

Cylchlythyr | Circular

Outcomes of consultation on the implementation of TRAC(T) data

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To: Heads of higher education institutions in Wales
Response by: No response required
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This circular reports back on the key responses to and outcomes of the circular W19/21HE - *Consultation on the implementation of TRAC(T) data collection in Wales*.

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Introduction

1. In July 2019 [W19/21HE](#), Consultation on the implementation of TRAC(T) data collection in Wales was published. This consultation informed higher education institutions (HEIs) of HEFCW's proposal to collect Transparent Approach to Costing (Teaching) ('TRAC(T)') data in Wales and sought views on the proposed implementation of this.
2. The consultation was required as a previous consultation on future funding methods ([W18/24HE](#)) proposed using a costs data analysis based on TRAC(T) data to determine cost relativities by subject for teaching in Wales. This consultation produced less positive responses on the collection of TRAC(T) data from Welsh institutions and HEFCW undertook to consider whether to collect these data and that any proposals will be subject to further review. A summary of the responses to the original consultation is contained in HEFCW circular [W19/09HE](#), 'Outcomes of consultation on changes to funding methods for AY 2019/20 and beyond'.

The consultation

3. [W19/21HE](#) was published on 12 July 2019 with a return date of 31 July 2019. Prior to and during that time officers held informal talks with finance directors at the Welsh HE Finance Directors Group forum and the issue was raised with key data and planning staff from providers at a HEFCW Data Workshop, to facilitate a robust and meaningful consultation process.
4. The consultation recognised that the subject relativities currently being used for funding were in need of updating, and the most recent published TRAC(T) data available to us was also historic, being based on data from AY 2007/08 to AY 2008/09. This data does not include Welsh institutions.
5. The consultation recognised the inherent weakness of using Wales only data due to the small number of HEIs in Wales not allowing for meaningful comparisons and therefore, by implication, the requirement to access to UK wide data in order to make any decisions about funding of provision.
6. [The Review of Higher Education Funding and Student Finance Arrangements in Wales](#) conducted by Professor Sir Ian Diamond (the Diamond Review), relating to funding higher cost subjects and expensive subjects for both full-time and part-time provision was referenced to support the requirement for updating subject relativities.
7. It was noted that we would not have access to rest of UK TRAC(T) data if Wales was not included in the TRAC(T) collection, so it would be difficult to develop our work on relativities given that regulators and funding bodies in the rest of the UK do not routinely publish data that we could use.

8. The ability to access benchmarking data of their costs against peer groups (annual analysis based on TRAC(T) provided by the Office for Students (OfS)) was highlighted as a potential benefit to Welsh HEIs.
9. The consultation posed a number of questions, which are summarised below for ease of reference.
 - i) *Do you support the implementation of the collection of TRAC(T) data from Welsh HEIs based on the rationale set out here and in our previous consultation? If not, why not?*
 - ii) *If you do not support the implementation of the collection of TRAC(T) data for Welsh HEIs, please provide details of the alternative sources of data that should be used to develop the funding methodology in line with the Diamond Review recommendations given that up to date rest of UK TRAC(T) data will not be available to HEFCW if Wales does not participate in the TRAC(T) data collection?*
 - iii) *Considering how the data could be used by both HEFCW and HEIs compared to the burden and cost of collection, do you consider the benefits of collecting TRAC(T) data to outweigh the disadvantages? If not, why not?*
 - iv) *Are there any other benefits or disadvantages of collecting TRAC(T) that we haven't considered above? Please provide them if so.*
 - v) *If we were to go ahead with the collection do you see any issues with the proposed timetable for implementation, bearing in mind the aim to be substantially finished by July 2020 described in paragraph 14 and the knock on effect a delay may have on being able to use UK-wide data in the development of funding methodology? Please explain your reasons for any issues.*
 - vi) *Could the proposals for implementation be changed, or are there further things that could be developed following the initial implementation programme, that would increase the positive effects on financial management and planning for Welsh HEIs of implementing TRAC(T)?*
 - vii) *Do the proposals have any positive or negative impacts or unintended consequences in terms of equality and diversity and the Well-being of Future Generation (Wales) Act's seven well-being goals, Sustainable Development Principle and five ways of working?*
 - viii) *What positive or adverse effects will the proposals have on:*
 - *opportunities for persons to use the Welsh language and*
 - *treating the Welsh language no less favourably than the English language?*

- ix) *Could the proposals be changed to increase positive effects, or decrease adverse effects on:*
- *opportunities for persons to use the Welsh language and*
 - *treating the Welsh language no less favourably than the English language?*

