

# INDIRECT COSTS PROGRAM

**BRIEFING REPORT TO THE MINISTER**

APRIL 2003 to MARCH 2004





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### TABLE OF CONTENTS

- 1 Executive Summary
- 2 Message from the Chair
- 3 Description of the Indirect Costs Program
- 4 Highlights
- 5 Accountability and Evaluation
- 6 Communications
- 7 Financial Statement
- 8 Indirect Costs Grants awarded April 2003 to March 2004



## **1. EXECUTIVE SUMMARY**

The objective of the Indirect Costs Program is to help universities, colleges and their affiliated research hospitals and health institutes provide a research environment which makes optimal use of each institution's total federal research grants.

In its first year of operation, 111 of a possible 113 institutions received grants for indirect costs. Of the two which did not receive funds, the first was a small college which decided not to submit a request. The eligibility of the second, the Royal Military College, was called into question and was still being discussed by Treasury Board, the Department of National Defense and the Secretariat at the end of the fiscal year.

The Indirect Costs Program has identified, and continues to monitor, certain challenges such as: eligible and non-eligible expenditures under the terms of the program; the funding formula; the data used as the basis of calculation and the integrity of these data; institutional eligibility; and the relationship between universities and their affiliated research hospitals and health institutes.

The Indirect Costs Program is clearly welcome in Canada and is providing Canadian universities and colleges with assistance to defray a portion of the indirect costs of federally-supported research.

## 2. MESSAGE FROM THE CHAIR

On behalf of the Indirect Costs Program Steering Committee, I am pleased to provide you with a copy of the Indirect Costs Program's Briefing Report to the Minister for 2003-04.

In the last few years, the Government of Canada has invested heavily in the granting agencies, in the Canadian Foundation for Innovation and in Genome Canada. Universities have benefited greatly from this increased funding but, at the same time, have seen the costs associated with research skyrocket. Maintaining physical and technological infrastructure such as libraries and laboratories, providing research management and administration services, conforming to regulatory requirements, and managing intellectual property all cost money. The government recognized this financial burden and has taken steps to alleviate it.

The government's contribution to defraying the costs associated with federally supported research helps to maintain a sustainable and competitive research environment in universities, colleges and their affiliated research hospitals and institutes. It also helps smaller postsecondary institutions, which cannot benefit from the economies of scale realized by larger universities, meet the particular challenges they face in their efforts to increase research capacity.

The Indirect Costs Program is still in its infancy, but already its benefits to the academic community are being felt. The universities and colleges and the federal granting agencies are grateful for your continued support of this program.



**Marc Renaud**

Chair, Indirect Costs Program Steering Committee

### **3. DESCRIPTION OF THE INDIRECT COSTS PROGRAM**

The December 2001 federal budget provided a one-time investment of \$200 million to help alleviate the financial pressures associated with federally supported research at universities and research hospitals. The budget also committed the government to working with the university community on ways to provide ongoing support for the indirect costs of research that would be predictable, affordable and incremental to existing support. The terms and conditions for the one-time payment (TB #829539) were approved on February 7, 2002.

This one-time payment reimbursed universities and their affiliated research hospitals for costs they had already incurred. Since the payment was retroactive, performance measures were not relevant and therefore were not applied.

The 2003 federal budget allocated \$225 million annually, beginning 2003-04, to be paid through the granting councils, to help fund the indirect costs of federally supported research at universities, colleges and research hospitals. The budget also committed the government to developing, with the universities, new reporting and accountability mechanisms, and to reviewing the program in its third year to ensure that it is achieving its objectives, which include the commercialization of university research.

By reimbursing part of the indirect costs, the federal government is helping to maintain a sustainable and competitive research environment in universities, colleges and their affiliated research hospitals and institutes. The program also helps the smaller Canadian post-secondary institutions which face particular challenges in their efforts to increase their research capacity, and which cannot benefit from the economies of scale realized by large universities.

#### **GOVERNANCE AND ADMINISTRATIVE STRUCTURE**

The Indirect Costs Program Secretariat is housed within the Canada Research Chairs Secretariat which itself is housed within the Social Sciences and Humanities Research Council (SSHRC). The Secretariat deals with eligible institutions, administers the financial aspects of the program, conducts performance measurements, evaluations and audits, and reports on the program to the minister of industry, to the Treasury Board Secretariat and, ultimately, to Parliament.

