

Procedure on Acceptable Overheads (Indirect Costs) on Research Grants



Policy owner UCD Research & Innovation **Approval date and body** UMT, 30th April 2019

1. Purpose

The costs of carrying out externally funded research may be separated into direct costs and indirect costs/overheads, as defined below. While direct costs are usually readily identifiable, and simple to include in a proposal budget, the amount of indirect costs/overheads that can be charged depends on a number of factors. This procedure sets out a clear structure to calculate the correct amount of indirect costs/overheads which must be included in all research proposal budgets.

Furthermore, in accordance with the University's Funded Research Activity Policy and the EU Commission's Framework on State Aid in Research & Development & Innovation 2014/163 (the "RDI Framework"), contract research provided by the University should be charged at market price and any research collaborations with industry must meet the conditions of "effective collaboration" as set out in the RDI Framework. In order to determine market price for the purposes of contract research, and in order to establish the University's contribution to a project for the purposes of meeting the conditions of "effective collaboration", all indirect costs/overheads relating to the research need to be included in the project budget.

2. Definitions

Term / Concept	Definition
Direct Costs	Direct costs are those that can be identified accurately with a specific research project. Examples are the salaries of staff employed specifically to carry out the research work, and the materials and equipment purchased for the project. If the project requires the building or renting of new infrastructure, or if existing infrastructure needs to be modified, this is a direct cost. ¹
Indirect costs / Overheads	Indirect costs are those incurred in the course of a research project but which cannot be attributed specifically or exclusively to the project. Examples of such indirect costs are space, light, heat, maintenance, library services and computer services. Other examples are the indirect administrative support required to run the project, including recruiting staff, professional indemnity insurance, legal costs of generating and negotiating funding, collaborative and Intellectual Property (IP) agreements, procurement costs of purchasing equipment and materials and financial reporting. Indirect costs are also commonly known as overheads.
Research Funds	Funding received from a third party governed by the terms of a Grant Agreement or Contract signed by all parties. This may be by way of State Agencies, Industry parties, or not for profit organisations.

¹ HEA / Forfas, *Report of the Group on Research Overheads*, July 2003

Contract / Grant Agreement	An agreement, usually in writing, that is enforceable by law and specifies the rights and responsibilities of the parties involved.
Effective Collaboration	Collaboration between at least two independent parties to exchange knowledge or technology, or to achieve a common objective based on the division of labour where the parties jointly define the scope of the collaborative project, contribute to its implementation and share its risks, as well as its results. One or several parties may bear the full costs of the project and thus relieve other parties of its financial risks. Contract research and provision of research services are not considered forms of collaboration. For further details, see section 2.2.2 of the RDI Framework.
Contract Research	Research undertaken on behalf of a third party where the third party specifies the terms of the research and owns the results of the research activity and findings. State Aid is not considered to be passed if the University: (i) Charges full market price (ii) If no market price exists, then the University receives the full cost, including a margin, for the activity and work undertaken Price is determined through arms length negotiations
Market Rate	The price at which an asset can be bought and sold, or the price at which services can be provided, in an open market.
Consultancy	Work which the University has contracted for with a third party, from which revenue is received by the University.
Intellectual Property (IP)	Intellectual property (IP) means copyright and related rights including, without limitation, rights in drawings, plans, specifications, software (including source code, object code and user interfaces), data, databases, pedagogical works, video, audio, scholarly publications, books, artistic works, apps, or any other rights affording equivalent protection to copyright, patents, trademarks (registered or unregistered), database rights, rights in designs (registered and unregistered, including industrial designs), semiconductor topography rights, plant breeders rights and plant variety rights, rights in biotechnology and gene therapy (including, but not limited to, genetic manipulation, gene editing and gene sequencing), and rights to use and protect confidential / proprietary information including trade secrets and know-how whether registered or unregistered or capable of being registered, tangible or intangible and any rights to improvements, developments, inventions, innovations and discoveries thereto.
Industry Partner	An organisation involved in organised economic activity concerned with manufacture, extraction and processing of raw materials, construction or the output of a specified product or service for sale
Not for Profit organisation	A type of organisation that does not earn profits for its owners. All of the money earned by or donated to a not-for-profit organisation is used in pursuing the organisation's objectives and keeping it running. Typically, not-for-profit organisations are charities or other types of public service organisations.
Registered Charity	An organisation established and operated for charitable purposes, and devotes its resources to charitable activities, which is registered with the Irish Charities Regulator or an overseas equivalent.

3. Scope

The policy applies to all income generated by research funded activity undertaken by the University and includes each of the stakeholders involved in the preparation, negotiating, registering and post award management of the funds.

4. Principles

Every effort should be made to maximise the external funding of indirect costs/overheads on research grants in accordance with funding agency/sponsor terms and conditions. Where engaging solely with an industry party, indirect costs/overheads in accordance with the guidance below must be included.

