



Supporting and understanding
financial sustainability

Transparent Approach to Costing (TRAC)

Statement of Requirements extract from the TRAC Guidance

Version 2.3.1, October 2018

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Annexes All annexes are online at: www.trac.ac.uk/tracguidance

1.1 Introduction

In response to feedback from the higher education sector, this statement of requirements document has been produced to provide a complete and single point of reference for all the TRAC requirements detailed in the TRAC Guidance. This document exactly replicates the requirements in the TRAC Guidance and does not replace the TRAC Guidance. It is provided to assist the usability and ease of reference for users.

The TRAC statement of requirements

The TRAC Guidance gives direction to UK Higher Education Institutions (HEIs) in order to achieve compliance with the Transparent Approach to Costing (TRAC) requirements. The TRAC requirements consist of:

- the TRAC principles and standards;
- the TRAC activity definitions;
- the requirements listed in each section of the Guidance;
- certain steps in the process sub-sections which have been shaded green. Each of these elements has a sub-section number that will be referenced in the requirements sub-section of the Guidance for ease of reference.

Materiality is an important concept in the TRAC costing standards and is defined at Annex 1.2a.

Where the TRAC Guidance is updated to cater for the introduction of new requirements or changes to TRAC processes, the new sections are produced in **blue bold** text in the TRAC Guidance and the TRAC statement of requirements and are summarised in a change log (Annex 1.1a).

The TRAC Guidance is supported by a number of annexes, some of which must be used to satisfy the TRAC requirements. This statement of requirements only includes the annexes that form part of the TRAC requirements.

A glossary of terms is included at section 6.1 of the TRAC Guidance. This section is included within the TRAC statement of requirements for completeness.

How to use the TRAC statement of requirements

Institutions have historically found the statement of requirements document useful for a number of reasons:

- it provides a single, shorter reference to all the TRAC requirements, which institutions have commented helps them in ensuring they comply with them;
- the document provides a basis of self-assessment against the TRAC requirements, which can be helpful in providing assurance to the TRAC Oversight Group about the state of compliance with the TRAC requirements;
- the document provides a basis for checking the design of TRAC models and processes to assess whether they should deliver compliance with TRAC requirements.

Institutions are encouraged to use the document for the purposes outlined above.

To achieve TRAC compliance, institutions should ensure that their TRAC model:

- follows the principles and standards set out in section 1.2 of the TRAC Guidance;
- follows the definitions at section 1.3 of the TRAC Guidance; and
- meets all requirements that are highlighted in green throughout the TRAC Guidance. Green shading means that something is a TRAC requirement, or where it relates to a process step, that it is a prescribed method for achieving compliance with the TRAC requirements. The process steps are detailed in the TRAC guidance only and a cross reference is provided in this document, where applicable.

The TRAC statement of requirements has been structured to be aligned with the TRAC Guidance. Therefore the chapter and section referencing is consistent in both documents. This means that there are apparent gaps in the referencing in this document. These are not omissions, but a consequence of aligning the referencing to the TRAC Guidance.

All updates to TRAC guidance are hosted on the TRAC web site¹; no guidance hosted elsewhere forms part of the TRAC requirements.

Other sources of reference and assistance

There are two principal sources of further reference:

- TRAC Regional Groups, through which colleagues can be reached and questions asked. Details of the TRAC Regional Groups can be found at www.trac.ac.uk/contact/regional.
- The TRAC Support Unit, which can be reached on 0115 935 3400, trachelpdesk@kpmg.co.uk.

¹ www.trac.ac.uk/tracguidance

1.2 Principles and standards

1.2.1 Introduction

The TRAC guidance is technical in detail, and contains a number of discrete sections that are based around key stages in the process and the detailed 'requirements' for gaining TRAC compliance. The requirements are founded on a set of principles and costing standards.

It is the responsibility of each institution to comply with the TRAC requirements and follow the TRAC principles (including the principle of materiality, as defined in annex 1.2a). This ensures that institutions provide high quality information that satisfies the requirements for accountability and transparency, is appropriate to justify costs to external sponsors, and is appropriate for use internally in institutions.

The TRAC guidance is based on:

- a) A set of Principles;
- b) Costing Standards.

1.2.2 TRAC Principles

Detailed below are the Principles:

- a) The costing should be transparent and materially robust;
- b) The process should minimise the scope for the manipulation and bias of the costings;
- c) The process should provide a consistent and fair basis for institutions to cost activities;
- d) The process should provide comparability in costings and facilitate collaborative research projects;
- e) The process should be auditable and promote accountability;
- f) The output data should provide utility to the institution.

1.2.3 Costing standards

TRAC guidance offers institutions flexibility in the design of their systems, but in order for all systems to satisfy the TRAC requirements set out under each section of the guidance, the following costing standards should be applied:

1.2.3.1	<p>Annual TRAC reporting – accountability for public funds:</p> <ul style="list-style-type: none">• the TRAC report includes the total gross costs (not net of income) of institutional activity on Teaching, Research, Other, as defined under TRAC (see section 1.3 for TRAC definitions);• the TRAC data are calculated by a method that meets the TRAC requirements and agrees with the consolidated financial statements plus the Margin for Sustainability and Investment;
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	<ul style="list-style-type: none"> the TRAC return is signed off by the Head of Institution as representing a fair and reasonable view of the actual costs incurred on the TRAC activities.
1.2.3.2	<p>Costing for internal purposes and to inform pricing by:</p> <ul style="list-style-type: none"> calculating the cost of Teaching, Research and Other activities by academic department and research sponsor type; calculating the cost of Teaching by publicly funded and non-publicly funded activity.
1.2.3.3	<p>Attribution of academic staff costs to activities:</p> <ul style="list-style-type: none"> as Direct or Support; to Teaching, Research and Other; using in-year time allocation, statistical sampling or academic workload planning.
1.2.3.4	<p>Attribution of other costs to activities:</p> <ul style="list-style-type: none"> costs should be directly allocated to activities where possible; otherwise, allocated using a cost-driver model with robust and relevant drivers.
1.2.3.5	<p>Calculation of the full economic costs of activity by including an adjustment for:</p> <ul style="list-style-type: none"> the Margin for Sustainability and Investment; but includes no other adjustments to gross costs.
1.2.3.6	<p>Costs in medical and dental schools:</p> <ul style="list-style-type: none"> attribute time on clinical services to Teaching, Research, Other and Support, on the primary purpose with the balance on the basis of the services received from the NHS under 'knock-for-knock' arrangements.
1.2.3.7	<p>Review and development of the institution's TRAC model:</p> <ul style="list-style-type: none"> time allocation and space usage collected on a rolling three-year basis; annual review or update of other numbers-driven cost driver information; other cost drivers to be updated on a three-year basis; annual calculation of costs reported under TRAC; research charge-out rates recalculated every year.
1.2.3.8	<p>Quality assurance:</p> <ul style="list-style-type: none"> management involvement, including appropriate institutional Committee of the Governing Body confirming compliance with requirements; systems integrity; tests for reasonableness.

1.2.3.9	<p>Materiality:</p> <ul style="list-style-type: none"> • TRAC requirements need not be met if they do not lead to material impact on the data produced; • institutions with low volumes of Research are eligible for dispensation from complying with certain TRAC requirements (see annex 1.2b for further detail); • materiality for TRAC is defined fully at annex 1.2a.
1.2.3.10	<p>Rate calculation:</p> <ul style="list-style-type: none"> • institutions should calculate indirect cost rates using the cost information calculated under 1.2.3.1 as a base.

Annexes and external links

Annex reference	Document title
1.2a	Materiality
1.2b	Dispensation

Annexes are located on the following web page: www.trac.ac.uk/tracguidance

1.3 TRAC activity definitions

In TRAC, all costs and income are attributed to three core activities: Teaching, Research and Other. Costs are either attributed directly to the three core activities of T, R, or O, or attributed to a fourth activity, Support (S). All Support costs are then attributed to the three core activities.

Each core activity includes Direct costs that have been directly attributed to that activity, and Support costs (indirect and estates costs).

