

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 30 January 2015** (although earlier returns would be appreciated). We will publish a separate letter about the TRAC for teaching return, which is required by 27 February 2015.
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. We encourage institutions to calculate their Margin for Sustainability and Investment (MSI) for the academic year 2013-14 in line with the guidance provided by the Financial Sustainability Steering Group (FSSG)¹⁵. This will enable FSSG to continue its evaluation of the impact of the proposal to replace the return for investment (RFI) adjustment with the MSI in determining the full sustainable costs. For completeness and to facilitate the comparison with the RFI and Infrastructure adjustments, the calculation of the MSI is included in this year's TRAC return.
5. Institutions should note that the average earnings before interest, tax, depreciation and amortisation (EBITDA) calculation is likely to cover six years in line with the calculation adopted by HEFCE in determining institutions financial commitments threshold.
6. Institutions should note that their allocation of academic staff time to research sponsor types should now be robust as HEIs had until 2013-14 to comply with this requirement. We will be asking HEIs for confirmation of this in Section C of the TRAC return.
7. 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 2013-14 with 2012-13 outputs as shown in the summary worksheet.
8. 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 to (TRAC) was published by the

¹⁵ See 'The FSSG annual sustainability assurance report (ASSUR) Implementation notes (May 2013)', available online at www.hefce.ac.uk/whatwedo/lgm/finsustain/current/.

TRAC Development Group in August. This will apply for reporting from the academic year 2014-15 onwards, but institutions may, if they wish, adopt the new TRAC guidance early.

9. In reporting the TRAC data, the accountable officer should ensure that they are reasonable and confirm that they comply with all TRAC requirements. 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 on a reasonable timescale.

10. The 2014 versions of the sample TRAC return form in PDF format, and the income allocation guidance and schedule, will be available to download from the TRAC Guidance web pages during October 2014. 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.

11. 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/stafflist/).