4 TRAC reporting

Chapter 4 contains three sections:

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4.1 Annual TRAC return

4.1.1 Introduction
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/Funding Councils. The Annual TRAC return provides a summary of the individual HE cost data by activity categories together with additional analysis of income and costs for use by the OfS/Funding Councils and UKRI. Chapter 3 explains how to generate the data required for the Annual TRAC return and the calculation of research charge-out rates. This section clarifies how the Annual TRAC return should be completed.

4.1.2 The aim – What are we trying to achieve from explaining how to complete and submit the Annual TRAC return?
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 OfS/Funding Councils and where further help can be obtained.

4.1.3 Process workflow
Figure 4.1 shows the process to follow for obtaining, completing, validating and submitting the annual TRAC return.

Figure 4.1: Annual TRAC
### 4.1.4 The requirements

<table>
<thead>
<tr>
<th>Requirement</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.1.4.1</td>
<td>All higher education institutions are required to complete an Annual TRAC return, including HEIs applying dispensation.</td>
</tr>
<tr>
<td>4.1.4.2</td>
<td>The template provided to institutions each year by the OfS/Funding Councils should be used (see annex 4.1a) for submitting TRAC data.</td>
</tr>
<tr>
<td>4.1.4.3</td>
<td>Teaching activity is robustly allocated between PFT and NPFT at academic department level as defined at section 1.3 (see 3.4.5.11).</td>
</tr>
<tr>
<td>4.1.4.4</td>
<td>Research activity is robustly allocated to research sponsor types as defined at section 1.3 (see 3.4.5.12).</td>
</tr>
<tr>
<td>4.1.4.5</td>
<td>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).</td>
</tr>
<tr>
<td>4.1.4.6</td>
<td>The TRAC Oversight Group should review the Annual TRAC return for reasonableness before presenting to the Accountable Officer for sign-off.</td>
</tr>
<tr>
<td>4.1.4.7</td>
<td>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.</td>
</tr>
<tr>
<td>4.1.4.8</td>
<td>-No longer used-</td>
</tr>
<tr>
<td>4.1.4.9</td>
<td>The submission deadline for the Annual TRAC return for the year ending 31 July is specified by the OfS/Funding Councils each year.</td>
</tr>
<tr>
<td>4.1.4.10</td>
<td>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. A Committee of the governing body should ensure that the institution’s TRAC process complies with the TRAC requirements.</td>
</tr>
</tbody>
</table>

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.

### 4.1.5 Process

This sub-section provides a guide for preparing the Annual TRAC return. It describes how to meet the requirements above.

Institutions eligible for and applying dispensation (see chapter 2) from full compliance with the TRAC requirements are required to complete the institutional sign-off page and tables A to C of the Annual TRAC return, but are not required to complete sections D, E and F.
## Obtaining the Annual TRAC return

### 4.1.5.1 Each year the OfS produces the Annual TRAC return template on behalf of all UK Higher Education Funding Councils.

The template is made available as a PDF document for reference (see annex 4.1a), but data should be completed on individualised Excel spreadsheets, accessed and submitted online, via the OfS portal.

For institutions in England: instructions about how to obtain access to the institutional Annual TRAC return template are provided to institutions each autumn.

For institutions in Northern Ireland: the DfE for Northern Ireland writes to the Directors of Finance each autumn with information about the TRAC return process and deadlines, and how to access the OfS portal.

For institutions in Scotland: instructions about how to obtain access to institutional Annual TRAC return forms are provided in the ‘Call for Information’ circular sent to Principals and Directors of Finance each autumn.

For institutions in Wales: the Higher Education Funding Council for Wales (HEFCW) writes to the Directors of Finance each autumn with information about the TRAC return process and deadlines, and how to access the OfS portal.

The instructions include guidance on:

- accessing the OfS portal;
- downloading the Annual TRAC return template;
- uploading the completed Annual TRAC return template;
- uploading an accompanying commentary;
- the sign-off process;
- accessing technical support.

### 4.1.5.2 The individualised Annual TRAC return template is accessible by all institutions only through the OfS portal.

If the TRAC Manager has not previously used the OfS portal, he or she will need to register using the instructions provided by the OfS/Funding Councils, noting that he or she will need to contact the user administrator at their institution who manages access to the OfS portal.

### 4.1.5.3 The downloaded Annual TRAC return package contains two files:

- a Microsoft Excel template for completing the return;
- a Microsoft Word document containing further instructions about completing the Annual TRAC return form.

### 4.1.5.4 The Annual TRAC return template contains the following sections:

- Sign-off sheet including declaration of compliance by the Accountable Officer;

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1 [https://extranet.officeforstudents.org.uk/data/](https://extranet.officeforstudents.org.uk/data/)
Institutional results – for use by the OfS/Funding Councils, UKRI and Research Councils;
TRAC income and full economic cost by activity – for use by the OfS/Funding Councils, UKRI and Research Councils – including further analysis of certain elements of income and expenditure;
Research income and full economic costs by sponsor type – for use by the OfS/Funding Councils, UKRI and Research Councils;
Calculation of the Margin for Sustainability and Investment;
Calculation of indirect and estates cost charge-out rates for Research (plus Table D(a) for rates calculated separately by academic department) – for use by UKRI, Research Councils, and for benchmarking analysis;
Calculation of laboratory technicians and research facility charge-out rates for Research (plus Table E(a) for rates calculated separately by academic department) – for use by UKRI, Research Councils, and for benchmarking analysis;
Analysis of support costs, estates costs and indirect costs – for use by UKRI and Research Councils.

The Annual TRAC return template may also contain other optional tables or requests for data to support the development of TRAC.
The Annual TRAC return template contains a number of pre-submission validation checks that need to be satisfied before submission. These act as useful checks for the institution.
A summary of the validation tests performed and their status is provided alongside the institutional checklist and commentary section at the end of the Annual TRAC return workbook (see annex 4.1a). The summary sheet also provides a comparison of the current year’s data with previous years to aid data validation prior to submission.

**Important reminders to observe when populating the Annual TRAC return**

<table>
<thead>
<tr>
<th>4.1.5.5</th>
<th>TRAC full economic costs in the Annual TRAC return reconcile to the consolidated financial statements for:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• Total expenditure as reported in the consolidated financial statements;</td>
</tr>
<tr>
<td></td>
<td>• minus costs or plus credits attributable to the deficit recovery plan for the USS, SAUL and OSPS pension schemes (calculated as per 3.1.5.3a);</td>
</tr>
<tr>
<td></td>
<td>• plus loss on disposal of fixed assets;</td>
</tr>
<tr>
<td></td>
<td>• plus loss on investments;</td>
</tr>
<tr>
<td></td>
<td>• plus the share of operating deficits in joint ventures and associates as reported in the consolidated financial statements;</td>
</tr>
</tbody>
</table>
- plus taxation charges;
- plus surplus, or minus deficit for the year attributable to non-controlling interests; plus
- the MSI adjustment (see section 3.2).

Annex 3.1d provides a worked example of how table A1 should be completed in the TRAC return. If the institution’s financial statements detail items below ‘Surplus/(deficit) before other gains losses and share of operating surplus/deficit of joint ventures and associates’, a query should be raised with the TRAC helpdesk to confirm how the item should be treated in TRAC.

