

Overview of recent CFI changes Background notes and rationale

If there is one constant in the world of research funding, it is change. The landscape continues to expand, contract and evolve. Programs, policies and processes are being constantly evaluated, redesigned and hopefully improved. Today, the business of research is changing rapidly, responding to changing public policy imperatives, accountability pressures, diminishing financial resources and an emerging demographic shift. The Canada Foundation for Innovation (CFI) acknowledges this changing environment and is adapting to keep pace.

Here, we summarize some recent changes to assist you in successfully managing your CFI-funded projects. The CFI has introduced changes on three fronts:

1. Working smarter and reducing burden – increasing effectiveness and efficiency:
 - A. Transitioning to a risk-based management approach
 - B. Shifting from individual project management to a portfolio-management approach
 - C. Revisiting other requirements and practices to increase effectiveness and reduce burden
2. Addressing challenges to ensure we remain highly accountable
3. Continuing to improve on our requirements and practices to ensure we achieve expected results

The CFI is not alone in making such changes. Many institutions have considered similar changes at the institutional level and have been introducing changes to their own approaches and internal practices.

1. Working smarter and reducing burden – increasing effectiveness and efficiency

A. Transitioning to a risk-based management approach

The CFI is adopting a risk-based approach to the management of all CFI-funded projects. The nature and extent of its oversight practices will now be tailored to the risk of each institution and project. Using this approach, the goal is certainly not to eliminate risk since there needs to be some tolerance for risk – and it is acceptable for institutions to do the same.

The CFI has reduced its oversight activities in areas of lower risk, and it will instead be focusing its efforts on the small number of higher risk projects requiring closer attention. Therefore, you will notice that some of the CFI's oversight activities will be changing, and we hope that overall, you will find this means less work for all involved, while better targeting what needs to be addressed.

This risk-based approach underpins many of the guidelines included in the updated CFI Policy and program guide you have recently received, particularly as it relates to the level of oversight performed by the CFI (e.g. financial reporting frequency, prior approval of infrastructure changes).

You will notice in the updated guidelines and in our practices that we are now often using the threshold of a “\$1 million CFI contribution” to differentiate between projects that will be subject to different regimes (e.g. payment schedule, formal risk assessment, frequency of financial reporting). This threshold is based on past experience, where projects under this threshold are usually found to be of lower risk and those over this threshold are more likely to present various risk factors and thus warrant an increased level of oversight. Processes and practices for projects below \$1 million have been streamlined (e.g. financial report every two years, one single payment at the beginning of the award). Although this threshold helps guide our activities, we will tailor our approach whenever warranted, based on risk. So don’t be surprised if a given project does not necessarily fit the standard approach.

To assist with the identification of project-related risks and the establishment of an appropriate level of oversight for each project, the CFI has developed a Tool for Risk Assessment and Management (TRAAM). The CFI will work collaboratively with each institution in the management of project-related risks. The CFI is willing to share with the institution the TRAAM for each project where the CFI contribution exceeds \$1 million, or for other projects (i.e. \$1 million or less) deemed higher risk. You may have already seen the TRAAM and been consulted for input. If you haven’t, we will likely do so shortly since we are now implementing this approach for all ongoing and future projects.

Last fall, the CFI implemented risk-based monitoring visit and contribution audit approaches. Each monitoring visit and audit is now tailored to the risks facing an institution or a project. The revised approach is allowing us to reduce the number of visits and audits, and is making this approach more effective. You will likely notice a change in our approach during your next monitoring visit. We have received positive feedback from institutions we have visited so far using this approach.

Institutions are also encouraged to follow a risk-based approach for managing their portfolio of CFI-funded projects. Through our monitoring visits, we are increasingly seeing that institutions are adopting such approaches (e.g. project managers assigned to larger projects, steering committees for complex projects, reducing activities in areas of lower risk). If you have not already considered such approaches, we encourage you to explore the many benefits it may have.

Overall, adopting a risk-based approach is more effective and efficient for both the CFI and institutions – it is the key to allowing us to work smarter and reduce burden at the same time.

B. Shifting from individual project management to a portfolio-management approach

The ensemble of projects funded at an institution can be seen as its portfolio of CFI-funded projects. Over its 15-year history, the CFI has often funded a group of related projects at an institution (e.g. thematic, space), many of which create the kind of synergies that enable world-class research. Adopting a portfolio-management approach, rather than individual project management, allows institutions and the CFI to improve decision making, facilitate optimal implementation and efficiencies, as well as enhanced infrastructure sustainability.

