Key messages on TRAC

These notes are intended to help those who are knowledgeable about TRAC when speaking at, for example, conferences, visits, events, committee meetings. Four key messages are covered.

1. The sector needs to support TRAC

It would be very dangerous to undermine the credibility of TRAC because this is important to funders of higher education and may influence future funding and accountability requirements. There is no likely replacement to TRAC, other than full timesheets for all academic staff.

2. TRAC raises serious questions about sustainability

TRAC data raise serious questions over the deficits on research, the use made of overseas student fees, and the financial strategies of institutions. Senior managers and governors need to understand their own institution's position – and what TRAC is suggesting about this, whether or not they currently use TRAC data to inform their strategy. And the sector bodies and professional groups need to understand what the TRAC data are indicating if they wish to influence future funding policy.

3. Institutions should test and use their TRAC data

All institutions need to benchmark and test their own data and to gain confidence in its reasonableness before the head of institution signs off their TRAC return. It is much more cost effective to do this if the data are used internally, and it also provides better assurance to the main funders who now expect institutions to use TRAC internally. TDG is running a number of projects to help institutions to share experience in using TRAC to support internal financial management and in assessing their sustainability.

4. TRAC works, and there are effective routes to raise issues

TDG exists to ensure TRAC works and is used by the sector to good effect. Some institutions have concerns about the quality of their TRAC data, and academic time allocation is often the issue. This is made to work by many institutions and TDG has recently made changes to help others to address their outstanding issues. Some of the complaints are a reflection of unsustainable HR cultures rather than anything specific to TRAC. It is likely that heads of institution will now be asked to be more specific about their confidence in their own data – so institutions with outstanding

issues will need to address these themselves, or to understand and engage with the TDG agenda.

1 The sector needs to support TRAC

1.1 TRAC was chosen by the sector as the method to express its accountability for public funding, and to improve its internal financial management. This was part of a deal with the government in 1999, and has delivered substantial financial benefits for the sector.

1.2 TRAC is used by all the main public funders (funding councils, research councils, BIS) as part of their justification to government for the public funding they deliver for teaching and research.

1.3 This public funding, and these funders, are under great pressure to demonstrate accountability and value for money, and there are calls for HEIs to be subject to greater regulatory and accountability requirements.

1.4 There is no practical possibility of an alternative activity-based costing system for higher education being developed. The only alternative that is being discussed is the implementation of full-time sheets for all academic staff.

Key Message: It would be very dangerous to undermine the credibility of TRAC:

- **TRAC is important to the funders of higher education**
- **Any loss of credibility of TRAC could adversely influence future funding and accountability requirements**
- **There is no attractive alternative to TRAC**

2 TRAC raises serious questions about sustainability

2.1 As well as assurance on accountability and value for money, TRAC provides an indicator of financing requirements through TRAC-adjusted surpluses and deficits at sector and institutional level, for the main streams of teaching and research activity (that is, distinguishing public and non-public funded teaching, and different research sponsor types).

2.2 The government and funders look carefully at these TRAC results and they influence policy and hence future funding (for example, currently the Browne and Wakeham reviews). Some of the conclusions that can be drawn from the TRAC data are uncomfortable for the sector. These include that institutional surpluses are too low for sustainability; that research is being subsidised to a possibly unsupportable extent; and that oversees student fees are not being spent on teaching.

2.3 It is dangerous to draw simplistic conclusions from these data (and the TDG is doing a lot of work to improve the understanding of them, and the indicators of sustainability), but there are issues here which the sector bodies and individual institutions need to understand and explain if they wish to influence future funding and policy.

Key Messages:

- **Institutional Senior Management Teams and finance committees need to understand what TRAC suggests about their own institution and should have a well-evidenced view of their institution's sustainability and the**

financial viability of its main strategies. (Whether or not they have confidence in the utility of their TRAC data in other areas, they cannot just ignore these messages – sustainability is a primary responsibility of governing bodies and of heads of institution.)

