

TRAC Guidance

Understanding the updates to v2.4 of the guidance

TRAC Support Unit

10 October 2019

Agenda

1. TRAC Guidance v2.4 Updates
 - Summary of what's changed
 - Walkthrough each change
2. Another change to be aware of...
3. Questions?



TRAC Guidance Updates



TRAC Guidance v2.4 for 2018/19 – A summary (1)

Key changes include:

- TRAC return approval and sign-off
- New requirement for treatment of research investments.
- Additional clarification for employer pension scheme adjustments (again)!

Annex 1.1a – TRAC guidance change log

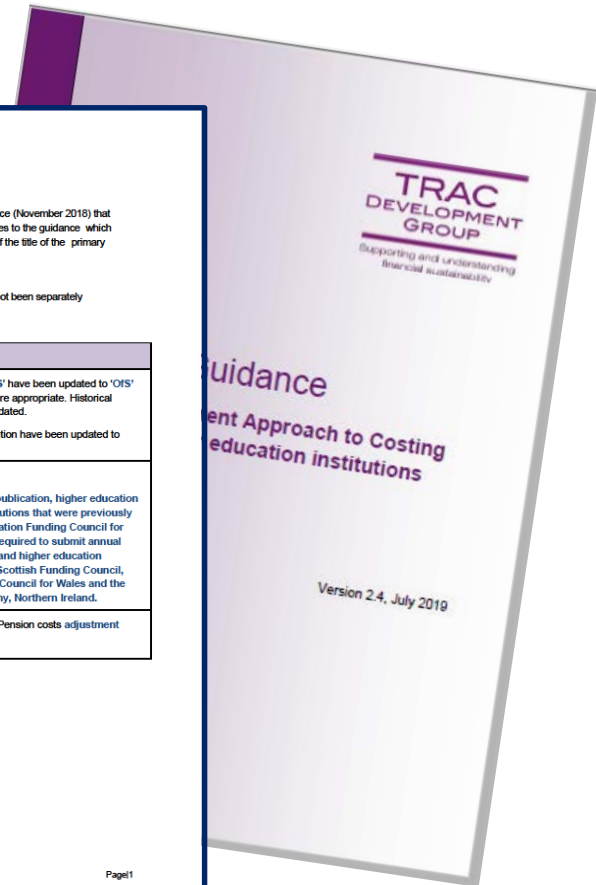
The log below shows the sections of Version 2.3.1 of the TRAC guidance (November 2018) that have been updated in Version 2.4 (July 2019) other than those changes to the guidance which relate solely to changes of name of governmental bodies or changes of the title of the primary statements included in institutional financial statements.

Any updates are indicated by bold blue text.

Text that has been deleted within extant sections of the guidance has not been separately documented in the change log.

Guidance section	Reference	Updated TRAC guidance
N/A	N/A	All references to 'HEFCE/OFS' have been updated to 'OFS' throughout the guidance where appropriate. Historical references have not been updated. References to Head of Institution have been updated to Accountable Officer.
Introduction	1.1.1	New footer: ¹ For the purposes of this publication, higher education institutions are those institutions that were previously funded by the Higher Education Funding Council for England (HEFCE) and are required to submit annual TRAC returns for 2018-19; and higher education institutions funded by the Scottish Funding Council, Higher Education Funding Council for Wales and the Department for the Economy, Northern Ireland.
Introduction	1.1.1	Annex 3.1b title changed to 'Pension costs adjustment calculator'.

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TRAC Guidance v2.4 for 2018/19 – A summary (2)

Governance	Annual TRAC	TRAC(T)
<ul style="list-style-type: none">• Accountable Officer• July financial forecasts	<ul style="list-style-type: none">• Indexation template and guidance• Research Facility template	<ul style="list-style-type: none">• Sandwich Year-Out• Dental Health / Dental Therapy• Nursing / Midwifery / Allied Health

TRAC approval and sign-off

TRAC guidance has been updated to remove the ability to use Chair's action to approve the TRAC returns after the submission deadlines.

Why?

To ensure the TRAC returns are subject to review by a Committee of the Governing Body before being submitted to OfS/ the Funding Councils and sign-off by the Accountable Officer.