To move in this direction, the CFI needed to ensure its guidelines would facilitate such an approach, and not hinder its adoption or implementation. Changes have now been introduced in

the recently updated CFI Policy and program guide to facilitate and encourage institutions to consider this portfolio-management approach. Specifically:

- The CFI has simplified the concept of infrastructure changes to a project and the requirements for pre-approval of such changes, thus allowing greater flexibility for institutions to make modifications within acceptable parameters without the CFI's pre-approval. The CFI has removed the "significant change to the infrastructure" concept previously associated to a dollar threshold and a definition of significant enhancement or loss of functionality. The CFI thought it would be more appropriate to revert to basic principles and instead talk about "changes in infrastructure," describe when they would be acceptable (i.e. benefit to the project), and when they would not be acceptable or require prior CFI approval (i.e. negative impact on the project). Dollar threshold should not be the focus here, but rather the impact of the change on the project. The revised guidelines aim to streamline the nature of the changes requiring CFI approval: only changes that have a negative impact on a project, or new items for which the cost exceeds \$50,000, will require prior CFI approval. Parameters for making acceptable changes to the infrastructure have been provided in the new guide.

These changes mean that you will likely need to submit very few amendment requests to the CFI for infrastructure changes going forward. That being said, an appropriate oversight framework must still be in place at the institution to ensure that actual purchases are in line with the infrastructure items identified in the proposal, and that any proposed changes, including the purchase of a new item, are acceptable. We understand that this is a different approach for institutions and that some may be hesitant to make decisions. Institutions will likely want to put in place their own internal thresholds and processes in line with their own tolerance to risk to ensure compliance with the guidelines. This is quite acceptable.

- Changes to individual projects that benefit the portfolio of projects as a whole will be allowed, including revisiting the optimal allocation or design of constructed/renovated space once projects are approved for the overall benefit of all projects.
- Certain restrictions have been removed. The CFI contribution will no longer automatically be reduced if the actual costs of warranties or service contracts are lower than the estimated costs presented in the proposal or upon award finalization. As well, the transfer of funds from certain budget items to cover increases in construction costs will be allowed as long as this does not negatively impact the project.
- Increased flexibility will be provided by allowing the CFI funding percentage to increase – from the application stage to the final financial report stage – up to the maximum allowable CFI funding share of eligible costs as indicated at the proposal stage (typically 40 percent). This will now be a broad principle, not only one that applies if the reduction in costs is related to reductions in in-kind contributions. However, it still remains that the maximum CFI amount cannot be exceeded.
- Acknowledging that many institutions are administering a complex portfolio of projects, the CFI will consider, on a case-by-case basis, requests to use the CFI funding of one or more projects with cost savings for other projects that have experienced cost overruns.
- If an institution determines after award approval that it is more optimal and/or cost effective to consolidate the individual needs of two or more projects and to purchase one single item that

will benefit these projects, the cost of the item purchased can be allocated and reported in each individual project using any method deemed reasonable by the institution, as long as the sum of the amounts reported do not exceed the actual purchase cost of the item.

- The CFI has clarified how the cost of an item purchased as part of a basket purchase (i.e. a group of items acquired for a single amount) should be determined. In line with CICA accounting guidelines, if the institution is unable to obtain from the vendor details of the purchase price and its allocation among infrastructure items, the cost of each item can be determined by allocating the price paid for the basket to each item on the basis of its relative fair market value at the time of acquisition. This should encourage institutions to combine the purchase of CFI-funded items with the purchase of other items at the institution, allowing for economies of scale and overall reduction in burden related to the issuance of separate requests for proposals.

We hope that these changes will facilitate the adoption of a portfolio management approach at your institution. Please note that these changes are effective for all ongoing and future projects as of May 1, 2013. Your institution may thus be able to benefit from these changes immediately.

C. Revisiting other requirements and practices to increase effectiveness and reduce burden

In addition to the adoption of the risk-based approach for managing CFI-funded projects and the changes introduced to facilitate the adoption of portfolio-management approaches, the CFI has also implemented the following changes:

- The CFI application form for the last Leading Edge Fund/New Initiatives Fund competition has been streamlined by eliminating redundancy and removing the requirement for some information (e.g. cost by year). The CFI Awards Management System (CAMS) has made it easier to complete the application form. A survey conducted in the spring of 2012 indicates that more than half of respondents felt the online application forms were significantly improved over the previous forms. The CFI will continue to build on this initiative based on the feedback it received from institutions.
- The award finalization process has been streamlined. For projects where there are no significant changes between the application and award finalization stages, a budget update (i.e. submission of the Itemized List and Summary of Secured Contributions) is no longer required. The budget in the proposal will form the basis for the Award Agreement. The CFI expects that approximately three-quarters of CFI-funded projects will be able to take advantage of this. Only the larger and more complex projects are likely to require a budget update (e.g. LEF/NIF projects). Details on the roll-out of this particular change have now been forwarded to institutions.
- Projects with a CFI contribution of less than \$1 million can now submit a financial report every two years rather than annually. This threshold was increased from \$200,000 to \$500,000 last year, with a further increase to \$1 million this year.