- **Sector bodies and other professional groups need at least a basic awareness of TRAC, and of the issues it raises if they wish to have any influence over funding and policy.**

3   Institutions should test and use their TRAC data

3.1   There is a cost of implementing TRAC, and part of the deal was that TRAC was not just an added regulatory burden, but that institutions would improve their understanding and management of their costs and hence the sustainable financial management of their activity. Two major funders of HE (HEFCE and RCUK) have stated that the quality of the assurance they take from TRAC is reduced if institutions are not using the data themselves.

3.2   Heads of institutions sign off annually that their TRAC data are fit for purpose, but the QAV process showed that implementation of TRAC is poor in a significant number of institutions. Obvious reasonableness checks are not always done, and a lack of senior management engagement, and relative isolation of the TRAC processes from the strategic management of the institutions are common. These lead in turn to poorly judged decisions about how to implement TRAC which reduce the credibility of the data produced.

3.3   It also appears that many finance committees and governing bodies do not discuss TRAC data despite their clear responsibility for long-term financial sustainability.

3.4   It is hard to avoid the conclusion that some institutions are not treating this seriously and that some heads of institution are "signing off" that their TRAC data are fit for purpose, without any real evidence that this is the case.

3.5   A range of institutions of all types do use TRAC in some areas of internal planning and management. This is the best form of QA of TRAC because they would not do so if they did not have confidence in their TRAC data, or if these did not have credibility within the institution.

3.6   TDG is working to address all the serious issues about the utility of TRAC that have been raised by institutions, and to provide opportunities for institutions to participate in projects to improve the usefulness of TRAC.

Key Message: institutions need to use TRAC data, and to benchmark and challenge their own data if they do not currently have confidence in them. Visible leadership from senior management is necessary for this to be effective.

4   TRAC works, and there are effective routes to raise issues

4.1   Institutions are expected to make intelligent decisions about how to implement TRAC in their own circumstances. These are not just financial or costing matters, but must be informed by institutional academic and other priorities. Hence there is a TRAC requirement to involve senior management, and this is usually done through a TRAC steering group. TRAC Managers can also draw

upon various sources of advice including benchmarking with peer groups and self-help groups (both formal and informal).

4.2   Finance Directors have an obvious role to provide the professional leadership within institutions to take an overview of the strategic financial context, and of the processes required for credible activity-based costing. Without their active engagement, it is much less likely that TRAC data will be credible or useful within institutions. Issues about implementing TRAC are in general for institutions to manage as best suits their environment and needs.

4.3   Academic staff time (AST) is often cited as the most difficult area, and even after ten years of TRAC implementation, some institutions have not found an effective way to do this. However, many others have done so. The failure in some institutions appears to be linked to an HR culture which is itself unsustainable (for example, an attitude that it is inappropriate for senior management to know how staff effort is spent). This is a management issue for the institutions concerned, it is not a failure of TRAC. However, it is damaging when institutional managers can state that they have no confidence in their own institution's AST data, yet apparently are doing nothing to address this.

4.4   TDG has recently introduced changes specifically to help institutions who need to improve their TRAC academic staff time allocation (AST). The sole aim of these changes was to address concerns in some institutions that TRAC AST data were not robust. Institutions which had such concerns need to ensure that they can now have confidence in their TRAC data.

4.5   These failures of implementation are leading to pressure from funders to introduce a standardised timesheet system for all academic staff.

Key Messages:

- **Institutions need to sort out their TRAC data, not accepting "garbage" – (as claimed by one academic in a recent letter to THE) or claiming that they are powerless to influence their own internal management processes. Finance Directors have a key leadership role in this.**

- **It is likely that heads of institution will be asked to be more specific about their confidence in their own data – and institutions which do not have this confidence will therefore come under greater scrutiny**

- **There are many sources of advice and support for institutions which have problems with implementing TRAC. The TDG maintains an oversight of all this support, and of the development of TRAC itself, and has an active programme of enhancements to TRAC and of support activities for institutions**

- **If institutions have genuine difficulties in implementing TRAC, they need to act on these - it is dangerous to continue to ignore these management problems.**

Useful Reference: Policy Overview: July 2009 (available for download from the HEFCE web-site at www.hefce.ac.uk/ under Finance & assurance/Finance and funding/TRAC/TRAC Development Group)