

TRAC – A guide for Senior Managers and Governing Body members

**The Transparent Approach to Costing
for UK Higher Education Institutions**



Foreword

I am pleased to provide a guide on the Transparent Approach to Costing (TRAC) that is tailored for Senior Managers and Governing Body members. We have a world-class sector and to ensure its continued success institutions need processes that enable them to operate sustainably. A good understanding of costs is expected by our funders, our students and Government, so TRAC has a key role in supporting this understanding.

Professor Stuart

Palmer

Chair of the TRAC
Development Group

The sector has undergone a period of change since 2010 and with continued austerity together with a new Government, further change seems likely. In this context financial sustainability is of heightened concern and a priority for all.

Institutions are accountable to their Governing Bodies and funders for the efficient and effective use of resources, and therefore require plans and processes that enable sustainability. TRAC has been developed by the sector as a basis for fulfilling the requirements of funders and is accepted by Government. This is a benefit for the sector as it provides a basis for self-regulation, as well as utility in the information, supporting the management information needs of the institutions. The absence of TRAC could lead to a more burdensome and restrictive approach being imposed on the sector.

TRAC has evolved from a process that informed Government administrations of the full economic cost of research, to one that now provides a basis for meeting both external and internal information needs. By 2007-08 it had delivered in excess of £1 billion of additional government funding for the sector in research funding alone. It is used in costing research and teaching activity, informing the allocation of resources, supporting institutions' tax affairs, appraising the relative financial performance of activities, and increasing awareness of the full cost of an institutions' activities and the role that all parts of the institution have in meeting these costs. TRAC has also provided the basis for numerous studies for funders and Government, including Sir Bill Wakeham's review of the full economic cost of research, HEFCE and SFC reviews of teaching funding, Sir Ian Diamond's efficiency work on behalf of Universities UK, and Comprehensive Spending Reviews.

The TRAC Development Group is responsible for developing, supporting, maintaining and promoting TRAC, in order to support institutions in operating sustainably by understanding the full economic cost of their activities. This in turn enables institutions to make more informed pricing decisions, and to access increased funding via the UK Research Councils and other Government departments, in addition to other internal uses of the information.

I have observed a range of opinions and views about TRAC and I am convinced that the sector is better off with it. A Review of TRAC was undertaken by HEFCE in response to the English White Paper 'Students at the heart of the system', and found no viable alternatives or better approaches to costing for the sector. The TRAC Review did identify scope for improvement, and I am pleased to report that we have now made these improvements including rewriting the TRAC

Guidance. The process has been simplified and, importantly, barriers to the use of TRAC for internal purposes have been removed.

As with any process, the quality of data that is fed into the system has a bearing on the reliability of the resulting information. I have seen many examples where institutions have been clear about their management information requirements and have addressed certain data quality issues. As a result their TRAC processes are providing internal cost intelligence in addition to the required returns.

In the last year the importance of cost information has increased, and the rationalisation of TRAC requirements presents new opportunities for institutions. Vice-Chancellors, Finance Directors and others are acknowledging the need for costs to be understood at a more granular level, in order to support the pursuit of efficiencies and enable the sustainable operation of institutions. For these reasons I strongly encourage colleagues and Governors to familiarise themselves with this guide, and engage with their TRAC process to further understand the contribution it can make to the sustainable operation of their institutions.

Professor Stuart Palmer

Chair of the TRAC Development Group

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1 Why is TRAC relevant in the current environment?

1.1 The importance of sustainability

The UK has a world-class higher education sector. The world-leading research, high-quality learning and teaching and innovative knowledge transfer activities are all underpinned by highly skilled and dedicated academic and professional staff together with high-quality estate, infrastructure and facilities. However, a number of issues are providing simultaneous challenges that have not been experienced previously:

- Increasing student expectations leading to a need for increased levels of investment;
- Increased competition for student recruitment from other countries;
- Increased volatility and less certainty in income streams; and
- Increased diversity in the range of initiatives and partnership activity necessary to diversify sources of income.

Operating in a sustainable manner has been a long-standing objective and indeed requirement for higher education institutions (HEIs), but the sector landscape prior to 2011 had meant that for many this was not a high profile objective. It is now an essential priority for all HEIs.

It is now the case that strategic objectives of many HEIs reflect '*the need to be financially sustainable*'. This demonstrates the increased emphasis that is now placed on operating sustainably and the rightly increased focus on how HEIs ensure that this is so, given the challenges and uncertainties now facing the sector.