- The retention period for supporting documentation has been changed to align with the Canada Revenue Agency requirements. This means institutions will no longer need to segregate and separately maintain documentation related to CFI-funded projects for periods that exceed the usual documentation retention practices at institutions.
- The CFI is encouraging institutions to streamline their procurement practices by performing a formal competitive bid process only once prior to the purchase of an item.
- The CFI is encouraging the practice of “functional groupings” in proposal budgets and will provide an acceptable example of how this can be done as part of the next competition. This will help reduce the number of items presented in proposal budgets, and allow for greater flexibility to institutions in the management of their budgets afterward.
- Institutional reports are no longer required. We have recognized a diminishing return from this particular report since there was significant overlap between data collected through it and through the project progress reports. The extra information tended not to vary much from year to year. However, the CFI will endeavor to collect this additional information through targeted requests to minimize the burden.
- The Project Progress Report has been revisited. Projects with a total CFI contribution of less than \$1 million are now required to submit four reports instead of five. At the same time, the reporting period is now aligned with the operational status of the project which can lead to the collection of more meaningful data.
- A number of functionalities and reports are being contemplated in the development of the post-award phase of the CFI Awards Management System. We hope these changes, which will be available in 2014, will allow institutions to manage CFI-funded projects more effectively and efficiently.

By revisiting its requirements and practices over the past year, the CFI has attempted to increase effectiveness and reduce burden. Our ultimate goal is to work collaboratively with institutions and provinces to establish and implement more effective and efficient processes and oversight mechanisms. Given that some practices are institutionally driven, we also encourage institutions to reconsider their own internal processes and controls to see if there are further opportunities to increase effectiveness and reduce burden.

2. Addressing challenges to ensure we remain highly accountable

In July 2011 and August 2012, the CFI performed two rounds of consultations on proposed changes to in-kind contributions guidelines. The CFI was trying to respond, in part, to the challenges posed by supplier discounts. Needless to say, the proposed limit of 10 percent on such discounts in our last consultation was not well received. Most respondents indicated that under the current economic conditions and with recent cuts in other programs, institutions have a very limited ability to make further cash contributions and that the proposed 10 percent limit would impact the ability of institutions to submit project proposals in future competitions.

Following this, the CFI worked with the executives of the Canadian Association of University Research Administrators (CAURA) and the Canadian Association of University Business Officers (CAUBO) to find a mutually agreeable solution. Well informed through various consultations, the final guidelines have now been incorporated in the CFI Policy and program guide.

In light of the case put forward, the CFI has not implemented the 10 percent limit on supplier discounts, as previously proposed, but has adopted the following:

- The CFI is promoting practices that will help ensure the integrity of the procurement process and of the pricing information provided by suppliers, such as:
 - bid evaluation practices that help ensure the integrity of the procurement process is maintained and that suppliers provide reasonable pricing information;
 - institutions not requiring a “mandatory 20 percent in-kind contribution” from suppliers;
 - appropriate communication with suppliers regarding the CFI and the contributions solicited and certification from suppliers of the pricing information provided. The CFI is currently working with a recipient institution to develop material to be shared with all institutions later in the year.
- Guidelines have been simplified and now focus on the key principle of fair market value for all items involving in-kind contributions. Institutions are responsible for establishing this fair market value. Information that is readily available to an institution (e.g. pricing information included in the various bids received, the cash consideration paid in a previous purchase or an institution’s experience with a supplier’s discount structure) should be considered when establishing the fair market value of an item. This may go beyond what some institutions are currently doing but is a practice that is gaining currency.
- If the in-kind contribution is significant (i.e. in excess of \$500,000), a higher level of due diligence is required (by institutions and the CFI). Corroboration of the pricing information provided by the supplier with other sources is required when establishing the fair market value for such items. This information may not be readily available at the institution and may need to be obtained. The CFI will perform a high-level review of this assessment to ensure that the methodology used by the institution appears reasonable.
- As some institutions record in-kind contributions from suppliers in their audited financial statements, the CFI will accept the fair market value and supporting documentation deemed reasonable by an external auditor.
- Expectations on sources of matching funds have been clarified (see section 4 of the Policy and program guide). The CFI does not require that a set portion of the partner funding (e.g. 60 percent) come from a particular type of partner.
- The CFI is encouraging institutions to show their full contributions to the infrastructure projects as well as those made by their partners. These contributions, however, must be to the eligible infrastructure costs. The CFI is unable, per its Funding agreement with the Government of Canada, to recognize as part of the funding model contributions that go beyond the acquisition cost of the research infrastructure.