<table>
<thead>
<tr>
<th>Section</th>
<th>Description</th>
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<tbody>
<tr>
<td>4.1.5.6</td>
<td>[Removed]</td>
</tr>
<tr>
<td>4.1.5.7</td>
<td>The annual return shows the TRAC Surplus/(Deficit) (the difference between Income and the full economic cost). The MSI tab shows the Annual Sustainability Gap (the difference between the six-year average EBITDA for MSI and the actual EBITDA for MSI generated in the current year).</td>
</tr>
<tr>
<td>4.1.5.8</td>
<td>Costs of all activities are prepared on a full economic cost basis, including a relevant share of Support costs and MSI adjustment.</td>
</tr>
</tbody>
</table>
| 4.1.5.9 | Irrespective of the type of collaborative/joint venture, where the collaborative/joint venture is consolidated in the financial statements, the share of income and share of expenditure from a joint venture are included in TRAC:  
- For joint ventures and associates: the net operating surplus or deficit making up the institution’s share of its joint ventures and associates’ operating results are allocated to TRAC activities, and included in TRAC income and costs. The costs are not, however, included in the indirect cost rates (or estates rates) for Research. In the case of both associates, and joint ventures, the share of surpluses / (deficits) included in an institution’s consolidated financial statements is added to income (if in surplus) whereas if it is a deficit it is added to costs.  
- For non-controlling interests: the surplus or deficit attributable to non-controlling interest, as a single figure, should be added to TRAC expenditure if a surplus, or deducted from TRAC expenditure if a deficit. If the costs related to Support for Research, then the indirect costs (or estates costs) used to calculate the Research charge-out rates are reduced by the total surplus or deficit attributable to non-controlling interests figure. |
| 4.1.5.10 | Institutions should ensure that the appropriate proportion of the costs of teaching has been allocated between PFT and NPFT. |
| 4.1.5.11 | Institutions should ensure that teaching costs have been fairly and reasonably allocated to NPFT. In doing so the following should be considered:  
- Allocating the direct additional costs of overseas students (e.g. the international office, English language courses provided for overseas students) directly to NPFT, where material. |
• Academics allocate their time between ‘short/overseas courses’ and ‘all other courses’. Time on short/overseas courses is allocated directly to NPFT. (Academics are unlikely to be able to allocate their time on courses attended by both home and overseas students between PFT and NPFT using their time allocation schedules alone, and this would not be good practice.)

• Splitting the costs of all other courses between PFT and NPFT on the basis of student FTEs in those categories.

• Allocating the bursaries, scholarships and hardship payments for taught students to PFT and NPFT where appropriate (those for Research should already have been allocated to R in the Annual TRAC process). Student FTEs could be used as a proxy where actual costs related to different student populations cannot easily be established.

• **EU students commencing a new course on or after 1 August 2021 and who do not have settled or pre-settled status will be classed as overseas and should be included within NPFT.**

4.1.5.12 Costs are attributed robustly to research sponsor types (see 3.4.5.12) The surplus/(deficit) for each research sponsor type is reasonable and no costs are attributed to the eighth, research sponsor type ‘Funding Council/Research England recurrent funding for Research’.

Note: Unfunded Research activity that fulfils the TRAC definition of Research should not be allocated to Other (income-generating) or Other (non-commercial).

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**Validating and submitting the Annual TRAC return**

4.1.5.13 The TRAC Oversight Group should confirm satisfactory completion of the return, after performing the reasonableness checks outlined in chapter 2, and confirming that the process followed in completion of the TRAC return has complied with the TRAC requirements, as outlined in 2.1.5.22.

Following this, the Annual TRAC return should be printed and the declaration sheet signed by the Accountable Officer and scanned as a signed PDF ready for submission to the OfS/Funding Councils. An electronic signature for the Accountable Officer sign-off is permitted and the OfS/Funding Councils will regard this as formal regulatory declaration in the same way as physical sign off. Where an electronic signature is used, providers should exercise robust control of the use of electronic signatures for regulatory declarations by the Accountable Officer.

Following this, the Accountable Officer will need to sign the declaration sheet. This can be done by either printing off the Annual TRAC return and arranging for the paper copy to be signed. The paper copy will need to be scanned as a signed PDF ready for submission to the OfS/Funding Councils. Alternatively, the declaration sheet should be signed electronically by the Accountable Officer and submitted as a PDF to the OfS/Funding Councils.
Further information on the process for submitting the TRAC return and the relationship this submission has with the submission of the OfS Finance Record / HESA Finance Return is provided in Annex 4.1c.

<table>
<thead>
<tr>
<th>Section</th>
<th>Description</th>
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<tbody>
<tr>
<td>4.1.5.14</td>
<td>The completed Annual TRAC return, PDF signed copy and accompanying commentary documents must be uploaded to the OfS/Funding Councils through the OfS portal(^2). The TRAC Manager should retain copies of the submission documents and receipt for review to satisfy assurance arrangements. Instructions about how to upload the Annual TRAC return documents are provided by the OfS/Funding Councils (sub-section 4.1.5.1).</td>
</tr>
<tr>
<td>4.1.5.15</td>
<td>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.</td>
</tr>
<tr>
<td>4.1.5.16</td>
<td>Post-submission, upon receipt of sector benchmarking data, institutions should review the TRAC data again against peer group and sector data to consider whether data outliers appear reasonable (sub-section 2.1.5.11 provides guidance around reasonableness checking). If errors are identified at this stage, the Annual TRAC return should be corrected and uploaded again. To resubmit, you should contact your OfS or relevant Funding Council representative.</td>
</tr>
</tbody>
</table>

**Planning for the next submission cycle**

<table>
<thead>
<tr>
<th>Section</th>
<th>Description</th>
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<tbody>
<tr>
<td>4.1.5.17</td>
<td>When undertaking post-submission analysis against TRAC benchmarking data (see 4.1.5.16 above) institutions are encouraged to review whether opportunities exist for system and process improvement to address weaknesses in the TRAC approach. Where opportunities exist for system improvement, the TRAC Oversight Group should agree an action plan for implementation. A Committee of the governing body should ensure that the process that is in place for the generation of the TRAC return is compliant with TRAC requirements. Actions that could be taken to achieve this are detailed in 2.1.5.22.</td>
</tr>
</tbody>
</table>

\(^2\) [https://extranet.officeforstudents.org.uk/data/](https://extranet.officeforstudents.org.uk/data/)
4.1.6 What could go wrong? Common areas of non-compliance

Summarised below are the more common areas where things could go wrong and/or lead to non-compliance with the TRAC requirements):

<table>
<thead>
<tr>
<th>What could go wrong / areas of non-compliance</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Failure to access the individualised institution-specific template, using the publicly accessible PDF template as a guide instead.</td>
</tr>
<tr>
<td>• Downloading institutional templates too late in the process to inform adjustments required to TRAC process each year.</td>
</tr>
<tr>
<td>• Submitting return documents too late in the submission window to allow for validation queries to be addressed.</td>
</tr>
<tr>
<td>• Missing the submission deadline without informing the OfS/Funding Councils of exceptional circumstances.</td>
</tr>
<tr>
<td>• Pre-submission validation failures not addressed prior to submission.</td>
</tr>
<tr>
<td>• Unfunded Research activity that fulfils the TRAC definition is incorrectly allocated to Other (income-generating) or Other (non-commercial).</td>
</tr>
</tbody>
</table>

4.1.7 Annexes

<table>
<thead>
<tr>
<th>Annex reference</th>
<th>Document title</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.1a</td>
<td>Annual TRAC return template</td>
</tr>
<tr>
<td>4.1b</td>
<td>Peer groups</td>
</tr>
</tbody>
</table>

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

4.1.8 Associated good practice and other relevant reference material

None specified for section 4.1.
4.2 Research charge-out rates

4.2.1 Introduction
The cost and income output data drawn from the TRAC model provides the basis for the calculation of full economic cost (fEC) charge-out rates. These charge-out rates provide an institution-specific basis for institutions to recover support costs attributable to Research projects. The charge-out rates are used in the costing of projects funded by Research Councils and contracts with Other Government Departments. This commitment was confirmed by HM Treasury in its letter to the Office of Science and Technology dated 13 February 2004 (annex 4.2c). Research charge-out rates include rates for indirect costs, estates costs, facilities and laboratory technicians.

Section 5.1 provides guidance on applying project costs as either Directly Incurred or Directly Allocated costs in costing Research Council funded projects. These charge-out rates enable the recovery of direct and indirect costs on research projects.

4.2.2 The aim – What are we trying to achieve from defining output data?
To calculate charge-out rates for indirect costs, estates costs, laboratory technician support and facility access, for use in costing research projects to be funded by the Research Councils and other sponsors.

For institutions claiming dispensation, the indirect and estates cost rates to be applied are the lower of the dispensation rates published annually by UKRI or the institution’s own rates. Research facility and laboratory technician infrastructure rates are not applicable to institutions claiming dispensation, and their use is not permitted.

4.2.3 Process workflow
Charge-out rates are calculated for the following cost pools:

- Research indirect support costs;
- Research estates costs – (a) for laboratory-based research and (b) for non-laboratory research;
- Research Laboratory Technicians costs;
- Research Facility and Equipment access.

Figure 4.2 sets out the steps required to calculate each of the costs.

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

Following approval by the Accountable Officer and final submission of the TRAC return, the rates should be used from 1 February each year, unless the submission deadline is extended then a revised date will be published.