Outcomes of the consultation

10. Seven of the eight regulated Welsh higher education institutions (HEIs) and two other organisations responded to the consultation. These responses were extremely valuable and have provided a number of points for us to consider, both in the implementation period in AY 2018/19 and in the longer term.
11. A summary of the key responses has been included at **Annex A**. In most instances the responses are anonymised but, in the case of the Open University (OU) in Wales, this is not possible if we are to consider their concerns as a unique provider.
12. Whilst the sector expressed some concern at the short implementation timetable and the additional reporting burden, we believe that the consultation responses have provided us with a clear mandate that implementation of TRAC(T) in Wales is the most feasible method of updating our subject relativities methodology to facilitate implementation of the increase in funding of higher cost and expensive subjects for both full-time and part-time provision as recommended in the Diamond Review.
13. Based on this response, a TRAC(T) pilot is being run for AY2018/19 across all Welsh HEIs falling within the TRAC(T) requirements. As a pilot project Welsh HEIs will be excluded from the benchmarking produced by OfS for that year, but will implement full TRAC(T) in 2019/20.

Further information

14. For further information, contact Hannah Falvey (telephone 029 2085 9720) or Diane Rowland (telephone 029 2085 9717), at hestats@hefcw.ac.uk.

Assessing the impact of our policies

15. We have carried out an impact assessment screening to help safeguard against discrimination and promote equality. We also considered the impact of policies on the Welsh language, and Welsh language provision within the HE sector in Wales and potential impacts towards the goals set out in the Well-Being of Future Generations (Wales) Act 2015 including our Well-Being Objectives. Contact equality@hefcw.ac.uk for more information about impact assessments.

Annex A – Summary of responses to W19/21HE Consultation on the implementation of TRAC(T) data collection in Wales

This annex highlights the key points and themes raised in the consultation responses:

i) *Do you support the implementation of the collection of TRAC(T) data from Welsh HEIs based on the rationale set out here and in our previous consultation? If not, why not?*

All respondents supported the implementation of TRAC(T), but fed back the following for consideration:

- Whether a periodic collection, of Welsh TRAC(T), such as 5 yearly, would be sufficient to refresh relativities as opposed to annual collection?
- Concern that differences against English institutions may make peer comparisons less useful, particularly in areas such as Welsh medium provision and London weighting.
- A review of the consistency of use of cost centre allocation in Wales, particularly in comparison to England, would reassure the sector of the robustness of the process.
- Given the small size of the Welsh sector, a Wales-wide picture may not prove to be statistically robust on its own and is unlikely to sway the outcomes of the English data if combined as a UK-wide dataset. For this reason it's not clear what additional benefits there would be over just using the English TRAC(T) data without the need to collect additional data in Wales.
- Concerns about the applicability of TRAC(T) data for flexible distance learning. Due to the differences of the OU (Open University) business model they are not required to make a TRAC(T) return and the costs of such flexible provision are not therefore included in the TRAC(T) data. With the OU being such a large provider of part-time provision we cannot therefore be confident that TRAC(T) data will represent a robust cost basis for flexible learning where costs are driven by dedicated and fully-supported distance-learning.
- Availability of benchmarking against the sector is seen as a positive, particularly if TRAC is reviewed and improved in the future.

Conclusion

Respondents overwhelmingly supported the use of TRAC(T) as the best available method for accessing UK wide data, and acknowledged the necessity for the use of UK wide, as opposed to Welsh only data.

Following discussion with the OfS, the Welsh sector would not be permitted access to UK data without being part of the scheme and submitting its own data on an ongoing basis.

For reasons of comparability and data quality, the OfS would not permit periodic returns. TRAC(T) would be used alongside other information to develop methodology for future funding. Where the purpose of the funding is specific, we would have due consideration to the most appropriate drivers to incentivise that

purpose. We would not envisage use of TRAC(T) data in all funding allocations. As part of the implementation process, we are facilitating workshops and peer support. This will include some subsequent review of the data submitted. Concerns relating to the cost of Welsh Medium provision are addressed in point viii).

ii) If you do not support the implementation of the collection of TRAC(T) data for Welsh HEIs, please provide details of the alternative sources of data that should be used to develop the funding methodology in line with the Diamond Review recommendations given that up to date rest of UK TRAC(T) data will not be available to HEFCW if Wales does not participate in the TRAC(T) data collection?