Guidance Reference

Section 2.1.4.3

Section 2.1.6 (what could go wrong)



TRAC Guidance v2.4 for 2018/19 – Approval FAQ (1)

Q – *My TRAC Oversight Group is composed of members of Senior Management Team, all of whom sit on Committees of the Governing Body. Could I add a lay member to the Oversight group to satisfy the TRAC requirements?*

A – No, the extended TRAC Oversight Group is unlikely to be a formal Committee of the Governing Body.

TRAC Guidance v2.4 for 2018/19 – Approval FAQ (2)

Q – *The meeting schedule for the Finance Committee does not align to the TRAC submission deadlines, could we hold an extraordinary meeting of the Finance Committee to approve the TRAC returns?*

A – Yes, provided that the meeting is recognised as a formal committee meeting and is minuted, using an extraordinary meeting would satisfy TRAC requirements.

TRAC Guidance v2.4 for 2018/19 – Approval FAQ (3)

Q – *It is common practice for my Audit Committee to hold virtual meetings via video conference. Does the Audit Committee need to attend a physical meeting to approve the TRAC return?*

A – No, the TRAC Guidance only requires that a meeting is held. Therefore if virtual meetings are normal practice, a virtual meeting would be acceptable provided that the meeting is quorate, formally minuted and that Committee members can still access the relevant papers and reports from management to support a thorough consideration of the data return(s) and process followed to generate the returns.

TRAC Guidance v2.4 for 2018/19 – Approval FAQ (4)

Q – *Could the Governing Body approve the TRAC Returns rather than a Committee of the Governing Body?*

A – Yes, if the Governing Body could review the TRAC results directly, the task would not need to be delegated to a Committee of the Governing Body.

TRAC Guidance v2.4 for 2018/19 – Approval FAQ (5)

Q – *I can't identify an appropriate Committee of the Governing Body to approve the TRAC returns before submission. What are the implications?*

A – If you are not able to meet the TRAC requirement to gain approval before submission, either by using an existing Committee meeting of the Governing Body, or via arranging an additional meeting then please discuss this with your OfS/ Funding Council contact as soon as possible.

TRAC Guidance v2.4 for 2018/19 – Approval FAQ (6)

Q – *The University Council usually approves our TRAC returns. Could we establish a new Standing Committee of the Council to approve the TRAC return for this year only?*

A – Yes, providing that the Standing Committee is a formally recognised Committee of the Governing Body and the membership meets the TRAC requirements.

Q – *We can't influence the Committee schedule this year and are seeking to set up specific arrangements to approve the TRAC returns. We cannot get sufficient members of each individual committee together to make the meeting quorate, but we can establish a meeting with some members of the Finance Committee and the Audit Committee in attendance. Could we hold an exceptional meeting with representatives from each committee to provide challenge and review of the TRAC data?*

A – No, this would not meet the TRAC requirements for approval as the new exceptional meeting would not be a formal committee of the Governing Body. If the institution wants to adopt this approach it should consult the OfS/Funding Council to ascertain whether this would be an accepted way of gaining approval.

Pensions adjustment

TRAC guidance for pensions has been restructured to add greater clarity.

When to use the pensions cost adjustment calculator (annex 3.1b) clarified.

Why?

To avoid errors in calculating pension adjustments.

The changes provide clarity of treatment for costs and credits attributable to the deficit recovery plan for the Universities Superannuation Scheme (USS), Superannuation Arrangements of the University of London (SAUL) and the Oxford Staff Pension Scheme (OSPS).

Guidance Reference

Section 3.1



TRAC Guidance v2.4 for 2018/19 – Pensions (2)

Adjustment for USS pensions costs in TRAC - worked example

Statement of Comprehensive Income and Expenditure (SOCIE) (EXTRACT)			
	£'000	£'000	Notes
Staff costs (excluding USS)		150,000	
USS contributions (cash)		25,500	
USS pension provision - interest payable	1,256		Includes both deficit and current contributions
Deficit contributions	(1,930)		
Adjustment to provision	52,395		Unwinding of the discount
		51,721	Remove deficit contributions as part of the adjustment
			Adjustment to arrive at correct provision
			Net reduction in provision
Non-staff costs		80,000	
Total expenditure per SOCIE		307,221	
Adjustment for TRAC		(51,721)	Remove net reduction in provision (from above)
TRAC expenditure		255,500	