SSHRC, the Natural Sciences and Engineering Research Council (NSERC), the Canadian Institutes of Health Research (CIHR), and the Secretariat of the Networks of Centres of Excellence (NCE) support the program in two ways. These agencies provide the Indirect Costs Program Secretariat with data about their annual funding of eligible postsecondary institutions and their affiliated hospitals and institutes. They also help the Secretariat to respond to requests for information about this data.

The Indirect Costs Program is governed by a Steering Committee which oversees the management of the program and provides policy guidance on its general direction. The committee consists of the presidents of the three federal granting agencies and the deputy minister of Industry Canada. The president of SSHRC chairs the committee.

**SECRETARIAT**

The Indirect Costs Program is administered by a Secretariat which operates under the umbrella of SSHRC. The Secretariat consists of a director of operations and a senior program officer, supported by an administrative assistant. These are supplemented by contractors as needed. SSHRC’s Public Affairs Division provides communications services.

The Secretariat manages the operations of the program, including grants and operational budgets, and liaises with the universities, Industry Canada and the provincial departments of health and education. For the first three years of the program, Treasury Board has approved the following operating budget:

**INDIRECT COSTS PROGRAM: OPERATING BUDGET**

	2003-04	2004-05	2005-06	Thereafter
<b>Salary</b>	\$203,000	\$203,000	\$203,000	\$203,000
<b>Employee Benefits Plan</b>	\$41,000	\$41,000	\$41,000	\$41,000
<b>Non-salary</b>	\$319,000	\$208,000	\$308,000	\$208,000
<b>Sub-Total</b>	\$563,000	\$452,000	\$552,000	\$452,000
<b>Accommodation</b>	\$26,000	\$26,000	\$26,000	\$26,000
<b>TOTAL</b>	<b>\$589,000</b>	<b>\$478,000</b>	<b>\$578,000</b>	<b>\$478,000</b>

## 4. HIGHLIGHTS

Following Treasury Board approval in late July 2003, the program received its first allocation of funds in December 2003. The deadline for institutions to request grants was set at December 15, 2003, but universities continued sending in request forms until the end of February 2004. Throughout fall 2003, telephone calls and e-mails poured in as the Secretariat and Industry Canada worked to interpret the program's terms and conditions in order to clarify which expenditures would be deemed eligible. The Secretariat developed request forms and assisted those institutions who required it to complete and submit the form. Once advised of the value of their grant, many institutions requested breakdowns of the three-year funding data used to calculate the awards. The Secretariat and the funding agencies were kept busy providing and explaining the data.

Once all the request forms were received, the Secretariat captured the data provided. Since the first set of financial statements from the institutions was not due until July 15, 2004, this report relies on the data provided in the request forms to identify the program's spending patterns.

The following represent a preliminary breakdown of program expenditures, expressed as a percentage of total funding awarded:

- **43 per cent for facilities**—renovation and maintenance of research space and equipment; technical support for laboratories, offices and other facilities; animal care; custodial, security, utility, leasing and capital planning costs; and insurance on research space;
- **20 per cent for resources**—acquisition, custodial, security, utility, leasing and capital planning costs associated with libraries, data bases, telecommunications, information technology and systems, and research tools; insurance on research equipment and vehicles;
- **27 per cent for management and administration**—research planning; public relations; human resources management; financial and departmental services in support of institutional research activities;
- **4.5 per cent for regulatory requirements and accreditation**—creation and support of regulatory bodies; training of faculty and research personnel in animal care; handling of hazardous materials and environmental protection; costs for research-related international accreditation; upgrading facilities and equipment to meet statutory or professional requirements;
- **5.5 per cent for intellectual property**—technology transfer offices; patent applications; licensing and spin-off companies; research promotion and communications; marketing teaching materials; survey instruments; statistical packages; data sets and data bases; software and computer models.

The following represents a preliminary breakdown of the number of institutions, out of a total of 111, that have allocated funds to the five priority areas listed above:

- Facilities: 59 institutions;
- Resources: 82 institutions;
- Management and Administration: 68 institutions;
- Regulatory Requirements and Accreditation: 45 institutions;
- Intellectual Property: 41 institutions.