1.3.1 Teaching

1.3.1.1	<p>Teaching (T) is a core activity.</p> <p>It includes all costs and activities that provide or support the teaching of undergraduate and postgraduate taught students.</p> <p>It comprises:</p> <p>(a) The costs of academic staff time directly attributable to teaching. The annual TRAC academic staff time survey includes:</p> <ul style="list-style-type: none">• holding lectures, seminars and tutorials;• project, workshop and laboratory supervision;• preparing materials for lectures, tutorials and laboratory classes;• preparing materials for an agreed new course;• editing and updating course materials;• organising and visiting placements, fieldwork;• supervision / contact time relating to projects and dissertations, and their assessment;• other student contact time relating to educational matters, including remedial classes;• preparing and marking examination papers, including resits;• oral examinations / vivas;• reading and assessing student dissertations, reading and marking essays and other student work;• invigilation of examinations including external examining (both at own and other institutions);• mentee meetings. <p>(b) Outreach where teaching is the underlying activity (i.e. Teaching funded through a Teaching Company Scheme or Knowledge Transfer Partnership). Other directly attributed costs include:</p> <ul style="list-style-type: none">• the full pay costs of staff who work 100% on Teaching;• pay costs of secretarial and administrative staff who support Teaching;
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	<ul style="list-style-type: none"> • non-staff costs directly attributed to Teaching, which includes placements, projects etc.; • the scholarships and bursaries of taught students. <p>(c) A relevant share of Support costs, incurred both in the academic department and in the institution's central departments are also attributed to Teaching. This includes the costs of the support time of academics (scholarship, administration, and management) and other Support costs.</p> <p>All teaching costs are further categorised into publicly funded teaching and non-publicly funded teaching.</p>
1.3.1.2	<p>Publicly funded teaching (PFT) activity is generally considered across the sector as a whole to be fundable, at least in part from public funds.</p> <p>This includes the costs of:</p> <ul style="list-style-type: none"> • UK award/credit bearing courses; • all teaching activities like European Social Fund (ESF), Erasmus and Tempus; • all levels of teaching – sub-degree, degree, PGT (but not PGR); • higher education, further education, teacher training, NHS (nursing) etc.; • all courses fundable by public bodies. <p>For HEIs in England, Wales and Northern Ireland, publicly funded loans and grants administered by the Student Loans Company to meet the cost of tuition fees should be classified as PFT.</p>
1.3.1.3	<p>Non-publicly funded teaching (NPFT) activity is generally considered, across the sector as whole, to be funded wholly from non-public funds.</p> <p>This includes the costs of:</p> <ul style="list-style-type: none"> • short courses; • non-award or non-credit bearing courses run in the UK for overseas or NPF students; • non-credit/award-bearing courses run overseas (overseas courses) • other NPF commercial teaching; • part of the costs of award-bearing courses in the UK attended by overseas and self-funded students² (where the numbers involved are material); • students studying for equivalent or lower qualifications (ELQs). Note that this is only applicable to institutions in England; • teaching carried out through trading units / commercial companies.

² Students who are self-funded are those where the institutional costs are not fundable by **OfS/Funding Council** grants, i.e. where the institution is not potentially eligible for grant aid for the students from a public organisation.

1.3.2 Research

1.3.2.1	<p>Research (R) is a core activity.</p> <p>It comprises:</p> <ul style="list-style-type: none">• research – refer to the definitions in the Frascati Manual³;• fieldwork, laboratory, studio, desk/library work;• management of projects, informal discussions, progress reports etc.;• recruitment and supervision of research staff;• attendance at conferences, seminars and society meetings that are directly connected with specific research projects;• production of research reports, papers, books;• training and supervision of PGR students including training in research methodology, review of drafts and preparation of thesis, and external examining;• collaboration with other academic departments or institutions in any of the above;• outreach where research is the underlying activity (i.e. research carried out through a Teaching Company Scheme or Knowledge Transfer Partnership); <p>TRAC follows the definition used by the Higher Education Statistics Agency (HESA) in the HESA Finance record guidance:</p> <ul style="list-style-type: none">• Research is to include research and experimental development. The definition of research, below, is taken from the 2002 Frascati Manual. <p>‘Research and Experimental Development (R&D) comprise creative work undertaken on a systematic basis in order to increase the stock of knowledge, including knowledge of man, culture and society and the use of this stock of knowledge to devise new applications. R&D is a term covering three activities: basic research, applied research and experimental development.’</p> <p>Research can be a specific project, or blue skies / speculative in nature, but for TRAC, research has an external sponsor or is expected to lead to some research output (or PGR training / supervision). For TRAC, research:</p> <ol style="list-style-type: none">a) Can include clinical trials. Where clinical trials are considered by the NHS to be research then the time spent on them is allocated to research, otherwise they are Other;b) Does not include routine testing (this should be reported as Other);c) Includes institutions’ own-funded research. Research work or projects that are solely funded by the institution (including through the Funding Council/Research England block grants), and that are not directed by an external sponsor, are still Research activity. They come under the research sponsor category of ‘institution own-funded’ research. However, in the time
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³ Frascati Manual 2002: ISBN 978-92-64-19903-9

	<p>allocation data, time spent on research (or teaching) that is not considered by the institutions to be necessary for its mission or research strategy should not be recorded;</p> <p>d) Does not include scholarship activity; this can form part of the Support activity for Research, but could equally be Support for Teaching.</p>
1.3.2.2	<p>Research is categorised into eight research sponsor types, summarised below (sub-sections 1.3.2.3 to 1.3.2.6). A research sponsor type is a group of sponsors that are similar in nature. It is not an individual research sponsor organisation.</p> <p>The word 'sponsor' is used in TRAC to denote the funder – external or internal.</p> <p>Where a Research project is funded by a consortium of organisations (public and non-public) the costs will need to be attributed proportionally between research sponsor types. Proxies could be used, e.g. attribution pro rata to the direct costs funded by each sponsor.</p> <p>However, where a research project is only partially funded by a sponsor and the remainder is institution own-funded, all of the academic time is attributed to the research sponsor type represented by the external sponsor through the time allocation process. However, the costs are allocated pro-rata to the external sponsor and institution own-funded categories. Academic time is only attributed to institution own-funded if there is no external sponsor of that project.</p>
1.3.2.3	<p>Institution own-funded – This covers work that is not carried out to the direction of an external sponsor (the work may or may not be on specific research projects).</p> <p>The work could be funded through Funding Council/Research England block grant or other initiatives, or from an institution's general income (e.g. interest, endowments, or surpluses from other activities).</p> <p>It could include speculative 'blue skies' research undertaken to investigate the potential of ideas before preparing grant or contract bids; or for publication. It must be expected to lead to an external research output (publication, conference presentation, etc.). If this research is done primarily in support of teaching, it is classified as CPD/Scholarship and is allocated to support for teaching.</p>
1.3.2.4	<p>Postgraduate research (PGR) – This covers the training and supervision of PGR students including training in research methodology, review of drafts and preparation of theses, and external examining. The costs include:</p> <ul style="list-style-type: none"> • scholarships and bursaries (a direct cost of Research); • any other direct costs incurred by the institution on behalf of PGR students (e.g. travel and subsistence, consumables, stipends); • the indirect costs and estates costs associated with the PGRs themselves; • the time of the supervisor in PGR training and development • the indirect costs and estates costs associated with this supervision time. <p>The reallocation of income and costs relating to PGR activity away from the external research sponsor type to the PGR category is not a TRAC requirement, but the current direction of travel for policy development suggests that this could become</p>

	<p>mandatory, at least for research intensive institutions (defined as being in the top 60 institutions, in terms of volume, funded by the Research Councils).</p> <p>Noting that this is not a current TRAC requirement, and acknowledging that the burden of undertaking this reallocation needs to be balanced with the utility provided by the data, research intensive institutions are encouraged to report PGR income and costs under the PGR research sponsor type:</p> <p>a) Where costs can be readily identified and reallocated, all income (except Research England, HEFCE/OfS, Higher Education Funding Council for Wales (HEFCW) and Department for the Economy, Northern Ireland (DfE for Northern Ireland) quality-related research funding and SFC’s research excellence grants and research postgraduate grant) and costs relating to PGR activity should be recorded under the PGR sponsor type, not the external research grant or contract sponsor type;</p> <p>b) Where costs can not readily be identified and reallocated (i.e. they are not separately recorded in an institution’s statement of comprehensive income and expenditure, or they are an inseparable part of salaries) then the costs of stipends and scholarships / bursaries are reported against the same research sponsor type as the income that is covering them.</p> <p>If neither of the allocations described above can be done without (in the view of the institution’s TRAC Steering Group) significant burden being added to that institution, then, at the least, the institution improves its understanding of the recovery relating to research students.</p> <p>Institutions should indicate on the Annual TRAC return (see section 4.1) whether this reallocation has been undertaken or not.</p>
1.3.2.5	<p>External research grants and contracts:</p> <ul style="list-style-type: none"> • Research Councils, as defined in the HESA Finance record guidance. • OGDs: UK central government bodies / local authorities, health and hospital authorities, as defined in the HESA Finance record guidance. • European Union (EU) government bodies: research grant and contract income from all government bodies operating in the EU, including the European Commission, as defined under Column 8 in Table 5 of the HESA Finance record guidance. • Charities: UK-based charities. (This is irrespective of their classification or recognition in any Research funding method operated by the Funding Councils/Research England) • Industry: all other organisations, including (as defined by the HESA in the HESA Finance record guidance): <ul style="list-style-type: none"> – EU-based charities, EU industry and EU other; – UK industry, commerce and public corporations; – other overseas – non-EU-charities, non-EU-industry and non-EU-other (other than those specifically mentioned above); – other sources.

