1 Introduction

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1.1 Introduction

1.1.1 About this guide

The guidance provided in the following chapters gives direction to UK higher education institutions (HEIs) in order to achieve compliance with the TRAC (Transparent Approach to Costing) requirements. The TRAC Development Group has responsibility for the development and maintenance of TRAC and has approved the release of this guidance.

The guidance is aimed at those personnel within UK HEIs who are involved in the preparation, compilation, validation and approval of TRAC data. Members of TRAC oversight groups or institutional committees with oversight of TRAC will find chapters 1 and 2 helpful in setting out the high-level principles and governance requirements. The remainder of the guidance is of greater relevance to those working on the TRAC compilation process and also the application of charge-out rates that the process produces.

The guidance includes all current requirements and does not rely on separately issued notes or updates. Where guidance is updated to cater for the introduction of new requirements or changes to TRAC processes, the new sections will be produced in bold blue text and will be accompanied with a change log on the host web page for clarity. Where case studies are provided, they are to illustrate good practice examples of how the TRAC processes can operate; they are not part of the TRAC requirements.

Each section of the guidance follows a standard format, and includes cross references to other sections where appropriate, as well as signposting to external links. The standard format includes:

- Introduction
- The aim of the section
- Process workflow diagram
- The ‘TRAC requirements’
- The process that institutions should follow to comply with the TRAC requirements
- What could go wrong?
- Annexes
- Associated good practice and other relevant material.

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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 2021-22; and higher education institutions funded by the Scottish Funding Council, Higher Education Funding Council for Wales and the Department for the Economy, Northern Ireland.

2 www.trac.ac.uk/about/tdg
A set of TRAC definitions and glossary of terms are included at sections 1.3 and 6.1 respectively. Materiality for TRAC is defined at annex 1.2a. The TRAC guidance is structured as follows:

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1.1.2 How to use the TRAC guidance

This TRAC guidance is designed to be a single reference point that describes the TRAC requirements and methods for complying with these requirements.

Green shading in tables

Rows shaded in green indicate that they are ‘the TRAC requirements’, the ‘auditable’ requirements. As such, institutions should ensure that their model follows:
1. the principles and standards set out in section 1.2;
2. the definitions at section 1.3;
3. the requirements listed in each section; and
4. the process steps that are shaded in green to achieve TRAC compliance.

Green shading in the sections on Process indicates steps that describe mandatory methods for fulfilling the related TRAC requirement.

A glossary is provided in chapter 6, which readers of this guidance may find helpful in interpreting certain words and phrases.

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

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3 www.trac.ac.uk/tracguidance
Additional reference materials are provided to illustrate good practice and practical application of the TRAC requirements, but these do not contain requirements in their own right.

The TRAC guidance is both technical and practical in nature, and strikes a balance between absolute prescription and freedom for institutions to tailor the approach to their needs to gain greater utility from TRAC data. It will be of interest primarily to:

- TRAC Managers and management accountants with responsibility for producing the TRAC data and maintaining TRAC systems;
- senior managers with responsibility for overseeing the TRAC processes, e.g. the Chair of the TRAC Oversight Group;
- research project administrators and managers;
- auditors and other assurance providers;
- the OfS or relevant Funding Councils/Research England/UKRI and the Research Councils and other public funders of higher education.

Additional reference material is accessible from the TRAC website\(^4\) which may be of more relevance to:

- Directors of Finance, Pro Vice-Chancellors of Research, Directors of Research Support Offices, and other senior managers with either lead, or significant functional, responsibility for elements of TRAC within the institution;
- individual academics and other institutional professionals (e.g. estates, planning, registry); officers responsible for funding on a fEC (full Economic Cost) basis in Research Councils and other public bodies.

### 1.1.3 Background to TRAC

TRAC is an activity-based costing system, adapted for an academic culture in a way which also meets the needs of the main public funders of higher education.

It was introduced across the UK higher education sector in 1999 as a government accountability requirement and to support institutional management through better understanding of costs within individual institutions.

By complying with the requirements of TRAC the sector received substantial financial benefits through increased funding, particularly in support of research sustainability. By adopting the TRAC methodology, HEIs are providing confidence to funders and stakeholders that the sector is well managed financially.

TRAC is a process of taking institutional expenditure information from consolidated financial statements, adding a margin for sustainability and investment\(^5\) to represent the full ‘sustainable’ cost of delivery, and then applying cost drivers (such as academic staff time allocation and space usage) to allocate these costs to academic departments and to specific activities.