The Financial Sustainability Strategy Group¹ (FSSG) is a group that represents the sector's interests through providing evidenced-based research around the sustainability agenda. A range of studies have been undertaken over the last six years that have provided insight and representations to funders and Government on a range of topics. The TRAC Development Group supports FSSG in this work and in maintaining the TRAC process. Tools and information are required to understand the extent to which an institution's plans fulfil the aim of being sustainable, and TRAC makes a key contribution to the understanding of sustainability.

1.2 Defining sustainability

The formal definition used in TRAC, and adopted in the Research Councils UK review of Full Economic Costing (fEC)², is:

An institution is being managed on a sustainable basis if, taking one year with another, it is recovering its full economic costs across its activities as a whole, and is investing in its infrastructure (physical, human and intellectual) at a rate adequate to maintain its future

¹ www.hefce.ac.uk/funding/finsustain/fssg/

² www.rcuk.ac.uk/Publications/archive/fecreview/

productive capacity appropriate to the needs of its strategic plan and students, sponsors and other customers' requirements.

This can be summarised as:

'operating today without damaging the ability to do so tomorrow'

or

'maintaining at least the current capacity to respond to changing demands'.

1.3 The relevance of TRAC in the current environment

1.3.1 The use of TRAC by Government and the Funding Councils

The increase in student fees in England has changed the funding model for the sector, and increased the complexity of funding with different fee support policies in each administration in the UK. In England, the level of direct grant for teaching has reduced and has been replaced with student fees and income from the student loan company. This has created budgetary challenges for Government at a time of continued austerity, which has created greater interest in the relative cost of different activities together with the need for efficiencies to be achieved.

TRAC informs a broad range of debates around policy as it is the only sector-wide costing process. Funding Councils also use the TRAC data for a variety of purposes. In Scotland the TRAC for Teaching information is used when setting the price bands in the teaching funding model and, in England the data has informed the funding for high-cost subjects and other reviews of funding methods. Administrations in Wales and Northern Ireland also draw on these studies and TRAC data to inform their own analysis and policy considerations. The data has also supported a number of sector studies.

1.3.2 The use of TRAC by the Research Councils for funding research

The fEC of research projects can be calculated by following the TRAC methodology. Research Councils UK distributes a significant amount of research funding to HEIs based on this costing method. The Research Councils pay 80 per cent of fEC, which although less than 100 per cent, represents a higher level of funding than was delivered by the previous funding method. fEC is the only accepted basis for costing cost based research bids to the UK Research Councils. As such, it is important that institutions' TRAC models calculate and use the correct information to ensure accurate bids are made to the Research Councils.

1.3.3 The use of TRAC for management information purposes within institutions

The new higher education environment is leading many institutions to diversify their sources of income and be more entrepreneurial in the range and types of activities undertaken. Initiatives and partnerships have always been a feature of higher education, but they are growing in number as HEIs increase their engagement with employers and work collaboratively with a range of organisations to increase their relevance and attractiveness to students in addition to advancing research agendas. Overseas activities are diversifying and often growth is being delivered through the development of existing and new partnership arrangements.

Initiatives, partnerships and similar arrangements with third parties should only be created on terms that are acceptable in all respects to management and the Governing Body – something

that is now an explicit requirement in the Committee of University Chairs Code of Governance³. Alongside the strategic case and due diligence process, the development of a clear business case is of paramount importance. At the centre of this business case will be a pricing decision that will then form the basis of a commercial negotiation.

This is where the cost information from the TRAC process and knowledge of actual overhead costs is important. In these scenarios the attractiveness of the opportunity can lead organisations to consider only the ‘marginal’ costs of activities. Very occasionally a decision could be taken on a marginal cost basis, but, as outlined above institutions have to generate funds for reinvestment in infrastructure, the estate and human capital. External grant for these purposes has declined significantly in recent years and therefore the importance of recovering the full economic cost of activities has increased to enable continued investment in the organisation. TRAC is an existing tool that can provide insight into the full economic cost of activities from which tactical and commercial decisions can be taken.

1.4 A reminder about what TRAC does

1.4.1 Introduction to TRAC

TRAC is an activity-based costing system, adapted for an academic culture in a way which also meets the needs of the main public funders of higher education. TRAC’s development has been based on some important principles that provide flexibility to accommodate the diverse range of institutions in the sector. It is a process of taking institutional expenditure information from consolidated financial statements, adding ‘sustainability adjustments’ to represent the full ‘sustainable’ cost of delivery, and then applying cost drivers (such as academic staff time allocation and space usage) to allocate these costs to academic departments and to specific activities.

It was introduced across the UK higher education sector in 1999 as a government accountability requirement and to support institutional management through better understanding of costs within individual institutions. The process has evolved significantly since.

