4 TRAC reporting

Chapter 4 contains three sections:

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</table>
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

- **4.1.4.1** All higher education institutions are required to complete an Annual TRAC return, including HEIs applying dispensation.

- **4.1.4.2** The template provided to institutions each year by the OfS/Funding Councils should be used (see annex 4.1a) for submitting TRAC data.

- **4.1.4.3** Teaching activity is robustly allocated between PFT and NPFT at academic department level as defined at section 1.3 (see 3.4.5.11).

- **4.1.4.4** Research activity is robustly allocated to research sponsor types as defined at section 1.3 (see 3.4.5.12).

- **4.1.4.5** Other activity is robustly allocated between ‘Other (income-generating activity)’ and ‘Other (non-commercial activity)’ as defined at section 1.3 (see 3.3.5.9).

- **4.1.4.6** The TRAC Oversight Group should review the Annual TRAC return for reasonableness before presenting to the Accountable Officer for sign-off.

- **4.1.4.7** Once uploaded, the results file should be checked for post-submission validation errors. If errors are generated, the Annual TRAC return should be corrected and uploaded again.

- **4.1.4.8** -No longer used

- **4.1.4.9** The submission deadline for the Annual TRAC return for the year ending 31 July is specified by the OfS/Funding Councils each year.

- **4.1.4.10** Post-submission, on receipt of sector benchmarking data, institutions should review their TRAC data again against peer group and sector data to consider whether data outliers appear reasonable. If errors are identified at this stage, the Annual TRAC return should be corrected and uploaded again. A Committee of the governing body should ensure that the institution’s TRAC process complies with the TRAC requirements.

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**

<table>
<thead>
<tr>
<th>Section</th>
<th>Description</th>
</tr>
</thead>
</table>
| 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. |

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1 [https://extranet.officeforstudents.org.uk/data/](https://extranet.officeforstudents.org.uk/data/)
The Annual TRAC return template contains the following sections:

- Sign-off sheet including declaration of compliance by the Accountable Officer: this will not be made available until all validation errors have been resolved;
- 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;
- Data relating to response rates for time allocation surveys and workload planning – 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 A1** is used to reconcile TRAC income and expenditure to the consolidated financial statements plus any adjustments required for USS, SAUL and OSPS pension schemes.

TRAC Income in the Annual TRAC reconciles to the consolidated financial statement for:
• total income as reported in the consolidated financial statements
• plus net gain on disposal of fixed assets
• plus net gain on investment property
• plus net gain on investments
• plus the share of operating surplus in joint ventures and associates as reported in the consolidated financial statements
• plus net taxation credit.

TRAC full economic costs in the Annual TRAC return reconcile to the consolidated financial statements for:
• total expenditure as reported in the consolidated financial statements;
• 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);
• plus net loss on disposal of fixed assets;
• plus net loss on investment property;
• plus net loss on investments;
• plus the share of operating deficits in joint ventures and associates as reported in the consolidated financial statements;
• plus net 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.

Institutions should include net gains or losses on any financial instrument that are reported as a separate heading below the ‘Surplus/(deficit) before other gains/losses and share of operating surplus/deficit of joint ventures and associates’ but reported above ‘Surplus/(deficit) for the year’.

Net losses including unrealised losses on any revaluation of the financial instrument should be added to the expenditure of the institution as part of the TRAC return.

Institutions that are unclear as to whether to include an entry in their financial statement within their TRAC return should contact the TRAC Helpdesk for advice.
<table>
<thead>
<tr>
<th>Section</th>
<th>Text</th>
</tr>
</thead>
<tbody>
<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.

**4.1.5.14** The completed Annual TRAC return, PDF signed copy and accompanying commentary documents must be uploaded to the OfS/Funding Councils through the OfS portal. 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).

**4.1.5.15** Once uploaded, the results file should be checked for post-submission validation errors.

If errors are generated, the Annual TRAC return should be corrected and uploaded again.