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\(^4\) [www.trac.ac.uk](http://www.trac.ac.uk)

\(^5\) See section 3.2, ‘Margin for Sustainability and Investment’.
The main activities to which TRAC allocates costs are:

- **Teaching (T)** – analysed between publicly and non-publicly funded activity;
- **Research (R)** – analysed between the main sponsor types: Research Councils, Government Departments, charities, European Commission bodies, etc.;
- **Other (O)** – analysed between the other primary income-generating activities such as commercial activities, residences, conferences, etc, and non-commercial activities such as gains and losses on investments;
- **Support activities (S)** – such as preparation, proposal-writing and administration, which are costed separately but are attributed, as appropriate, to the three core activities – Teaching, Research and Other.

The cost attribution process overview is illustrated in Figure 1.1:

**Figure 1.1: Process overview**

Income is analysed through a separate TRAC process (see section 3.5), so that the gap between the full cost of activities and the income attributed can be determined for each main institutional activity.
These data, at institutional level, are reported annually to the OfS/Funding Councils along with calculated charge-out rates for the research-related elements of indirect costs, estates costs, facilities and equipment, and technicians. These rates are used by institutions in forecasting the full costs of research projects and informing pricing.

TRAC has evolved significantly since its inception and now provides greater utility to institutions by providing a basis for activity costing. Examples of how TRAC can be and is used include: HMRC accepted method for VAT partial recovery, informing teaching funding models, Research Council funding of projects, resource allocation models and course costing. In addition institutions have found benefit in using TRAC data and good practice examples to support other internal processes and to assess financial sustainability.

Significant milestones for TRAC are:

- **1999** – The full economic cost concept was established. TRAC principles and costing standards were created for costing and reporting the full economic costs of Teaching, Research and Other activities in HEIs.
- **2003** – Lord Sainsbury letter to all vice-chancellors and principals. Alan Johnson, Minister of State for Lifelong Learning, Further and Higher Education, and Lord Sainsbury, Minister for Science and Innovation, reaffirmed their commitment to the dual support system for funding research. They also announced that the new procedures for applying for Research Council grants would come into effect from September 2005, with funding based on the full economic cost methodology from April 2006.
- **2004** – HM Treasury letter to the Office of Science and Technology confirming the basic principle that Government Departments should expect to pay 100% of the full economic cost of the research that they commission from UK universities.
- **2005** – TRAC fEC for research project costing was introduced for institutions to identify the full economic cost of carrying out individual research projects, including an appropriate share of infrastructure and financing costs.
- **2008** – TRAC(T) data was first collected to allow institutions to determine subject-related costs of teaching, which are used to inform subject price group and funding subject group weightings in the funding methodologies for England and Scotland.
- **2008** – TRAC EC-FP7 was introduced to allow institutions to adapt the TRAC-based project costing methodology for use with European Commission Framework Programme 7 (EC-FP7).
- **2009** – The Financial Sustainability Strategy Group (FSSG) and TRAC Development Group (TDG) worked with more than 80 institutions in a UK-wide project to increase the use of accessible management information.
- **2011** – The Government White Paper in June 2011, ‘Students at the Heart of the System’, challenged the Funding Councils to undertake a review of TRAC in order to ‘radically streamline’ the reporting requirements and reduce the burden of TRAC on institutions. HEFCE consulted the sector between October 2012 and January 2013; one outcome was the commitment to redevelop the TRAC guidance.
- **2014** – The streamlined TRAC guidance was released.
• **2016** – Version 2 of the TRAC guidance was released, following the implementation of the new accounting standard ‘The Financial Reporting Standard applicable in the UK and Ireland’ (FRS 102) and the 2015 ‘Statement of Recommended Practice: Accounting for Further and Higher Education’ (FEHE SORP) (together known as UK Generally Accepted Accounting Practice (UK GAAP)).

• **2017** – The adoption of the Margin for Sustainability and Investment (MSI) as a replacement for the Return for Financing and Investment and the Infrastructure Adjustment in version 2.2 of the TRAC guidance.

• **2018** – The Office for Students (OfS) was established to regulate English higher education providers. UK Research and Innovation (UKRI) was established to bring together the seven Research Councils, Innovate UK and Research England.