By complying with the requirements of TRAC, the sector received substantial financial benefits through increased funding, particularly in support of research sustainability. By adopting the TRAC methodology, HEIs are providing confidence to funders and stakeholders that the sector is well managed financially. Because of the confidence that stakeholders have in the process, TRAC has also enabled the sector to avoid other burdensome accountability requirements. The increased scrutiny of the sector in light of continued pressure to reduce costs or operate more efficiently mean it is in the sector’s interests to maintain confidence in the TRAC process.

The main activities to which TRAC allocates costs are:

- Teaching (T) – analysed between publicly and non-publicly funded activity;
- Research (R) – analysed between the main sponsor types: Research Councils, Government Departments, charities, European Commission bodies, and so forth;

³ www.universitychairs.ac.uk

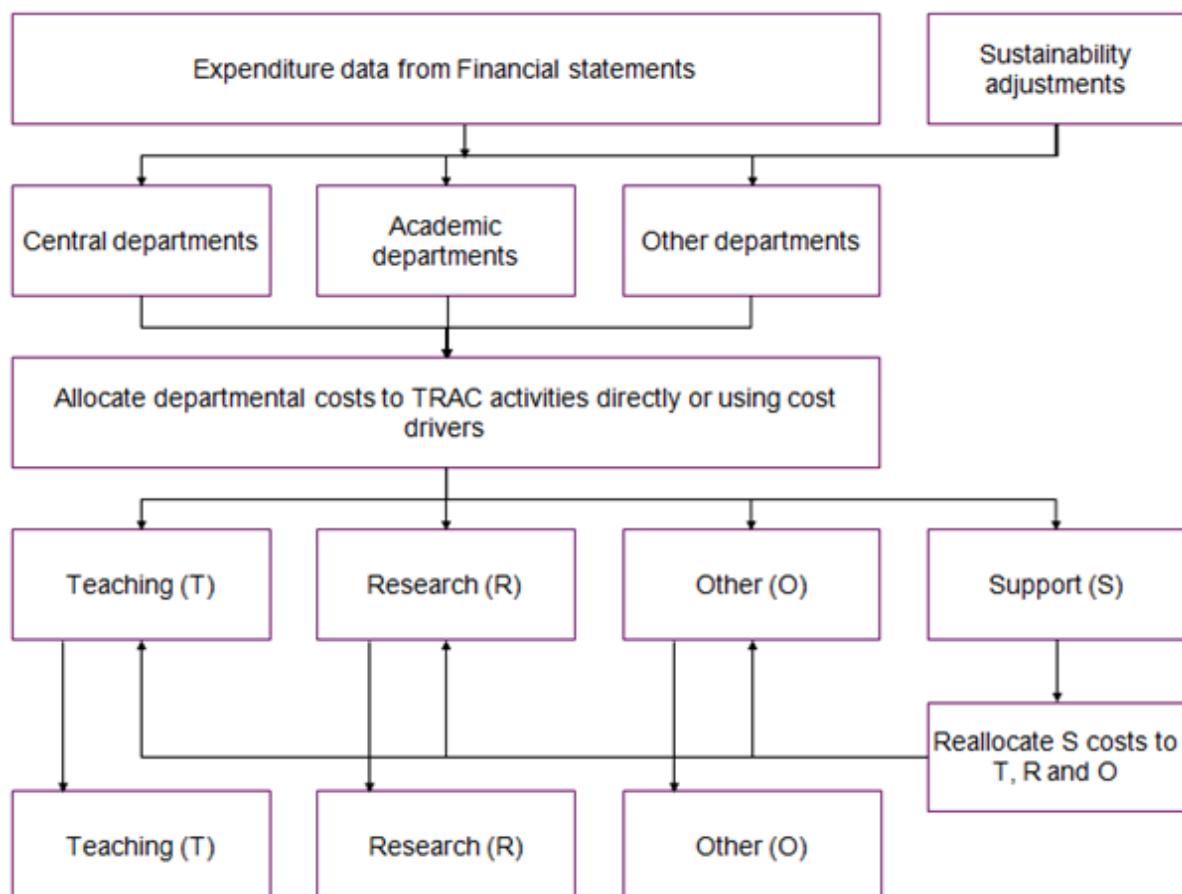
- Other (O) – the other primary income-generating activities such as commercial activities, residences and conferences;
- Support activities (S) – such as preparation, proposal-writing and administration, which are costed separately but are attributed, as appropriate, to the three core activities – Teaching, Research and Other.

Although these categories of activity are very high-level, the TRAC process provides the basis for institutions to disaggregate the costs to lower levels of activity. This is not required, but as with any activity-based costing tool, there is flexibility to adapt the process to meet specific institutional needs.

