Annex 1.2b – Dispensation

Any updates from the previous version of TRAC are indicated by bold blue text.

Background

All UK higher education institutions (HEIs) in receipt of grant funding from the UK funding bodies are required to implement the Transparent Approach to Costing (TRAC) and provide annual TRAC returns to their respective funding bodies, including data required by Research Councils to inform their funding of research projects as a condition of funding.

All HEIs are required to comply with the TRAC requirements, with the exception of HEIs with low levels of publicly funded research activity which are eligible to apply for dispensation from some of the requirements.

The threshold for dispensation is currently set at £3.0 million of publicly funded research income (calculated as a five-year rolling average). Research income from public sources (as reported in Higher Education Statistics Agency Finance Record) is defined as:

- ‘Recurrent research grants for higher education provision (table 7, sub-head 1b – Scotland and Northern Ireland; sub-head 1e for Wales);
- plus, Research grants and contracts from the Department for Science, Innovation and Technology Business, Energy and Industrial Strategy, Research Councils, Royal Academy & Royal Academy Edinburgh (table 5, column1);
- UK Central Government/local authorities, health and hospital authorities (table 5, column 4); and
- European Commission/other European Union government bodies (table 5, column 8)’.

For institutions in England, research income from public sources (as reported in the Office for Students (OfS) Annual Finance Return) is defined as:

- Recurrent research grants for higher education provision (table 4, sub-head 2);
- plus research grants and contracts from the Department for Science, Innovation and Technology Business, Energy and Industrial Strategy, Research Councils, Royal Academy & Royal Academy Edinburgh (table 5, column1);
- UK Central Government/local authorities, health and hospital authorities (table 5, column 4); and
- European Commission/other European Union government bodies (table 5, column 8)’.

Claiming dispensation

HEIs that are eligible for and claiming dispensation, while being required to submit Annual TRAC and TRAC for Teaching (TRAC(T))\(^1\) returns for accountability purposes, are not required to comply fully with all of the requirements of TRAC. Institutions eligible to apply dispensation:

- do not have to obtain time allocation data robustly from academics (for example, heads of academic departments could, for example, provide this information)
- do not need to identify space usage robustly across the whole institution

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\(^1\) The Higher Education Funding Council for Wales does not require HEIs in Wales to implement TRAC(T).
• do not need to take into account the type of space when allocating space costs
• are not permitted to calculate and apply laboratory technicians and research facility charge-out rates
• do not need to calculate staff full-time equivalences robustly
• should apply the lower of their own indirect charge-out rate, or the dispensation indirect charge-out rate, to Research Council and Other Government Department cost-based research projects
• should apply the lower of their own estates charge-out rate, or the dispensation estates rate, to Research Council and Other Government Department cost-based research projects.

Deciding whether to take dispensation

It is noted that a number of institutions adopt full TRAC requirements to provide reliable management information that is used in the routine management of the institution, even where the institution is eligible for dispensation. Therefore, it remains the choice of individual HEIs eligible for dispensation as to whether they claim dispensation.

In determining whether to apply dispensation it is suggested that the following are some of the factors that should be considered:

• The administrative advantages against the potential financial implications of applying potentially lower dispensation overhead rates on Research Council-funded projects;
• The reduction in the robustness of the TRAC information, where this is used for other internal management purposes; and
• The reduction in the information that is available regarding academic staff time and usage data on the estate.

For some institutions, growth in publicly funded research income may mean that the dispensation threshold is exceeded at a future date. In this case it is the HEI’s responsibility to understand this issue and the likely time when full TRAC compliance will be required.

Moving out of dispensation

There are no allowances in the TRAC requirements for a transition period, once the dispensation threshold has been exceeded, using the five-year average.

Annex 2.1a explains how HEIs should prepare for a change in compliance.