1.3.2.6	<p>Recurrent research income from Funding Councils/Research England – the eighth category.</p> <p>No costs are recorded against this category.</p>
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1.3.3 Other

1.3.3.1	<p>Other (income-generating activity) (O) is a core activity. It relates to activities that generate income or could potentially generate income.</p> <p>It comprises:</p> <ul style="list-style-type: none"> • consultancy that is contracted to the institution and carried out during institution time, including advisory work, journal editing and feasibility studies; • other services rendered, including routine testing and non-research clinical trials (i.e. activities not covered under the definition of Research in the Frascati Manual); • work carried out through trading/commercial companies that is not teaching or research; • technology transfer work if remunerated through the institution (e.g. directorships of start-up companies and/or consultancy contracts for the companies) – if it is not remunerated then it should be categorised as Support to Other; • outreach (where the outreach activity is not teaching or research); <p>As well as the costs of academic time, costs attributable to Other activities include:</p> <ul style="list-style-type: none"> • residences, catering and conferences; • goods or services sold to students, staff or external customers. These might include printing or reprographics; • trading activities including non-Teaching and non-Research activities in commercial companies, spin-outs (subsidiaries), retail services such as shops. <p>Unfunded research activity, which satisfies the definition of Research, as set out in 1.3.2 should not be allocated to Other.</p>
1.3.3.2	<p>Other (Clinical Services) (O(CS))– a sub-category of Other used by institutions with medical or dental schools.</p> <p>It includes services provided to the NHS under knock-for-knock arrangements by academic departments of clinical medicine and dentistry (to be reattributed to T, R, O and S).</p>
1.3.3.3	<p>Other (non-commercial activity) – a sub-category of Other used to separate income and associated costs that are allocated to Other, but are not Other income generating activities or other clinical services.</p>

	<p>This category should enable the Other (income generating activity) category to be free from items that distort the reporting of that activity. Items that will typically be included in this sub-category include:</p> <ul style="list-style-type: none"> • Investment income including gains and losses on investments (that is not allocated to Teaching or Research); and • New endowments and donations (that are not allocated to Teaching or Research).
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1.3.4 Support

1.3.4.1	<p>Support (S) is not a core activity. It is carried out in support of the three core activities of T, R and O.</p> <p>Support time is often categorised into several areas to assist both in the recording of the academic staff time and its subsequent allocation (as part of indirect costs) to T, R and O.</p> <p>Five areas of Support are described below: Support for Teaching, Support for Research, Support for Other, general management or institutional Support, and scholarship/professional development.</p>
1.3.4.2	<p>Support for Teaching includes:</p> <ul style="list-style-type: none"> • timetabling; • examination boards; • preparing prospectuses; • interviewing taught students, admissions and induction; • committees related to teaching; • careers advice for taught students; • schools liaison; • academic mentoring (outside timetabled tutorials), counselling; • initial course development (where the future of the course is not certain; preparing materials for an agreed new course is T); • module reviews (but subsequent updates and editing etc. is T); • quality assurance (e.g. Quality Assurance Agency for Higher Education reviews); • publicity for teaching facilities and opportunities. <p>Institutions might also wish to include here scholarship/professional development and other Support (covered below) such as:</p> <ul style="list-style-type: none"> • writing books and other publications for teaching purposes; • advancement of knowledge and skills related to teaching;

	<ul style="list-style-type: none"> • secondment to / academic exchanges with other institutions for teaching activities.
1.3.4.3	<p>Support for Research includes:</p> <ul style="list-style-type: none"> • drafting and redrafting proposals for new work and supporting bids to external bodies (where bids involve a significant amount of speculative research, that element can be attributed to institution own-funded Research); • quality assurance; • peer review; • refereeing papers; • publicity for research facilities and opportunities. <p>Again this might also include scholarship/professional development and other Support to Research (which are covered below) such as:</p> <ul style="list-style-type: none"> • advancement of knowledge and related skills which directly contribute to the academic's research work; • unpaid work advising government departments or committees; • unpaid work for professional bodies or agencies in relation to research matters; • institute and academic department committee work supporting Research; • blocks of time in other institutions on research exchange schemes.
1.3.4.4	<p>Support for Other includes:</p> <ul style="list-style-type: none"> • drafting and re-drafting proposals for new work and supporting bids to external bodies for consultancy and other services rendered (where bids involve a significant amount of speculative research, that element can be attributed to institution own-funded R); • negotiating contract terms and conditions with external bodies; • technology transfer work that is not private, nor undertaken commercially by the institution (e.g. supporting patent applications, licence negotiations, formation of start-up companies).
1.3.4.5	<p>General Support includes:</p> <ul style="list-style-type: none"> • management and administration not specifically related to Teaching, Research or Other; • membership of / participation at faculty boards, senate, institution committees etc. (where these relate to Teaching or Research this time could alternatively be recorded as Support for Teaching or Support for Research); • management duties such as deans, head of admissions, assistant deans; • staff management; appraisal etc.;

	<ul style="list-style-type: none"> • publicity; representative work on behalf of the institution or academic department; • careers advice; • information returns; • quality assurance contribution to sector e.g. on (unpaid) committees or secondments to panels (where the quality assurance activity relates to teaching or research, then it should be charged to Support for Teaching and Support for Research, respectively); • secondments, exchanges, all other tasks not attributable to other categories.
1.3.4.6	<p>Professional development (scholarship) covers maintenance and advancement of own personal knowledge and skills (reading literature, attending professional conferences, maintaining professional or clinical skills, acquiring new skills etc.).</p> <p>Scholarship activity does not relate to supporting 'student scholarships' as defined at 1.3.1.1 (c) above.</p>

2.1 Governance and quality assurance of TRAC

The aim here is to ensure a TRAC process that is overseen and governed in a way that promotes material accuracy and the importance and usefulness of the results. The process seeks to reduce the likelihood of material errors and/or erroneous judgements being made. In turn this aims to provide confidence and assurance to internal and external stakeholders and funders, through the production of robust and reasonable information.

The TRAC process enables the institution to submit its Annual TRAC and TRAC(T) returns to its funders. The governance and quality assurance processes described in this section apply to both the annual TRAC and TRAC(T) returns.

2.1.4 The requirements

All institutions should develop a working method to comply with the following requirements:

2.1.4.1	<p>Control environment:</p> <ul style="list-style-type: none">• There should be clarity of roles and responsibilities for TRAC and a governance structure in place in line with process step 2.1.5.1.• Processes and protocols should be in place to provide resilience and continuity.• There should be clear agreed rationales and audit trails for the TRAC model.• Communication plans and practices should exist that target key internal stakeholders e.g. Senior management, Academic staff, Research offices, Administrators involved in the TRAC process.• Where changes in circumstance arise, through changes in compliance, through higher education institutions (HEIs) merging or moving out of dispensation, or where there are new entrants to the sector, requirements for compliance and/or communication of the compliance status stated in annex 2.1a should be followed.
2.1.4.2	<p>Reasonableness checking:</p> <ul style="list-style-type: none">• The Annual TRAC and TRAC(T) results should be aligned with broad expectations for the institution, taking account of the additional volatility in the financial accounts introduced by the implementation of the accounting standard FRS 102 for 2015-16 and future periods, e.g. through the inclusion of certain capital and investment related items in TRAC income and the inclusion of pension charges, restructuring costs and other material costs in TRAC expenditure.• TRAC-related benchmarking (Annual TRAC and TRAC(T)) should be used to gain assurance over the reasonableness of the results when compared to similar institutions.

	<ul style="list-style-type: none"> • High level adjustments should be rationalised and underpinned with appropriate evidence. It is not expected that such adjustments should recur in subsequent years as corrective action should be taken to avoid the need for further adjustments, unless required for consistency under FRS 102. • If any of the charge-out rates are outside the upper quartile or lower quartile for the sector, then there is a reasonable explanation. • Material errors should be subject to corrective action. If these are identified after submission, resubmission of the TRAC return should be agreed with UKRI and the OfS or the respective Funding Council, or for the TRAC(T) return, with the OfS or relevant Funding Council only.
2.1.4.3	<p>Quality assurance:</p> <ul style="list-style-type: none"> • The TRAC model should comply with the costing principles and standards detailed in section 1.2. • The TRAC process should comply with the materiality concept, and the TRAC returns and charge-out rates should be free from material error. • The TRAC process and results (the Annual TRAC return and charge-out rates and the TRAC(T) return) should be subject to review and approval by a Committee of the Governing Body to confirm compliance with TRAC requirements. This can be achieved either by presenting the return and supporting documentation to a meeting of the Committee, or where Committee scheduling does not enable this, by Chair's action outside of a meeting. Where Chair's action is taken, the return and report should be presented to a subsequent meeting of the Committee. • There should be evidence of annual reconsideration of assumptions and rationales for key treatments by the TRAC Oversight Group. • The TRAC process should be subject to a periodic assurance review, the frequency of which should be determined according to the risk posed to the institution. • Any issue arising from audit or review that could materially affect the cost allocations or charge-out rate calculations should be addressed. • There should be an annual self-assessment against the TRAC requirements, the TRAC assurance reminders checklist (annex 2.1b) and 'what could go wrong' statements (at the end of each chapter). • Controls should be in place to prevent errors in system formulae, errors in data entry and transposition, and double-counting in cost allocations. Details of the apportionment formulae used in the TRAC model should be understood by the TRAC Manager, tested for accuracy, and retained for review by funders upon request. • All data used in the TRAC model should agree with source data. • TRAC data are classed as 'accounting information' and should be retained for the current financial year and the subsequent six years (unless

	contractual terms and conditions require a longer retention period for specific grants).
2.1.4.4	<p>Institutions eligible for and claiming dispensation:</p> <ul style="list-style-type: none"> • Do not have to obtain time allocation data robustly from academics (for example, heads of academic departments could provide this information). • Do not need to identify space usage robustly across the whole institution. • Do not need to take into account the type of space when allocating space costs. • Are not permitted to calculate and apply laboratory technicians and research facility charge-out rates. • Do not need to calculate staff FTEs robustly. • Should apply the lower of their own indirect charge-out rate, or the dispensation indirect charge-out rate⁴ to Research Council and Other Government Department cost-based research projects. • Should apply the lower of their own estates charge-out rate, or the dispensation estates rate to Research Council and OGD cost-based research projects.

The following process sub-section from the TRAC guidance should be followed in order to fulfil the TRAC requirements above:

- Roles, responsibilities and governance established (2.1.5.1).