Income is analysed through a separate TRAC process, so that the gap between the full cost of activities and the income attributed can be determined for each main institutional activity.

The cost attribution process overview is illustrated in Figure 1:

Figure 1: Overview of the TRAC process



The outputs from the TRAC process consist of an Annual TRAC Return and a TRAC for Teaching return. The Annual TRAC return is submitted to the Funding Councils by 31 January each year. This Annual TRAC return reports the cost of teaching, Research and Other activities, outlined above, together with various sub-analyses of the costs. It also provides a series of overhead rates that are used in bidding for Research Council grants. These overhead rates

consist of an indirect cost rate, two estates cost rates and where relevant rates for research facilities and laboratory technicians.

The TRAC for Teaching return (TRAC(T)) should be submitted by the last Friday in February each year and provides a cost by academic cost centre, as defined by the Higher Education Statistics Agency. The cost is derived from the Annual TRAC data for Teaching and is used to inform Funding Councils' funding of teaching.

Benchmarking data is subsequently provided to all institutions on the Annual TRAC and TRAC(T) returns. This groups institutions into peer groups in order to provide relevant benchmarks, as well as sector-level data.

TRAC is the only sector-wide process that requires semi-comprehensive information from individual academic staff regarding the high-level apportionment of their time between certain categories. The TRAC Development Group (TDG) led a study in 2012⁴ to research optimal approaches to collecting robust time allocation information. This made a number of recommendations, which have been implemented in the new TRAC Guidance.

Based on the 98 responses received, the HEFCE Consultation of the Review of TRAC⁵ reported that '*There was strong support for TRAC*'. The consultation further found that '*in the main, respondents were of the view that there are no alternative systems or processes that could offer greater benefits or lower burdens to institutions than TRAC*'. The same consultation also reported strong support for the proposals made for streamlining TRAC reporting and TRAC requirements, which have now been delivered.

1.4.2 About the sustainability adjustments

There are currently two sustainability adjustments, one for 'Infrastructure' and the second described as a 'Return for Financing and Investment'. These adjustments aim to present the 'full economic cost' of activities.

The adjustments are designed to account for the fact (accepted by the Government) that the 'real' cost of higher education activity is higher than the historic expenditure stated in most institutions' published financial accounts. This difference is due to a combination of understatement of current asset values in some institutions (depending on valuation practices); inadequate investment in physical assets (shown by backlogs of maintenance for example) and in services and support for students; and the need to allow a surplus or margin for risk, financing and development. This last point relating to risk is more pertinent given the increased uncertainty now faced by a number of institutions. The two cost adjustments are used as a proxy to reflect these additional economic costs for sustainability of the activities. Although they will not provide an absolute indicator of sustainability, they provide a basis for making further enquiries.

Work is currently being undertaken as part of the Annual Sustainability Assurance Reporting⁶ to provide an updated basis for these adjustments that is better tailored to individual institutions.

⁴ www.hefce.ac.uk/funding/finsustain/current/#review

⁵ www.hefce.ac.uk/pubs/year/2013/201309/

⁶ www.hefce.ac.uk/funding/finsustain/current/

On average, the TRAC-adjusted costs are about 7.9 per cent higher than those in the financial statements, and so the surplus/deficit figure is significantly less comforting than the headline surplus figure quoted in annual accounts. The difference between the two figures provides important information for senior management teams and Boards of Governors in the context of developing their financial strategy and institutional plans.

1.4.3 Annual TRAC reporting

The TRAC data, at institutional level, is reported annually to the Funding Councils along with calculated charge-out rates for the research-related elements of indirect costs, estates costs, facilities and equipment, and technicians. These rates are accepted by the UK Research Councils as the only basis of costing research bids and are used by institutions in forecasting the full costs of research projects and informing pricing.

The Annual TRAC return reports on the full economic costs of activities analysed under three types of activity – Teaching, Research and Other – and further analysis of research costs by type of research sponsor. This return is required to be submitted by 31 January each year for the academic year ended on the previous 31 July. This is often abbreviated to ‘annual TRAC’.

Teaching costs reported in the annual TRAC return are further analysed by institutions to produce ‘Subject-FACTS’ – the subject-related average annual cost of teaching a FTE HEFCE-fundable student in a Higher Education Statistics Agency (HESA) academic cost centre. This data is collected as a separate return. TRAC(T) is submitted by 28 February each year for the academic year ended on the previous 31 July, with final sign-off on the data required by mid-April.

Benchmarking data is provided back to institutions following submission of the annual TRAC and TRAC(T) returns to support reasonableness checking and enable internal review against peer group and sector aggregate data.

