

GENERAL QUESTIONS AND ANSWERS ABOUT THE ICRR (INDIRECT COST RECOVERY RATE) POLICY

1. WHAT IS THE ICRR?

It is the rate (20%) that will be recouped from the invoice amount to cover the indirect costs related to the third and fifth stream activity. Because the indirect costs forms part of the total cost of the third or fifth stream activity, the indirect costs should be recovered from the client or funder.

2. DOES THE POLICY APPLY TO ALL THIRD AND FIFTH STREAM INCOME?

Yes, the ICRR will be applied to all gross third and fifth stream income. In this context, gross third and fifth stream income includes the following:

- Research and research-related grants and contracts
- Diverse research
- Consulting services
- Sponsorships
- All other product and service sales (including short courses and conferences)

The ICRR is applicable to all environments within SU, both academic and non-academic. This also includes environments associated with the University and that make use of SU's services.

3. WHAT IS EXEMPTED FROM THE ICRR?

Below is a list of income types that are exempted from the ICRR. It is however important to consult the ICRR policy to better understand the context of these exemptions.

- Government funding in the form of a government subsidy or earmarked allocation by the government is regarded as first stream income and is therefore not subject to ICRR. All other government funding, just like any other third stream income, is subject to the ICRR
- Any merit-based prizes, such as the Oppenheimer Prize.
- If another institution is responsible for a staff member's travel and accommodation costs, but the costs are provisionally covered by the University until a repayment is made, this repayment is exempt from the ICRR. However, if the travel and accommodation costs form part of a research agreement, these costs will not be exempt from the ICRR
- Bona fide donations that are made via the University's Development and Alumni office
- Bursary income

- Membership fees received by sport clubs levied via student accounts
- Students' printing fees and textbook sales via Student Finances

4. MAY I APPLY FOR EXEMPTION OF THE ICRR?

In exceptional cases, the policy does make provision for applying for a reduction or exemption of the ICRR via a formal application process as set out in Addendum B of the policy.

5. WHEN WILL THE REVISED ICRR POLICY BE IMPLEMENTED?

The Council approved the revised ICRR policy in November 2022. The revised ICRR policy will be in effect from 1 January 2023.

6. WHAT DOES THE ICRR CONSIST OF?

- Support and institutional expenses that are funded by the first and second stream income. These include the following: human resource services, overhead financial services, information technology and communication services, legal services, communication and liaison services, library services, research support, insurance (i.e. liability, assets, transit, but excluding building insurance), and support regarding the commercialisation of intellectual property (IP)
- The costs that form part of the ICRR, but that are already carried by the faculties/responsible centres and have to be recovered from the client. These include the following: facility management and planning services, maintenance of buildings, security services, buildings and content insurance, cost of municipal services (e.g. water, electricity and property tax)
- The support costs of the Deputy Vice-Chancellor: Research, Innovation & Postgraduate Studies that form part of the ICRR and that are invested for the promotion of third stream income

For more information about the distribution, please consult the ICRR policy.

10. WHAT IS THE FACULTY LEVY?

Contract research that has no or inadequate academic output may be taxed with an additional 5% faculty levy (on a sliding scale, at the discretion of the faculty) to promote contract research with a sufficient academic output.

11. HOW DO I CALCULATE THE INDIRECT COST ON MY BUDGET?

There are basically two ways to calculate the indirect cost on a budget. It depends whether you use the costs or the income as basis for your calculation.

Option 1: 20% of income (invoice amount)

SU recoups 20% from the income to recover the indirect costs. For example, a client is willing to pay R100 000 for a project. Once they pay the amount into the account, SU will recover 20% of the R100 000 for the indirect costs. Therefore, the indirect costs related to the project amount to R20 000 ($R100\ 000 \times 20\% = R20\ 000$). This means the researcher/staff member will only have R80 000 available in his/her cost centre to fund the direct costs related to the project.

Option 2: 25% on direct cost

If you want to express the R20 000 indirect costs as a % of direct costs (R80 000), you get 25% ($R20\ 000/R80\ 000$) which is the ICRR on direct costs.

Direct Cost (R80 000) + Indirect cost (R20 000) = Invoice amount (R100 000)

R100 000 – paid into SU account

R20 000 – 20% ICRR on income – the amount SU will recover for the indirect costs

R80 000 – Funds left in cost centre to cover the direct costs

For example, if a client asks you how much a project will cost you need to determine the budget from scratch. You need to multiply your direct costs with 25% in order to determine what the indirect costs related to the project will be. If you are only using the 20% on the direct costs, you will under budget for the indirect costs component ($R16\ 000 = R80\ 000 \times 20\%$) which means that you will not have sufficient funds left in your cost centre.