



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

Category: Research;

Jurisdiction: Vice President, Research Innovation;

Approval Authority: Executive Team;

Established on: February 26, 1998;

Amendments: September 2002; May 2009; June 2010; May 2015.

1.0 Preamble

The cost of conducting research 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 many expenditures that are frequently taken for granted but are real costs incurred by the University to support the infrastructure required to allow a sponsored research project to proceed. Unless the indirect costs of research are recovered in the form of overhead charges to the sponsor(s) of research, they will have to be found within the operating budgets of the University.

It is important when research funding is received from external sources that every effort is made to ensure that whenever possible that the full indirect costs, associated with the funded research project, are recovered. The Province of Ontario has recognized the importance of the indirect cost recovery on grants awarded by NSERC, SSHRC and CIHR. For these grants, the Province of Ontario provides to Lakehead University a "Research Infrastructure Envelope Fund" contribution toward the indirect costs associated with administering Federal Council grants. However, 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.

A major portion of the "Research Infrastructure Envelope Fund" is allocated to the Senate Research Committee by the President to support the development of research at Lakehead University.

2.0 Overhead (Indirect Costs) Defined

Indirect costs include: accounting, human resources and payroll (invoicing, research account maintenance, preparation of financial reports, purchasing), research administration (drafting of research agreements, negotiation of contracts, review of research proposals, on-going contract administration, maintenance of information on funding sources, etc.), support for the libraries, access to computer services and the provision and maintenance of research facilities and office space.

3.0 Research Grants and Research Contracts Defined

3.1 Research Grants:

Refers to funds that are awarded to the research investigator(s) to enable the performance of self-directed research, where there is no contractual obligation for prescribed outcomes. The following characteristics are normally also present.

- objectives are defined in a general fashion
- no limitations or restrictions on publication
- no specific transfer of results to grantor; however a final report stating the results of the research is usually submitted to the grantor
- payment to the university is generally made in advance of expenditures
- high level of research trainee involvement
- no direct remuneration to principal investigator or co-investigator

3.2 Research Contracts:

Refers to funds that are assigned for research purposes through a legally enforceable agreement which may include conditions setting forth specific terms governing the conduct, direction and scheduling of the tasks to be performed; designating ownership of proprietary rights to the research results; laying out the financial regimen to be followed; and other restrictions required by the funder.

Some or all of the following characteristics are normally present:

- scope and nature of research is specifically defined
- set time period for the activity
- ownership of intellectual property, patent rights and licensing arrangements are established
- deliverables are strictly defined
- provision for confidentiality of information supplied and created
- limitations on publication, perhaps prior review of material for publication to check for confidentiality or patent issues
- budget approvals and payment schedules
- acceptance and termination clauses
- limit liability of participants (hold harmless and indemnity clauses)
- possible remuneration to principal investigator

4.0 Overhead (Indirect Cost) Rates

The following overhead rates will apply on research grants and contracts administered by Lakehead University:

4.1 Overhead Rate on Research Grants – minimum 10%

For research grants accepted by the University, an overhead allowance of 10% must be included, where the sponsoring agency allows such a charge.

4.2 Overhead Rate on Research Contracts – minimum 30%

Every contract for research accepted by the University with a government agency or private sector partner must include a minimum overhead allowance of 30%.

Please note that the Federal Department of Supplies and Services (DSS) and

- CIDA have already pre-negotiated overhead rates with Universities. Faculty members are advised to contact the Office of Research if their research proposal involves these Federal agencies.
- 4.3 The Vice-President Research and/or Manager, Office of Research has the authority to negotiate exceptions with contracting agencies concerning the amount of overhead charged. Such exceptions may be made if the characteristics of a contract are similar to those of a grant as described in Article 3.1 (e.g., high level of graduate student training, payment in advance, no remuneration to Principal Investigator, etc).
 - 4.4 Indirect costs may be identified as a separate budget item or expressed as a function of the total cost. Other alternative methods of costing can be considered provided that the indirect costs are recovered. These methods are to be approved in advance by the Vice-President Research and/or Manager, Office of Research.
 - 4.5 The services of the Lakehead University Centre for Analytical Services (LUCAS), University Instrumentation Laboratory and the Lakehead University Greenhouse, Statistical Laboratory, CARIS, Science Shop, Civil Engineering Structural Lab or Mechanical Engineering Machine Shop are to be considered as direct costs and budgeted for appropriately in research applications and contract proposals. The University overhead charge will not apply on these direct costs.
 - 4.6 The University overhead charge will not apply on donations or purchases of research equipment or computers, provided the equipment will be made available for use to researchers, students, or support the teaching mandate of the institution. The individual researcher will be responsible for the installation and maintenance of the equipment.

5.0 Allocation of Research Overhead

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

5.1.1 **Central Administration** - 40% for disbursement to assist in supporting central university services/facilities.

5.1.2 **Office of Research** - 20% to assist the Office of Research in its mandate to promote research development at the University, at the discretion of the Vice-President Research.

5.1.3 School or Department or Faculty or Senate Approved Research Centre/Institute

5.1.3 (a) **In the case of a research project initiated by researcher(s) in a School or Department, or Faculty** (in the case of Business Administration, Forestry or Education), 40% of the overhead generated will be disbursed by the Director, Chair or Dean for the development and support of research within the School, Department or Faculty. When permissible, up to 50% of these funds may be provided to the Principal Investigator at the discretion of the Director, Chair or Dean.

5.1.3 (b) In the case of a research project initiated by researcher(s) jointly appointed by a Department at the Thunder Bay Campus and the Interdisciplinary Department at the Orillia Campus, a total of 40% of the overhead generated will be distributed to the respective departments or faculties. This portion of overhead distribution will be shared with 50% to the Orillia Campus and 50% to the Thunder Bay campus. When permissible, up to 50% of the funds may be provided to the Principal Investigator at the discretion of the respective Chairs, or Deans at each campus.

5.1.3 (c) In the case of a research project initiated by a Senate approved Research Centre/Institute, 40% of indirect costs generated will be disbursed as follows:

1. 40% will be allocated to the Research Centre/Institute for the development and sustainability of Centre-based research initiatives at the discretion of the Centre/Institute Director; up to 50% of these funds may be provided to the Principal Investigator at the discretion of the Centre/Institute's Director.

5.2 The Office of Research in conjunction with the Finance Office will be responsible for disbursing revenues generated from overhead charges on research grants and contracts.

Review Period: 7 years;

Date for Next Review: 2021-2022;

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.