The British Universities Finance Directors Group has published a short introductory guide to TRAC⁷, providing further detail about the TRAC process, key themes in TRAC and how to gain value from institutional TRAC data.

1.5 Broader use of TRAC

It is acknowledged that institutions draw on a range of financial and other management information in managing their affairs. There is no requirement to use TRAC beyond the statutory reporting requirements, but deciding **not** to make greater use of the TRAC data should be a conscious and informed decision as it offers a range of benefits that should be explored.

Deciding **not** to make greater use of the TRAC data should be a conscious and informed decision. Some important features of TRAC are summarised below:

⁷ www.buздg.ac.uk

- It provides a standard process that has a series of well-developed requirements and rationales for the treatment and allocation of costs;
- It provides an institution-specific basis for the allocation and treatment of costs;
- The process reconciles back to the audited financial statements;
- A framework of governance exists over the process within institutions;
- The research, development and maintenance of the TRAC requirements is formally governed at sector level by the TRAC Development Group; and
- The process is recognised and accepted by Government, Funders and the European Union as a basis for evidencing costs.

The TRAC Development Group worked with over 80 institutions to research and provide good practice reference materials on the broader use of TRAC. A suite of Management Information Projects⁸ was published in 2011 covering the following topics:

- Course costing;
- Workload planning;
- Resource allocation models; and
- Departmental sustainability.

Increasingly, institutions are using the TRAC process either fully or in part to inform decision-making in institutions. Initiatives that institutions are commonly pursuing and where TRAC can assist include:

- Programme portfolio review;
- Internal activity cost benchmarking;
- Cost reduction; and
- Comparison of the contribution generated across academic departments or budget centres.

Other examples exist of a TRAC-based analysis sitting alongside and corroborating other analysis. As with any benchmark or trend analysis, the information will provide pointers for further investigation, and as the process is consistent across the whole institution these comparisons are fair, transparent and defendable.

Governors and management teams are encouraged to consider how TRAC could be used to meet new or existing management information needs. Further work is planned to provide a compendium of worked examples of how TRAC has been used to underpin and support the internal management of institutions.

⁸ www.hefce.ac.uk/funding/finsustain/mips/

1.6 Support and oversight of TRAC in the sector

The new TRAC guidance (published August 2014) has been developed in collaboration with sector representatives, but is owned and maintained by the TRAC Development Group. Support is provided to users by the TRAC Support Unit. The TRAC Support Unit provides policy research, a helpdesk for users of TRAC, briefings and good practice guidance.

Both FSSG and TDG are supported by all UK HE Funding Bodies and Research Councils, Universities UK and Guild HE. This indices the profile of TRAC and how seriously it is viewed by sector stakeholders. It also reassures institutions that the policy and requirements around TRAC are well researched and vetted before they are introduced.

At an operational level there are a number of regional groups⁹ that meet regularly throughout the year to provide a technical forum where information and experience can be shared. TDG also ensures that members of the TRAC Support Unit attend a number of meetings of these groups to disseminate information.

⁹ www.hefce.ac.uk/funding/finsustain/trac/regional/

2 Streamlining and simplifying the TRAC requirements

2.1 Background

The TRAC process has evolved significantly since its introduction in 1999. The origins of the process were grounded in it being a ‘Funding Council requirement’. It was subsequently recognised that the requirements should be redefined to align more closely with institutional needs. Users also reported that the evolution and extended use of TRAC had led to the TRAC requirements becoming overly complex.

The English White Paper ‘Students at the heart of the system’, published in 2011, called for the TRAC requirements to be ‘simplified and radically streamlined’ to ensure that the process was appropriate. Under the direction of the FSSG¹⁰ the TDG led a project to streamline and simplify the TRAC requirements, including redeveloping the TRAC Guidance used by institutions and other stakeholders. TDG also took this opportunity to increase the utility of the TRAC data by removing unnecessary barriers to the TRAC process being used more widely for internal management information purposes.

2.2 Streamlining and simplifying – what has changed?

Higher education institutions (HEIs) pointed out that the complexity of the written guidance supporting the process created a burden for them. The need to gather information from academic staff was initially viewed as a significant source of this burden, but work undertaken as part of the Review of TRAC demonstrated that this was not the case¹¹. The issue lay more in a lack of understanding of why the data was required and how it was used.