Note: submission includes the sign-off sheet signed by the Accountable Officer, any commentary document required, as well as any action plan that has been identified as part of the self-assessment process or as a result of any review (internal audit or UKRI).

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:
- 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.

#### 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).

#### 4.2.4.8
The percentage of research time of academic staff should be calculated separately for laboratory and non-laboratory academic departments. Using the same time allocation percentage in both estates laboratory and estates non-laboratory as a basis for calculating the research FTE is theoretically possible, but unlikely.

### TRAC requirements for the Research technician charge-out rate:

#### 4.2.4.9
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.

#### 4.2.4.10
The numerator of the Research laboratory technician cost charge-out rate calculations should exclude:
• 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.

4.2.4.11 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:

4.2.4.12 All biological facilities (operated under a Home Office licence) should be costed as research facilities and charged directly on projects. All TRAC research facilities should be costed in line with TRAC guidance.

4.2.4.13 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.

4.2.4.14 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 rates, or the dispensation indirect charge-out rate\(^4\) 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.

4.2.5 Process

This sub-section provides a guide for the calculation of charge-out rates for costing research projects.

It describes a process that could be followed in order to meet the requirements above and indicates the spirit of the activities that contribute to compliance being achieved. However, the following description is not the only approach that can be followed and, given the diversity of the higher education sector, it is important that each institution apportions and calculates charge-out rates robustly.

Given the use of TRAC charge-out rates in the costing of Research Council funded projects, the calculation of the charge-out rates and its rationale will be an area of focus in any UKRI assurance review. It is therefore advisable that institutions maintain good audit trails and clearly detail the rationales for the processes employed. Institutions should also take care to prevent any double-counting of costs.

Where a process step is shaded green in the left column below, it describes a prescribed method which should be followed to comply with TRAC requirements.

### Calculating the indirect cost charge-out rate

| 4.2.5.1 | A single indirect cost rate is calculated each year for research activity as a rate per research academic staff FTE (detailed below).
|         | The Annual TRAC return template (annex 4.1a) sets out the calculation of the indirect cost rate for research. The research academic FTE is determined by:
|         | • taking the Research time allocation percentage (excluding Support to Research), unweighted for salaries, and multiplying this by the academic staff FTE to provide an academic staff FTE for research;
|         | • plus the FTE of any research assistants and fellows;
|         | • plus the FTE of temporary research staff;
|         | • plus the FTE of visiting research academics;
|         | • plus the FTE of clinicians (where material and appropriate to be included);
|         | • plus the weighted postgraduate research FTE.

| 4.2.5.2 | The TRAC Manager should perform and retain a reconciliation to confirm that the costs in the numerator of the research indirect rates calculations agrees with the indirect cost pool total in the TRAC model, less the proportionate amount of income received from the Apprenticeship Service Account that is equal to the proportion of staff costs attributable to Research activity. The reason for this deduction is to ensure that double funding does not arise from charge-out rates being increased as a result of the 0.5% apprenticeship levy being included in staff costs, and some income being received from both the Apprenticeship Service Account for training of the institution’s staff and through Research funders. (Note: This applies regardless of whether the course is delivered by the institution, or by another provider.) The costs included in the numerator for the research indirect costs charge-out rate calculation include all the elements listed in the cost pools identified in sub-section 3.4.5.1.

| 4.2.5.3 | The TRAC Oversight Group should review and approve the rate calculation. 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.

### Calculating estates cost charge-out rates

| 4.2.5.4 | Two estates cost rates are calculated each year as a rate per research academic staff FTE: one for laboratory-based academic departments and one for non-laboratory academic departments (where both department types exist within an institution).
The Research FTE for academic and other research staff should be allocated between the Laboratory and Non-laboratory academic departments so as to be aligned to the cost pools in order to calculate the estates rates. This is necessary as there is a difference in the intensity with which these categories of activity consume resources and generate costs. There are a variety of ways in which this split can be achieved. For example, where the institution’s department names enable the clear identification of Laboratory and Non-laboratory academic departments, this is an accepted method for allocating academic and other research staff between the two department types. Some institutions have also used the HESA cost centres as a basis for calculating this split. The guiding principle is that the split is made appropriately to reflect these different academic department types. It is suggested that the institution maintains an audit trail to enable an explanation and rationale to be provided for the split, if requested by Research Councils, other assurance providers and funders.

4.2.5.5 The costs included in the numerator for the research estates costs charge-out rate calculation include all the elements listed in the cost pools identified in sub-section 3.4.5.5.

The TRAC Manager should perform and retain a reconciliation, to confirm that the costs in the numerator of the estates laboratory and non-laboratory rates agree with the estates cost pool totals allocated to Research, less technicians, and equipment and facilities that are to be charged as separate Research charge-out rates.

4.2.5.6 The TRAC Oversight Group should review and approve the rate calculation. 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.

Calculating the laboratory technician charge-out rates

4.2.5.7 Where technical staff work directly with researchers or in support of their rooms or equipment on laboratory projects, costs should be directly charged to projects. The direct charges will be either:

- Directly Incurred (DI) – if the technicians are dedicated to a single project, and/or project timesheets are being completed by the technicians, the costs of these technicians should be charged as DI as they are incurred based on actual salary; or
- Directly Allocated (DA) – if the technicians are shared between projects or are part of a pooled team, and where it would be inappropriate for them to complete timesheets, their costs should be Directly Allocated (DA) to projects. This can be done by identifying a technician cost per hour (ensuring that the costs of DI technicians are excluded from the technician cost pool) and charging an appropriate number of technicians’ hours to each project or as a standard charge expressed in £ per research academic staff FTE.
Where technical staff are not working on specific projects but are providing general support services to laboratories\(^5\), this cost (the cost of the proportion of their time) should be Directly Allocated (DA) to projects using a lab technician infrastructure rate per research academic staff FTE (based on the Technician Survey data – see sub-section 3.1.5.18).

The infrastructure technician costs at project level should be allocated in proportion to the sum of the time of Directly Incurred researchers, postgraduate students (weighted) and directly allocated academic staff. Therefore the project direct research staff FTE is the driver for the infrastructure technicians, as for Estates and Indirect costs.

The estimated costs of shared, pooled, or directly allocated staff should be recorded as a cost against each appropriate project periodically throughout the project life. Only technicians in academic departments need be directly allocated, not those in central support departments such as occupational health, estates, etc.

4.2.5.8 The TRAC Manager should perform and retain a reconciliation to confirm that the costs in the numerator of the research laboratory technician rate calculations exclude:

- costs already being charged to projects as Directly Incurred;
- costs that are included in equipment and facilities charge-out rates;
- the cost of technician support in teaching and non-laboratory academic departments.

To calculate an hourly rate, an annual figure of 1650 hours per FTE is used as the denominator.

4.2.5.9 The TRAC Oversight Group should review and approve the rate calculation (see 2.1.4.3).

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.

Calculating equipment and facility charge-out rates

4.2.5.10 The TRAC Oversight Group should review research facilities to determine which facilities should be directly charged to projects, retaining evidence of review and, where they are not charged directly, noting the reasons.

When charging research equipment and research facilities separately from the estates charges, the TRAC Manager should calculate and retain equipment and facility calculations based on the costing templates provided at annex 4.2a, ensuring that:

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\(^5\) General support activities include health and safety, storeroom/supplies, hazardous materials handling, laboratory equipment maintenance and administration.
The original depreciation charge for equipment purchased (partly or fully) through a research grant or contract is directly charged to the core TRAC activity and sponsor, and is included within the charge-out rate calculation only if this amount is subsequently deducted from the estates cost pool.

Access charges incurred for shared equipment are only allocated to research costs at the host institution when the host is using the equipment to perform research in its own institution.

All biological facilities (operated under a Home Office licence) should be separately costed and charged directly to projects.

Actual depreciation charges should be adjusted to reflect the replacement cost for institutionally owned facilities or equipment (based on current market prices for replacing equipment with the capacity to satisfy existing and anticipated demand).

Audit utilisation records are maintained for all research facilities that are treated as either directly incurred or directly allocated to projects based on actual usage or estimated usage respectively. Utilisation records should document use for Research, Other and Teaching activities. Calibration down-time and adjustments for less than efficient use should also be recorded to provide more accurate estimate of productive capacity.

