

researchNS

3.8 Indirect Costs (Overhead) – Research Funding

Purpose

1. To establish a clear rule for all funding recipients regarding the recouping of indirect (overhead) costs from funds received from RNS. This policy applies to all funding administered by RNS.
2. In addition to the direct costs of research (e.g. time, equipment, consumables etc.), there is a range of indirect costs borne by the recipient organization. These are costs not attributable to an identifiable project but are incurred when providing goods or services to the benefit or support of research. They are variously called indirect costs, overhead costs, administrative costs, institutional costs, or core costs, but they amount to the same thing: they are the costs of office space, backroom services like finance, insurance, waste disposal, etc. Organizations may attempt to recoup these costs by claiming a percentage of funds received from third parties.
3. The majority of funding provided by RNS to support research projects, people, or infrastructure is in the form of a research grant. In specific circumstances, RNS may award a research contract, and this policy provides for different treatment of indirect costs in these instances. Appendix 1 highlights the differences between grants and contracts.
4. RNS may provide funding to an organization, or receive funding from it, as part of a partnership relationship. A partnership relationship exists between organizations with a common interest in a research field but is not developed in order to fund research undertaken by the partner organization. For example:
 - a. RNS partners with an organization for the purpose of funding research with that partner, where both partners contribute cash or in-kind;
 - b. RNS partners with an organization to support the prioritization of research, engage in capacity-building, pursue communications or knowledge mobilization, etc.

Policy

5. Research grant recipients are not permitted to take a portion of the grant to offset indirect costs of research, nor add indirect costs to a project budget. Only costs directly attributable to the project are authorized expenditures from a research grant.
6. RNS supports expenditures from the grant that enable its success, including project management, financial management, monitoring, reporting, end user engagement, communications, etc. For these to be allowable expenses, they must be directly attributed to the project and as such do not meet the definition of 'indirect cost'. They cannot be resources employed or used by the organization as general capacity.
 - a. For example, covering a portion of a staff member employed as the finance manager by the organization to oversee all financial matters is not permitted. If the project is such that specific and attributable financial management capacity is required for project success, then this incremental cost is permitted when included and approved in the project budget. The grant recipient can determine if the service is most effectively performed by engaging new staff to work on the financial aspects of the project, or to use existing staff for this function and allocating resources from the grant to backfill for duties no longer performed by that existing finance manager.

7. For a research contract, the maximum permitted indirect costs charge must be equal to or less than 10% of the project value. The actual percentage is by negotiation and prior agreement.
8. Appendix 1 outlines the key differences between a grant and a contract. This describes general characteristics, and in some instances the funding arrangement will feature characteristics from both types. In such cases, RNS will select which description provides the best fit, and will in its sole discretion determine if the payment is a grant or a contract.
9. For a partnership arrangement, the treatment of recovery of indirect costs will be a matter of negotiation between RNS and the partner organization and be formalized in an MOU or equivalent agreement in advance of any funds transfer. In general, RNS applies the position that our funding resources are to be deployed in service of supporting research, not research organizations.
10. If RNS is receiving funding from a partner organization, RNS will not seek to recover indirect costs. We will not exceed the treatment described in paragraph 8: only costs specific and attributable to the new costed activities associated with the partnership.

Rationale

11. RNS is a not-for-profit corporation dedicated to advancing research. Although the existence of functioning and adequately financed research organizations and partners are a prerequisite for the performance of research, the legislative objectives of the Corporation are to fund research, not organizations.
12. The *Research Nova Scotia Corporation Act* created the Research Opportunities Fund, and the Fund is to be distributed to further the objectives of the Corporation. The Fund consists of money provided by the Minister of Finance; any contributions from third parties, and; investment income. The *Act* forbids costs of the Corporation's operations to be paid out of the Fund. As such, it is inconsistent with this restriction to use money from the Fund to pay for costs of other organizations' operations.
13. All research grants administered by RNS are paid from the Fund, regardless of the originating sources of the money. As such, it cannot be used to pay for organizations' indirect operational costs.
14. Where RNS selects a research provider to fund specific deliverables under a research contract, such activity is not necessarily paid out of the Fund. If not paid out of the Fund, the provision for a maximum 10% indirect cost recovery rate becomes available. If paid from the Fund, no indirect costs are recoverable.
15. Where RNS participates in a partnership arrangement in which there is a financial transfer, such activity is not necessarily paid out of the Fund. If not paid out of the Fund, the provision for a negotiated cost recovery rate becomes available. If paid from the fund, no indirect costs are recoverable.

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Appendix 1

Grants versus Contracts

Category	Research Grant	Research Contract
Research specification	Objectives, goals, or purpose are defined. Generic description of deliverables, with some flexibility in content and timing.	Scope and nature of the research are defined. Specific deliverables with timelines.
Payment	Payment fully committed in advance; no penalty apart from potential for funding reallocation	Payment by instalment on completion of deliverables; possible penalty clause
HQP/Students	HQP involvement is typical	HQP involvement optional
Payment to researcher	None	Potential for salary remuneration
Publication/ dissemination of results	No limitation or restriction on publication and encouragement of wide dissemination	Possible limitation on publication and possible review of material for publication to check for confidentiality or IP issues
Intellectual property (IP)	RNS does not claim an ownership interest in results but may have rights of use. IP owned by the researcher and/or their organization according to their arrangement	RNS claims an ownership on results; IP rights are negotiated