The TRAC requirements and associated written guidance were redeveloped and relaunched in August 2014¹². The TRAC process has been refocused on the internal management information needs of institutions, with the production of the returns required by Funding Councils being a secondary objective. The following improvements have been made to the guidance:

- The volume of TRAC requirements has been reduced by almost half;
- The guidance is now a single document with a simplified structure, and is less than a quarter of the length of the previous guidance;
- The flexibility of the TRAC requirements has been highlighted to enable greater use and adaptation of the process for internal management information needs;
- The volume of data in the ‘TRAC for Teaching’ return has been reduced;
- The threshold for requiring compliance with all of the TRAC requirements was increased sixfold to £3 million of publicly funded research income;

¹⁰ www.hefce.ac.uk/funding/finsustain/fssg/

¹¹ www.hefce.ac.uk/funding/finsustain/pubs/

¹² www.hefce.ac.uk/funding/finsustain/trac/

- The requirements affecting the returns from academic staff have been reduced; and
- Certain reconciliation requirements for staff time on research projects have been removed.

The challenge of ensuring reliable and representative cost driver data (academic staff time data, estates data and so on) is key to reliable information being produced and utilised more broadly. Institutions that have been successful in using their TRAC data for internal purposes have increased their understanding of the TRAC process and its benefits, and have refined the cost driver data and associated processes. It is reported that where the use and awareness of TRAC has been increased, this has made a positive contribution to the institution's sustainability agenda.

2.3 Enhancing the approach to and understanding of time allocation and the sustainability adjustments

Time allocation and the sustainability adjustments are important parts of the TRAC process, but as these approaches are unique to TRAC, they can be misunderstood. Further explanation is provided below to help address questions and challenges within the institution:

- **Academic staff time information** – TRAC models use information provided by academic staff to apportion a number of costs in TRAC. As a minimum this forms the basis for allocating academic staff costs, which account for around 31 per cent¹³ of all expenditure. To minimise unnecessary burden the time allocation process can either draw on existing workload planning information or be gathered via a separate data collection exercise that involves academic staff declaring how their time has been spent between a number of different activities. A number of safeguards exist, which should ensure that the data is representative for the institution as a whole. These are:
 - Detailed definitions are given to ensure consistency on which academic time and activities should be aligned to TRAC activity categories;
 - Time-bound collection of data to limit the period of recall required when completing the information;
 - Review of the returns for reasonableness, typically by the Head of Department or equivalent;
 - An oversight group in the institution, to agree the reasonableness of the time allocation information and the TRAC results; and
 - Approval of the TRAC return by the Head of Institution, with certification that it has been compiled in accordance with the TRAC requirements.

Academic staff, management and Governors of institutions can add value and credibility to the time allocation data by ensuring that TRAC requirements are fulfilled and that the results are reviewed to ensure they are a fair reflection for the institution as a whole.

- **The sustainability adjustments** – The sustainability adjustments (described in 1.3.2) are a proxy for illustrating the sustainable cost of an institutions' activities. The adjustments are not actual costs that have been incurred, but represent the margin

¹³ HESA 2013/14 FSR return

needed to represent the full economic cost of activities. This enables a programme of continued renewal and investment, and a margin for risk financing and investment.

A further improvement is planned whereby the basis of the adjustments will move to an institution-specific measure called the Margin for Sustainability and Investment¹⁴ (MSI).

Currently it is foreseen that the move to the MSI will happen for the TRAC reporting on academic year 2015-16. MSI is derived from HEIs' own assessment of sustainability and investment needs, and the method for deriving it has been designed and piloted by the HE sector as part of the FSSG's work to develop an approach to assessing institutional sustainability.

The sustainability adjustments are not the sole indicator of sustainability, but they do provide an indicator of the extent to which the institution is operating in a sustainable manner. The information below is a summary of the TRAC results for the UK higher education UK HE sector, specifically outlining the sustainability gap:

	2011-12	2012-13	2013-14
Target sustainability surplus to cover long run costs (Actual expenditure + Sustainability adjustments) as % of total income	£2,067M 7.4%	£2,211M 7.6%	£2,306M 7.5%
Actual surplus* as % of total income	£1,175M 4.2%	£1,145M 3.9%	£1,234M 4.0%
Sustainability gap as % of total income	(£892M) (3.2%)	(£1,067M) (3.7%)	(£1,072M) (3.5%)

* This figure is different from the surplus reported in the annual financial statements because of adjustments in respect of joint ventures, minority interests and endowments in the TRAC returns.

The sustainability gap identified indicates that at a sector level, continued focus on the sustainability agenda is important.

2.4 Benefits to HEIs of the streamlined approach to TRAC

In the previous section the increased importance of cost information was outlined. The simplification of TRAC requirements has removed punitive requirements that could have been a barrier to broader use of the process. The simplifications also ensure that the integrity of the process is safeguarded, but the process is easier for others to understand and engage with.