'Useful life' estimates are self-defined by the institution, but should not be less than the lifespan over which the equipment is depreciated in institutional consolidated financial statements.

Research facility and equipment charge-out rates should be robustly calculated based on actual costs where known, and forecast costs to run the whole facility for the following academic year. Cost categories may include:

- actual depreciation charge, adjusted to reflect the replacement cost of equipment and facilities (including VAT, delivery, installation, testing, calibration, etc.);
- insurance;
- estates charges;
- personnel (technicians, administration and management);
- access charges;
- consumables and spares;
- utilities.

The Wakeham review of 2010 encouraged institutions to share access to research facilities and equipment. Where equipment is shared, care should be taken when calculating charge-out rates for research facilities and equipment as part of a

6 www.universitiesuk.ac.uk/policy-and-analysis/reports/Pages/financial-sustainability-efficiency-full-economic-costing-of-research-uk-he.aspx
collaborative arrangement whereby the supply is correctly classified as ‘Research’ if research is undertaken by the host HEI or where the institution is participating in the research. Where the institution is not participating in the research but is providing access to facilities or equipment this should be classified as ‘Other’. (See the pricing and charging section of ‘N8 Equipment Sharing Toolkit’).  

4.2.5.12 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 allocated to research projects.

Research facility and equipment managers should be able to justify utilisation estimates if asked to do so by Research Councils, other assurance providers and funders.

4.2.5.13 The estimated annual running costs should be divided by the estimated efficient annual usage for all activities to provide a charge-out rate per unit (per hour or per day).

4.2.5.14 Where an institution has a new research facility that is to be costed as a TRAC research facility, and is to come into use after 1 February, the institution should consider how material the impact of this is in line with annex 1.2a.

Where either the institution wants to treat this as a TRAC research facility, or where the new facility has a material impact, the institution has the following options:

- It can estimate the cost of the facility and the expected reasonable utilisation as part of the TRAC return submission and deduct the associated costs from the estates cost pool to prevent double counting. The institution then has a charge-out rate it can use in costing research bids; or
- The institution can re-submit its TRAC return with the new research facility rate included once the facility becomes available, and the associated costs deducted from the estates cost pool.

Where the introduction of the new facility does not create a material impact on the charge-out rates, institutions can introduce and use the new facility charge-out rates mid-year without re-submitting the TRAC return.

For new TRAC research facilities it is likely that the estimates of utilisation will be refined in the early years.

4.2.5.15 The TRAC Oversight Group should review and approve the rate calculation. 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.

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Indexation of charge-out rates

4.2.5.16 Indexation rates should be calculated using the guidance provided at sub-section 3.1.5.28, and applied as follows:

- Indirect cost charge-out rates, estates cost charge-out rates and infrastructure laboratory technician charge-out rates that are used to calculate charges on Research Council projects should incorporate two years’ indexation in accordance with the guidance given in sub-section 3.1.5.28;
- Directly Incurred and Directly Allocated pool laboratory technician, research facility and staff rates should be at current price levels for Research Council funded projects, but those submitted to other sponsors will typically be indexed to derive Year 1 costs.

4.2.6 What could go wrong? Common areas of non-compliance

Summarised below are the more common areas where things could go wrong and/or lead to non-compliance with the TRAC requirements:

<table>
<thead>
<tr>
<th>What could go wrong / areas of non-compliance</th>
</tr>
</thead>
<tbody>
<tr>
<td>The additional requirements detailed in annex 1.1b, in relation to the impact on operational arrangements during the coronavirus (COVID-19) pandemic, have not been complied with.</td>
</tr>
<tr>
<td>The research FTE used in the calculation of the charge-out rates has not been updated for any changes or high-level adjustments made to the time allocation data as a result of the profile of activities changing due to COVID-19.</td>
</tr>
<tr>
<td>Analysis of time spent on research for laboratory and non-laboratory departments is not undertaken resulting in the same percentage being used for indirect, estates laboratory and estates non-laboratory rates.</td>
</tr>
<tr>
<td>Utilisation records are not maintained fully by facility managers leading to under/over recovery and possibly less efficient use of facilities.</td>
</tr>
<tr>
<td>Facility and equipment charge-out rates do not include the costs of all resources required to run the facility.</td>
</tr>
<tr>
<td>Costs to be charged via separate facility or laboratory technician charge-out rates are not extracted from the Research Estates rates, leading to double-counting in respect of Facilities and/or Laboratory technician rates.</td>
</tr>
<tr>
<td>Actual depreciation charges are used in facility rate calculations instead of being adjusted to reflect replacement cost depreciation.</td>
</tr>
<tr>
<td>The research academic staff FTE count used as the denominator is incorrect, e.g. the same as the FTE count used for the cost drivers.</td>
</tr>
</tbody>
</table>
- Research charge-out rates are not reviewed for appropriateness by the TRAC Oversight Group.

- No deduction is made from the cost pool in the calculation of the Research indirect cost rate to reflect income received from the Apprenticeship Service Account that relates to the proportion of staff costs allocated to Research.

### 4.2.7 Annexes

<table>
<thead>
<tr>
<th>Annex reference</th>
<th>Document title</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.2a</td>
<td>Facility costing template</td>
</tr>
<tr>
<td>4.2b</td>
<td>Technician survey template</td>
</tr>
<tr>
<td>4.2c</td>
<td>HM Treasury letter – University Research: Costs to Government Departments (13 February 2004)</td>
</tr>
</tbody>
</table>

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

### 4.2.8 Associated good practice and other relevant reference material

- TRAC Development Group facilities and equipment sharing guide: [www.trac.ac.uk/publications](http://www.trac.ac.uk/publications)

- N8 Group Research facility and equipment sharing guidance and research: [www.n8research.org.uk/asset-collaboration/n8-est/](http://www.n8research.org.uk/asset-collaboration/n8-est/)
4.3 TRAC for Teaching return – TRAC(T) N/a – TRAC(T) is not being collected for academic year 2021-22

This chapter is retained in the TRAC guidance for reference in future years. The TRAC(T) returns will not be collected for the 2021-22 academic year.

4.3.1 Introduction

Background

TRAC for Teaching (TRAC(T)) is a framework for costing teaching based on the established principles of and building on existing TRAC methods. Under TRAC(T), institutions provide further analysis of the costs of publicly funded Teaching (PFT) reported in Annual TRAC. Submission of a TRAC(T) return is a requirement for all UK higher education institutions in receipt of grant funding from the OfS, the Scottish Funding Council (SFC) or the Department for the Economy, Northern Ireland (DfE for Northern Ireland). TRAC(T) is not required from institutions funded by the Higher Education Funding Council for Wales (HEFCW). Key attributes of TRAC(T) are summarised below.

Purpose and use of the TRAC(T) information

The TRAC(T) return is used to calculate the subject-related average annual cost of teaching a full time equivalent (FTE) OfS/Funding Council-fundable student in a HESA academic cost centre. This is referred to as ‘Subject-related full annual cost of teaching a student’ (Subject-FACTS).

TRAC(T) data are used by the OfS/Funding Councils to inform their teaching funding methods. The TRAC(T) data do not represent the total cost of teaching a student (in a subject) as the TRAC(T) method requires HEIs to remove the costs that are not directly related to the subject (non-subject-related costs). An institution may wish to include these non-subject-related costs when using the data for internal purposes. It is important to be clear that TRAC(T) is not course costing; rather it is a process that provides the OfS/Funding Councils with data on the costs of teaching different subjects which is used in aggregate to inform their teaching funding methods.

Key aspects of the TRAC(T) process

Subject-FACTS are the average cost of teaching a student in each subject (defined consistently as a HESA academic cost centre). The costs exclude:

- costs of Research and Other activities;
- costs of NPFT, e.g. costs of overseas students;
- costs of PFT provision that is not fundable by the OfS/Funding Councils, e.g. those funded by the Department of Health or the Department for Education.
- costs that are incurred on specified non-subject related activities.

Subject-FACTS are based on the full economic costs of Teaching (as defined by TRAC), i.e. including an appropriate element of central services costs, estates costs and the MSI adjustment.
The costs of subject-related activity vary by subject and volume. They therefore do not include additions (or reductions) to those subject-related Teaching costs that are caused by a wide range of non-subject related factors – called the differential costs of non-subject related activities.

