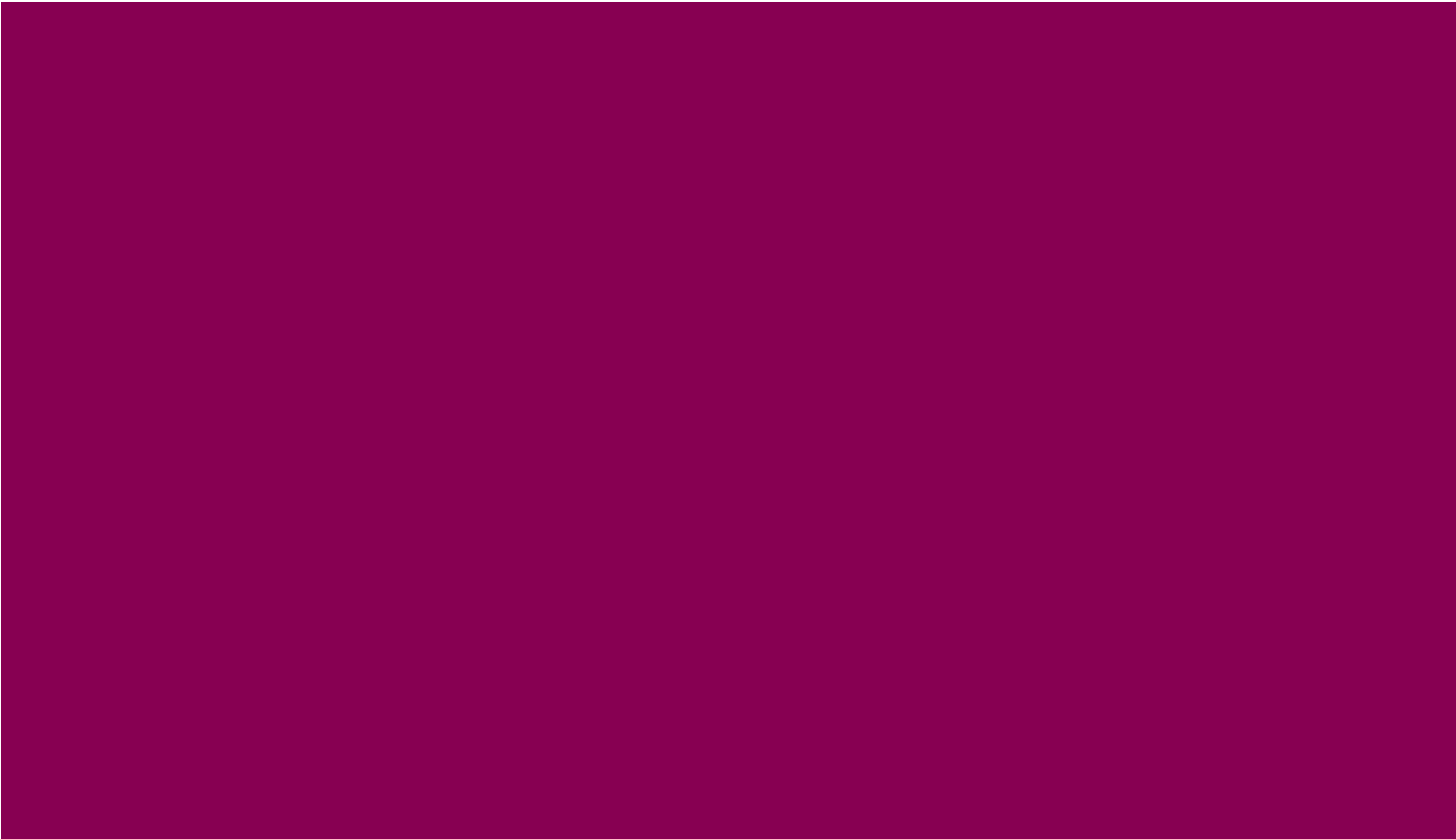


INDI model at KI





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## **1. Introduction**

An Association of Swedish Higher Education (SUHF) working party has devised a model for calculating and reporting indirect costs in association with key financiers. The aim was to contribute to good internal management and control in a simple, accurate and cost-effective manner. The President decided that the SUHF model for allocating indirect costs should be adapted to KI:s operations and introduced with effect from 01/01/2010. The model is referred to as INDI at KI.

In short, the model means that both external funding and direct state grants should be fully allocated to core operations. Support operations that exist at university and department level (the indirect costs) are financed through charging core operations concurrently with the generation of costs in respect of salaries and operations.

## **2. Direct and indirect costs**

Direct costs are project costs which are unequivocally bound to an individual product, e.g. salary costs for researchers in the project and materials purchased for the project.

Indirect costs are costs that cannot be directly related to a particular article or a particular post, e.g. joint costs for several projects, for an entire group of researchers, for a department, for an area of activity or for the entire university.

## **3. Core operations and cost units**

The *core operations* at KI are:

- Education at undergraduate and postgraduate level
- Research and education at research level

The core operations will be divided into *cost units*, which is the lowest level at which all income and costs are shown. A cost unit may be an individual project or it may consist of a group of projects linked to the same operation, researcher or group of researchers. In reporting, the cost units are held together through the object structure and it is possible to identify cost units directly from the reporting.

