - at the end of each fiscal year or at the end of the project (whichever date is the final date) 50% of that net income will be allocated to assist in supporting central university services/facilities; 50% to School or Department or Faculty initiating and/or sponsoring the business project. In the case of ancillary operations, the latter 50% remains with the ancillary.

**5.2** Allocation of Project Net Deficit - A deficit at the end of the project becomes the responsibility of the Department or Faculty initiating and/or sponsoring the business project.

## **6.0 Review**

**6.1** The Associate Vice President (Financial Services) will review this policy within three years.

---

**Review Period:** 3 years;

**Date for Next Review:** 2020-2021;

**Related Policies and Procedures:** To be determined;

**Policy Superseded by this Policy:** None.

The University Secretariat manages the development of policies through an impartial, fair governance process, and in accordance with the Policy Governance Framework. Please contact the University Secretariat for additional information on University policies and procedures and/or if you require this information in another format:

Open: Monday through Friday from 8:30am to 4:30pm;

Location: University Centre, Thunder Bay Campus, Room UC2002;

Phone: 807-346-7929 or Email: [univsec@lakeheadu.ca](mailto:univsec@lakeheadu.ca).