The OfS/Funding Councils provide specific funding for some activities through separate funding streams outside of the core teaching funding model (e.g. the OfS’s targeted allocations, SFC’s disabled students premium, or the DfE for Northern Ireland’s widening participation grant). The costs equal to the amount of this specific funding should be removed from the publicly funded teaching cost pool to be used in deriving the Subject-FACTS. This method ensures that the costs of activity already funded are not counted when calculating costs to inform the core teaching funding model. It also ensures that where the institution’s costs of supporting a particular teaching-related or student-related activity exceed the funding received for that activity, any excess costs will be included in the cost pool used to inform the core teaching funding model. The costs of bursaries to students are also excluded, as these are payments to support students with maintenance and living costs, and are not a direct cost of delivering teaching.

4.3.2 The aim – What are we trying to achieve from explaining how to complete and submit the TRAC(T) return?

To ensure that institutions know:

- where to access the TRAC(T) return;
- how to allocate the costs to calculate the Subject-related average annual cost of teaching an OfS/Funding Council-fundable FTE student (Subject-FACTS);
- the OfS/Funding Councils’ submission deadlines.

4.3.3 Process flowcharts

Chapter 3 explains the processes necessary to generate the output data required by the TRAC return and the cost rates. This section explains how to use the TRAC(T) process to present the outputs in the TRAC(T) return.
Figure 4.3a: Overall approach to TRAC(T)

- Obtain PDF version of TRAC(T) return template
  - In advance of receiving the institutional template for TRAC(T), liaise with registry colleagues to review the student data that will populate the TRAC(T) return prior to its submission to HESA.
- Obtain copy of letter issued by OfS/Funding Councils in early January regarding access to the OfS Portal for TRAC(T).
- Obtain access to the OfS Portal
- Download institutional tailored template and instructions

Figure 4.3b: Calculation of TRAC(T) subject-related costs

1. Start with the total cost of teaching calculated in TRAC
2. Remove the costs of teaching students funded from non-public sources
3. Remove the costs of teaching students funded from non-OfS/Funding Council sources
4. Remove non-subject related costs, including the cost of bursaries
5. Divide the subject-related costs in each HESA academic cost centre by the OfS/Funding Council-fundable student FTEs to calculate Subject-FACTS
The following sections and tables of guidance explain each of the elements in Figure 4.3a and Figure 4.3b, and outline the process institutions should follow to calculate the Subject-FACTS by HESA academic cost centre. References to guidance are shown in brackets in Figure 4.3b.

### 4.3.4 The requirements

<table>
<thead>
<tr>
<th>Subsection</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.3.4.1</td>
<td>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. 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 online, via the OfS portal. 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).</td>
</tr>
<tr>
<td>4.3.4.2</td>
<td>The full economic cost of teaching is derived from Annual TRAC (section 4.1).</td>
</tr>
<tr>
<td>4.3.4.3</td>
<td>Institutions should review the student numbers used as cost drivers to allocate costs, to ensure they are robust at academic department level.</td>
</tr>
<tr>
<td>4.3.4.4</td>
<td>Definitions used in the Higher Education Student Early Statistics (HESES) return, for HEIs in England 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.</td>
</tr>
<tr>
<td>4.3.4.5</td>
<td>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.</td>
</tr>
<tr>
<td>4.3.4.6</td>
<td>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). 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). 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 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).</td>
</tr>
</tbody>
</table>
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 Accountable Officer 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.

4.3.5 Process

The TRAC(T) methodology is prescriptive and requires defined approaches to be followed for some elements of the process. This is necessary to achieve consistency and derive the information that the OfS/Funding Councils require to inform their funding methodologies for teaching.

Where a process step is shaded green in the left column below, it describes a prescribed method which should be followed to comply with TRAC requirements.

Obtaining the TRAC(T) return

This sub-section outlines the process to obtain the TRAC(T) return, and outlines the sections for institutions to complete.

4.3.5.1 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.

This return is made available as a PDF document for reference, but is completed on an individualised Excel template, accessed and submitted online, via the OfS portal.

Obtaining early access to the PDF template is encouraged to enable the TRAC Manager and colleagues working on student data to understand the data requirements. OfS funded institutions have access to a data checking tool where HESA student data can be uploaded in order to receive a number of outputs.

Much of the analysis of student numbers provided to institutions in England is not provided for those in Scotland (e.g. for foundation degrees, sandwich years-out, long courses) as the costs of these types of students are not treated as a non-subject-related cost. This is because the funding is different under the SFC funding model. SFC-fundable student numbers should be used as the denominator when calculating Subject-FACTS. SFC will derive these from the institution’s HESA returns and include them in the TRAC(T) template issued to the institution. If an institution considers the student numbers derived by SFC do not adequately fit with its own cost information then it has the option of changing its student numbers. However, it should contact SFC before doing so. Institutions are free to use any student numbers they consider to be appropriate when allocating costs in their TRAC models.

Instructions about how to obtain access to the institutional TRAC(T) return template are provided in a letter sent by the OfS to HEIs in England and Northern Ireland. For HEIs in Scotland the initial request for TRAC(T) information is sent in the SFC Call for Information letter, which is then followed up with a separate letter to Directors of Finance.

This letter includes guidance on:

- accessing the OfS portal;
- downloading the TRAC(T) return template;
- uploading the completed TRAC(T) return;
- the sign-off process;
- further information/accessing technical support.

4.3.5.2 The TRAC(T) return template contains two sections which all HEIs should complete:

- **Section A**: Source data. This captures the source data the institution has used in calculating its subject-related costs, and includes:
  
  - a reconciliation of the Subject-related costs of OfS/Funding Council-fundable provision to the figures returned in the annual TRAC return;
  - a declaration of the cost recording methods used.

- **Section B**: Report to the OfS/Funding Councils. This captures the institution’s subject-related costs of funding council-fundable provision for each HESA academic cost centre and includes:
  
  - the institution’s OfS/Funding Council-fundable student FTE numbers pre-populated from data submitted to HESA;
  - the calculation of the Subject-FACTS for each HESA cost centre;
  - the institution’s commentary on the reported data.

The return template also contains validation checks on the reported data. Any validation errors need to be rectified prior to submission.
Calculating the cost of Publicly Funded Teaching (PFT)

For Annual TRAC, costs will have been analysed between Teaching (T), Research (R), and Other (O); and T costs will have been analysed between Publicly Funded Teaching (PFT) and Non-Publicly Funded Teaching (NPFT).

This sub-section outlines what institutions should do to review the student numbers used in annual TRAC to calculate the NPFT element.

4.3.5.3 Institutions should review their non-publicly funded teaching (NPFT) student numbers, which have been used as a cost driver to allocate costs, and if necessary update the student numbers and re-allocate the costs. This should ensure that they are robust at academic department level.

Student FTEs could be weighted (for example for postgraduate taught students or students on long courses) when used as cost drivers, but should not be weighted in the denominator for Subject-FACTS. If students are weighted in the cost drivers for TRAC(T) they should also be weighted in the same way as the cost drivers for Annual TRAC.

4.3.5.4 Institutions should ensure that the appropriate proportion of the costs of teaching has been allocated to NPFT where the level of NPFT activity is material for an academic department. Note that Annual TRAC only requires an allocation to NPFT where it is material for a group of academic departments – i.e. a discipline group.

4.3.5.5 Institutions should ensure that teaching costs have been fairly and reasonably allocated to NPFT. This should have been ensured in producing the Annual TRAC return (section 4.1), but institutions may find it helpful to reconsider the following:

- Allocating the direct additional costs of overseas students (e.g. the international office, English language courses provided for overseas students) directly to NPFT, where material.
- Academics allocate their time between ‘short/overseas courses’ and ‘all other courses’. Time on short/overseas courses is allocated directly to NPFT. (Academics are unlikely to be able to allocate their time on courses attended by both home and overseas students between PFT and NPFT using their time allocation schedules alone, and this would not be good practice.)
- Splitting the costs of all other courses between PFT and NPFT on the basis of student FTEs in those categories.
- Allocate the bursaries, scholarships and hardship payments for taught students to PFT and NPFT where appropriate (those for Research should already have been allocated to R in the Annual TRAC process). Student FTEs could be used as a proxy where actual costs related to different student populations cannot easily be established.
Definitions used by HESES\(^9\) or the SFC Early Statistics return should be used to classify students. For HEIs in England and Northern Ireland the total student population of an institution is shown by:

- Tables 1, 2 and 3 in HESES;
- plus non-credit bearing (NCB) students;
- plus further education (FE) students returnable on the Individualised Learner Record (ILR).