• **2021** – TRAC(T) data collection suspended for 2020-21 collection. **The Review of TRAC commissioned by the Regulators and Funders Group (RFG) was published.**


Alongside these milestones, the TRAC data has informed the following:

• **2010** – The ‘Wakeham’ review: ‘Financial sustainability and efficiency in full economic costing of research in UK higher education institutions’[6].

• **2012** – The HEFCE ‘Review of clinical subject weightings’[7].

The introduction of new accounting standards for 2015-16 required a reconsideration of the need for adjustments to or analysis of institutions’ results to ensure that the process established by this guidance was able to provide continued comparability and consistency. The existing set of principles and costing standards (see section 1.2) were reaffirmed, with full agreement that TRAC should follow the financial accounting.

The TRAC Development Group[8] is responsible for the development of TRAC and supporting the use of TRAC by the sector to understand and manage financial sustainability. The TRAC guidance has been developed in collaboration with sector representatives, but is owned and maintained by the TRAC Development Group. Support is provided to users by the TRAC Support Unit and from institutional support groups (see contact details at sub-section 1.1.5).

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[8] www.trac.ac.uk/about/tdg
1.1.4 TRAC activities

Teaching (T), Research (R) and Other (O) are the three core activities to be costed and reported under the annual TRAC process. 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.

Throughout the TRAC guidance, standard definitions of activities are used. Section 1.3 provides a full set of definitions; a summary of which for Teaching and Research is provided below:

The total costs of Teaching activities are analysed between publicly funded teaching (PFT) and non-publicly funded (NPFT) activities. This categorisation refers to the main source of funds or eligibility for funding. Further categorisations of PFT costs are made between OfS/Funding Council-fundable and non-OfS/Funding Council-fundable. Research costs in the annual TRAC process are analysed between seven research sponsor types:

- institution own-funded research;
- training and supervision of Postgraduate Research students (PGRs);
- Research Councils;
- Other UK Government Departments (OGDs);
- European Union (EU) government bodies including the European Commission;
- UK charities;
- industrial, commercial, EU other and other overseas grants and contracts.

Other activities are ultimately analysed between Other (income-generating) (O(IG)) and Other (non-commercial) (O(NC)) categories. This categorisation refers to the activities undertaken, such as conferences, student accommodation and catering under O(IG). O(NC) is reserved for specific sources of income and corresponding expenditure (arising primarily due to impact of FRS102 on timing of income recognition). All other activities that are not T or R, should be reported under Other (income-generating).

Income is also allocated to Teaching, Research or Other. Teaching income is analysed into PFT and NPFT in line with the costs. Research income is analysed into the seven research sponsor types, plus an eighth research sponsor type: Funding Councils/Research England recurrent funding for research. Other income is analysed between O(IG), O(CS) and O(NC) depending on the source of funding.

A further sub-category of ‘Other’ is Other (clinical services) (O(CS)). O(CS) is only relevant to Schools of Medicine or Dentistry. There is a further re-allocation of income and costs from O(CS) to Teaching or Research where the primary purpose of the clinical services undertaken is either Teaching or Research with the balance allocated to Other (income-generating) but it is not allocated to Other (non-commercial).
1.1.5 Annexes

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Annexes are located on the following web page: [www.trac.ac.uk/tracguidance](http://www.trac.ac.uk/tracguidance)

1.1.6 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](http://www.trac.ac.uk/contact/regional).

The TRAC Support Unit, which can be reached on 0115 935 3400, [trachelpdesk@kpmg.co.uk](mailto:trachelpdesk@kpmg.co.uk).
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 Annual TRAC reporting – accountability for public funds:

- 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;
- the TRAC return is signed off by the Accountable Officer\(^9\) as representing a fair and reasonable view of the actual costs incurred on the TRAC activities.

1.2.3.2 Costing for internal purposes and to inform pricing by:

- 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 Attribution of academic staff costs to activities:

- as Direct or Support;
- to Teaching, Research and Other;
- using in-year time allocation, statistical sampling or academic workload planning.

1.2.3.4 Attribution of other costs to activities:

- 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 Calculation of the full economic costs of activity by including an adjustment for:

- the Margin for Sustainability and Investment;
- but includes no other adjustments to gross costs.

