

## TRAC default cost rates 2008-09

### Joint statement by Research Councils UK and the UK higher education funding bodies

This document gives the default cost rates for 2008-09 that relevant institutions should apply from March 2008 through to the end of February 2009. It also explains changes in the application of dispensation and non-compliant default rates.

The document covers:

- dispensation default rates
- possible extension to dispensation
- upper quartile rates
- non-compliant rates.

Further guidance on Transparent Approach to Costing (TRAC) and full economic costs (fEC) project costing is provided in the TRAC consolidated guidance. This is available from the TRAC web-site at [www.jcpsg.ac.uk/transpar/manual/index.htm](http://www.jcpsg.ac.uk/transpar/manual/index.htm)

### **Dispensation default rates**

Institutions eligible for dispensation can apply dispensation default rates. Eligibility is currently defined as institutions with less than £500,000 annual research income from public sponsors. This is a five year average, defined as 'Recurrent research grant from UK HE Funding Councils plus research grant and contract income from Research Councils, Other Government Departments and EU' as reported in the Higher Education Statistics Agency Finance Statistics Return, Table 5b. The scope of dispensation is currently under review.

Eligibility for dispensation means that the institutions continue to participate in the annual TRAC process (including submitting the annual TRAC return and TRAC(T) data) but they do not have to be fully robust in their implementation and verification. They apply the lower of (a) their own indirect cost and estates rates (if calculated) and (b) the dispensation default rates.

The rates quoted below are derived from data from the QAV-DATA benchmarking process carried out in January 2008. They are based on the sector average. Some outlying figures from institutions have been omitted. The averages are based on data for the academic year 2006-07, indexed for two years using the average indexation rate from the sector. The rates reflect the prices which should be quoted as 'current year' prices on Research Council projects for which bids are made from March 2008 to February 2009.

<b>TRAC dispensation default rates – for non-HEIs and for HEIs eligible for and applying dispensation.</b>	<b>Indexed rate expressed as £ per staff FTE to be applied from March 2008</b>
Indirect cost rate	£36,900
Laboratory estates rate	£10,700
Non-laboratory estates rate	£6,200

Institutions that applied dispensation during 2007-08 but are now not eligible should apply their own robust rates.

Institutions that are currently eligible for dispensation may choose to opt in or out of dispensation. This decision should apply to all rates, and should be binding for a year. It can be revisited by the institution in the following year.

Institutions that are eligible for dispensation and whose systems are not robust should not apply a separate laboratory technician infrastructure rate. They can however apply their own directly incurred(DI) laboratory technician, directly allocated(DA) pool laboratory technician, Small Research Facilities (SRF) and Major Research Facilities (MRF), in addition to their own academic staff charge-out rates, as long as they have been calculated robustly.

### **Possible extension to eligibility for dispensation**

The TRAC Strategy Group is considering a new policy which is likely to increase the number of institutions who are eligible for dispensation significantly. This is still under development and is not yet approved by the funding councils, RCUK, or the British Universities Finance Directors Group Costing and Pricing Group. Details will be sent to the Technical Advisory Group and any interested institution for comment, before they are presented for approval.

Dispensation may be available to institutions where research income comprises less than 10 per cent of their total income (using a five yearly average). This might apply to nearly half the higher education sector. All institutions, whether eligible for dispensation or applying dispensation, will continue to run an annual TRAC model and report their annual TRAC figures and TRAC(T) figures.

However, their methods, in particular on academic time recording and on estates allocations will not need to be robust. They would therefore be able to use time allocation methods which provide more useful information internally (for example, workload planning models). Such methods are currently permitted under TRAC if they meet the minimum requirements for robustness (for example, covering all academics, all time periods, with three schedules covering a year, and each schedule covering not more than six months). Institutions eligible for dispensation can use their own time allocation methods and do not need to meet the minimum requirements.

Institutions eligible for this extended dispensation would apply the lower of their own rates (if calculated) and the dispensation default rates. These dispensation default rates are likely to continue to be based on sector averages (calculated on data from institutions whose methods are robust). They are not penalty rates.

Institutions that take up dispensation should note that this will have implications for their involvement in any future quality assurance of TRAC. It will also mean that they could not provide a TRAC EC-FP7 system to claim EC FP7 funding on a full cost basis.

This new policy, if approved, is likely to come into effect from February 2009. A paper describing the proposals in more detail is being prepared by J M Consulting. If any institution would like to comment on the above summary, or receive a copy of the more detailed proposals in due course, please contact Melanie Burdett at [director@jmc1.org](mailto:director@jmc1.org)

### Upper quartile rates

Where HEIs have an indirect cost rate or estates rate above the upper quartile of the sector rates, they may be requested by a sponsor to justify their rate. As part of the Quality Assurance and Validation (QAV) process, if visited by the QAV Review Team, they will be asked to justify their rate.

<b>TRAC upper quartile rates for the sector</b>	<b>Indexed rate expressed as £ per staff FTE Based on 2006-07 data indexed for two years</b>
Indirect cost rate	£39,800
Laboratory estates rate	£11,800
Non-laboratory estates rate	£7,200

### Non-compliant default rates

Institutions that are currently non-compliant (as assessed during the 2005-07 quality assurance processes, prior to QAV), should continue to apply the relevant 2007-08 non-compliant default rates. Non-compliant default rates for 2007-08 are available at [www.hefce.ac.uk/finance/fundinghe/TransparencyReview/](http://www.hefce.ac.uk/finance/fundinghe/TransparencyReview/)

These will not be indexed.

They should not apply a laboratory technician infrastructure rate.

In addition to the non-compliant rates, they can, however, apply their own DI laboratory technician, DA pool laboratory technician, SRF and MRF rates, as long as these are calculated robustly.

Institutions that are currently non-compliant will already have been contacted by KPMG, who will advise the funding councils when compliance has been achieved. Once approved by the funding councils, the institution's own robust rates can be applied.

Non-compliant default rates have not been calculated for 2008-09. Non-compliant default rates for 2008-09 are to be covered under the sanctions that will apply under the RCUK QAV process. These will be announced in due course. An institution may need to apply

these if it has been assessed at level 3 (materially non-compliant) as a result of a QAV Review visit during 2008.

For further information on the QAV process please see [www.rcuk.ac.uk/aboutrcuk/efficiency/assurance.htm](http://www.rcuk.ac.uk/aboutrcuk/efficiency/assurance.htm).