It is compulsory that Principal Investigators (PI) send their research proposal budgets for review to the Pre-Award Research Accountant in UCD Research & Innovation, prior to submission to a funding agency/sponsor. The exception to this rule is where budgets are effectively pre-defined, e.g. Marie Curie Fellowship awards.

Indirect costs/overheads are awarded to the Institution and, in accordance with funding agency/sponsor's terms and conditions, must be used to support the institutional infrastructure and indirect costs/overheads associated with running the project

Indirect costs/overhead rates to be included in research proposal budgets:

(1) National State Funding Agency/Sponsor – Most national state funding agencies/sponsors allow for indirect costs/overheads in line with the HEA / Forfas Report of the Group on Research Overheads, July 2003. This report recommends:

- An overhead rate to be applied to modified total direct costs (i.e. direct costs less equipment).
- A standard overhead rate of 30% for laboratory based research (SET).
- A standard overhead rate of 25% for desk based research (HSS).

(2) Non-Standard Funding Agency/Sponsor – Where a non-standard funding agency/sponsor has terms and conditions attached to a particular call for proposals, the PI will include the maximum allowable charge for indirect costs/overheads when preparing the budget for their proposal, in accordance with those terms and conditions.

(3) No Terms and Conditions – Where there are no available terms and conditions for research funding provided by a funding agency/sponsor, then the University will follow the guidance provided in the Irish Universities Association 2015 report "Strategy for Research and Innovation (SSTI II) IUA Response to Consultation". The report considered the following with regard to overhead rates within the sector.

"The indications are that the overhead rate required for full economic cost recovery of university research is of the order of 65% when academic staff costs are included or 50% when they are excluded. Currently, the overhead rate paid by the main research funder is 30% excluding academic staff costs and some funders pay less. This is a critical issue which needs to be addressed either through an overhead rate that more accurately reflects full economic costs or through the establishment of a dedicated budget line for equipment and facilities maintenance."

The University's opening position with regard to indirect costs/overheads sought must therefore be to seek a rate of 65%². Subject to UCD retaining greater ownership of intellectual property (IP), the

² In the US, universities negotiate individual rates with government authorities and these rates can range from 20% to 85%.

University may, however, negotiate a lower rate, provided that the value of the indirect costs/overheads subsidised by the University are reflected in the value of the IP rights retained by the University, i.e. that the research constitutes “effective collaboration”. **The opening position is that the University requires 65% indirect costs/overheads and any deviation from that must be negotiated and documented.** The following table indicates the thresholds for different sources of funding **below which the rate of indirect costs/overheads should not fall.**

A waiver of indirect costs/overheads will not be permitted, save for circumstances where a funding agency/sponsor is a charity or not for profit organisation and is funding research for the public/common good, the results of the research are widely disseminated and provided that the value of the indirect costs/overheads subsidised by the University are reflected in the value of the IP rights retained by the University.

Exceptional cases may be brought to the President and VPRII for consideration provided (i) full costs, including indirect costs, have been calculated; (ii) UCD’s contribution is defined within the overall cost; and (iii) the overall return to UCD, including the value of the IP rights for UCD under the research contract, is such as to ensure that UCD’s contribution to the project is reflected in the economic return to UCD. All costings and projected returns must be documented and submitted for consideration.

In addition to indirect costs/overheads, research proposal budgets must also include non-research funded staff time where eligible (see Procedure for costing staff time into research proposals). This is particularly applicable to work funded by industry, charities and not for profit organisations. This is to avoid a situation whereby UCD does not charge in full for the costs of a given project.

Table 1: Minimum threshold indirect cost/overhead rates for different funding sources

Funding source	Type of Research	Minimum indirect costs/overhead rate
State Funded	Desk based research	25% of TMDC ³
	Laboratory based research	30% of TMDC ³
EU Funded	H2020 Collaborative	25% of TMDC ⁴
	H2020 ERC	25% of TMDC ⁴
	H2020 Marie Curie	As specified in the Call Document
	Non-Framework	As specified in the Call Document
Industry	Co-funded with State Funded grant (effective collaboration)	30%
	Co-funded with State Funded grant (industry party obtains the IP)	40% This may apply to EI Innovation Partnerships where the industry party seeks ownership of IP.

³ TMDC refers to Total Modified Direct Costs. Funding agencies/sponsors do not apply flat rate indirect costs/overheads to all direct costs. At national level, equipment costs are typically excluded. Other costs may also be excluded based on funding agency/sponsor terms and conditions. Modified direct costs therefore refers to total direct costs less any exclusions, multiplied by the relevant rate.

⁴ TMDC under H2020 is defined as direct costs less subcontracting. For H2020 Marie Curie awards – fixed rates apply as per Call Document. Some variations apply to Non-Framework and are defined in the Call Document

	Fully Funded (Contract Research)	40%
Registered Charity	Effective Collaboration	A minimum rate of 30% A lower rate may only be accepted if the value of the indirect costs/overheads subsidised by the University are reflected in the value of the IP rights retained by the University.
Not For Profit Organisation	Effective Collaboration	A minimum rate of 30% A lower rate may only be accepted if the value of the indirect costs/overheads subsidised by the University are reflected in the value of the IP rights retained by the University.