The simplified and streamlined approach to TRAC can now deliver the following benefits:

¹⁴ www.hefce.ac.uk/funding/finsustain/current/

- A revised approach that more closely aligns with the financial management processes in the institution, which should increase the scope for people to understand and engage with TRAC;
- Reduced effort required to achieve compliance with the TRAC requirements;
- Greater freedom and flexibility for TRAC to be used for multiple purposes, potentially reducing the need for multiple management information systems; and
- Ability to focus effort on issues with a material impact on the TRAC results and cost rates.

Institutions that have been successful in using TRAC for internal reporting purposes have reported that it is important to ensure that the quality and accuracy of data used in the model is good. It is suggested that as the requirement for cost information grows, TRAC should be considered as a source of this information.

3 A collective approach for successful cost management

3.1 Collective engagement in TRAC will be beneficial for the sector

The TRAC process requires insight and understanding from different parts of the institution, to allocate costs to activities in a way that reflects consumption and use. It provides a way for staff across the institution to broaden their knowledge and understanding of different activities, which can be of benefit in other roles they undertake. For instance, the understanding of what underpins activities can provide insights that can inform cost control or projects to improve efficiency.

TRAC provides information that was not previously available, and when viewed for the first time it can raise challenging questions about the financial performance of certain activities. This is an opportunity, however, as the information can enable greater understanding of the operation of different activities, which in turn can allow a better understanding or alternative thinking to prevail.

Section 1 outlined the increased scrutiny that the sector is under from Government, both in terms of its costs and finances. Government is also using the TRAC data to a greater extent. Therefore senior managers and Governors should engage positively with the TRAC process, offering support, insight and challenge, to ensure the results are reliable, to broaden the use of the information to further understand performance of different activities, and to enable the evidence on costs and sustainability to inform discussions with government and funders in negotiations for future funding.

3.2 What is required of Senior Management Teams and Governing Bodies?

The extent of engagement with the TRAC process within institutions has been increasing, but there remain examples where work is undertaken on TRAC largely in isolation from those outside finance. In some cases, there remain opportunities for more support and involvement by senior colleagues and governors. This involvement provides valuable ‘sense checking’ of the results and enables linkages to be made between future plans and past performance at an activity level.

Suggestions of key opportunities are detailed in the table below:

Stages in the process	Senior Managers	Governors
Setting clear expectations in the financial strategy for the sustainable operation of the institution	✓	✓
Design of the TRAC model and the judgements taken about its operation	✓	
Sponsorship and ongoing communication with academic staff regarding the benefit and use of TRAC and the importance of the time allocation data	✓	
Review and oversight of the TRAC model to influence the judgements and decisions relating to the cost driver model	✓	
Review of the time allocation data to ensure it represents the institution's activities	✓	
Review of the TRAC results to ensure they are accurate and compiled in accordance with the TRAC requirements	✓	✓

3.3 Roles in the TRAC process

As indicated above, a variety of teams can usefully input to the TRAC process. To assist institutions in engaging different teams, the suggested roles and value that can be gained from this engagement are outlined in Appendix 3. This can be used as a standalone guide with teams across the institution.

Appendix 1: Useful sources of reference

The table below provides details of key reports, publications and other reference material that may be of interest:

Document / Source of reference	Location
Policy overview of the financial management information needs of higher education and the role of TRAC	www.hefce.ac.uk/funding/finsustain/pubs/
TRAC guidance	www.hefce.ac.uk/funding/finsustain/trac/
BIS White Paper 'Students at the heart of the system'	www.gov.uk/government/uploads/system/uploads/attachment_data/file/31384/11-944-higher-education-students-at-heart-of-system.pdf
FSSG evaluation of the Annual Sustainability Assurance Report	www.hefce.ac.uk/funding/finsustain/pubs/
FSSG report on the sustainability of learning and teaching	www.hefce.ac.uk/funding/finsustain/pubs/
Management information projects: <ul style="list-style-type: none">- Workload planning- Course costing- Resource allocation- Departmental sustainability	www.hefce.ac.uk/funding/finsustain/mips/
Financial sustainability and TRAC web site	www.hefce.ac.uk/funding/finsustain/
Higher Education Code of Governance	www.universitychairs.ac.uk/publications/
Financial health of the higher education Sector: Financial results and TRAC outcomes 2013-14	www.hefce.ac.uk/pubs/year/2015/201507/
TRAC Support Unit	 trachelpdesk@kpmg.co.uk  0115 935 3400