1.2.3.6 Costs in medical and dental schools:

- 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 Review and development of the institution’s TRAC model:

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\(^9\) The Accountable Officer is a person, normally the head of institution, who reports to the OfS/Funding Council on behalf of the institution. The OfS definition of Accountable Officer is provided in the ‘Regulatory framework for higher education in England’. The HEFCW definition of Accountable Officer is provided in the ‘Financial Management Code’. The SFC refers to the Chief Executive Officer, rather than the Accountable Officer, in the ‘Financial Memorandum with Higher Education Institutions’. The DfE definition of Accountable Officer is provided in the ‘Financial Memorandum between the Department for the Economy (DfE) and the Northern Ireland Universities’. Links to each document are provided in the glossary at section 6.1.
- 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 Quality assurance:**
- management involvement, including appropriate institutional Committee of the Governing Body confirming compliance with requirements;
- systems integrity;
- tests for reasonableness.

**1.2.3.9 Materiality:**
- 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);
- **TRAC materiality threshold is set at 10% on a cumulative net basis.** Materiality for TRAC is defined fully at annex 1.2a.

**1.2.3.10 Rate calculation:**
- institutions should calculate indirect cost rates using the cost information calculated under 1.2.3.1 as a base.

### 1.2.4 Annexes

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Annexes are located on the following web page: [www.trac.ac.uk/tracguidance](http://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 Teaching (T) is a core activity.

It includes all costs and activities that provide or support the teaching of undergraduate and postgraduate taught students, including those studying through an apprenticeship route. It also includes further education provision, where applicable.

It comprises:

a) The costs of academic staff time directly attributable to teaching. The annual TRAC academic staff time survey includes:
   - 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 / viva;
   - 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.

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:
   - the full pay costs of staff who work 100% on Teaching;
pay costs of secretarial and administrative staff who support Teaching;

- non-staff costs directly attributed to Teaching, which includes placements, projects etc.;

- the scholarships and bursaries of taught students.

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.

All teaching costs are further categorised into publicly funded teaching and non-publicly funded teaching.

### 1.3.1.2 Publicly funded teaching (PFT)

Activity is generally considered across the sector as a whole to be fundable, at least in part from public funds.

This includes the costs of:

- UK award/credit bearing courses;

- all teaching activities like European Social Fund (ESF), Erasmus, Turing 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.

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.

There is a change in the eligibility of certain types of EU students for Student Loan Company funding for new courses commencing on or after 1 August 2021. From 1 August 2021, students from the EU who do not have settled or pre-settled status and are commencing study on a new course in the UK will no longer be classed as PFT. Continuing students will still be classed as PFT. This will affect the classification of income and associated costs away from publicly funded to teaching to non-publicly funded teaching for these students.

Students from Crown dependencies (Channel Islands and the Isle of Man) will be treated the same as home students (new entrants and continuing students). This applies from 1 August 2021 for English institutions and from 1 August 2022 for institutions in Wales and Scotland.

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10 Studying in the UK: guidance for EU students - GOV.UK (www.gov.uk)
Please refer to the guidance on eligibility rules for home fee status and student finance for the 2021/22 academic year\(^\text{11}\) for the full list of rules and requirements.

1.3.1.3 **Non-publicly funded teaching (NPFT)** activity is generally considered, across the sector as whole, to be funded wholly from non-public funds.

This includes the costs of:

- 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 students\(^\text{12}\) (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;
- all students from the EU who do not have settled or pre-settled status and commence a new course on or after 1 August 2021\(^\text{13}\).

### 1.3.2 Research

1.3.2.1 **Research (R)** is a core activity.

It comprises:

- research – refer to the definitions in the Frascati Manual\(^\text{14}\);
- 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;

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\(^\text{11}\) [New eligibility rules for home fee status and student finance for the 2021/22 academic year](publishing.service.gov.uk)

\(^\text{12}\) 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.

\(^\text{13}\) [New eligibility rules for home fee status and student finance for the 2021/22 academic year](publishing.service.gov.uk)

- 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);

TRAC follows the definition used by the Higher Education Statistics Agency (HESA) in the HESA Finance record guidance:

- Research is to include research and experimental development. The definition of research, below, is taken from the 2015 Frascati Manual.

  'Research and Experimental Development (R&D) comprise creative and systematic work undertaken in order to increase the stock of knowledge, including knowledge of humankind, culture and society - and to devise new applications of available knowledge. R&D is a term covering three activities: basic research, applied research and experimental development.'

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:

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 (income-generating);

b) does not include routine testing (this should be reported as Other (income-generating));

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 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;

d) does not include scholarship activity; this can form part of the Support activity for Research, but could equally be Support for Teaching.

