

Annex H: Transparent Approach to Costing return

1. Higher education institutions (HEIs) are required to submit an annual Transparent Approach to Costing (TRAC) return via the secure area of the HEFCE web-site by **Friday 29 January 2016** (although earlier returns would be appreciated). We will publish a separate letter about the TRAC for teaching return (TRAC(T)), which is required by 29 February 2016.
2. Institutions must submit the completed Excel file and a scanned PDF copy of the return via the secure area of the HEFCE web-site. The scanned copy **must be signed by the accountable officer**. We will send details of how to do this to the HEI's director or head of finance by letter.
3. The template incorporates in a single return:
 - the annual TRAC reporting requirements
 - the charge-out rates for research collected on behalf of Research Councils UK, which will be used by them and by institutions for benchmarking purposes.
4. The TRAC pages on our web-site (www.hefce.ac.uk/whatwedo/lgm/finsustain/) provide an update on guidance and development of TRAC methodology, and remind institutions of the key issues. New streamlined guidance on TRAC was published by the TRAC Development Group in August 2014. This guidance applies for the 2014-15 annual TRAC and TRAC(T) returns and subsequent years.
5. The Financial Sustainability Strategy Group (FSSG) has continued to evaluate the impact of the proposal to replace the 'Return for Financing and Investment (RFI) adjustment' with a 'Margin for Sustainability and Investment (MSI) adjustment'. The measure of 'Earnings Before Interest Taxation, Depreciation and Amortisation' (EBIDTA) is a key part of the MSI adjustment and this is currently under review by the British Universities Finance Directors Group (BUFDG). For the 2014-15 TRAC return, we encourage institutions to complete Section G of the return and calculate their Margin for Sustainability and Investment (MSI) for the academic year 2014-15 in line with the current guidance provided by the Financial Sustainability Steering Group (FSSG)¹. This will enable FSSG to evaluate any differences between the current method and any proposed new methods.
6. To help improve the quality of data submitted, automatic and self-validation checks are incorporated within the return. We also request a written commentary from HEIs to explain data that fall outside the parameters set in the return, and any unusual material movements when comparing 2014-15 with 2013-14 outputs as shown in the summary worksheet.
7. In reporting the TRAC data, the accountable officer should ensure that they are reasonable and confirm that the institution has complied with all TRAC requirements.

¹ See 'The FSSG annual sustainability assurance report (ASSUR) Implementation notes (May 2013)', available online at www.hefce.ac.uk/whatwedo/lgm/finsustain/current/.

These include the requirement for a committee of the HEI's board to confirm compliance specifically with the Statement of requirements (the committee should have a lay member majority). Institutions should also present annual TRAC figures and an analysis of the year-on-year changes in the figures (including the indirect and estates rates) to this board committee before they are reported. Where the timing of the board committee meeting makes this difficult, the institution can use delegated authority for the chair's action, or approval by a management committee, to confirm compliance before submitting. Presentation to an appropriate board committee after submission should then follow. Responsibility for confirming compliance still rests with the board committee. The committee should address any areas of non-compliance immediately or, where this is not possible, draw up an action plan that addresses these areas within a reasonable timescale.

8. A sample version of the 2014-15 TRAC return form in PDF format, an updated income allocation table and updated guidance on the allocation of Funding Council grants, will be available to download from the TRAC Guidance web pages during October 2015. Institutions should download their individualised templates for completing the TRAC data return and submit them via the secure area of the HEFCE web-site. We will send details of how to access the secure area of the HEFCE web-site to each HEI's director or head of finance.

9. We will report to BIS on the sector aggregate TRAC return data, which we expect to publish. For further information about the TRAC reporting requirements, contact your HEFCE assurance consultant (for contact details see www.hefce.ac.uk/contact/search/).