



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

1. WHAT IS THE ICRR?

It is the rate (17%) that will be recouped from the invoice amount to cover the indirect costs related to the third stream activity. Because the indirect costs form part of the total cost of the third stream activity, the indirect costs should be recovered from the client or funder.

2. WILL THE POLICY APPLY TO ALL THIRD STREAM INCOME?

Yes, the ICRR (previously known as the 'surcharge' or '12% levy') will be applied to all gross third stream income. In this context, gross third stream income includes the following:

- Research and research-related contracts
- Diverse research; that is research for which there is no contract
- 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
- Funds that are earmarked for seconded posts
- 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 donations office
- Bursary income
- Membership fees received by sport clubs
- Students' printing fees and textbook sales via the Student Fees Division

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. WHY AN AVERAGE RATE?

The indirect cost will be recovered from third stream activities by means of an average rate. We do realise that there are alternative methods for recovering indirect cost, but at this stage these alternative methods are not practical (e.g. staff do not keep time sheets at the moment).

6. WHEN WILL THE ICRR BE IMPLEMENTED?

The Council approved the ICRR policy on 30 September 2013. The ICRR policy will therefore be in effect from 1 October 2013. All third stream budgets prepared after 1 October 2013 must include the ICRR.

7. I'VE ALREADY PREPARED MY BUDGET ON THE 12% LEVY BEFORE THE 1ST OF OCTOBER 2013, NOW WHAT?

Only the 12% will be recovered if you can prove that the budget was prepared before 1 October 2013 and that an expectation has been created with the client that the 12% levy will be applicable. The following will be seen as proof

- (1) A budget that formed part of a research proposal application submitted before 1 October 2013
- (2) An e-mail to the client from the staff member, dated before 1 October 2013, in which the budget amount is indicated

8. IS THE ICRR APPLICABLE TO SHORT COURSE BUDGETS FOR 2013?

No, the ICRR is not applicable to the 2013 short course budgets. However, it will be applicable to all the 2014 short course budgets.

9. WHAT DOES THE ICRR CONSIST OF?

1. 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)
2. 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)
3. The support costs of the Vice-Rector (Research and Innovation) 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: 17% of income (invoice amount)

SU recoups 17% 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 17% of the R100 000 for the indirect costs. Therefore, the indirect costs related to the project amount to R17 000 (R100 000 x 17% = R17 000). This means the researcher/staff member will only have R83 000 available in his/her cost centre to fund the direct costs related to the project.

Option 2: 20.5% on direct cost

If you want to express the R17 000 indirect costs as a % of direct costs (R83 000), you get 20.5% (R17 000/R83 000) which is the ICRR on direct costs.

Direct Cost (R83 000) + Indirect cost (R17 000) = Invoice amount (R100 000)
R100 000 – paid into SU account

R17 000 – 17% ICRR on income – the amount SU will recover for the indirect costs

R83 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 20.5% in order to determine what the indirect costs related to the project will be. If you are only using the 17% on the direct costs, you will under budget for the indirect costs component (R14 110 = R83 000 x 17%) which means that you will not have sufficient funds left in your cost centre.

12. THIS IS THE FIRST TIME I HEAR ABOUT THE ICRR, WAS A CONSULTATION PROCESS FOLLOWED?

| CONSULTATION PROCESS FOLLOWED | |
|---|------------------|
| Committee | Meeting |
| Institutional Planning forum submission | 24 February 2012 |
| Investigation into alternative proposals for the calculation of indirect cost (workshop with Prof Schoonwinkel) | 22 May 2012 |
| Finance Committee (Changes to the Full cost Policy on Research contracts and to the proposal by the consultation team.) | 23 November 2012 |
| Rector's Management Team (RMT) (Approval of Full cost Policy changes and of the composition of the consultation team investigating the method of indirect cost recovery on third stream income.) | 27 November 2012 |
| Consultation team (Comprising representatives from DRD, Finance, InnovUS and Vice-Deans: Research.) | 6 December 2012 |
| Consultation team | 12 December 2012 |
| Consultation team | 7 February 2013 |
| Consultation team | 28 February 2013 |
| RMT (Approval of consultation team's proposal.) | 12 March 2013 |

| INDIRECT COST RECOVERY RATE (ICRR) POLICY TIMELINE | |
|---|-------------------|
| Committee | Meeting |
| Finance Committee | 17 April 2013 |
| RMT | 7 May 2013 |
| Research Committee | 27 May 2013 |
| Executive Committee (EC) (Institutional Forum [IF]) | 22 July 2013 |
| IF | 1 August 2013 |
| EC(S)(Executive Committee Senate) | 20 August 2013 |
| Senate | 30 August 2013 |
| Council | 30 September 2013 |

| COMMUNICATION FOR INTRODUCTION OF AND INPUT FOR THE ICRR | |
|---|--------------------------|
| Discussions with deans and faculties | March to May 2013 |
| Dean: Engineering (only e-mail correspondence) | 18 March 2013 |
| Dean: Law | 25 March 2013 |
| Dean: Science | 26 March 2013 |
| Dean: Theology | 27 March 2013 |
| Dean: Economic and Management Sciences | 27 March 2013 |
| Dean: AgriSciences | 28 March 2013 |

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| Dean: Education | 28 March 2013 |
| Dean: Arts and Social Sciences | 3 April 2013 |
| Dean: Medicine and Health Sciences | 12 April 2013 |
| Dean: Military Science (presentation at this Faculty not necessary) | 16 April 2013 |
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| Discussions with faculties | |
| Presentation at Faculty: Theology | 30 April 2013 |
| Presentation at Faculty: Medicine and Health Sciences | 13 May 2013 |
| Presentation at Faculty: AgriSciences | 15 May 2013 (15:00–15:30) |
| Presentation at Faculty: Arts and Social Sciences | 15 May 2013 (15:34–16:15) |
| Presentation at Faculty: Science | 16 May 2013 |
| Presentation at Faculty: Law | 17 May 2013 (10:30–11:00) |
| Presentation at Faculty: Engineering | 17 May 2013 (12:00–12:30) |
| Presentation at Faculty: Economic and Management Sciences | 17 May 2013 (14:00–14:30) |
| Presentation at Faculty: Education | 17 May 2013 (15:00–15:30) |
| Public forum in Library Auditorium | 21 May 2013 |
| Public forum in Library Auditorium | 23 May 2013 |
| Public forum at Tygerberg | 30 May 2013 |
| Presentation at General Management meeting | 13 May 2013 |
| E-mail the feedback on the ICRR process to General Management | 31 Augustus 2013 |
| Communication to General Management regarding the implementation of the ICRR on 1 October 2013 | 5 September 2013 |