In ensuring that the student numbers are robust an institution may want to:

- Check that the NPFT student numbers include the FTEs of short courses, continuing professional development and other non-credit bearing courses where these are material in an academic department, not just in the institution.
- Consider, where material, whether the student FTEs on non-credit bearing courses (who are not included on the HESA Student record) are defined in broadly the same way as those who are included on the HESA Student record when they form part of the student number cost driver (i.e. the full time equivalent calculation is broadly consistent). Inclusion or exclusion of non-credit bearing students should be consistent in Annual TRAC and TRAC(T). Where material they should be included in the cost driver for both Annual TRAC and TRAC(T) returns to ensure the robust allocation of costs.
- Ensure that the student numbers used to allocate costs to academic departments relate to the staff costs recorded in each academic department. These should be based on the numbers of students taught by an academic department, not those recruited or ‘owned’ by a department (with the possible exception of franchised-out students).
- Note that if an average cost per student is being calculated for each academic department (as well as for each HESA academic cost centre) then it is good practice for the student numbers used as a divisor for the academic department costs to reflect students taught. This ensures consistency with the student number definition used for the divisor of HESA academic cost centre costs when deriving Subject-FACTS. This is not however a TRAC requirement.

Table 4.3 provides a summary of the classification of the student population for HEIs in England.

\(^9\) Refer for example to **HESES18, Annex A**
Table 4.3 Classification of the student population for TRAC(T) for higher education institutions in England

<table>
<thead>
<tr>
<th>Reported in</th>
<th>HESES sub-columns</th>
<th>Comments</th>
<th>Classification of publicly funded</th>
</tr>
</thead>
<tbody>
<tr>
<td>HESES Tables</td>
<td>(a) OfS/Funding Council-fundable</td>
<td></td>
<td>OfS/Funding Council-fundable</td>
</tr>
<tr>
<td>1 FT</td>
<td>(b) non-fundable</td>
<td>Includes PGRs and provision funded by other public bodies (e.g. Department of Health, Department for Education) and closed courses sponsored by non-public bodies</td>
<td>PFT</td>
</tr>
<tr>
<td>2 Sandwich year-out</td>
<td></td>
<td></td>
<td>PFR</td>
</tr>
<tr>
<td>3 PT</td>
<td>(c) Island/overseas</td>
<td></td>
<td>NPFT</td>
</tr>
<tr>
<td>Non-credit bearing</td>
<td></td>
<td></td>
<td>NPFT</td>
</tr>
<tr>
<td>Individualised Learner Record (FE)</td>
<td></td>
<td>FE students</td>
<td>PFT</td>
</tr>
</tbody>
</table>

**Splitting the PFT cost between OfS/Funding Council-fundable and non-OfS/Funding Council-fundable provision**

This sub-section outlines the processes to follow in splitting the PFT cost between OfS/Funding Council-fundable and non-fundable elements.

Institutions should split the PFT cost between the cost relating to OfS/Funding Council-fundable provision and that relating to non-OfS/Funding Council-fundable provision. This is an important step to determine the costs that are incurred in respect of activity that the Funding Councils’ teaching funding methods seek to cover and teaching activity which is funded by other public bodies. Note that activity should still be classified as OfS/Funding Council-fundable regardless of whether it is funded through OfS/Funding Council grants or for HEIs in England via publicly funded tuition fee loans administered by the Student Loans Company.
4.3.5.7 Institutions should identify and remove the costs of provision that is not fundable by the OfS/Funding Councils or for HEIs in England via the publicly funded loans to students administered by the Student Loan Company (SLC) to meet the costs of tuition fees.

4.3.5.8 In allocating the costs between OfS/Funding Council-fundable and non-OfS/Funding Council-fundable provision, institutions should take account of the relative costs of the different subjects, i.e. the allocation should be made separately for each academic department.

4.3.5.9 Franchised-out students and the related costs should be included in OfS/Funding Council-fundable provision. Where the institution registers students but other institutions are responsible for delivery of the teaching, the HEI should include the costs of franchised-out provision, which will include the money that is passed to the other institution together with costs in the registering institution covering quality assurance, marketing, registration, library etc. Most of the teaching of franchised provision is likely to be carried out by further education colleges or alternative providers. Where, however an HEI teaches students that are registered in another HEI or provider, the costs of teaching those students should be excluded as a non-subject-related cost (see section 4.3.5.15) to avoid double-counting of costs between institutions and inconsistency with where students are registered.

4.3.5.10 The costs of teaching-related activity carried out for other organisations, not fundable through an institution’s own OfS/Funding Council income, should be excluded from OfS/Funding Council-fundable costs if they are material. This might include collaborative work carried out for other institutions (e.g. validation). Courses taken as part of apprenticeships leading to qualification below HE level should be excluded from OfS/Funding Council-fundable costs if they are material. Costs related to the FE part of apprenticeships can be based on the relevant FE proportion of the income received for these students unless a more accurate basis is available.

Note 1: The recognised HE component of Degree apprenticeships are fundable by the OfS/Funding Councils. Students on these programmes are part of the HESES population and costs relating to these students should be treated as OfS/Funding Council-fundable, where material.

Note 2: In 2017-18 the Department of Health transferred responsibility for funding some undergraduate Pre-registration Nursing, Midwifery and Allied Health subjects in England to HEFCE and subsequently the OfS. In 2018-19, responsibility for funding pre-registration Nursing, Midwifery and Allied Health postgraduate-level courses transferred to the OfS. This provision should be

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10 The student count will also include the institution’s own staff who are studying as apprentices below HE level in their own institution.

classified as OfS/Funding Council-fundable, if the conditions for OfS/Funding Council-fundable status are met.\textsuperscript{12}

Note 3: In 2018-19 the Department of Health transferred responsibility for funding undergraduate-level Dental Hygiene and Dental Therapy courses to the OfS. This provision should be classified as OfS/Funding Council-fundable, if the conditions for OfS/Funding Council-fundable status are met.\textsuperscript{47}

4.3.5.11 The payments made for bursaries, scholarships and hardship funding for PFT students should be allocated between Funding Council-fundable and non-Funding Council fundable provision. Care should be taken to identify the total cost of bursaries, scholarships and hardship funding as these can be coded within the financial ledgers to a combination of central and local account codes.

In allocating bursary costs it is good practice to reflect actual amounts for different types of student (Funding Council-fundable, non-Funding Council-fundable). If this is difficult to establish, the total can be apportioned on the basis of student FTEs (similar to the way that student FTEs can be used to attribute costs between PFT and NPFT). This could be done at an institutional level, if the information is not held at academic department level.

Note: care needs to be taken when considering bursaries that include elements of fee waivers or fee reductions. Annual TRAC and TRAC(T) follow the accounting treatment for these items and do not override those treatments. It is expected that these items appear as reductions to income in the financial statements and should therefore not be part of an adjustment to costs in TRAC(T).

### Calculating the subject-related costs

The costs of subject-related activity take account of two principal factors that determine and differentiate the costs of teaching – subjects and volume (student numbers). The OfS/Funding Councils use the subject-related costs to inform their core teaching funding method. In order to accurately do this, having removed from the Teaching Cost those costs relating to non-publicly funded students (4.3.5.3 to 4.3.5.6) and the costs relating to provision funded by non-OfS/Funding Council sources (4.3.5.7 to 4.3.5.11), the next stage is to remove the non-subject-related costs.

The OfS/Funding Council-fundable provision costs calculated in sub-sections 4.3.5.7 to 4.3.5.11 are further analysed to split out and remove the costs of some non-subject related activities. This generates the subject-related costs of OfS/Funding Council-fundable provision.

4.3.5.12 Subject-related costs are derived by ensuring that the differential costs of specified non-subject related activities are removed from the costs of OfS/Funding Council-fundable provision in every academic department to which they apply. These non-subject-related costs need to be allocated to relevant students to ensure that they are removed from the correct academic department/cost centre. The specific activities for which the associated costs are to be removed are:

\textsuperscript{12} Refer to HESES18, Annex F
- student-related (e.g. widening participation and disabilities, bursaries, part-time provision);
- provision-related (e.g. sandwich year-out, accelerated and intensive provision);
- institution-related (e.g. small institutions, specialist institutions, London institutions, specific initiatives).