**4.1.5.16** Post-submission, upon receipt of sector benchmarking data, institutions should review the TRAC data again against peer group and sector data to consider

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2 [https://extranet.officeforstudents.org.uk/data/]
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.

Planning for the next submission cycle

4.1.5.17 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.

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>• <strong>Showing both the gain and the loss for the same entry in Table A1.</strong></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

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 UKRI3 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 Following approval by the Accountable Officer and final submission of the TRAC return, the Research charge-out 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 1,650 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:

<table>
<thead>
<tr>
<th>Requirement</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.2.4.12</td>
<td>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.</td>
</tr>
<tr>
<td>4.2.4.13</td>
<td>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.</td>
</tr>
<tr>
<td>4.2.4.14</td>
<td>Research facility and equipment managers should be able to justify the utilisation estimates if asked by funders, auditors or Research Councils.</td>
</tr>
</tbody>
</table>

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 rate⁴ 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.

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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. Following approval by the Accountable Officer and final submission of the TRAC return, the research charge-out 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). |
### 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.**

Following approval by the Accountable Officer and final submission of the TRAC return, the fEC charge-out rates for research 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).
Calculating the laboratory technician charge-out rates

<table>
<thead>
<tr>
<th>4.2.5.7</th>
<th><strong>Research technicians can be divided into three different categories, directly incurred, directly allocated or pool, and infrastructure. These are defined as:</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>• Directly Incurred (DI)</strong> – if the technicians are dedicated to a single project, or if on multiple projects, 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 <strong>Pool/Directly Allocated (DA)</strong> – if the technicians are shared between projects or are part of a pooled team, and the completion of timesheets would be inappropriate, 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.</td>
<td></td>
</tr>
<tr>
<td><strong>• Infrastructure – technicians</strong> who are not working on specific projects but are providing general support services. General support services covers activities such as health and safety, storeroom/supplies, hazardous materials handling, laboratory equipment maintenance and administration. The cost (the cost of the proportion of their time) should be Directly Allocated (DA) to projects using a laboratory technician infrastructure rate per research academic staff FTE (based on the Technician Survey data – see sub-section 3.1.5.18).</td>
<td></td>
</tr>
</tbody>
</table>

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 1,650 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.

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).

### 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:

- 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).

• Auditable 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.

4.2.5.11 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;
- use of IT services.

The Wakeham review of 2010\(^5\) 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 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’).\(^6\)

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\(^5\) [www.universitiesuk.ac.uk/policy-and-analysis/reports/Pages/financial-sustainability-efficiency-full-economic-costing-of-research-uk-he.aspx](http://www.universitiesuk.ac.uk/policy-and-analysis/reports/Pages/financial-sustainability-efficiency-full-economic-costing-of-research-uk-he.aspx)

<table>
<thead>
<tr>
<th>Section</th>
<th>Text</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.2.5.12</td>
<td>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.</td>
</tr>
<tr>
<td>4.2.5.13</td>
<td>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).</td>
</tr>
</tbody>
</table>
| 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. Following approval by the Accountable Officer and final submission of the TRAC return, the Research charge-out rates for Research 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). |
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.
- **Indexation to Year 1 costs is due to costs being included within the calculation as an estimate of costs for the following year, and so require one year less of indexation.**

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>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>
<tr>
<td>Research charge-out rates are not reviewed for appropriateness by the TRAC Oversight Group.</td>
</tr>
<tr>
<td>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.</td>
</tr>
</tbody>
</table>
### 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)

The OfS confirms it has no plans to collect data or reform the TRAC(T) methodology at this point in time. TRAC(T) data collection is removed as regulatory reporting requirement for OfS-regulated providers. Consequently, SFC and DfE (Northern Ireland) have confirmed they will not collect TRAC(T) data from institutions in Scotland and Northern Ireland, and HEFCW will not proceed with implementation of TRAC(T) in Wales.