Respondents were keen to ensure that all other options had been considered:

- A specifically commissioned Welsh analysis (by KPMG) targeted accurately to the Diamond proposals and HEFCW funding calculation method, to be reviewed and repeated around 5 yearly.
- Use of the English only TRAC(T) data.
- The Academic Subject Category Units of Funding are old and over time their value has been depreciated by the constraints of allocating funds within the available HE budget and through inflation. The units of funding have not been set to cover, together with fees, the full costs of today's HE study. TRAC(T) cost data should be a better indicator of cost, and we are not aware of an alternative source that would be sufficiently robust and auditable for allocating public funding.
- Issues relating to the validity of TRAC(T) data in capturing an accurate data about costs of delivering the Welsh post-16 curriculum. Workload is a significant issue across both HE and FE. Institutions should be encouraged to properly record all the workload of an academic, so that TRAC(T) can accurately reflect the average costs.

Conclusion

Respondents were keen to only pursue TRAC(T) if no better alternative could be identified. As noted in i) above, the size of Welsh sector is not sufficient to generate robust averaging, and OfS do not publish up to date English data. As part of HEFCW's own initial assessment of methodologies, data recently published by the Department for Education was examined and assessed as having limited use for our methodology.

The methodology of TRAC(T) does not require the collection of academic workload data. Costs are based on audited financial statements and are apportioned based on staff FTE per HESA cost centre

iii) *Considering how the data could be used by both HEFCW and HEIs compared to the burden and cost of collection, do you consider the benefits of collecting TRAC(T) data to outweigh the disadvantages? If not, why not?*

- If the data is not used regularly the relative average costs to produce the annual returns will increase per use.
- Access to benchmarking for UK, not just Wales will benefit HEI's.
- The data could be useful for institutions to inform planning decisions and the production of financial KPIs on a full-cost basis.
- It will allow internal performance measures to be introduced at school level and enable peer group benchmarking.
- The data may be helpful to highlight funding differences between England and Wales.
- The ability for HEFCW to use up-to-date UK cost data to inform its funding allocations. Wales only data would not be sufficiently robust, especially for part-time provision, to use in isolation.

Conclusion

In requesting the implementation of TRAC(T), we recognise the burden of both resource and cost to a sector already operating in a challenging environment. The initial benefit to HEFCW will be the updating of subject relativities in order to implement Diamond recommendations, but we will endeavour to increase our usage of both TRAC and TRAC(T) to inform funding and other work undertaken. As part of our scoping with the Support Unit we have emphasised the importance of providing sufficient support to the sector and ensuring that the sector are provided with tools to make maximum use of the data made available by TRAC(T), both internally and via the peer bench marking.

iv) *Are there any other benefits or disadvantages of collecting TRAC(T) that we haven't considered above? Please provide them if so.*

- The TRAC Development Group had agreed that institutions should receive at least 18 months' notice of any change in TRAC deadline, but in supporting the Funding Council's request for the implementation of TRAC(T) for 18/19 in Wales, this has not been honoured.
- There may be future benefits for institutions in costing and benchmarking teaching activities in different subject areas.
- We welcome the position taken by HEFCW and would be keen to see synergies with the FE (Further Education) sector. If it is not currently used in FE, a similar data capture could be developed for use in FE institutions who deliver HE.

Conclusion

We recognise the short time frame for implementation and the additional pressure this places on the sector. This was driven by the tender cycle of TRAC, and TRAC Development Group's (TDG's) requirement that the project should be substantially completed within this cycle. We are keen to encourage the sector to obtain maximum usage from this data return in a challenging environment

where cost control is key, and our hope is that the return can be built into and contribute to this process. To this end, we have highlighted to the Support Unit that an important part of the pilot project will be to assist Welsh HEIs to develop best practice in the usage and reporting of TRAC(T). The institutions have been individually linked with English HEIs who model best practice in the peer group of each Welsh HEI.

TRAC(T) is a UK wide HEI return and whilst there is ongoing discussion over how to improve it, we are not aware of any plans to introduce this to FEIs or alternative providers.

v) *If we were to go ahead with the collection do you see any issues with the proposed timetable for implementation, bearing in mind the aim to be substantially finished by July 2020 described in paragraph 14 and the knock on effect a delay may have on being able to use UK-wide data in the development of funding methodology? Please explain your reasons for any issues.*

- The proposed timetable seems very tight in order to produce robust returns.
- Greater flexibility of the timescale for a genuine pilot collection would be helpful.
- Sign off requirements (TRAC January; TRAC(T) February) mean a significant adjustment to the governance process may be required.
- The timetable would be a significant additional challenge for the small number of staff with the necessary expertise to produce the return in the current climate of constrained resources, and given the short timescale.
- Ideally we would want to be aware of data requirements well in advance of the reporting period in question so systems and processes can be set up to collect the necessary data in an appropriate format and at an appropriate level of granularity.
- The proposed timetable conflicts with the TRAC return compilation timetable and needs to start earlier than that proposed in the consultation document. Accordingly, TRAC(T) training from the TRAC Support Team is being provided to the Welsh universities on 31 July 2019. We will then be in a better position to plan how we might try to produce and validate the TRAC(T) data required. In addition to the education of the TRAC practitioners, we will all have to bring our TRAC Oversight Groups up to speed with the TRAC(T) return.

Conclusion

We recognise the challenge of the timescale. It was our intention to arrange a workshop immediately following conclusion of the consultation (subject to the responses received). We were encouraged that the sector initiated this process in advance and the Welsh TRAC practitioners group pro-actively proposed a workshop to promote understanding of the TRAC(T) methodology prior to the end of the consultation period. HEFCW fully support this and are actively working with KPMG and OfS to provide maximum support to the sector. HEFCW have arranged with OfS that, whilst remaining within the national TRAC(T) return programme, a reduced sign off process may be used for the

pilot period in order to increase the time available for production of the return in 2018/19. The 2018/19 Welsh returns will not be included within the peer benchmarking, in order to provide an additional year to improve the robustness of the process. The deadline of the end of February, although it remains the case that the governance sign off processes may need to be adjusted in future periods, is in line with the rest of the UK.

Further workshops have since been run or arranged, and we continue to work with the Support Unit to identify how best to support the sector. We encourage the sector to liaise with us where any particular needs are identified.

vi) *Could the proposals for implementation be changed, or are there further things that could be developed following the initial implementation programme, that would increase the positive effects on financial management and planning for Welsh HEIs of implementing TRAC(T)?*

- TRAC(T) data does not represent the total cost of teaching a student in a subject as the TRAC(T) method requires HEIs to remove the costs that are not directly related to the subject, e.g. costs of teaching overseas students and costs that are incurred on specified non-subject related activities.
- TRAC is based on historic data, therefore it will be important to agree an inflator to reflect the future cost of teaching for which funds are being allocated.
- A programme of support and training for Welsh Institutions during the implementation phase would be welcome.
- Consultancy support would be welcomed (provided by HEFCW or a third party) in order to better understand the exact requirements, the implications on current systems and processes. The resource could work with each institution to develop an implementation plan for delivering TRAC(T).

Conclusion

Implementation period:

TRAC(T) is administered by OfS on a UK wide basis. There is therefore little flexibility to move deadlines. As stated in point v) above, HEFCW have reduced the signoff requirements for the pilot period in order to provide more time for first time implementation. HEFCW are also working with the Support Unit to deliver support to the Welsh sector during implementation. Being aware of the potential burden of this additional data return, we have placed emphasis in our scoping to the Support Unit that the sector should receive assistance on best practice use of TRAC(T) as part of the support delivered, in order to maximise internal use of this costing tool.

Ongoing:

Currently the data return can be adjusted at an institutional level to reflect the full cost of provision, but this is not available by peer group.

The TRAC Development Group (TDG) oversees both TRAC and TRAC(T), and this body is currently undertaking a project through its TRAC practitioner groups

(representatives from each HEI) to identify desirable improvements to TRAC(T) that would make it more useful to Institutions. Wales has input into this project by representation at TDG, by both HEFCW and the sector, and via the Welsh TRAC practitioners group. This topic was explored further at the TRAC Practitioners Conference in autumn 2019, with a view to developing a sector driven list of ways in which TRAC(T) as a tool could be enhanced.

The margin for sustainability (MSI) within the broader TRAC return seeks to account for future costs by including a proxy for the investment required for future sustainability at each institution. The methodology update for which we are proposing to use TRAC(T) seeks to capture the relative costs of teaching between higher cost subjects as opposed to their actual costs in order to inform appropriate allocation of funding amongst higher cost subjects. TRAC(T) will be used by us as one of several inputs into relativities for methodology.

vii) Do the proposals have any positive or negative impacts or unintended consequences in terms of equality and diversity and the Well-being of Future Generation (Wales) Act's seven well-being goals, Sustainable Development Principle and five ways of working?

- If the resultant analysis helps to secure more resource then an indirect positive outcome may be seen.
- Concern that TRAC(T) data does not capture the true extent of the costs of distance learning and flexible higher education as the OU, the UK's dominant provider of such learning is not included in the data capture. Therefore, it would be problematic for TRAC(T) data alone to be used to allocate funds to distance learning provision without consideration of sustainability of flexible learning which contributes significantly to widening participation to higher education.
- There may be a negative impact due to the risk of narrowing the desirable skills base, as institutions are unable to attract additional funding in areas that are important for a favourable and prosperous Wales to raise aspirations and address poverty, social mobility etc. such as in critical areas including early years education, construction, health and social care.

