



AALBORG UNIVERSITY
DENMARK

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Statement of indirect costs of grant-funded research activities and income-generating activities at Aalborg University

Cf. the Danish Ministry of Finance's budgetary guidelines¹, the universities may undertake non-commercial research activities and other grant-funded activities which are offshoots of the universities' core activities. The funding of this type of activities may come from private grants and donations, income in the context of cooperation agreements, public funding and programme funds, etc.

According to the Danish Ministry of Finance's budgetary guidelines, budgets for research activities financed by public funding and programme funds, etc. must include an overhead of 44% of the direct costs, which is a contribution to the University's joint expenses. Joint expenses include rent, power, heating, water, repairs and maintenance, etc. and must be accounted for in all public grant-funded research activities by adding a 44% overhead on the direct expenses. For all grant-funded activities other than research activities, expenses for administration or shared services etc. may also be included; however, there is no fixed percentage rate in the Ministry's budgetary guidelines.

As regards income-generating activities (i.e. commercial activities/consultancy services), the budgetary guidelines stipulates that all pricing must be cost-based and include all direct and indirect costs, thus ensuring that no anti-competitive practices take place.

On the basis of all total direct and indirect costs stated in Aalborg University's annual reports, we can document that an overhead rate of 90% of any activity's direct costs will ensure that all indirect costs are covered. The statement (appendix 1) applies to all income-generating activities, research activities and other grant-funded activities. Indirect expenses for technical and administrative staff salaries, which is the largest item under indirect costs, includes salaries for staff in the University's shared support functions such as IT Support, Fundraising, Grants & Contracts, Finance and Accounts Department, HR Department and Campus Services. Rent and building services also comprise a substantial part of the indirect costs.

¹ *Budgetvejledning 2021* pp.63-68 (in Danish), The Danish Ministry of Finance.



Percentage distribution of main items, indirect costs/direct costs:

Technical and administrative staff (operating costs)	42%
Rent and building services	32%
Office supplies/books	5%
IT/telephony	1%
Other consumption costs/operating costs	7%
Depreciation and amortisation on facilities/laboratories	6%
Meetings/courses	2%

The reason for making the indirect costs visible and including them as a standard rate in all applications, budgets and financial reportings of other grant-funded and/or commercial activities than the public grant-funded activities is that Aalborg University can document that the actual level of the indirect costs in average over the last years exceeds 90%. If the funder does not wish to fund the indirect costs, Aalborg University is required to increase its co-financing equivalent to the difference between the overhead rate approved by the funder and the provable overhead rate for indirect costs at Aalborg University.

Indirect costs are a natural consequence of all project activity at Aalborg University. We therefore encourage anyone applying for funding to include a budget item for partial or full funding of indirect costs, except in such cases when the funding rules specify that indirect costs are not eligible costs.

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Appendix 1

Documentation for overhead rates for income-generating activities and grant-funded research activities

AAU Annual Report 2020 (DKK 1,000)

Direct costs:

Staff costs	1,923,934
Including indirect expenses for technical and administrative staff salaries *)	-620,932
Equipment (purchase and rent)	59,201
Travel and transport	23,492
Consultancy services	95,108
Printing and Copydan	13,186
Total direct costs	1,493,989

Indirect costs:

Indirect expenses for technical and administrative staff salaries	620,932
Rent	309,750
Supply area (fuel, district heating, drainage, etc.)	37,895
Repair and maintenance	80,977
Cleaning	47,531
Audit and advisory services	1,285
Courses (students and employees)	15,269
Meeting costs and entertainment	10,646
IT services	10,171
Telephony	2,167
Advertising	18,228
Office supplies, paper and teaching materials	35,260
Journals and books	28,518
Other expenditure	86,317
Other ordinary operating costs	11,501
Amortisation and depreciation	88,099
Total indirect costs	1,404,546

Total costs in the 2020 Annual Report, excluding financial items **2,898,535**

Indirect costs as percentage of direct costs at Aalborg University **94 %**

*) Technical and administrative staff salaries on the University's operating budget.