We trust that the final guidelines will respond to the main concerns brought forward by institutions during the various consultations.

The CFI will closely monitor the situation over the next few years. Should some of the current challenges remain, the CFI may consider implementing additional measures at a later date.

3. Continuing to improve on our requirements and practices to ensure we achieve expected results

Two main changes are worth mentioning here:

Sustainability

Greater emphasis is now being placed on sustainability to ensure that the significant investments made in CFI-funded projects deliver the expected benefits. At the CFI, this has translated into changes to our requirements and review practices at the proposal stage and as part of our oversight. Many institutions have made great strides in this area over the past two years. We now see that institutions are increasing consideration at the application stage to ensure that they will be able to support and maintain the infrastructure over its useful life before proposals are submitted to the CFI. The majority of institutions now also have an operations and maintenance plan in place and they are increasing their monitoring during the implementation phase to ensure they are meeting the O&M needs. Challenges that remain for most institutions are the longer term monitoring and the consideration of overall O&M needs, as opposed to only Infrastructure Operating Fund budgets. If you have not already done so, you may consider this.

Improving the linkages with the private sector

Innovation and commercialization are now top-of-mind for many in the research community. In the interest of allowing institutions to support private-sector innovation and commercialization, CFI-funded institutions are encouraged to provide access to their research infrastructure to users from the private sector. There seems to have been a misconception in the past that CFI-funded research infrastructure could not be used by the private sector. In fact, one of the CFI's national objectives is to promote networks and collaborations with partners from academic, public and private sectors. The CFI hopes institutions will further consider this in the future. Clarifications on the private sector use of the research infrastructure have now been incorporated in the CFI Policy and program guide to help ensure expected outcomes and benefits are being achieved.

To help improve linkages with the private sector, the CFI is currently working on a new online initiative we hope will make it easier for businesses and interested CFI-funded research facilities across Canada to connect as a first step towards establishing possible research partnerships and collaborations. Scheduled to launch in fall 2013, a new dedicated area of our website, Innovation.ca, will include a listing of CFI-funded research labs and facilities that are in a position to work with the private and public sectors. It may also help academic researchers locate specialized equipment and facilities to advance their own work. Participation in these pages is completely voluntary. The listings are meant to assist interested researchers wanting to: establish or expand partnerships and collaborations with industry; undertake contract research with the private and public sectors; and optimize the use of CFI-funded infrastructure when it is not being used for its primary research function. We will be sending out information about this new initiative in coming weeks.

THE CFI LABORATORY AND FACILITY LISTING

Institution

City

Province

Name of research lab/facility

Full civic address

What the lab/facility does *(About 10 words, for example “materials science and engineering” or “research on sustainable design, technology and behaviour”)*

General contact *(Specific person or office responsible for liaising with industry. Please provide name, email and phone)*

Research contact *(Specific person who is prepared to handle queries from business and other potential partners. Please provide name, title, email and phone number.)*

CFI project leader(s) *(Will not be published)*

Lab/facility website *(URL)*

Area(s) of expertise *(Paragraph that describes your lab/facility; a concise overview of what you do, written in a way that will “sell” your facility, what makes it unique, etc.)*

Sector (area of application) *(From CFI funding application)*

Research services *(Bulleated list of services, e.g. 3-D printing, analytics, photonics, etc.)*

Specialized labs and equipment *(Bulleated list of your key facilities and/or pieces of equipment, providing name and a short description of its function. If your facility has several specialized labs, you may want to provide a list of equipment for each. This content can be technical.)*

Private and public sector partners *(List of companies, public sector organizations, etc., with whom you have had a research collaboration. Please include only those you wish to highlight, and those for which you have permission to list.)*

Additional information *(Website(s) or links to relevant newspaper/magazine/web articles or videos showcasing your facility/lab or its work.)*

Images *(.png or .jpg at 300dpi, full colour)*

Lab/facility logo *(.eps preferred, .png & .jpg acceptable, full colour and in square format)*