It is up to the departments themselves to define the cost units, but there must always be separate cost units for the four different operation areas:

- Grant- and subsidy-financed basic education (operational codes 1 and 4)
- Grant- and subsidy-financed research/postgraduate research training (operational codes 2 and 3)
- Contract education (operational code 5)
- Contract research (operational code 6)

#### **4. Support operations**

Support operations are all joint support functions which are not directly linked to one cost unit or a few cost units. Support operations are divided into joint university and joint department costs and between undergraduate education and research at each level.

#### **5. Allocation of joint university costs to a department**

The size of joint university costs is decided by the Board of Karolinska Institutet.

The joint university cost are allocated to the various departments at KI based on a fixed percentage for the undergraduate education and research level.

The percentages are the same for all departments and are calculated based on forecast for the costs for the coming year in the core operations in relation to the joint university costs. The percentages are calculated at the central administration at KI and is determined by the Planning Director.

#### **6. Production of joint department costs**

Each department will define the costs of their own support functions on an annual basis. The percentages to be used when calculating increments for undergraduate education and research are obtained by setting the budgeted costs for support functions in relation to the budget for core operations at the department. The costs to be included when budgeting core operations are staff costs and operating costs, excluding rent and depreciation. The internal costs will not be included and neither will certain other costs which are exempt from the cost base (see <https://medarbetare.ki.se/indi-modellen> for costs that are currently exempt from the INDI calculation).

#### **7. The total indirect costs**

The final increment for education at undergraduate level and research at each department to be used in applications for subsidies is obtained by combining the share of indirect costs for joint university and joint department costs. According to the INDI model, the percentage increment for the departmental costs will differ between departments. A summary of the percentages is available on the INDI website.

#### **8. Allocation per cost unit**

The INDI model is based on full coverage of costs which means that all income and costs must be allocated to a cost unit. As far as costs are concerned, this means that *all* direct and indirect costs must be charged to a cost unit in the core operations. According to the model, direct costs also include premises costs, IT costs and purchasing costs, etc. When full cost allocation takes place, each cost unit will give an accurate view of the total cost for the operation.

Costs for persons in core operations (salaries, premises, operating costs, etc.) will be allocated to the cost unit or cost units where the person is active.

## **9. Internal transfers**

### **9.1 Transfers within the department and transfers between departments**

Costs transferred within the department generate indirect costs. The aim is that the project should bear the cost in the end to be charged with both direct and indirect costs. An indirect cost is also generated when a cost is allocated to a project. However if the project is credited with the cost in a transfer, the indirect cost will also be credited. The indirect cost can therefore only be charged once.

### **9.2 Sales within the department and sales between departments**

When a department **sells** an article/service to another department, the seller will include an increment relating to its indirect costs when invoicing. The purchasing department will enter the invoice in an internal cost account (a five-digit account ending in 9), which is exempt indirect cost charges. The selling department therefore obtains coverage of its indirect costs, which are instead charged to the purchasing department. No further indirect cost is charged to the purchasing department.

## **10. Project calculations**

Since the model requires full cost coverage, it is important, prior to each new project, to calculate the total costs of the project throughout its lifespan. A project calculation template has been produced for this purpose. It *must* be used for cost accounting when a subsidy of over SEK 100 thousand has been granted, but it can also easily be used for budgeting miscellaneous projects. The cost accounting template including instructions for use are available at <https://medarbetare.ki.se/kalkyler>.

## **11. Co-financing**

If an external financier does not provide full cost coverage (for example salaries or indirect costs), the head of department must decide whether or not the subsidy should be accepted. If the subsidy is accepted, co-financing must be obtained from the department and the head of department (or the person to whom he/she has delegated the right to make a decision) is responsible for deciding which funds are to be used. See also *Besluts- och delegationsordning* [Rules of Procedure for Decision-Making and Delegation] for Karolinska Institutet.

International applications/contracts must be signed jointly by a head of department and the Grants Office. See the Rules of Procedure for Decision-Making and Delegation for Karolinska Institutet for more details. In these cases, decisions on any co-financing should be made at the time of the application. The rules on co-financing also apply to international financiers who do not normally provide full cost coverage for indirect costs (e.g. the EU or National Institutes of Health, NIH). Information and guidance concerning other questions for applications to international financiers can be supplied by the Grants Office.



Special projects can be added to a cost unit to co-finance an operation. Grant funds or state agency capital entered in the results are used for co-financing. Co-financing may not take place between the operation areas of Education at undergraduate and postgraduate level and Research and education at research level. Contract operations are carried on in market conditions and these operations may *not* be co-financed from grant or subsidy funds.

## **12. Exemption from increments of indirect costs**

The SUHF model is based on the premise that all costs are charged an increment for indirect costs.

The INDI model at KI has been adjusted to exclude the following cost categories from the calculation

- premises costs
- depreciation
- financial costs
- internal costs

Specific accounts, operational codes and projects are also excluded. For a full view of the current INDI exemptions, see <https://medarbetare.ki.se/indi-modellen>.