Annexes and external links

Annex reference	Document title
2.1a	Requirements and processes for changes in compliance status or institutional status
2.1b	TRAC assurance reminders checklist

The annex above is located on the following web page: www.trac.ac.uk/tracguidance

⁴ www.ukri.org/about-us/policies-and-standards/funding-assurance-programme

3.1 Data required for TRAC

The aim here is to ensure that all inputs to the TRAC model are reconcilable to source data and/or other externally reported datasets, and that the cost drivers used are the most relevant to the cost pools to which they are applied.

3.1.4 The requirements

3.1.4.1	TRAC activity definitions should be followed (as defined at section 1.3).	
3.1.4.2	All input data that feed into the TRAC model should reconcile to source data and an audit trail should be maintained.	
3.1.4.3	Input data based on numbers-driven cost drivers (staff, students, etc.) should be updated each year. All other input data should be updated at least every three years (e.g. academic staff time, space usage, library usage).	
3.1.4.4	The cost drivers selected should reflect the consumption of costs for the cost pools to which they are applied.	
3.1.4.5	Costs should be allocated in stages to arrive at the cost of academic departments, then allocate these costs between TRAC categories, as described below: <ul style="list-style-type: none"> the allocation of estates costs to central and academic departments; the allocation of central department costs to academic departments; the allocation of each cost allocated to academic departments, to the TRAC categories (T, R and O). 	
3.1.4.6	Income should not be used as a cost driver unless proven (and evidence is retained) to reflect the consumption of cost. Head of Department (academic department) estimates can be used to allocate academic department general support costs, but these should be refreshed annually and evidence retained of the rationale for the allocation decisions.	*
3.1.4.6a	Institutional policies regarding confidentiality, the General Data Protection Regulation (GDPR) and data security should be applied to the TRAC process.	
TRAC requirements for financial input data:		
3.1.4.7	All costs from the consolidated financial statements should be included at gross levels, not net of income.	
3.1.4.8	The treatment for pension costs, holiday pay accruals, gains or losses on disposal of fixed assets, gains or losses on investments ⁵ , the share of surpluses / deficits in joint ventures and associates, taxation charges or	

⁵ Both realised and unrealised gains on investments.

	credits and non-controlling interests set out at 3.1.5.3 to 3.1.5.6 should be followed where material.	
3.1.4.9	Restructuring costs should be allocated to all TRAC activities, not just to Other.	
3.1.4.10	TRAC costs include the Margin for Sustainability and Investment as detailed in section 3.2.	
TRAC requirements for staff data:		
3.1.4.11	Staff full time equivalent (FTE) and headcount data should be representative of the FTE for the year as a whole and agree with those held on the human resources system, the Higher Education Statistics Agency (HESA) Staff record, or the numbers reported in the consolidated financial statements at institutional level.	*
3.1.4.12	The academic staff FTE and headcount included in the TRAC model should be those that consume and therefore drive the costs.	
3.1.4.13	Adjustments should be made for long term absence where material at academic department level.	*
3.1.4.14	Postgraduate Research Student (PGR) FTEs should be weighted by 0.2 when included in the indirect cost rate, 0.8 for laboratory estate rates and 0.5 for non-laboratory estates rates.	*
TRAC requirements for student data:		
3.1.4.15	Student FTE and headcount data should materially agree with those held on the student records system or the HESA Student record.	
3.1.4.16	The student FTE and headcount included should be those that consume and therefore drive the costs (including the further education or overseas campus FTE if material).	
TRAC requirements for time allocation methods:		
3.1.4.17	Academic and research staff time should be attributed directly to a core TRAC activity (as defined in section 1.3) where possible. Institutions should ensure that double-counting does not arise as a result of staff that are directly allocated to a TRAC category also having all of their time allocated through the time allocation system (3.1.4.18).	
3.1.4.18	All academic staff not directly allocated to a single TRAC activity should be included in the time allocation process. For institutions claiming dispensation a robust method is not required, so Head of Department estimates can be used to allocate staff time between the TRAC categories (detailed in section 1.3).	
3.1.4.19	Time data collected through academic survey or workload planning should follow TRAC activity definitions detailed in section 1.3, should be collected at research sponsor level, and should only reflect the time being managed by the institution. This is irrespective of any 'standard' or 'contracted'	

	working week, but should exclude 'normal' periods of holiday, sickness and other leave.	
3.1.4.20	Clear instructions and definitions should accompany the time allocation forms. Where different activity definitions and categories of time are used in workload planning models, these should be mapped appropriately to the required TRAC categories and definitions.	*
3.1.4.21	Reasonableness of time allocation data should be ensured by a review of the results by the Head of Department (academic department).	*
3.1.4.22	Where time allocation data from one year are used as a proxy for the following year, there should be processes which identify material changes in academic departments. Assessments should be made of the impact of these changes on the allocations of time between activity categories.	
3.1.4.23	When different time allocation methods have been used to provide data for different years, they should be aggregated in an appropriate way. Where different time allocation methods are used across the institution, only one approach should be used within each academic department.	
3.1.4.24	Where the institution has chosen to collect academic time in hours, this should be converted to percentages and weighted by FTEs.	*
3.1.4.25	Removed.	*
3.1.4.26	All academic pay costs should be allocated using one of the following time allocation methods: a) In-year data collection b) Statistical data collection c) Workload planning methods	*
3.1.4.26a	For in-year data collection: <ul style="list-style-type: none"> • The year should be split into at least three periods. • The collection should cover all staff not directly charged to TRAC activities for periods representative of 12 months within a three-year cycle, ensuring that the returns received are representative of the grade mix for each academic department. • The collection is completed by individual academics whose pay costs are to be allocated. • There is a maximum look-back period of: <ul style="list-style-type: none"> • Six months to the start of the collection window, and • Eight weeks from the end of the collection window. • A minimum response rate of 75% for academic departments with a total population of less than 50 academic staff; or 50% or 38 returns (whichever is greater) for academic departments with 50 academic staff or more, is achieved. 	*

	<ul style="list-style-type: none"> • There is no duplication of costs already directly allocated to a TRAC category (3.1.4.17). 	
3.1.4.26b	<p>For statistical data collection:</p> <ul style="list-style-type: none"> • The collection should be undertaken annually and cover all staff not directly charged to TRAC activities. • The sample should be representative of types of staff, academic department, research sponsor type and of the weeks of the year. • The collection should achieve acceptable levels of statistical accuracy; input from a statistician should be evidenced at the stage of designing the process, and in reviewing the levels of response and the results. • The collection is completed by individual academics whose pay costs are to be allocated. • There is a maximum look-back period of: <ul style="list-style-type: none"> • Six months to the start of the collection window, and • Eight weeks from the end of the collection window. • There is no duplication of costs already directly allocated to a TRAC category (3.1.4.17). 	*
3.1.4.26c	<p>For workload planning methods:</p> <ul style="list-style-type: none"> • The collection should be undertaken annually and cover all staff not directly charged to TRAC activities. • Each academic should agree to the plan drawn up for them at the start of the year as part of a formal process. At the end of the year the academic should confirm that the plan was delivered, or revise the data to represent the actual balance of activities undertaken. • Revisions to workload planning data should be jointly agreed and approved by a relevant manager. • Workload data that has not been confirmed by the academic should not be used. • A minimum confirmation rate of 75% for academic departments with a total population of less than 50 academic staff; or 50% or 38 returns (whichever is greater) for academic departments with 50 academic staff or more, is achieved. • There is a maximum look-back period of eight weeks from the end of the collection window. • There is no duplication of costs already directly allocated to a TRAC category (3.1.4.17). 	*
TRAC requirement for technician data:		

3.1.4.27	<p>The cost of technician support is:</p> <ul style="list-style-type: none"> • included in specific research charge-out rates; • the indirect and estates cost pools should be excluded from the technician charge-out rates to avoid double-counting when used for cost-based funding. 	
TRAC requirements for space data:		
3.1.4.28	<p>Estates data should:</p> <ul style="list-style-type: none"> • use the TRAC definitions of activities and not those in the Estates Management Record (EMR); • be attributed on the basis of proportional, not predominate, usage; • be categorised to one of at least four space types (which vary by cost); • use 'Net Internal Area' data in the TRAC model; • classify academic space between laboratory and non-laboratory space; • allocate academic offices to academic department and TRAC based on an assessment of how the space is used. <p>Institutions claiming dispensation do not need to allocate estates costs robustly in the TRAC model. Therefore the method above does not need to be followed to allocate estates costs: high level estimates can be used.</p>	
TRAC requirement for other cost drivers:		
3.1.4.29	<p>Selection of cost drivers and any weightings for the allocation of higher cost support activities (e.g. Library, Learning resource centres and Information Technology) should be informed by the relevant director of these areas to ensure that the driver, or combination of drivers and weightings used, reflects the usage/consumption of those resources.</p>	*
TRAC requirements for weighting data:		
3.1.4.30	<ul style="list-style-type: none"> • Weighting factors applied to cost drivers within the TRAC model should be both institutionally recognised and utilised, or approved by the TRAC Oversight Group when designed uniquely for the TRAC process. • Space weighting factors should be determined with input from the Estates / Facilities department – the workings for which should be retained by the TRAC Manager. • Standard weightings are mandated for use in TRAC for the following analysis: <ul style="list-style-type: none"> – Postgraduate research (PGR) FTEs are weighted 0.2 when included in the indirect cost rate, 0.8 for laboratory estate rates and 0.5 for non-laboratory estates rates. 	*

	<ul style="list-style-type: none"> Academic staff time allocations should be weighted for salaries and FTE when calculating the cost of academic time. The weighting by FTE may or may not be relevant, depending on how the institution's time allocation data are used and applied in the TRAC model. 	
TRAC requirements for indexation		
3.1.4.31	<p>Calculated indexation rates should:</p> <ul style="list-style-type: none"> reflect price changes for the two years broadly starting from the midpoint of the year being reported on the annual TRAC return; reflect both historical and future parts of the two-year period; and reflect two types of indices – one for pay and one for non-pay. 	
TRAC requirements for overseas operations:		
3.1.4.32	<ul style="list-style-type: none"> Overseas operations should be treated the same as onshore activities where the costs are included in the consolidated financial statements; Overseas operations that are not included in the consolidated financial statements should not be included in TRAC. 	*

Institutions eligible for dispensation are required to allocate costs to the TRAC categories, but the methods used to do this do not need to be robust. The requirements that are not therefore applicable to institutions claiming dispensation are indicated with an asterisk (*) in the table above.

The following process sub-sections from the TRAC guidance should be followed in order to fulfil the TRAC requirements above:

- Financial input data (3.1.5.3a - 3.1.5.6);
- Weighting input data (3.1.5.27).

Annexes and external links

Annex Reference	Document title
3.1a	Academic Time Allocation Survey form
3.1b	Pension costs calculator
3.1c	Indexation calculation worksheet

The annexes are located on the following web page: www.trac.ac.uk/tracguidance

3.2 Sustainability Adjustment – Margin for Sustainability and Investment (MSI)

The costs shown in the consolidated financial statements of institutions need to be adjusted to reflect the full economic cost of institutional activities. The aim is to calculate the MSI to be included in deriving the full economic costs of institutional activities and to allocate the MSI to the TRAC activity categories.

3.2.4 The requirements

3.2.4.1	Institutions should calculate the EBITDA for MSI and the MSI percentage using the template included in the Annual TRAC return and at Annex 3.2a, noting the specific treatment for deducting Gross RDEC income from the surplus/(deficit) figures entered in Table C.1 of the Annual TRAC Return (line 16 of Annex 3.2a).
3.2.4.2	All data used in the calculation of the EBITDA for MSI should be taken from the audited financial statements and the financial forecast as approved by the governing body and submitted to the respective funding or regulatory body.
3.2.4.3	The EBITDA for MSI should be set to zero if the calculated values are negative.
3.2.4.4	The EBITDA for MSI should be allocated to the TRAC categories in line with the guidance detailed in sub-sections 3.2.5.4.
3.2.4.5	Institutions may be required to provide the OfS or relevant Funding Councils, UKRI and Research Councils with an explanation for MSI values that are above or below predetermined thresholds.

The requirements above apply to all institutions, including those who are claiming dispensation.

The following process sub-sections from the TRAC guidance should be followed in order to fulfil the TRAC requirements above:

- MSI (3.2.5.1 – 3.2.5.4)

Annexes and external links

Annex reference	Document title
3.2a	MSI calculation template

Annexes are located on the following web page: www.trac.ac.uk/tracguidance

3.3 Direct Cost Attribution

The aim here is to ensure that costs are attributed directly to the appropriate TRAC categories where it is reasonable to do so and to identify all remaining costs that will subsequently require indirect allocation in the cost driver model.

3.3.4 The requirements

3.3.4.1	Wherever appropriate, costs should be directly allocated to the relevant TRAC category (see sections 3.3.5.2 to 3.3.5.4 for costs that should be material and be possible to attribute directly).
3.3.4.2	Direct allocations should be logical and be capable of being substantiated.
3.3.4.3	Costs directly allocated to Other 'Clinical Services', should be reattributed to TRAC activities by: a) Identifying the total staff costs for each academic department or group of academic departments; b) From this, allocating the total costs of reimbursed 'agency' ⁶ costs to Other; c) Allocating the remaining costs based on or using the time allocation schedule data; d) Allocating the part of Clinical Services time to Teaching or Research that relates to the clinical services which have been undertaken, where the primary purpose is either Teaching or Research; e) Allocating the balance on the basis of the services being received from the NHS under the knock-for-knock arrangements.
3.3.4.4	Where cost headings are not clearly defined in the account structure, e.g. 'Miscellaneous', 'Other' the institution should ensure that the allocation is appropriate and defensible.
3.3.4.5	Decisions on the headings to attribute directly should be agreed by the TRAC Oversight Group as part of agreeing the TRAC model (see 2.1.5.1).

The requirements above apply to all institutions, including those who are claiming dispensation.

The following process sub-sections from the TRAC guidance should be followed in order to fulfil the TRAC requirements above:

- Identify cost pools to directly allocate to TRAC categories (3.3.5.2 – 3.3.5.4)
- Allocating costs relating to 'Other non-commercial activities' (3.3.5.9)

⁶ 'Distinction awards, payments for Additional doctors' hours, intensity payments, etc.

3.4 Allocating academic department and central costs

The aim here is to apportion centrally-incurred and locally-incurred support cost pools to academic departments and core TRAC activities robustly.

3.4.4 The requirements

3.4.4.1	The institutional indirect and estates cost pools should reconcile with the consolidated financial statements, less costs charged directly to an activity, before the addition of the relevant share of the Margin for Sustainability and Investment (MSI) and the support time of academic staff.	
3.4.4.2	Cost drivers used to allocate support costs to academic and central departments and activities should be appropriate, robust and have been applied to the appropriate cost pools. The drivers have also been refreshed in line with requirement 3.1.4.3.	*
3.4.4.3	Where weighted cost drivers are used there should be an agreed rationale for the weighting, and this is reconsidered in line with the timescales for refreshing the cost drivers.	*
3.4.4.4	Cost drivers selected should reflect the consumption of resource and do not include bias to achieve a desired allocation of costs.	*
3.4.4.5	Academic time allocation data should not be used to allocate non-academic staff costs or other academic departmental non-pay support costs unless proven to be materially valid and to reflect the resources consumed.	
3.4.4.6	Costs should be allocated through the cost driver model and aggregated to institutional level in line with process steps 3.4.5.10 to 3.4.5.12.	*
3.4.4.7	Totals calculated and the basis of apportionment and allocation in the TRAC model should be checked to prevent double-counting of costs.	

* The requirements marked with an asterisk above do not apply to institutions claiming dispensation.

The following process sub-sections from the TRAC guidance should be followed in order to fulfil the TRAC requirements above:

- Allocate costs to central functions and academic department through the cost driver model (3.4.5.10 - 3.4.5.12).

3.5 Income allocation

To ensure that institutions know where to access the current year income allocation guidance and how to classify each income stream against the core TRAC categories.

The methods used for allocating income are designed to provide a fair and reasonable representation of the financial outcome of each core TRAC activity or research sponsor type and be consistent at a sector level with the purpose for which funds were given, in a way that provides useful data to stakeholders and to institutions. The aim is to:

- provide accountability for public funds;
- monitor the financial sustainability of core TRAC activities;
- inform funding policy.

Institutions eligible for and applying dispensation should complete the income allocation procedure set out below.

3.5.4 The requirements

3.5.4.1	Use of an income allocation process consistent with annex 3.5a and 3.5b: the allocation guidance provided at sub-sections 3.5.5.3 to 3.5.5.21 describes how to allocate the income in the template provided in annex 3.5a and 3.5b.
3.5.4.2	The total income figure on the annual TRAC return agrees with the consolidated financial statements. Further adjustments are made in TRAC for gains on disposal of fixed assets, gains on investments, operating surpluses from joint ventures and associates, and taxation credits (see 3.1.5.3a to 3.1.5.6).
3.5.4.3	<p>The approach to income allocation is based on three rules. Allocation should be made according to:</p> <ul style="list-style-type: none">(a) the purpose of the funding (what was it provided for, irrespective of how it might actually have been employed by the institution); or(b) what it was used for (i.e. where the costs are allocated); and(c) the source of the funds – the type of organisation providing the income (which dictates PFT or NPFT). <p>Method (a) generally takes precedence over (b). Where (c) is in conflict with (a) or (b) then the allocation is made on the basis of (a) or (b) as appropriate.</p>

The requirements above apply to all institutions, including those who are claiming dispensation.

The following process sub-sections from the TRAC guidance should be followed in order to fulfil the TRAC requirements above:

- Funding body grants allocation (3.5.5.3 - 3.5.5.5)
- Tuition fees and education contracts allocation (3.5.5.6 - 3.5.5.8)
- Research grants and contracts allocation (3.5.5.9 – 3.5.5.9a)

- Other income allocation (3.5.5.10 - 3.5.5.19)
- Investment income allocation (3.5.5.20)
- Donations and endowments allocation (3.5.5.21 - 3.5.5.23)

Annexes and external links

Annex reference	Document title
3.5a	Income allocation table
3.5b	Guidance on the allocation of OfS/Funding Council/Research England grants

Annexes are located on the following web page: www.trac.ac.uk/tracguidance

4.1 Annual TRAC return

The aim here is to ensure that institutions know where to access the Annual TRAC return, how to complete and review the return, the deadlines for submission to the HE funding bodies and where further help can be obtained.

4.1.4 The requirements

4.1.4.1	All higher education institutions are required to complete an Annual TRAC return, including HEIs applying dispensation.
4.1.4.2	The template provided to institutions each year by the OfS/Funding Councils should be used (see annex 4.1a) for submitting TRAC data.
4.1.4.3	Teaching activity is robustly allocated between PFT and NPFT at academic department level as defined at section 1.3 (see 3.4.5.11).
4.1.4.4	Research activity is robustly allocated to research sponsor types as defined at section 1.3 (see 3.4.5.12).
4.1.4.5	Other activity is robustly allocated between 'Other (income-generating activity)' and 'Other (non-commercial activity)' as defined at section 1.3 (see 3.3.5.9)
4.1.4.6	The TRAC Oversight Group should review the Annual TRAC return for reasonableness in advance of presenting to the Head of Institution for sign-off.
4.1.4.7	Once uploaded, the results file should be checked for post-submission validation errors. If errors are generated, the Annual TRAC return should be corrected and uploaded again.
4.1.4.8	The Annual TRAC return should be signed-off by a Committee of the Governing Body.
4.1.4.9	The submission deadline for the Annual TRAC return for the year ending 31 July is specified by the OfS/Funding Councils each year.
4.1.4.10	Post-submission, on receipt of sector benchmarking data, institutions should review their TRAC data again against peer group and sector data to consider whether data outliers appear reasonable. If errors are identified at this stage, the Annual TRAC return should be corrected and uploaded again.

Institutions claiming dispensation from TRAC requirements are required to make the allocations outlined in requirements 4.1.4.3 and 4.1.4.4 above, but the method for making the allocation does not need to be robust.

Annexes and external links

Annex reference	Document title
4.1a	Annual TRAC return template
4.1b	Peer groups

Annexes are located on the following web page: www.trac.ac.uk/tracguidance

4.2 Research charge-out rates

The aim is to calculate charge-out rates for indirect costs, estates costs, laboratory technician support and facility access, for use in costing research projects being funded by the Research Councils and other sponsors.

For institutions claiming dispensation, the indirect and estates cost rates to be applied are the dispensation rates published annually by RCUK⁷. Research facility and laboratory technician infrastructure rates are unlikely to be applicable to institutions claiming dispensation and their use is not permitted.

4.2.4 The requirements

4.2.4.1	There should be a clear cut-off date and process that ensures that the updated rates replace the previous rates and are applied to project applications no earlier than 1 February of each year, and no later than six months after this date.
TRAC requirements for the indirect cost charge-out rate:	
4.2.4.2	A Research indirect cost charge-out rate should be calculated each year as a rate per research academic staff FTE.
4.2.4.3	The costs in the numerator of the Research indirect cost charge-out rate should agree with the indirect cost pool in the TRAC model, less a deduction for a proportion of any income received from the Apprenticeship Service Account that is attributable to the proportion of staff costs that have been allocated to Research. Note: This only applies where the institution is on the Register of Apprenticeship Training Providers.
4.2.4.4	The denominator of the Research indirect cost charge-out rate comprises: <ul style="list-style-type: none"> • academic time (FTE) attributable to research (not weighted for salaries); • postgraduate researchers (FTE) (weighted by 0.2); • research assistants and fellows (FTE); • temporary research staff FTE; • visiting research academics FTE; and • clinicians FTE (where material and appropriate to be included).
TRAC requirements for the estates cost charge-out rates:	
4.2.4.5	Two Research estates cost charge-out rates (for laboratory and non-laboratory academic departments as defined by the institution) are calculated each year as a rate per research academic staff FTE. If no laboratory (or non-laboratory) academic departments exist within an institution, separate estates rates need not be calculated.

⁷ www.ukri.org/about-us/policies-and-standards/funding-assurance-programme

4.2.4.6	The costs in the numerator of the Research estates charge-out rates should agree with the Research element of the estates cost pool in the TRAC model (including the relevant proportion of the MSI adjustment), less the cost of technicians, equipment and facilities that are to be charged separately.
4.2.4.7	The denominator of the Research estates charge-out rates should agree with the research academic staff FTE used in the Research indirect cost charge-out rate but should be calculated separately for laboratory and non-laboratory academic departments in the Research estates charge-out rates (weighting postgraduate researcher FTEs by 0.8 and 0.5 respectively).
TRAC requirements for the Research technician charge-out rate:	
4.2.4.8	Research technicians, equipment and facilities costs that are to be charged to projects should be excluded from the estates cost pools and form the basis of separate charge-out rates.
4.2.4.9	The numerator of the Research laboratory technician cost charge-out rate calculations should exclude: <ul style="list-style-type: none"> • costs already being charged to projects as Directly Incurred; • costs that are included in equipment and facilities costs charge-out rates; • costs of technician support in teaching and non-laboratory academic departments.
4.2.4.10	An annual figure of 1650 hours per FTE should be used as the denominator to calculate an hourly rate for the Research technician charge-out rate.
TRAC requirements for the Research facilities and equipment charge-out rates:	
4.2.4.11	All biological facilities (operated under a Home Office licence) should be costed as research facilities and charged directly on projects.
4.2.4.12	Auditable utilisation records covering all activities undertaken should be maintained (at least quarterly) by facility and equipment managers to inform robust rate calculations. Research facilities and equipment without auditable utilisation records should not be recorded as Directly Incurred to research projects.
4.2.4.13	Research facility and equipment managers should be able to justify the utilisation estimates if asked by funders, auditors or Research Councils.

Institutions claiming dispensation from the TRAC requirements are not required to calculate indirect or estates charge-out rates robustly. Institutions claiming dispensation should apply the lower of their own indirect and estates charge-out rate, or the dispensation indirect charge-out rate⁸ to Research Council and Other Government Department cost-based research projects. Charge-out rates for Research Facilities and Laboratory Technicians cannot be applied if claiming dispensation.

⁸ www.ukri.org/about-us/policies-and-standards/funding-assurance-programme

Annexes and external links

Annex Reference	Document title
4.2a	Facility costing template
4.2b	Technician survey template
4.2c	HM Treasury Letter – University Research: Costs to Government Departments (13 February 2004)

Annexes are located on the following web page: www.trac.ac.uk/tracguidance

4.3 TRAC for Teaching return – TRAC(T)

The aim is to ensure that institutions know:

- where to access the TRAC(T) return;
- how to allocate the costs to calculate the Subject-related full average costs of teaching a Funding Council fundable student FTE (Subject-FACTS);
- the Funding Councils' submission deadlines.

4.3.4 The requirements

4.3.4.1	<p>Each year the OfS produces the TRAC(T) return template for HEIs in England, and on behalf of the SFC and the DfE for Northern Ireland for HEIs in Scotland and Northern Ireland.</p> <p>The template is made available as a PDF document for reference (see annex 4.3a), but data should be completed on individualised Excel spreadsheets, accessed and submitted on line, via the OfS portal.</p> <p>All institutions in England, Scotland and Northern Ireland, including those claiming dispensation from the TRAC requirements, should complete the TRAC(T) return (see workbook 4.3a).</p>
4.3.4.2	<p>The full economic cost of teaching is derived from Annual TRAC (section 4.1).</p>
4.3.4.3	<p>Institutions should review the student numbers used as cost drivers to allocate costs, to ensure they are robust at academic department level.</p>
4.3.4.4	<p>Definitions used in the Higher Education Student Early Statistics (HESES) return, for HEIs in England and Northern Ireland, and the SFC Early Statistics return for HEIs in Scotland, to classify students should be used in TRAC(T) together with additional definitions given in the TRAC Guidance.</p>
4.3.4.5	<p>The costs of non-publicly funded teaching and non-OfS/Funding Council-fundable teaching should be removed from the Teaching costs to determine the Teaching cost of OfS/Funding Council-fundable provision at academic department level in line with sub-sections 4.3.5.3 to 4.3.5.11.</p>
4.3.4.6	<p>Non-subject-related costs which are either funded from separate OfS/Funding Council funding streams or the cost of bursaries should be removed at academic department level to determine the Subject-related costs of OfS/Funding Council fundable provision (see 4.3.5.12 – 4.3.5.17).</p> <p>Specific methods for excluding non-subject-related costs from the subject-related costs of OfS/Funding Council-fundable provision should be used, even if an institution believes it can estimate its costs better in a particular area (see 4.3.5.14 to 4.3.5.15).</p> <p>These methods are: the actual costs of bursaries; and current OfS/Funding Council funding (data provided by the OfS/Funding Councils) as a proxy for the recurrent costs of all other specified activities. All costs funded by separate OfS/Funding Council funding streams (e.g. the OfS/Funding Council targeted</p>

	allocation, SFC's disabled students premium, or the DfE for Northern Ireland's widening participation grant) should be removed from the costs of OfS/Funding Council-fundable taught provision for each relevant academic department (except for some specific exemptions – see 4.3.5.15).
4.3.4.7	The Subject-related costs of OfS/Funding Council-fundable provision should be mapped onto the Higher Education Statistics Agency (HESA) cost centres and divided by the OfS/Funding Council-fundable full time equivalent student numbers (derived from the HESA student data) to calculate the Subject-FACTS, using specific methods outlined in sub-sections 4.3.5.18, 4.3.5.19 and 4.3.4.21.
4.3.4.8	The TRAC Oversight Group should review the TRAC(T) return for reasonableness in advance of presenting to the Head of Institution and a Committee of the Governing Body for sign-off (see 4.3.5.24).
4.3.4.9	The submission deadline for the TRAC(T) return is specified by the OfS/Funding Councils each year.

The requirements above apply to all institutions, including those that are claiming dispensation.

The following process sub-sections from the TRAC guidance should be followed in order to fulfil the TRAC requirements above:

- Calculating the cost of Publicly Funded Teaching (PFT) (4.3.5.3 – 4.3.5.6);
- Splitting the PFT cost between Funding Council-fundable and non- Funding Council fundable provision (4.3.5.7 – 4.3.5.11);
- Calculating the subject-related costs (4.3.5.12 – 4.3.5.17);
- Mapping subject-related costs to HESA cost centres (4.3.5.18 – 4.3.5.19).

Annexes and external links

Reference	Document title
4.3a	TRAC(T) return template
4.3b	HESA Academic Cost Centres
4.3c	TRAC(T) Funding for non-subject related activities – OfS/HEFCE and DfE for Northern Ireland
4.3d	TRAC(T) Funding for non-subject related activities – SFC
4.3e	TRAC(T) Removal of non-subject-related costs (worked example)

Annexes are located on the following web page: www.trac.ac.uk/tracguidance

5.1 Calculation of research project costs

The aim here is to ensure that the difference between the cost and price of a research project is clear, and to provide guidance on how to produce robust project costings for actual and estimated research project costs.

5.1.4 The requirements

5.1.4.1	Institutions should establish procedures for guiding academics in estimating DA research project costs and completing cost-based grant applications.
5.1.4.2	Institutions should have robust processes to ensure that DA and indirect cost charge-out rates are applied to projects correctly, using the right unit of consumption (days, hours, etc.).
5.1.4.3	In calculating charge-out rates for academic staff time, there should be adequate control procedures to ensure that staff are classified against the appropriate scale and band and that employment costs (including on costs) are updated correctly.
5.1.4.4	Institutions should ensure that no more than 1650 hours are charged to Research Council projects, by each academic or researcher in each year.
5.1.4.5	Staff record separately the academic staff time spent on supervising and training postgraduate research students (PGRs) when the PGRs are working on projects.

The requirements above apply to all institutions, including those who are claiming dispensation.

6.1 Glossary of terms

Reference	Definition
Academic department	In the context of TRAC guidance this refers to an academic management unit. The costs of academic departments are assumed to include an allocation of central service costs, estates costs and Margin for Sustainability and Investment adjustment unless the context clearly says otherwise. This management unit might actually be a department, school, group of departments with similar patterns of activities, institutional cost centre, subject area, or 'intermediary operating centre'. Depending on the costs being allocated, it might include research units or trading units.
Academic Full Time Equivalent (staff)	The full time equivalent of academic staff time. Where used as the denominator in the indirect and estate rates calculations, the Research FTE value is calculated as: <ul style="list-style-type: none"> the proportion of academic staff FTE spent on research (using the percentage research time of academic staff) ; the staff FTE dedicated to research (research assistants and fellows) a proportion of the postgraduate research student number.
Accelerated depreciation	Accelerated depreciation is a depreciation method whereby an asset loses book value at a faster rate than the traditional straight-line method.
Access charges	A fee charged by the host facility to an external user when accessing the facility.
Accredited Apprenticeship course	Courses that are delivered by institutions that are on the Register of Apprenticeship Training Providers ⁹ , where the course is delivered under an approved apprenticeship standard ¹⁰ .
Accrual model	FRS 102 and the FEHE SORP allow a choice of accounting policy, applying either the accrual model or the performance model when accounting for Government grants (except for capital grants for land). Under the accrual model institutions account for government grants as follows: <ul style="list-style-type: none"> Classify each grant as either a capital or a revenue grant. Revenue government grants are recognised in income on a systematic basis over the periods in which the entity recognises the related costs for which the grant is intended to compensate. Capital government grants are recognised in income on a systematic basis over the expected useful life of the asset to

⁹ <https://roatp.apprenticeships.sfa.bis.gov.uk/download>

¹⁰ <https://www.gov.uk/government/collections/apprenticeship-standards>

	which the grant relates. The income is recorded within the Statement of Comprehensive Income under the relevant heading of funding body grants, research grants or other income as appropriate to the nature of the grant.
Annual TRAC	Submission of an Annual Transparent Approach to Costing (TRAC) return is a requirement for all UK HEIs in receipt of grant funding from the OfS/UK HE funding bodies .
Apprenticeship Levy	The Apprenticeship Levy is a levy on UK employers' pay bills from April 2017 to fund new apprenticeships.
Apprenticeship Service Account	This is an online account to access money paid under the apprenticeship levy by institutions in England to pay for apprenticeship training.
Assets in the course of construction	The cost of purchasing, constructing and installing tangible fixed assets ahead of their productive use.
Associate	Defined in FRS 102 as an entity, including an unincorporated entity such as a partnership, over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture.
Assurance providers	This is a term that refers to an independent organisation (including in-house internal audit functions) that audits or reviews the TRAC model for compliance with TRAC requirements. Assurance providers typically include internal audit, external audit, a professional firm with relevant expertise, or the UKRI and OfS/Funding Councils' assurance teams.
Audit trail	This refers to the document or sequence of documents that evidences the calculations and/or data that support a particular result / number used in the TRAC model. The term is typically used alongside 'source data'. The principle is that the audit trail is the evidence that substantiates the numbers used in the TRAC model.
Building Component	When an asset which comprises two or more major components with substantially different useful economic lives, each component should be accounted for separately for depreciation purposes and depreciated over its individual useful economic life.
Bursaries	Payments granted to taught students, comprising bursaries, scholarships and hardship funding, provided for whatever reason.
Central service department	A unit within the non-academic structure. These areas are referred to in various ways, e.g. as administrative services, professional support functions, support directorates.
Committee of the Governing Body	A formal Committee of the Governing Body that will have lay membership. More often than not it is chaired by a member of the Governing Body.

Cost drivers	Cost drivers are used for allocating those costs that cannot be directly allocated to a department and/or an activity category.
Cost pools	Costs in any one pool are attributed using the same cost driver. A cost pool may relate to an activity, or a support cost.
Direct attribution	This refers to the allocation of a cost directly to a department and TRAC activity without needing to use cost drivers.
Direct cost	This is a cost that is only incurred as a result of undertaking a particular activity and can be wholly attributed to that activity.
DA (Directly Allocated)	Charged to a project based on estimated expenditure for project related costs, typically including Project Investigator, Estates, Infrastructure Technicians and Research Facilities.
DI (Directly Incurred)	Charged to a project based on actual expenditure for project specific costs.
Discipline group	This is one of the cost groupings required under the annual TRAC process. The subject types are: <ul style="list-style-type: none"> • clinical subjects; • laboratory-based subjects – including studio, fieldwork, laboratory; • non-laboratory subjects – also called classroom-based or generic subjects.
Dispensation	In TRAC terms, removing the need to satisfy certain TRAC requirements robustly. Further detail is provided in 2.1.4.4.
EC	European Commission.
EBITDA	Earnings Before Interest, Taxation, Depreciation and Amortisation
EBITDA for MSI	Earnings Before Interest, Taxation, Depreciation and Amortisation, adjusted for MSI. Further detail is given in Annex 3.2.
Endowment	An endowment fund is a form of charitable trust retained for the benefit of the institution.
EMR	Estates Management Return as collected by the Higher Education Statistics Agency.
EO	Experimental Officer.
ESFA	Education and Skills Funding Agency
EU	European Union.
FEHE SORP	Statement of Recommended Practice (SORP): Accounting for Further and Higher Education (2015). This SORP reflects the changes to UK GAAP following the issue of FRS 102 and is effective for financial years beginning on or after 1 January 2015. The SORP defines the requirements for both further

	education institutions and higher education institutions throughout the United Kingdom.
Financial year	In a higher education context the financial year is the accounting period 1 August to 31 July. It is also referred to as the academic year.
Franchised-out	Where students are registered in a higher education institution but are (wholly or partially) taught by staff in another institution (of further or higher education) these students are defined in the registering higher education institution as franchised-out.
FRS	Financial Reporting Standards. www.icaew.com/en/library/subject-gateways/accounting-standards/new-uk-gaap
FRS 102	The Financial Reporting Standard applicable in the UK and the Republic of Ireland. Applicable for accounting periods commencing on or after 1 January 2015
FSSG	Financial Sustainability Strategy Group
Funding Councils or FCs	The Higher Education Funding Council for Wales; The Scottish Funding Council; and The Department for the Economy in Northern Ireland (formerly the Department for Employment and Learning) (referred to as a Funding Council in this guidance for ease of reference).
full Economic Cost or fEC	This term refers to the inclusion of the MSI adjustment (detailed in 3.2) with the expenditure reported in the consolidated financial statements. The fEC principle should be applied to the costing of research grant proposals. The Research Councils pay a fixed percentage (80% for most fund headings) of the fEC, which includes an attribution of the cost of academic staff time, and the institution's facilities, estates and indirect costs. It is important for institutions to understand the full costs of the research they carry out on a sustainable basis, recognising the need for appropriate investment in research infrastructure, including buildings, facilities and staff.
FTE	Full Time Equivalent.
GDPR	General Data Protection Regulation. See ico.org.uk
Group Key	Access code obtained from the OfS (on behalf of all Funding Councils) for obtaining the Annual TRAC return template.
HE	Higher education.
HEFCE	The Higher Education Funding Council for England.
HEI	Higher education institution. In this context this means a university or higher education college funded by the OfS or a Funding Council .
HESA	Higher Education Statistics Agency. HESA collects a range of data every year UK-wide from universities, higher education colleges and other differently funded providers of higher education. These data are

	then provided to UK governments and higher education funding bodies to support their work in regulating and funding higher education providers. www.hesa.ac.uk
HESA academic cost centres	Cost centres are used to return staff, finance and student numbers to HESA.
HESA data	Annual statistical returns including Staff, Student, Estates Management and FSR.
HESES	Higher Education Students Early Statistics Survey. This is an annual survey of English higher education institutions about students on recognised higher education courses. http://webarchive.nationalarchives.gov.uk/20180405121548/http://www.hefce.ac.uk/data/collect/heses/
Holiday pay accrual	An annual charge to expenditure under FRS 102 reflecting any movement in the liability for holiday pay.
Indirect costs	Charged to a project based on estimated expenditure for non-project specific costs.
In-year	This is a term used in relation to the time allocation survey. It is referring to a method of time allocation whereby a minimum of three returns are received from individual academic staff during a year to identify how they have spent their time across the TRAC categories.
IRV	Insurance Replacement Value: <ul style="list-style-type: none"> • full loss basis including professional fees, debris removal and site clearance; • like-for-like – IRV less debris /site clearance plus foundation costs.
J-es	The Joint Electronic Submissions portal for submission of research grants applications.
Joint venture	Defined in FRS 102 as a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. Joint ventures can take the form of jointly controlled operations, jointly controlled assets, or jointly controlled entities.
Knock-for-knock	Institutions and teaching hospitals necessarily work very closely together. Apart from sharing premises and support services (such as laboratories), clinical staff of the institution are involved in delivering NHS services to patients, while NHS staff are involved in teaching students. Institutions and the NHS have not usually engaged in quantification and cross-charging when the staff of one perform duties for the other. The staff time involved has usually been treated as part of a 'knock-for-knock' or informal cost-sharing arrangement (though payments relating to support services are often apportioned between the parties).

Lay membership	A committee that has at least one lay, independent or co-opted member of the Governing Body.
Look back period	This term is used in the time allocation process (section 3.1). It refers to the amount of time an academic has to recall what they were doing during that period in order to complete their time allocation return.
Management	The term is used in a number of places in the guidance. Where not explicitly stated, it refers to individuals with authority and accountability that can and should provide leadership and support to enable informed decisions to be taken, where required.
Margin for Sustainability and Investment (MSI)	An institution-specific margin applied to the TRAC model in line with the guidance in section 3.2 to represent the full economic cost of delivering core TRAC activities. The adjustment is calculated based on the historic and forecast financial information for the institution.
Material Items	<p>Omissions or misstatements of items are material to an institution's financial statements if they could, individually or collectively, influence the economic decisions of users taken on the basis of the financial statements. Materiality depends on the size and nature of the omission or misstatement judged in the surrounding circumstances. The size or nature of the item, or a combination of both, could be the determining factor.</p> <p>HESA Finance record Table 10 (separately disclosed material items) provides additional information in cases where an HE provider has chosen to disclose an item (or items) on a separate line (or lines) on the face of their published statement of comprehensive income and expenditure.</p>
Materiality	<p>Materiality for TRAC is defined as an impact of 10% or more on the allocation of costs to the TRAC categories, Research sponsor types, Science, non-Science and Clinical activity levels, and the Research charge-out rates.</p> <p>Materiality is defined further at annex 1.1a.</p>
Net Internal Area	Net Internal Area (NIA) is the usable area within a building measured to the internal face of the perimeter walls at each floor level. NIA covers all areas which are used for a specific purpose. It does not include those parts of buildings which enable them to function.
Non-controlling interest	The equity in a subsidiary not attributable, directly or indirectly, to a Parent (i.e. arising where the Parent has a controlling interest (more than 50% but less than 100%) in a consolidated subsidiary.
Non-OfS/Funding Council-fundable provision	All PFT provision that is not eligible for funding in the OfS/Funding Councils' teaching funding method. It is part of the provision that is returned in sub-column (c) in HESES Tables 1a, 2 and 3, that is sponsored by other UK public bodies such as the Department of Health, the National College for Teaching and Leadership, local

	authorities. (Some provision in category (c) is NPFT, e.g. closed courses funded by commercial companies.) Provision funded by the Skills Funding Agency is also non-OfS/Funding Council-fundable PFT provision. In the case of HEIs in Scotland, 'Rest of UK' (RUK) students paying deregulated fees are non-OfS/Funding Council-fundable .
Non-subject related activities	Non-subject related activities are Teaching activities that affect the costs of Teaching other than those that relate to the subject being taught.
Non-subject-related costs	The differential costs of non-subject related activities – i.e. the costs incurred on each activity that are higher or lower than (different from) those that would otherwise have been incurred from subject-related factors alone. OfS/Funding Council-fundable costs are attributed between subject-related and non-subject-related costs.
NPFT	Non-publicly funded Teaching.
O	For TRAC, 'Other' activity category (see section 1.3 for full definitions).
OfS	Office for Students. www.officeforstudents.org.uk
OfS Portal	The secure area of the OfS website.
OfS/Funding Council-fundable provision	Publicly funded teaching (PFT) provision that is eligible for funding in the OfS/Funding Councils' teaching funding methods.
OGD	Other Government Departments.
Other income generating	Activities that generate, or could potentially generate, income, but are not teaching or research.
Other Services Rendered	Costs recorded as Other Services Rendered in the consolidated financial statements/HESA.
Performance model	FRS 102 and the FEHE SORP allow a choice of accounting policy, applying either the accrual model or the performance model when accounting for government grants (except for capital grants for land). An institution adopting the performance model must recognise income from government grants within the Statement of Comprehensive Income when performance-related conditions are met.
PGR	Postgraduate Research student.
PGT	Postgraduate Taught student.
PFT	Publicly Funded Teaching.
Predominant use of space	As defined by HESA for the Estates Management Return: space type determined by the most common use only.

Principal Investigator	The Principal Investigator is an individual who takes responsibility for the intellectual leadership of the research project and for the overall management of the research or other activities.
Proportional use of space	As defined by the HESA for the Estates Management Return; space type determined by the percentage of use for different activities.
QAA	Quality Assurance Agency for Higher Education. www.qaa.ac.uk
QR	Quality Related funding relating to the Research England/HEFCE research funding method.
R	For TRAC, 'Research' activity category (see section 1.3 for full definitions).
RC	Research Council.
RCUK	Research Councils UK was a non-executive partnership led by the chief executives of the seven research councils. RCUK closed in March 2018 as the Higher Education and Research Act created UKRI which embraces functions previously overseen by RCUK.
RDEC	Research and Development Expenditure Credit.
Registering institution	The institution at which students are enrolled, registered on the student records system and reported in data returns to the Funding Council. This term typically applies when students are enrolled at one institution, but where the delivery of the course is undertaken by another organisation (e.g. further education college).
Research England	The UKRI established to take forward the England-only responsibilities of HEFCE in relation to research and knowledge exchange. https://re.ukri.org
Research intensive	Defined for TRAC purposes as the 60 institutions that receive the most grant income from UKRI .
Restructuring costs	Voluntary retirement schemes, redundancy programmes, pension fund top-ups to reflect early retirements.
S	For TRAC, 'Support' activity category (see section 1.3 for full definitions).
Service Concessions	An arrangement whereby a public sector body or a public benefit entity (the grantor) contracts with a private sector entity (the operator) to construct (or upgrade), operate and maintain infrastructure assets for a specified period of time (the concession period).
Statement of Comprehensive Income (SOCl)	Financial statement that presents all items of income and expense recognised in a period, including those items recognised in determining surplus or deficit (which is a subtotal in the Statement of Comprehensive Income) and items of other comprehensive income.

Source data	Refers to the original data source for a data set. This guidance typically states that different data should reconcile to source data. Institutions are required to provide an audit trail back to the source of the data, e.g., the student records system will provide source data for establishing cost drivers for allocating teaching-related costs.
Subject-FACTS	‘Subject-related full average costs of teaching a student’, the subject-related average annual cost of teaching a FTE funding council-fundable student in a HESA academic cost centre based on TRAC.
Subject-related costs	Subject-related costs are the costs of Teaching that are significantly affected by discipline or subject. They exclude the additional (or lower) costs incurred from non-subject related activities. See non-subject-related costs.
Subsidiary	An entity, including an unincorporated entity such as a partnership, that is controlled by another entity (known as the parent).
Support cost	This is a cost that is not incurred as a result of undertaking a single activity. It is often referred to as an overhead (see chapter 3.4).
T	For TRAC, ‘Teaching’ activity category (see section 1.3 for full definitions).
TRAC	Transparent Approach to Costing.
TRAC(T)	TRAC for Teaching. Submission of a TRAC(T) return is a requirement for all UK higher education institutions in receipt of grant funding from the Funding Councils.
TRAC Manager	The individual within a higher education institution that operates the TRAC/fEC process.
TRAC Oversight Group	The management group that oversees the development and implementation of TRAC and approves the TRAC and fEC results annually. Of an institution’s choosing, these groups can also have a wider remit that includes the oversight of financial sustainability, course costing, resource allocation etc. The latter are not TRAC requirements, however.
Trading companies	Trading activities in commercial companies, spin-outs (subsidiaries of HEIs).
UK GAAP	UK Generally Accepted Accounting Practice.
UKRI	UK Research and Innovation brings together the seven Research Councils, Innovate UK and Research England. www.ukri.org/about-us/

Weighted space	Space is categorised into different types to reflect its cost. Each of these space types is given a weighting for each element of estates cost. These space weightings are based on a mixture of experience, comparisons, reasonableness reviews, and meter readings.
Widening participation	Additional activities undertaken in the recruitment and support of students from disadvantaged and non-traditional backgrounds, and disabled students.