Example USS costs (EXTRACT from USS calculator)			
Year ending	31/07/2019		
Dr BS Pension Provision	1,929,730		A portion of the employer contribution rate is allocated to the deficit and reduces the balance of the provision
Cr P&L Staff Costs	(1,929,730)		
Dr P&L Interest Payable	1,256,338		The discount rate unwinds
Cr BS Pension Provision	(1,256,338)		
Dr P&L Staff Costs	25,500,000		Payment to USS of the employer contributions
Cr BS Cash	(25,500,000)		
Dr P&L Staff Costs	52,395,068		Where actual contribution experience differs from past expectations, the adjustment to arrive at the correct closing provision goes through the P&L
Cr BS Pension Provision	(52,395,068)		
Aggregate Entry		Under FRS 102	Under old UK GAAP
Dr P&L Staff Costs	75,965,338	25,500,000	50,465,338
Dr P&L Interest Payable	1,256,338	-	1,256,338
Cr BS Pension Provision	(51,721,676)	-	(51,721,676)
Cr BS Cash	(25,500,000)	(25,500,000)	-
	-	-	-
Summary			
Brought Forward Pension Provision	(66,472,889)		
Movement	(51,721,676)		
Total	(118,194,565)		
Carried Forward Pension Provision	(118,194,565)		
Check	-		

(A1) Derivation of TRAC income and expenditure figures (EXTRACT from TRAC return)		
Total expenditure ²	0	0
minus cost or plus credit attributable to the periodic revaluation of [USS, SAUL or OSPS] pension scheme liabilities	-53,651	0
+ [USS, SAUL or OSPS] employer pension deficit contributions excluded from expenditure in financial statements	1,930	0
+ loss on disposal of fixed assets	0	0
+ loss on investments	0	0
+ share of operating deficit in joint ventures	0	0
+ share of operating deficit in associates	0	0
+ taxation charges	0	0
+/- (surplus)/deficit attributable to non-controlling interests	0	0
TRAC expenditure	(51,721)	0

² From FRS 102 accounts - expenditure as reported in the Consolidated Statement of Comprehensive Income

Research Investments

A new TRAC requirement has been introduced to explain how costs relating to investments in independent research organisations should be treated for TRAC. The new requirement suggests that such investments should be allocated to institution own-funded research.

Where the treatment is unclear, the TRAC Support Unit should be consulted.

Why?

To ensure that treatment of research investments is consistent.

Note: This is unlikely to be an issue for many institutions.

Guidance Reference

Section 3.1.5.4g



Accountable Officer

TRAC guidance has been updated reflect changes in terminology where previously references had been to the 'Head of Institution'.

Why?

To update the guidance to reflect updates in terminology used by the OfS/Funding Councils.

Guidance Reference

Section 1.2.3.1



Financial Forecasts

TRAC guidance no longer refers to the 'July Forecasts' in reference to the EBITDA for MSI calculation; references have been updated to the 'most recent financial forecasts submitted to the funding or regulatory body'.

Why?

The timing of financial forecasts might not be July in all cases.

NOTE - OfS is introducing a new Finance Record that will contain financial forecasting information and will be submitted in December (discussed later) – FAQ to be issued.

Guidance Reference

Section 3.2.3

Section 3.2.4.2

Annex 3.2a

'Indexation' – The Indexation workbook specific TRAC requirements, and the research facilities template have all been updated to add greater clarity around indexation.

Why?

To remove some outdated references to indexation when FRS102 was first introduced, and to add clarity to how indexation should be applied to fEC charge-out rates and facilities.

Guidance Reference

Section 3.1.4.31

Section 3.1.6 (what could go wrong)

Annex 3.1b

Annex 4.2a



Facility Costing Template

The Research Facility costing template has been updated. References to specific TRAC requirements have been added to the template and a new section relating to indexation has been added.

Why?

To add further clarity around facility costing requirements.

Guidance Reference

Annex 4.2a



Sandwich Year-Out

The guidance has been updated to explain that the sandwich year-out fee should drive the allocation of sandwich year-out costs for TRAC(T).

Why?

A funding proxy is not available for the 2018/19 TRAC(T) return, therefore using the sandwich year-out fee is now the correct methodology.

Guidance Reference

Annex 4.3.5.17



Dental Health / Dental Therapy / Nursing / Midwifery / Allied Health

The guidance has been updated to reflect changes related courses that have transferred from the Department of Health to the OfS in 2018/19:

- Funding for pre-registration Nursing, Midwifery and Allied Health postgraduate level courses.
- Funding for undergraduate-level Dental Hygiene and Dental Therapy courses.

Why?

To provide guidance to providers delivering the courses that have transferred from the Department of Health to the OfS.

Guidance Reference

Annex 4.3.5.10



Pre-Registration Nursing, Midwifery and Allied Health professions student data for 2017-18 was not correct.

Please note that this is an issue that has only impacted providers in England who deliver pre-registration nursing, midwifery and allied health courses.

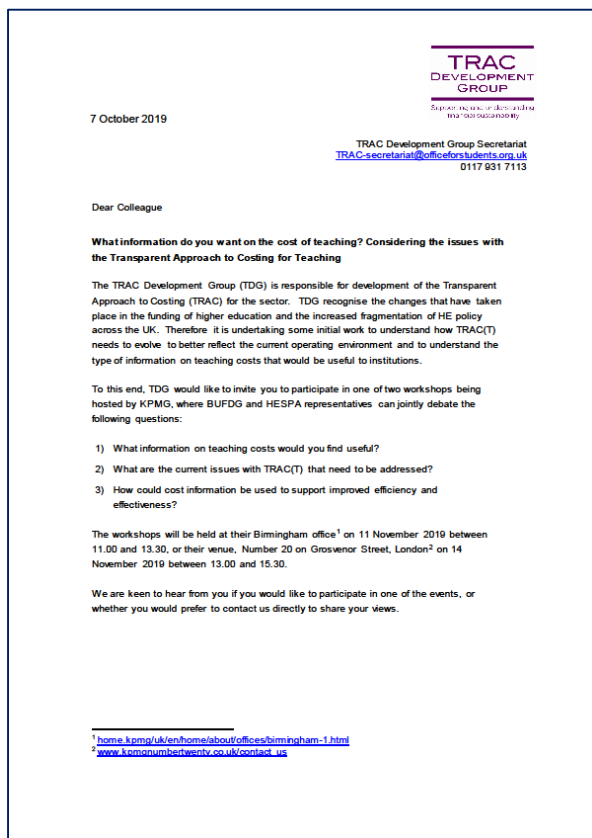
The Office for Students has identified an error in the data that was used to populate the student FTEs in the 2017-18 TRAC(T) return which affected the split of FTEs between price groups in cost centre 103 for pre-registration nursing, midwifery and allied health courses. The Office for Students has corrected the error for 2018-19, but this will mean that the FTEs and Subject-FACTS in cost centre 103 might not be comparable between years.

The Office for Students will provide revised FTE data for 2017-18 within the 2018-19 TRAC(T) return, but are not seeking re-submitted Subject-FACTS for 2017-18.

www.officeforstudents.org.uk/data-and-analysis/data-checking-tools/2018-19-hesa-student-data-checking-tool/

Other things to be aware of...

HESPA / BUFDG TRAC(T) workshops (November 2019)

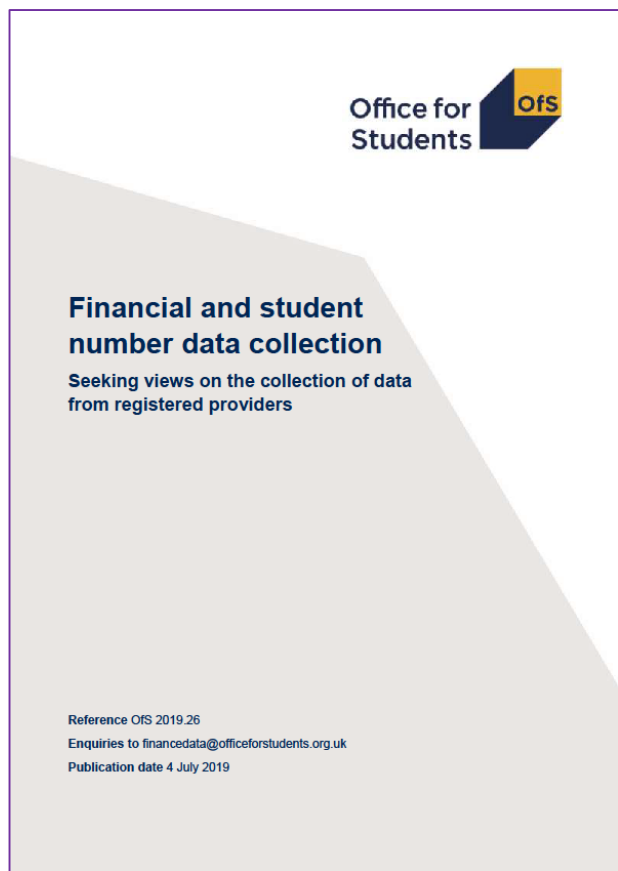


KPMG are hosting two workshops, where BUFDG and HESPA representatives can jointly debate the following questions:

1. What information on teaching costs would you find useful?
2. What are the current issues with TRAC(T) that need to be addressed?
3. How could cost information be used to support improved efficiency and effectiveness?

These events are not targeted at TRAC practitioners. A follow up session will be set up for practitioners.

Changes to HESA / OfS Finance Returns (1)



The Office for Students consulted the English sector in July 2019 (OFS 2-19.26), seeking views on the collection of data from registered providers.

The document asked for views on two options:

- a) Providers submit a single annual finance return, encompassing both actual and forecast financial data and student number data; or
- b) Providers submit separate returns for the audited financial year and for forecast student and finance data.

The sector expressed a preference for a single return, the results of which were communicated to Accountable Officers on 22/08/19.

Changes to HESA / OfS Finance Returns (2)

A draft return template was released as part of the consultation:

Table 4: Analysis of income		Audited data			Forecast data			
		Financial year ending:	Last audited year	Current year	Year 4	Year 5	Year 6	Year 7
			Year 1	Year 2				
1	Course fees and education contracts	0	0	0	0	0	0	0
2 Funding body grants		£000s	£000s	£000s	£000s	£000s	£000s	£000s
2a	Office for Students teaching grant (formerly distributed by HEFCE)	0	0	0	0	0	0	0
2b	Office for Students other grants (formerly distributed by HEFCE)	0	0	0	0	0	0	0
2c	Research England research grants (formerly distributed by HEFCE)	0	0	0	0	0	0	0
2d	Research England other grants	0	0	0	0	0	0	0
2e	Education and Skills Funding Agency funding	0	0	0	0	0	0	0
2f	Department for Education teacher training funding	0	0	0	0	0	0	0
2g	Capital grants recognised in the year	0	0	0	0	0	0	0
2h	Total funding body grants	0	0	0	0	0	0	0
3 Research grants and contracts		£000s	£000s	£000s	£000s	£000s	£000s	£000s
3a	UK sources	0	0	0	0	0	0	0
3b	Other EU sources	0	0	0	0	0	0	0
3c	Non-EU sources	0	0	0	0	0	0	0
3d	Total research grants and contracts	0	0	0	0	0	0	0
4 Other income		£000s	£000s	£000s	£000s	£000s	£000s	£000s
4a	Other services rendered	£000s	£000s	£000s	£000s	£000s	£000s	£000s
4ai	UK public sources (Central government, health and hospital authorities, Research Councils)	0	0	0	0	0	0	0
4aii	EU sources	0	0	0	0	0	0	0
4aiii	Other	0	0	0	0	0	0	0
4aiv	Total other services rendered	0	0	0	0	0	0	0

www.officeforstudents.org.uk/publications/financial-and-student-number-data-collection/

Changes to HESA / OfS Finance Returns (3)

Impact of the changes for providers in England and Northern Ireland on TRAC:

- a) Although the OfS Finance Return is different to the HESA Finance Return, the impact on income allocation is expected to be minimal;
- b) No anticipated impact on timing – deadline for submission of the OfS Finance Return is the same as the HESA Finance Return; and
- c) The post submission validation checks against the HESA Finance Record will now be against the OfS Annual Financial Return for providers in England.



Changes to HESA / OfS Finance Returns (4)

Next steps:

- FAQ to be issued detailing the impact of this change for Providers in England.
- No impact for institutions in Scotland and Wales
- Income allocation table (Annex 3.5a) to be issued.



Questions?

Please send questions through to the TRAC Support Unit on:

Email: trachelpdesk@kpmg.co.uk