The costs of all other non-subject related activities are not removed and therefore remain as part of the subject-related costs. These are: non-completion; postgraduate taught courses; flexible learning; employer engagement; and partnership.

4.3.5.13 Bursaries, hardship payments and scholarships relating to OfS/Funding Council-fundable taught students are removed from OfS/Funding Council-fundable costs using actual expenditure/charges to the Statement of Comprehensive Income. They are excluded from subject-related costs as they are awarded to students to support their living costs. As these costs are a matter of record in institutions, the actual costs of these non-subject related activities are removed when arriving at subject-related costs.

4.3.5.14 The OfS/Funding Council funding received should be used as a proxy for costs for all other specified non-subject related activities (use data provided by the OfS/Funding Councils).

The funding data provided should be used for excluding some non-subject-related costs of OfS/Funding Council-fundable provision, even if an institution believes it can provide a better estimate of its costs in a particular area. This is to enable consistent and comparable data at a sector level and only removes costs for non-subject related activities that are funded by the OfS/Funding Councils.

If the targeted OfS/Funding Council funding allocations which support the particular non-subject related activities exceed the actual costs of undertaking the activity (where this is known by the institution) then the balance of the funding should be deducted from the costs in all academic departments, rather than just the departments in which the activity takes place.

If the actual non-subject-related costs (where known) exceed the funding received, the actual funding received should still be used as the figure to remove the non-subject-related costs from the OfS/Funding Council-fundable cost pool in deriving the subject-related costs.

4.3.5.15 There are some instances where institutions may need to make an adjustment to the OfS/Funding Council funding data in determining the proxy for the costs of some of the non-subject related activities. The following points should be applied:

- two institutions – the Institute of Cancer Research and the University of London – have portfolios of activity that mean they should assume that some of the costs of these non-subject-related activities are in Research as well as Teaching;
- Institutions with collaborative awards should show their respective proportions of the funding (as a proxy for the costs);

- Where an institution provides teaching under a Strategic Alliance Partnership but the students are registered in another institution, the costs of teaching those students should be excluded from subject-related costs (i.e. the institution’s subject-related costs should relate to the costs of teaching the students registered at their institution);

- Where some of the income received by an institution for a specific project or activity has not been spent, and is being carried forward to a subsequent year, or is being capitalised the proxy amount should be reduced by the amount that is unspent/carried forward/capitalised;

- Where some funding has been brought forward from a previous year and is now being spent, this funding should be added to the costs to be excluded;

- Funding that an institution has passed to another institution should not be included in the amount removed from the institution’s subject-related costs. Where the institution has received some funding from another institution, this should be included in the amount deducted from its subject-related costs.

For some of the funding streams included in annex 4.3 c and d, some institutions may have a claw-back of repayable grant. Any repayments that relate to grants allocated in a previous financial year will have been excluded from the data provided to the institution. They will also have been excluded from the calculation of the funding proxy figures to use for non-subject-related costs. Only repayments which relate to the current reporting year have been included in the calculation of the funding proxy figures to be used for non-subject-related costs. HEIs should consider any areas where they have repayable OfS/Funding Council grants and review the data provided in annex 4.3 c and d.

### 4.3.5.16

The non-subject-related costs deducted using funding as a proxy and actual costs of bursaries (see 4.3.5.13) should not be altered where there is investment in a cost centre which does not yet provide teaching. If there are students in that cost centre already then the costs should be included in that cost centre. If there are no students in that cost centre then the costs should be spread across all cost centres containing students.

### 4.3.5.17

The costs of each non-subject related activity are part of the total Funding Council-fundable costs in each academic department or HESA academic cost centre. The amount that is in each academic department will vary depending on the type and volume of activity carried out in each academic department. The differential costs of each activity should be deducted from each academic department or HESA academic cost centre (not at an institutional level) (see sub-sections 4.3.5.18 and 4.3.5.19).
The cost drivers used to determine the costs of non-subject related activity in each cost centre, should reflect the particular characteristics and cost profile of that activity. For example:

- the FTE foundation degree students in each academic department should drive the allocation of the OfS/Funding Council funding, and therefore the differential costs of foundation degrees to be excluded from different academic departments;
- the number of part-time students (headcount or FTE) should drive the allocation of PT costs;
- the sandwich year-out fee should drive the allocation of sandwich year-out costs. Sandwich year-out students and related costs should be excluded from the OfS/Funding Council-fundable student FTEs. Note: This step is not relevant to HEIs in Scotland;
- the value of pay and estates costs should drive the allocation of the funding relating to new-regime students attending courses in London.

Mapping subject-related costs to HESA cost centres

The subject-related costs at academic department level are mapped to the HESA cost centres to enable the final step, which is the calculation of the Subject-FACTS.

4.3.5.18

The subject-related costs of OfS/Funding Council-fundable provision in academic departments are mapped onto HESA academic cost centres. An example of how to do this is included in workbook 4.3a (see section 4.3.7). Institutions may map their costs at a higher level (e.g. OfS/Funding Council-fundable teaching or Publicly Funded Teaching) and disaggregate the costs across cost centres as they proceed through 4.3.5.3 to 4.3.5.17.

Regardless of the order in which this is done, the mapping should reflect the staff teaching the students returned under each HESA academic cost centre. Mapping for TRAC(T) is unlikely to require any significant new work where institutions already meet HESA requirements for reporting staff, students and academic department costs consistently in HESA academic cost centres.

Where an academic department’s costs need allocating to more than one cost centre the costs should be allocated according to the type of cost, and institutions should give consideration to the following:

- splitting the costs of academic staff according to student numbers, subject to a head of department (academic department) review and consideration of appropriate weightings;
• weighting non-staff costs and Support staff costs towards the resource-intensive provision, informed by a head of department (academic department) view;
• weighting estates costs to reflect smaller group sizes and higher estates costs in the laboratory and studio based subjects;
• allocating central services costs using student numbers as the driver.

It is not good practice to allocate the academic department costs across more than one cost centre using student numbers.

Where students in a HESA academic cost centre are currently funded through more than one price group / subject group it is good practice to calculate a separate Subject-FACTS figure for each group of students in that HESA academic cost centre. For example, provision in clinical medicine (HESA academic cost centre 101), clinical dentistry (102) and veterinary science (109) is funded at two price groups / subject groups depending on whether it its clinical or pre-clinical. In some cost centres, costs and student numbers can be reported under two sub-cost centres. There are several ways that this could be done:
• the head of the department or resources manager may be able to suggest a weighting based on the relative curriculum or staff workload of a sample of programmes for the two subjects. This information could be used to weight the student numbers when allocating the academic staff and other costs incurred by the department itself. Estates costs could be allocated pro rata to the number of students, unless one subject is known to use higher-cost space. Central services costs could be allocated pro rata to other allocated expenditure;
• using course costing information.

Where HEIs are unable to use one of these methods then they should just enter their costs and student numbers against the total line for that cost centre.

There are five HESA cost centres (102, 103, 109, 131 and 135) where different information is required from HEIs in Scotland, England and Northern Ireland.
• For Clinical Dentistry (102), HEIs in England may report subject-FACTS against price group A for students on pre-registration courses in Dental Hygiene and Dental Therapy. In England, some of these courses may previously have attracted HEFCE/OfS funding, but from 2018-19 all students starting such courses at higher education institutions are expected to be funded by the OfS. Students who started before 2018-19 that were funded by the Department of Health are non-FC fundable and hence not reported in section B of the TRAC(T) return; other students on Dental Hygiene and Dental Therapy courses who started before 2018-19 and were funded by the OfS, and those starting from 2018-19 onwards, who are classified as OfS/Funding Council-fundable, should be included in section B of the TRAC(T) return.
For **Nursing and Allied Health Professions (103)**, HEIs in England may report subject-FACTS against price groups B, C1 and C2. HEIs in Scotland are asked to report costs and students split between those associated with students studying for professional qualifications and those associated with other students. It is the nursing and midwifery pre-registration provision which is reported under the professional qualifications sub-heading. In England students on pre-registration courses are funded by the OfS if the student was an undergraduate starter in 2017-18 onwards, or a postgraduate starter in 2018-19. Undergraduate students who started before 2017-18, and postgraduate students who started before 2018-19 on courses that were funded by the Department of Health are non-FC fundable and hence not reported in section B of the TRAC(T) return. This applies to all students on pre-registration courses in nursing, midwifery, dietetics, speech and language therapy, podiatry and chiropody, or orthotics and prosthetics. It may also apply, depending on previous local funding arrangements, to students on pre-registration courses in occupational therapy, operating department practice, orthoptics, physiotherapy, diagnostic or therapeutic radiography. For OfS-fundable students, those on pre-registration courses in nursing should be assigned to price group C1; those on pre-registration courses for the other listed professions should be assigned to price group B; other activity in cost centre 103 should be assigned to price group C2. In Northern Ireland, these activities are funded by the Department of Health for Northern Ireland and so are non-Funding Council-fundable and hence not reported in section B of the TRAC(T) return. HEIs in Scotland should report their other activity in the Nursing and Allied Health Professions cost centre against price group C2.