- (4) Any consideration of grants with reduced or no indirect costs/overheads must be discussed and agreed with the Pre-Award Accountant in UCD Research & Innovation in advance of a proposal for funding being submitted. Such discussion should be held as early as possible to ensure sufficient time to resolve any issues.

5. Roles and responsibilities

Role	Responsibilities
Principal Investigator (PI) (Academic applying for research funding or negotiating contract research).	<p>The PI must include indirect costs/overhead costs in the research proposal budget. The applicable rate can be determined by reference to Table 1 in section 4 above. Where there is doubt, the applicant should consult with the Pre-Award Accountant in UCD Research & Innovation.</p> <p>The PI must submit all research proposal budgets to the Pre-Award Accountant for budgetary review, in advance of submission to the funding agency/sponsor.</p> <p>Where a research proposal budget has not been passed to the Pre-Award Accountant for pre-approval and indirect costs/overheads have not been included, the Grant Registration team and Research Finance Offices will request the PI to amend the budget within the funds provided, in order to include an allocation for indirect costs/overheads. If this is not achievable, then the Grant Registration team reserve the right to:</p> <ul style="list-style-type: none"> (i) unilaterally reduce budget headings to allow for indirect costs/overheads or (ii) not to progress the project to contract stage.
Pre-Award Accountant in UCD Research & Innovation	The Pre-Award Accountant will review all research proposal budgets for compliance with the funding agency/sponsor terms and conditions and legal requirements. The Pre-Award Accountant will address any budgetary issues with the PI at proposal stage, including compliance with indirect cost/overhead procedures.
Contract Reviewing Offices (Legal, Finance and Knowledge Transfer Offices)	Legal, Finance and Knowledge Transfer Offices will review all research contracts signed by the University. Where there is an indication that indirect costs/overheads have not been included in accordance with the requirements set out in this procedure, or in accordance with any other agreed procedure that meets the legal requirements, then the reviewing office may not be able to proceed with their respective review and the

	contract will not proceed until such time as indirect costs/overheads are addressed by the PI and the funding agency/sponsor.
Grant Registration team in UCD Research & Innovation	The Grant Registration team coordinate the contract review process. The team will not commence the review process if there is an indication that indirect costs/overheads have not been correctly dealt with in the research proposal budget.
Other Research Performing Organisations (RPO's)	<p>Certain awards involve partnership arrangements with other universities within the state. These are typically large collaborative awards and may require involvement of industry parties. The indirect cost/overhead rate to be charged by each of the RPO's to the industry party must be the same.</p> <p>Agreement at senior management level (e.g. VP Research level or delegated authority) should be agreed in advance of any proposal, or alternatively, if no agreement can be reached, then the default rate as recommended by the HEA/Forfas (2003) report should be used. The Pre-Award Accountant should ensure this, as part of the initial budget review at proposal stage.</p>

6. Referenced documents

This procedure references the following documents:

- UCD Funded Research Activity Policy
- EU Commission's Framework on State Aid in Research & Development & Innovation 2014/163 (the "RDI Framework")
- HEA / Forfas, Report of the Group on Research Overheads, July 2003
- Strategy for Research and Innovation (SSTI II) IUA Response to Consultation, IUA, 2015
- UCD Procedure for costing staff time into research proposals

7. Related documents

This procedure is underpinned by national legislation, including:

- Universities Act, 1997
- Standards in Public Office Act, 2001
- Freedom of Information Act, 2014
- Data Protection legislation, including the General Data Protection Regulation (GDPR), 2016 and the Data Protection Act, 2018

This procedure is developed to ensure more robust procedures and financial management for the University under:

- Article 107(1) of the Treaty on the Functioning of the European Union.
- Framework for State Aid for Research & Development & Innovation (2014/C 198/01).
- Terms and Conditions of State Funded grants.

This procedure should adhere to and be cognisant of other relevant University policies and codes. A non-exhaustive list of such policies and codes is listed below.

- UCD Authorship Policy
- UCD Code of Responsible Conduct of Research
- UCD Conflict of Interest Policy
- UCD Consultancy and External Work Policy

- UCD Data Protection Policy
- UCD Funded Research Activity Policy
- UCD Intellectual Property Policy
- UCD Procedure for the Investigation of Misconduct in Research
- UCD Research Ethics Policy
- UCD Research Integrity Policy

8. Version history

Version	Date	Approving Body	Author
1.0	6 th April 2010	Budget Review Committee (BRC)	UCD Research & Innovation
2.0	15 th April 2019	Research Innovation and Impact Group (RIIG)	UCD Research & Innovation
2.0	30 th April 2019	University Management Team (UMT)	UCD Research & Innovation