

## TRAC default cost rates 2006-07

### Joint statement by the Office of Science and Technology, Research Councils and UK higher education funding bodies

Indirect and estates cost rates were originally set in spring 2005 to apply from September 2005 to February 2006. They have now been updated based on AY 2004-05 data. These cost rates are to be used when applying to the Research Councils for grants for research projects on a full economic cost basis (fEC) from 1 March 2006, and will be valid until the end of February 2007. The rates will also apply to projects awarded by other government departments (OGDs) on an fEC basis up to February 2007.

The rates have been agreed by representatives from the Research Councils, the Office of Science and Technology, the Department for Education and Skills and the UK HE Funding bodies.

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 'Recurrent research grant from UK HE Funding Councils 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 are the non-compliant default rates, 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 are the dispensation default rates, 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.

<b>TRAC default cost rates for 2006-07</b>		<i>Rate (per academic or research FTE) £</i>
<b>Non-compliant default rates – for HEIs with non-robust TRAC implementation</b>		
Indirect cost rate: <u>lower of HEI's own rate or</u>		22,000
Estates cost rates		0
<b>Dispensation default rates – for non-HEIs and for HEIs with dispensation</b>		
Indirect cost rate		36,500
Laboratory estates rate		9,500
Non-laboratory estates rate		6,000

These rates have been derived from the benchmarking exercise undertaken in January 2006 as part of the quality assurance process in HEIs. They are based on data for the academic year 2004-05, indexed for two years, and thus reflect year one prices for all projects for which bids are made during March 2006 to February 2007. These are the costs to be entered on the Research Council grant application forms (and form the year one costs for all other projects).

The rates will be reviewed in spring 2007 and 2008, when HEIs will be required to provide data based on academic years 2005-06 and 2006-07 for a benchmarking process.

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 appropriately indexed. Guidance on calculating these rates is given in the Consolidated TRAC Guidance (see below).

HEIs that attain full robustness after December 2005 can apply their own rates from 1 February 2007.

No cap will apply to HEIs' own rates. However, where HEIs have indirect cost rates 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.

<b>Upper quartile sector rates for 2006-07</b>	<i>Rate (per academic or research FTE) £</i>
Indirect cost rate	39,000
Estates: laboratory and clinical	11,500
Estates: non-laboratory	6,500

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 Consolidated Guidance. This can be downloaded from the JCPSG web-site <http://www.jcpsg.ac.uk/transpar/manual/index.htm>.

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