For **Veterinary Science (109), Social Work and Social Policy (131)**, HEIs in England may report subject-FACTS for each of the price groups. In Scotland, these two cost centres are not funded through more than one subject group. HEIs in Scotland should report their costs and students on a single line for these cost centres.

For **Education (135)**, HEIs in England may report subject-FACTS against price groups C2 and D. HEIs in Scotland are asked to report costs and students split between those associated with students studying for professional qualifications and those associated with other students. Teacher training provision should be reported under the professional qualifications sub-heading. In England, these activities are funded by the Department for Education and so are non-Funding Council-fundable and hence not reported in section B of the TRAC(T) return. In Northern Ireland, the initial teacher training provision is funded by the Department for the Economy, Northern Ireland, but in addition to the main teaching grant allocations and so it is reported as non-Funding Council-fundable and not reported in section B of the TRAC(T) return. HEIs in Scotland should report their other activity in the Education cost centre against price group C2.
4.3.5.19  The following is a narrative explanation of the detailed example provided in annex 4.3e:

Each academic department should be mapped onto the HESA academic cost centre(s) where the staff who have been delivering the teaching, and their students, have been allocated for the HESA Staff and Student records.

The costs of each academic department should be attributed to the cost centres where its staff have been allocated, in a way that reflects the teaching load of those staff. The students taught by those staff can give a reasonable reflection of this load, and student numbers returned for an academic department to HESA can be used as the cost driver when allocating that department’s costs between cost centres.

4.3.5.20  To assist with mapping costs to HESA academic cost centres it is good practice to:

- Identify the students taught by the staff in each academic department. This may mean a re-creation or analysis of the data used to make the HESA return, to identify the staff and therefore academic department(s) that teach each module, and summarising these into a report that gives OfS/Funding Council-fundable (and other) students taught by each academic department.

- Review any staff database used to allocate staff time to HESA academic cost centres, particularly if that is then used to drive the costs, to ensure that it adequately reflects current staff effort.

**Calculating Subject-FACTS**

Subject-FACTS are the full average cost of teaching an OfS/Funding Council-fundable student at the HESA cost centre level. These are a calculation, determined by the subject-related cost at the cost centre level, calculated at stages 4.3.5.12 to 4.3.5.17, and the student FTE numbers at the cost centre level.

4.3.5.21  Subject-FACTS are calculated by dividing the subject-related costs of OfS/Funding Council-fundable provision in each HESA academic cost centre by the OfS/Funding Council-fundable FTE numbers.

4.3.5.22  The student FTE data pre-populated on the institutional template are taken from the HEI’s student data return submitted to HESA. Using this extract enables the institution to obtain its student FTE data in advance of the pre-populated template being released. This can enable earlier preparation of the TRAC(T) return, which some institutions have found helpful in creating efficiencies and checking the annual TRAC return for robustness. These include undergraduate, postgraduate taught, full-time and part-time OfS/Funding Council-fundable students.
For HEIs in England these numbers however exclude all sandwich year-out students. Sandwich year-out teaching is defined as a non-subject related activity and the costs of these students are (exceptionally) excluded from Subject-FACTS in their entirety, rather than just the differential costs arising from the sandwich year-out experience.

4.3.5.23 Annex 4.3e provides a worked example of the calculation of Subject-FACTS for four illustrative academic departments.

### Validating and submitting the TRAC(T) return

The return should be submitted by the submission deadline specified by the OfS/Funding Councils each year.

4.3.5.24 When the institution has confirmed completion by performing the reasonableness checks outlined in chapter 2 which are relevant to TRAC(T), together with checks detailed below, and the TRAC(T) return has been approved by a Committee of the Governing Body, the TRAC(T) return should be submitted through the OfS portal. Once the file has successfully uploaded the sign-off sheet will appear. The TRAC(T) return can then be printed off and the declaration sheet signed by the Accountable Officer and scanned as a signed PDF ready for submission to the OfS/Funding Council.

**Example reasonableness checks:**

The reasonableness tests that could be carried out on TRAC(T) data are listed below.

1. Compare Subject-FACTS in each HESA academic cost centre (or the costs per student in each academic department) with the costs per NPFT student, and the costs per non-OfS/Funding Council-fundable student (taking into account the inclusion or exclusion of non-subject-related costs as appropriate).

2. Compare cost relativities with the OfS/Funding Council price group relativities.

3. Compare with the total subject-related funding (grant plus fees) per student in each academic department (or HESA academic cost centre).

4. Look at the ratio of academic staff / departmental support costs / central services / estates in each academic department or cost centre – if these are very different between subjects then try to ascertain why.

5. Compare with prior years.

4.3.5.25 Upload the individualised TRAC(T) return template and accompanying commentary documents through the OfS portal[^1]. The TRAC Manager must retain copies of the submission documents and receipt of these to satisfy assurance arrangements.

4.3.5.26 Once uploaded, the results file must be checked for validation errors.

[^1]: [https://extranet.officeforstudents.org.uk/data/](https://extranet.officeforstudents.org.uk/data/)
If errors are generated, the TRAC(T) return should be corrected and uploaded again.

4.3.5.27 Removed.

4.3.6 What could go wrong? Common areas of non-compliance

Summarised below are the more common areas where things could go wrong and/or lead to non-compliance with the TRAC requirements:

<table>
<thead>
<tr>
<th>What could go wrong / areas of non-compliance</th>
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<tbody>
<tr>
<td>• Not reviewing the NPFT students to ensure they are robust at academic department level to use as a cost driver.</td>
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<tr>
<td>• Not allocating the cost of teaching NPFT where NPFT is material for each academic department.</td>
</tr>
<tr>
<td>• Not removing the appropriate costs of PFT provision that are funded by a source other than the OfS/Funding Councils at academic department level, e.g. activity funded by the Education and Skills Funding Agency.</td>
</tr>
<tr>
<td>• Not mapping the subject-related costs onto HESA cost centres, or mapping them using inappropriate cost drivers.</td>
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<tr>
<td>• TRAC(T) does not reconcile to the costs in the consolidated financial statements.</td>
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<tr>
<td>• Not reviewing and addressing the validation queries.</td>
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<tr>
<td>• Submitting return documents too late in the submission window to allow for validation queries to be addressed.</td>
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<tr>
<td>• The TRAC Oversight Group does not review the results of reasonableness checks undertaken on the TRAC(T) return prior to submission.</td>
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<tr>
<td>• The Subject-FACTs for all cost centres are the same. If so this suggests that the basis of allocating costs to HESA cost centres has not been undertaken correctly, as different subjects will consume different levels of resources and cost.</td>
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4.3.7 Annexes and external links

<table>
<thead>
<tr>
<th>Reference</th>
<th>Document title</th>
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</thead>
<tbody>
<tr>
<td>4.3a</td>
<td>TRAC(T) return template</td>
</tr>
<tr>
<td>4.3b</td>
<td>HESA Academic Cost Centres</td>
</tr>
<tr>
<td>4.3c</td>
<td>TRAC(T) Funding for non-subject related activities – OfS and DfE for Northern Ireland</td>
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<tr>
<td>4.3d</td>
<td>TRAC(T) Funding for non-subject related activities – SFC</td>
</tr>
<tr>
<td>4.3e</td>
<td>TRAC(T) Removal of non-subject-related costs (worked example)</td>
</tr>
</tbody>
</table>
Annexes are located on the following web page: http://www.trac.ac.uk/tracguidance/

4.3.8 Associated good practice and other relevant reference material

HESA data checking tool: The OfS publishes information about its data checking tool in summer each year: