

SFC Call for information

Transparent Approach to Costing (TRAC) return for academic year 2015-16

Issue date: 26/10/2016

Deadline: 31 January 2017

Reference: SFC/CI/06/2016

Summary: This Call for information is to request that you complete the annual TRAC return by 31 January 2017 and the TRAC(T) return by 28 February 2017.

FAO: Principals and Directors of Finance of Scotland's universities

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Transparent Approach to Costing (TRAC) return for academic year 2015-16

Purpose

1. This Call for information is to request that you complete:
 - The annual Transparent Approach to Costing (TRAC) return for 2015-16 by **Tuesday 31 January 2017**; and
 - The Transparent Approach to Costing for Teaching (TRAC(T)) return for 2015-16 by **Tuesday 28 February 2017**.

Annual TRAC return for 2015-16

2. Institutions are requested to submit an annual TRAC return via the Higher Education Funding Council for England (HEFCE) extranet. Details of how to access the extranet will be sent in a separate letter to Directors of Finance.
3. By **Tuesday 31 January 2017** we ask that you send:
 - An electronic copy of the annual TRAC data return to HEFCE through the HEFCE extranet; and
 - In addition to submission of the completed Excel file, a copy of the return, signed by the head of institution, should be scanned and submitted as a PDF file via the HEFCE extranet.
4. The template incorporates in a single return:
 - The annual TRAC reporting requirements; and
 - The charge-out rates for research collected on behalf of Research Councils UK (RCUK), which will be used by RCUK and institutions for benchmarking purposes.
5. Version 2.0 of the TRAC guidance, applicable for reporting on the 2015-16 academic year, has been published on the [HEFCE website](#). It has been updated to take account of the new Financial Reporting Standard 102 (FRS 102). Additional analysis of income and expenditure has been included in the TRAC return to reflect the impact of FRS 102. The template also enables the 2014-15 results to be restated under FRS102 to aid comparison with the 2015-16 results.
6. Three further changes in the annual TRAC return relate to:
 - Calculation of the return for financing and investment (RFI) adjustment – a revised template has been developed to enable the adjustment to be calculated.

- An adjustment to reflect the treatment of the Universities Superannuation Scheme pension provisions.
 - An adjustment to the cost pools for the full economic cost (fEC) charge-out rates to remove items that were previously classed as exceptional.
7. The 2015-16 data collection will be undertaken on a pilot basis. An assessment will then be made as to whether any further updates or amendments to the TRAC guidance are necessary. Although care has been taken to ensure, as far as possible, that foreseen issues have been dealt with, this can only be confirmed once the data has been collected.
 8. It has been agreed with RCUK that the fEC cost rates calculated in the 2015-16 Annual TRAC return will not be applied to research grant applications effective for 1 February 2017. Instead the 2014-15 fEC rates as calculated in the 2014-15 TRAC return will be used, with an additional year's indexation applied. Guidance on the approach to calculating indexation is provided in version 2.0 of the TRAC guidance.
 9. The Financial Sustainability Strategy Group (FSSG) has continued to evaluate the impact of the proposal to replace the infrastructure adjustment and the RFI adjustment with a margin for sustainability and investment (MSI) adjustment. For the 2015-16 TRAC return, institutions **must** complete Section C of the return and calculate their MSI for the academic year 2015-16 in line with the current guidance provided by the FSSG¹. The measure of earnings before interest, depreciation taxation and amortisation (EBIDTA) is a key part of the MSI adjustment. Section C of the return also requires completion of an adjusted operating cash flow calculation. The collection of MSI data from all institutions using both EBITDA and adjusted operating cash flow will inform the feasibility of using the data in calculating fEC charge-out rates for indirect and estates costs from 2016-17, subject to final approval from RCUK.
 10. To help improve the quality of data submitted, automatic and self-validation checks are incorporated within the return. We also require a written commentary to explain data that fall outside the parameters set in the return, and any material or unusual movements when comparing the 2015-16 data with 2014-15 data. This document should also be uploaded through the HEFCE extranet.
 11. In reporting the data, the head of institution should review the return for reasonableness, confirm compliance with all TRAC requirements and confirm that a committee of the governing body (with a lay membership majority) has

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

specifically confirmed compliance with the TRAC Statement of Requirements.²

12. Annual TRAC figures and analysis of the year-on-year changes in the figures (including the indirect and estates rates) should also be presented to a committee of the Governing body before they are reported. Where the timing of committee meetings makes this difficult, Chairman's action or approval by a management committee can be used to confirm compliance prior to submission. Presentation to an appropriate committee of the Governing body should then follow. Any areas of non-compliance should be immediately addressed and, where this is not possible, an action plan drawn up to address those areas within a reasonable timescale.
13. The template for the 2015-16 annual TRAC return is now available for you to download from the HEFCE extranet.
14. Updated income allocation guidance on the allocation of Funding Council grants will be available to download from the TRAC guidance web pages (Annex 3.5a).

TRAC(T) return for 2015-16

15. The TRAC(T) forms, with student numbers derived from data collected by the Higher Education Statistics Agency (HESA), will be available by the end of December. TRAC contacts in institutions will be notified by email when the populated TRAC(T) forms are available for download from the HEFCE extranet.

Rest of UK students

16. The 2012-13 academic year saw the introduction of deregulated tuition fees for rest of UK (RUK) students starting in this session. SFC funding does not support the places taken up by RUK students paying deregulated tuition fees. The costs associated with teaching these students should not be included in your TRAC(T) return. Similarly these students, who should be recorded in your HESA return as being not eligible for funding, will not be included in the student numbers.

Status of the TRAC(T) return

17. The TRAC(T) data is used to review the price groups used in our main teaching funding formula. For this reason, the TRAC(T) return will continue to be mandatory.
18. Given the mandatory nature of the return, your head of institution is asked to sign it off. A separate sign-off sheet will be generated when you have submitted the return via the HEFCE extranet. You should then upload a scan of the signed

² www.hefce.ac.uk/funding/finsustain/trac/#TRAC_SoR

document to the HEFCE extranet. Detailed instructions on this will be issued by email to TRAC contacts prior to the submission date.

Freedom of Information

19. The SFC, and all Scottish universities, are subject to the Freedom of Information (Scotland) Act 2002. As such, any information held can be requested by a member of the public. There are exemptions which can be applied to prevent disclosure, for example where release would “substantially prejudice” the commercial interests of an institution (subject to any appeals to the Scottish Information Commissioner).
20. HEFCE, as an English public body, is subject to the Freedom of Information Act 2000. Information they hold, including that sent from Scottish universities, is therefore subject to the Act. In the event that HEFCE receive a request for information relating to a Scottish university, that university will be informed. However, the decision to release any data is ultimately the responsibility of HEFCE.

Further information

21. If you have any technical queries relating to the annual TRAC return template, please contact TRAC@hefce.ac.uk or call Emma Allum (tel: 0117 931 7259): Queries on the TRAC methodology should be addressed to the TRAC support unit, tel: 0115 935 3400, email: trachelpdesk@kpmg.co.uk.
22. For any other queries on the annual TRAC return, please contact Dorothy Carson, Financial Analyst, Finance, tel: 0131 313 6607, email: dcarson@sfc.ac.uk.
23. For further information on TRAC(T), please contact Gordon Anderson, Senior Policy / Analysis officer, Finance, tel: 0131 313 6551, email: ganderson@sfc.ac.uk.



Lorna MacDonald
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