

## **Annex 2.1a – Requirements and processes for changes in compliance status or institutional status**

Institutions whose compliance status is changing, or are undergoing a merger, or designation as a higher education institution (HEI), should comply with the requirements below. The term 'TRAC compliance' refers to fulfilling the requirements of the Transparent Approach to Teaching (TRAC) set out in the TRAC Guidance.

It is important that there is early engagement with [the Office for Students \(OfS\)](#) or your Funding Council and [UK Research and Innovation \(UKRI\)](#) to agree a plan of action from the outset.

### ***Mergers between HEIs***

TRAC compliance for the merged entity is achieved on data for a full financial year within two years from the date of merger or the 31 July that follows this. HEIs that do not do this should apply penalty default rates (or their own rates, whichever are lower), until they achieve compliance for the combined institution.

Between the date of merger and the 1 February after compliance (unless penalty rates apply) has been achieved for the merged institution, HEIs continue to calculate and apply the charge-out rates for pre-merger institutions, applied to projects that are as consistent with the pre-merger operations as possible (unless penalty rates apply). If it is not possible to calculate rates for that part of the organisation alone, then the pre-merger rates are applied, with appropriate indexation.

Where one of the parties to a merger claimed dispensation, that part of the post-merger organisation (or as close to that part as possible) continues to apply the dispensation rates to projects until the merged institution achieves compliance. Similarly, where one of the parties was non-compliant, that part of the organisation continues to apply penalty default rates.

An average or composite rate for the combined entity is not calculated until a compliant TRAC system for the merged institution is in place. Rates calculated for one of the parties to the merger on the pre-merger basis are not applied to projects or activities to be undertaken in the other party to the merger in the period between merger and achieving compliance.

### ***Mergers between HEIs and Further Education Colleges***

The merged institution should achieve TRAC compliance on data for a full financial year within two years from the date of merger, or the 31 July that follows this.

Between the date of merger and the 1 February after compliance has been achieved for the merged institution, the charge-out rates applied to all projects are those derived from data for the pre-merger HEI, or as close as possible to the operations of this entity, in accordance with existing TRAC compliance status. If it is not possible to separate out the operations of the two entities, the pre-merger rates should continue to be applied, appropriately indexed. Non-compliant rates that have been calculated on the whole merged entity are not applied.

### ***Newly designated HEIs***

Newly designated HEIs should implement compliant TRAC systems, on data for a full financial year, within three years from the date of designation. Prior to achieving compliance (or dispensation status), the HEI uses the dispensation rates.

### ***Notification of change of compliance status***

Where an HEI becomes aware of an issue, or a change of circumstance that would mean that their TRAC system is no longer compliant with the TRAC requirements, this should be notified in writing to their Finance/Assurance team contact at the **OfS/Funding Council** as soon as they become aware of the change. They should state the action they intend to take to restore compliance and the date by which they expect to achieve compliance. An HEI which is no longer compliant is in default in the affected areas with immediate effect, and should not use its own charge-out rates in these areas. The **OfS/Funding Council** agrees which default rates should be applied and in which areas it can continue to use its own rates.

The **OfS/Funding Council** notifies **UKRI** of any changes to HEIs' compliance status.

### ***Increase in income***

Where an HEI currently eligible to claim dispensation is likely to exceed the rolling average of Research income (over five years) of £3M threshold in a future year, they should ensure that they have robust TRAC methods for the whole year in which they exceed the threshold. Where the financial forecast suggests that the dispensation limit will only be exceeded for a single year, the institution should liaise with **the OfS, or its Funding Council** and **UKRI Assurance** to determine whether it needs to achieve full TRAC compliance.