## 5. ACCOUNTABILITY AND EVALUATION

### CONTEXT

Since 2000, all new federal grants and contributions programs must meet new requirements before Treasury Board approves funding. Specifically, before a program is announced and the funds are released, the program's management must develop and have approved (1) terms and conditions that outline eligibility policies and key processes, (2) a results-based management and accountability framework (RMAF), and (3) a risk-based audit framework (RBAF).

In collaboration with the three granting agencies, Industry Canada and Treasury Board, the Indirect Costs Program developed an integrated RMAF-RBAF that conforms to Treasury Board policies and guidelines.

The RMAF outlines performance measurement and evaluation strategies. The RBAF describes risks that can affect the performance of the program and outlines mitigation strategies.

Treasury Board approved the program's integrated RMAF-RBAF in June 2003.

### MEASURING PROGRAM PERFORMANCE: IMPLEMENTATION OF THE RESULTS-BASED MANAGEMENT AND ACCOUNTABILITY FRAMEWORK

The performance measurement strategy identifies key indicators that are measured regularly to monitor the progress and effectiveness of the Indirect Costs Program. The RMAF identifies three sources from which this information is to be collected on an on-going basis:



- **Request form**—each institution applies for an indirect costs grant by submitting a request form which describes its current capacity in the research areas in which it plans to invest. This data serves as the baseline for assessing the program's progress toward achieving its objectives.
- **Annual outcomes report**—each institution describes how the grant has improved capacity in the research areas in which it has invested. This data is then compared to the baseline data captured in the request forms.
- **Annual statement of expenditures**—each institution outlines how it allocated the indirect costs funds across the five categories of eligible support, as above (i.e., facilities, resources, management and administration, regulatory requirements and accreditation, intellectual property).

The Indirect Costs Program has launched the implementation of the RMAF by developing and administering the request form, the outcomes report and the annual statement of expenditures.

#### **EVALUATION ACTIVITIES**

In its Treasury Board Submission, the Indirect Costs Program committed to:

- reviewing the program's structure and operations during the third year; and
- carrying out a comprehensive evaluation during the sixth year.

The objectives of the third-year review are to examine the design and the operation of the program in order to identify any necessary adjustments, and to assess to what extent the program is progressing toward meeting its objectives.

The objectives of the comprehensive evaluation are to determine whether there is a continuing need for the program and to assess whether the program has met its objectives.

Over the next year (October 2004 to October 2005), consultants hired by the granting agencies will conduct the third-year review. A preliminary list of issues is presented below.

**THIRD-YEAR REVIEW: PRELIMINARY ISSUES**

The following will be used as a starting point for designing the review. The issues to be addressed will be updated and refined through consultations with key stakeholders.

- **Alternative delivery models and design issues**—Are there more effective and efficient models for delivering the program? What, if any, changes in the design of the program will make it more effective and efficient? More specifically, should we refine or otherwise modify the definition of “indirect costs of research”? Are the levels of support appropriate? Do we need to rethink the relationship between the universities and their affiliated institutions?
- **Success issues**—In what ways and to what extent has the program demonstrably contributed to achieving the following outcomes? Well-equipped research facilities; world-class research resources; effective strategic management and efficient administration of the research enterprise; ability to meet regulatory requirements for international accreditation in various research domains; and effective management of the intellectual property generated through research.

**6. COMMUNICATIONS**

**WEB SITE**

The Indirect Costs Program Web site ([www.indirectcosts.gc.ca](http://www.indirectcosts.gc.ca)) is the program’s primary communications vehicle. The site contains detailed program information as well as the electronic request and reporting forms.

**7. FINANCIAL STATEMENT**

Treasury Board’s initial allocation made the following funds available:

	<b>2003-04</b>	<b>2004-05</b>	<b>2005-06</b>	<b>Thereafter</b>
<b>SSHRC Vote 95</b>	\$224,411,000	\$224,522,000	\$224,422,000	\$224,522,000
<b>SSHRC Vote 110</b>	\$589,000	\$478,000	\$578,000	\$478,000
<b>TOTAL</b>	\$225,000,000	\$225,000,000	\$225,000,000	\$225,000,000

**8. INDIRECT COSTS GRANTS AWARDED APRIL 2003 TO MARCH 2004**

NAME OF INSTITUTION	PAYMENT (\$)
Acadia University	610,883
Alberta College of Art and Design	13,898
Athabasca University	120,688
Augustana University College	14,424
Aurora College	4,933
Bishop's University	93,832
Brandon University	253,757
British Columbia Institute of Technology	4,167
Brock University	961,886
Camosun College	6,857
Canadian Bible College	3,935
Canadian University College	5,733
Capilano College	4,167
Carleton University	3,896,720
Cégep de Bois-de-Boulogne	1,360
Cégep de Jonquière	22,120
Cégep de Sainte-Foy	7,867
Cégep John Abbott	2,017
Cégep Régional de Lanaudière à Joliette	13,996
Centennial College	3,333
Collège Ahuntsic	3,767

Collège de l'Outaouais	5,221
Collège de Maisonneuve	738
Collège de Valleyfield	6,899
Collège dominicain de philosophie et de théologie	23,741
College of the North Atlantic	23
Collège universitaire de Saint-Boniface	1,600
Concordia University	3,193,617
Concordia University College of Alberta	1,600
Dalhousie University	6,039,699
Dawson College	61,398
École de technologie supérieure	726,677
École nationale d'administration publique	56,876
École Polytechnique de Montréal	3,869,108
George Brown College	12,154
Georgian College of Applied Arts and Technology	6,940
Grand Prairie Regional College	859
HEC-Montréal	561,460
Humber CAAT	3,705
Institut national de la recherche scientifique	2,580,609
Kwantlen University College	1,778
Lakehead University	738,111
Langara College	1,937
Laurentian University / Université Laurentienne	1,158,588
Malaspina University College	62,760
Marianopolis College	1,867

McGill University	16,884,621
McMaster University	8,122,229
Memorial University of Newfoundland	3,626,945
Mount Allison University	423,652
Mount Royal College	2,284
Mount Saint Vincent University	188,981
Nipissing University College	11,184
Northern Alberta Institute of Technology	1,247
Nova Scotia Agricultural College	196,941
Nova Scotia College of Art & Design	13,447
Nova Scotia Community College	5,163
Nunavut Arctic College	24,645
Okanagan University College	198,287
Queen's University	6,583,702
Red Deer College	827
Redeemer College	17,654
Royal Roads University	19,015
Ryerson University	866,368
Saint Mary's University	610,440
Seneca College of Applied Arts and Technology	36,020
Sheridan College	510
Simon Fraser University	4,964,270
St. Francis Xavier University	764,515
St. Mary's College	2,284
St. Thomas University	57,051

Télé-Université	395,549
The King's College	4,800
Trent University	996,840
Trinity Western University	63,184
Université de Moncton	537,572
Université de Montréal	11,826,893
Université de Sherbrooke	4,665,981
Université du Québec à Chicoutimi	979,073
Université du Québec à Montréal	3,430,581
Université du Québec à Rimouski	686,247
Université du Québec à Trois-Rivières	1,268,185
Université du Québec en Abitibi-Témiscamingue	263,980
Université du Québec en Outaouais	393,764
Université Laval	9,980,306
Université Sainte-Anne-Collège de l'Acadie	31,340
University College of Cape Breton	208,278
University College of the Cariboo	123,123
University College of the Fraser Valley	21,420
University of Alberta	13,354,465
University of British Columbia	15,713,806
University of Calgary	8,478,186
University of Guelph	4,830,342
University of King's College	4,640
University of Lethbridge	911,517
University of Manitoba	6,094,182

University of New Brunswick	2,813,562
University of Northern British Columbia	584,796
University of Ottawa / Université d'Ottawa	6,964,355
University of Prince Edward Island	608,206
University of Regina	1,462,078
University of Saskatchewan	4,483,343
University of Toronto	26,559,408
University of Victoria	4,449,474
University of Waterloo	6,494,532
University of Western Ontario	8,130,579
University of Windsor	2,322,818
University of Winnipeg	515,200
Vanier College	17,097
Wilfrid Laurier University	735,635
York University / Université York	3,977,390
Yukon Community College	10,833