1.3.2.2 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. The word ‘sponsor’ is used in TRAC to denote the funder – external or internal.
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.

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.

1.3.2.3 **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). 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).

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.

1.3.2.4 **Postgraduate research (PGR)** – This covers the training and supervision of PGR students including training in research methodology, review of drafts and preparation of these, and external examining. The costs include:

- 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.

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 mandatory, at least for research intensive institutions (defined as being institutions in TRAC Peer Groups A and B).

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:

a) Where costs can be readily identified and reallocated, all income (except Research England, Higher Education Funding Council for Wales (HEFCW) and Department for the Economy, Northern Ireland (DfE 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;

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.

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.

Institutions should indicate on the Annual TRAC return (see section 4.1) whether this reallocation has been undertaken or not.

### 1.3.2.5 External research grants and contracts:

- Research Councils, as defined in the OfS Finance Return guidance/ HESA Finance record guidance.
- OGDs: UK central government bodies / local authorities, health and hospital authorities, as defined in the OfS Finance Return guidance/ 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 OfS Finance Return and Column 8 in Table 4 of the HESA Finance record guidance (this reference may change on publication 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 in the OfS Finance Return guidance/HESA Finance record guidance):
  - 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 Recurrent research income from Funding Councils/Research England – the eighth category.

No costs are recorded against this category.
### 1.3.3 Other

#### 1.3.3.1 Other (income-generating activity) (O)

Other (income-generating activity) (O) is a core activity. It relates to activities that generate income or could potentially generate income. It comprises:

- 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).

As well as the costs of academic time, costs attributable to Other (income-generating) activities include:

- 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.

Unfunded research activity, which satisfies the definition of Research, as set out in 1.3.2 should not be allocated to Other (income-generating) or Other (non-commercial).

#### 1.3.3.2 Other (clinical services) (O(CS))

Other (clinical services) (O(CS)) – a sub-category of Other used by institutions with medical or dental schools.

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).

#### 1.3.3.3 Other (non-commercial activity)

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. This category was introduced alongside the implementation of Financial Reporting Standard 102 to prevent the changes in accounting treatment, predominantly in respect of endowments, donations and investment gains and losses, from distorting the reporting of Teaching, Research and Other (income-generating) activities. This context is important in considering whether income and costs should be
reported under the ‘Other (non-commercial)’ category. It is not expected that routine activities are reported under this heading.

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:

- Investment income including gains and losses on investments\textsuperscript{15} (that is not allocated to Teaching or Research); and
- New endowments and donations (that are not allocated to Teaching or Research).

This category is not to be used for the following unless agreed in advance with the TRAC Support Unit and Funders/Regulators:

- subsidies or loss-making services provided to students, such as catering or sports facilities. These activities should be allocated to Other (income-generating activity);
- pension costs;
- impairment write-down (of assets in operational use);
- COVID-related costs/bursaries to students;
- costs relating to academic staff based on their time allocation survey/Workload plan should not be allocated to Other (non-commercial) unless it is clear that the activities the staff are undertaking are funded by endowments which have been allocated to this heading;
- cost of academic staff time classified as ‘Support for Other’ should not be allocated to Other (non-commercial) heading as part of the allocation process unless it is clear that the activities the staff are undertaking are funded by endowments which have been allocated to this heading.

Anything unusual which may fall under this heading should be discussed with Funders via the TRAC Support Unit.

\textbf{1.3.4 Support}

\textbf{1.3.4.1 Support (S)} is not a core activity. It is carried out in support of the three core activities of T, R and O.

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.

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.

\textsuperscript{15} This includes both realised and unrealised gains or losses.
### Support for Teaching

**includes:**

- 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.

Institutions might also wish to include here scholarship/professional development and other Support (covered below) such as:

- writing books and other publications for teaching purposes;
- advancement of knowledge and skills related to teaching;
- secondment to / academic exchanges with other institutions for teaching activities.

### Support for Research

**includes:**

- 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.

Again this might also include scholarship/professional development and other Support to Research (which are covered below) such as:

- 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 Support for Other

**Support for Other** includes:

- 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 Research);
- 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).

**Support costs for Other should NOT be allocated to Other (non-commercial). The definition of Other (non-commercial) does not permit this.**

### 1.3.4.5 General Support

**General Support** includes:

- 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.;
- 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 Professional development (scholarship)

**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.). Scholarship activity does not relate to supporting 'student scholarships' as defined at 1.3.1.1 (c) above.