

Announcement of TRAC default cost rates

Indirect and estates cost rates have now been set for 2005-06. These rates are to be used when applying to the Research Councils for grants for research projects on a full economic cost basis (fEC) from September 2005, and will be valid until February 2006. The rates will also apply to projects awarded by Other Government Departments (OGDs) on a fEC-basis up to February 2006.

The rates have been set by the Government's working group on dual support reform (Working Group A), which represents the Treasury, the Department for Education and Skills, the Higher Education Funding Councils for England and for Scotland, the Office of Science and Technology and Research Councils UK.

The TRAC methodology provides for the use of default cost rates for higher education institutions (HEIs) whose own implementation of TRAC is not yet robust. In addition, default rates can be applied by HEIs with less than £500,000 annual research income from public sources who can claim dispensation from fully robust implementation and verification. (Research income from public sources is defined as 'HEFCE recurrent research grant plus research grants and contracts income from OST Research Councils, Other Government Departments and EU', as reported in HESA Finance Statistics Return Table 5b.)

Similarly, non-HEI research organisations, such as NHS Trusts and Research Council institutes, are not required to implement TRAC.

In the table below, the first set of rates is for use by HEIs whose implementation of TRAC is not robust (as determined by the external quality assurance reviews conducted at all HEIs) and who are not eligible for dispensation. No estates costs can be charged by HEIs where their implementation is not robust. The second set of rates is for use by non-HEI research organisations, or by HEIs that adopt the dispensation available to institutions with very low volumes of research income from public sources.

TRAC default cost rates for 2005-06		<i>Rate</i>
		<i>(per academic or research FTE)</i>
		£
Non compliant default rates – for HEIs with non-robust TRAC implementation		
Indirect cost rate: lower of HEI's own rate or		22,000
Estates cost rates		0
Dispensation default rates – for non-HEIs and for HEIs with dispensation		
Indirect cost rate		36,000
Laboratory estates rate		9,000
Non-laboratory estates rate		6,000

These rates have been derived from the benchmarking exercise undertaken in January 2005 as part of the quality assurance process in HEIs. They are based on data for the academic year 2003-04, indexed to 2005-06. The rates will be reviewed in spring 2006 and 2008, when HEIs will be required to provide data based on academic years 2004-05 and 2006-07 for a benchmarking process similar to that conducted in January 2005.

Where HEIs' implementation of TRAC has been assessed as sufficiently robust by the 2004-05 quality assurance review process, they should apply their own indirect cost rate and their own estates rate. Guidance on calculating these rates is given in the TRAC manual volume III (February 2004) and updates April to October 2004 (see below).

HEIs that attain full robustness after September 2005 can apply their own rates from 1 February 2006.

No cap will apply to HEIs' own rates. However, where HEIs have indirect cost rate or an estates rate above the upper quartile of the sector rates, they may be requested by the sponsor to justify their rates. If they are unable to do this, then they will be required to apply the non-compliant default indirect cost rate or no estates rate in their project cost.

Upper quartile sector rates for 2003-04	<i>Rate</i> <i>(per academic or research FTE)</i> £
Indirect cost rate	37,000
Estates: laboratory and clinical	10,000
Estates: non-laboratory	6,000

HEIs should note that whether or not they are required to use the default rates in determining the price of a project for certain sponsors, they should use their own rates when costing a project. This will help them to understand the real cost of the work and the real contribution they will be making to it.

Further guidance on TRAC and fEC project costing is provided in the TRAC manuals volumes I, II, IIa and III and updates. These can be downloaded from the JCPSG web-site <http://www.jcpsg.ac.uk/transpar/manual/index.htm> and <http://www.jcpsg.ac.uk/transpar/manual/changes.htm>.

The Research Councils will provide further information in due course on the procedures to be adopted by non-HEIs applying for grants on a full economic cost basis.