Conclusion

TRAC(T) data will form part of our methodology, but will never be used in isolation for allocating funding. HEFCW use differentiated allocation methods depending on the emphasis and incentivisation required. For example, basing access and retention funding on a cost based allocation would not be appropriate. Each stream of funding is subject to detailed consideration as to the most appropriate methodology to achieve its aims. Further assurance on this can be obtained by the requirement for the sector to be consulted on the allocation methodologies being considered for any new stream of funding.

viii) *What positive or adverse effects will the proposals have on:*

- *opportunities for persons to use the Welsh language and*
- *treating the Welsh language no less favourably than the English language?*

- Welsh medium teaching is a significant differentiation from rest of UK and it will be important that the extra costs of providing this are recognised and identified.
- If the additional cost associated with Welsh medium delivery is not accommodated it could skew costs in Universities or subject areas with disproportionately high levels of Welsh medium teaching. Care would need to be taken that Welsh medium is not treated adversely in a revised funding model.
- The TRAC website is not available bilingually.
- Welsh Language provision cannot be accounted for in terms of a model that relies on UK wide data. In this respect the proposals indicate a potential positive effect because without them we would not have the raw data upon which to make decisions around Welsh language provision. Understanding the data around the required expenditure for Welsh medium provision will provide a baseline context for making decisions on an increase of expenditure, or otherwise. Alternately the model default position might be in contravention of the Welsh language standards by treating Welsh less favourably, on the grounds that Welsh Language Provision would not be accounted for in a key HEFCW policy. Understanding the level of expenditure could potentially be a justification for cutting expenditure and thus reducing funding for Welsh language provision.
- The proposals do not have an impact on the Welsh language – other than if the incentivisation of funds for Welsh-medium enrolment were withdrawn (which could have a potentially negative impact in terms of perception and investment).

Conclusion

We recognise the unique issues of both Welsh medium teaching provision and the Welsh Language Act for the Welsh sector in any peer benchmarking with the rest of UK. We have liaised with OfS to include a memo column for Welsh HEIs only in the TRAC(T) return in order to separately collect the cost of subjects delivered through the medium of Welsh. We have also separately requested collection of other costs incurred by Welsh HEIs in order to meet the requirements of the Welsh Language Act. This will enable us to provide HEIs with TRAC(T) data including and excluding costs unique to Welsh providers, which will enhance the comparability of peer benchmarking.

We will review the pilot data and would value feedback from the sector on this additional collection in order to ensure that the balance between workload and value of data is reasonable and consider any enhancements for future returns. The TRAC and TRAC(T) website is maintained by OfS on behalf of all UK funding councils. Due to the specialist nature of this site, and its limited wider public usage, the cost of delivering this bilingually in Welsh is prohibitive.

There are no proposals being considered to withdraw the current Welsh medium premium. Any new information gathered from this collection would be used to inform future funding.

ix) *Could the proposals be changed to increase positive effects, or decrease adverse effects on:*

- opportunities for persons to use the Welsh language and*
- treating the Welsh language no less favourably than the English language?*

- The proposals could be changed to decrease adverse effects with respect to opportunities to use Welsh or the equal treatment of the language, by including a clause that states regardless of the data and level of comparative expenditure on Welsh language provision, the current level of expenditure would not be reduced. There must be some interpretative work around the meaning of 'no less favourable treatment' - for if this is to be interpreted in numerical terms only then it would be theoretically possible to argue that expenditure per head in any given subject should be the same with respect to English and Welsh language provision. Such 'no less favourable' financial measures would possible have a very adverse effect on the reality of Welsh language provision, by reducing the opportunities for students to learn through Welsh - resulting in the Welsh language being treated less favourably than English in 'practical' terms.
- The proposals could be changed to increase positive effects with respect to opportunities to use Welsh or the equal treatment of the language, by including a clause that states regardless of the data and level of comparative expenditure on Welsh language provision, there will be a commitment to increase expenditure on Welsh language provision.

Conclusion

We recognise that teaching in Welsh medium can incur additional cost, and our intention in the collection of TRAC(T) data would not be to discourage Welsh medium delivery. As noted previously, we are seeking additional data on Welsh language to ensure this.

Annex B – Abbreviations

Diamond Review	The Review of Higher Education Funding and Student Finance Arrangements in Wales
HEFCW	Higher Education Funding Council for Wales
HEI	Higher Education Institution
OfS	Office for Students
TDG	TRAC Development Group
TRAC(T)	Transparent Approach to Costing (Teaching)