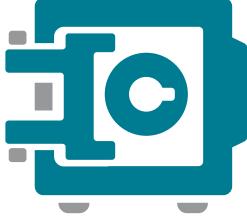
Appendix 2: Roles and individuals involved in the TRAC process

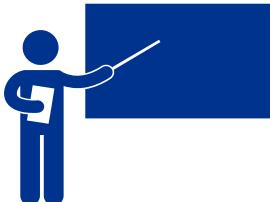
The TRAC process requires input from a range of areas and individuals from across the organisation. This is necessary to gather reliable data and guidance that contribute to the TRAC model complying with the requirements and providing valid and robust information. A summary is provided below of the inputs typically required by the TRAC model:

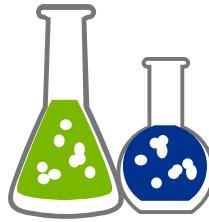
- The Head of Institution, and Senior Academic Sponsor need to give the sustainability agenda an appropriate profile and priority such that the need for staff to comply with the requirements is accepted;
- Academic staff need to provide representative time allocation data;
- The Estates Team or Head of Estates need to provide robust estates usage data;
- Finance, Registry (or equivalent), Human Resources, Information Technology and the Library need to provide reliable cost and cost driver data;
- The Finance Team has a key role in operating the TRAC process and alongside other work, have a good overview of the institution's financial performance;
- The Director of Finance should provide support, advice and challenge to ensure that the TRAC model is robust and appropriate;
- The Research Office (or equivalent) needs to be able to use the latest overhead cost rates to enable the costing of research bids;
- An Oversight Group should ensure that the TRAC results are appropriate and represent the institutions' activities; and
- A Committee of the Governing Body (typically the Audit Committee) should receive assurance that the TRAC process complies with the TRAC requirements.

The list above illustrates that there will be different levels of understanding required by different groups and individuals to make the TRAC process a success. To assist institutions in increasing the understanding and buy-in to the process, a summary of the roles above is provided in Appendix 3.

Appendix 3: Suggested roles and responsibilities for TRAC

Who	Role	Benefit
 Head of Institution / Senior Academic Sponsor	To raise the profile and importance of sustainability and TRAC across the institution.	<ul style="list-style-type: none"> Increases cooperation from academic and support staff, which will improve the quality of data and reduce the burden of compliance. Increased capacity for innovation and improved performance through effective pricing and cost control. Improves morale for staff involved in operating the TRAC process.
Governing Body	To ensure that appropriate processes are in place and information is received in order to discharge the requirement for ensuring that the institution has sustainable plans. This is required by the Committee of University Chairs.	<ul style="list-style-type: none"> Ensures that plans balance aspiration with the need to be financially sustainable. Secures the long-term future of the institution.
 Committee of the Governing Body (for instance Audit Committee)	To ensure that the TRAC process used to generate the TRAC results has complied in all material respects with the TRAC requirements.	<ul style="list-style-type: none"> Enables grants to be costed appropriately. Mitigates the risk of financial loss in respect of Research Council funding. Provides reassurance to the Governing Body and Head of Institution that compliance with TRAC requirements has been achieved. Provides assurance to funders on the institution's understanding of its costs, financial sustainability and

Who	Role	Benefit
		risks.
	To ensure that the time allocation requirements are understood and that the time allocation data returned is representative and accurate.	<ul style="list-style-type: none"> • Increases the reliability of the TRAC information. • Secures optimal and appropriate funding from Research Councils and Funding Councils. • Reduces the effort and resources required to comply with the TRAC requirements is reduced.
 Finance	<p>At a senior level (Finance Director / Deputy Finance Director), to provide oversight, support and guidance to staff developing the TRAC model and producing the TRAC data, and to ensure resilience in the TRAC process.</p> <p>For staff operating the TRAC model, to ensure good relationships and understanding among the other support functions generating data that is used in the TRAC model; to have effective lines of communication with academic departments and academic staff concerning the impact of TRAC on the institution; to ensure that the TRAC model complies with the minimum TRAC requirements and that additional resource is not consumed in operating the model if</p>	<ul style="list-style-type: none"> • Increases the reliability of the TRAC information. • Secures optimal and appropriate funding from Research Councils and Funding Councils and ensures that cross-subsidies are understood. • Increases efficiency and timeliness in producing management information. • Improves processes and understanding of management information.

Who	Role	Benefit
	it does not have a material impact on the results; to consider how the TRAC model can be developed to enable it to meet internal management information needs.	
 Research office	To ensure that research bids are appropriately costed in line with funders' requirements.	<ul style="list-style-type: none"> • Mitigates the risk of research projects being undertaken at a financial loss or without identified income sources. • Promotes the effective use of resources.