

8 March 2010

To: Heads of higher education institutions in England, Wales, Scotland and Northern Ireland

**For further information contact: Heather Williams,
TRAC Development Group Secretariat: h.williams@hefce.ac.uk; 0117 931 7113**

Dear Vice-Chancellor or Principal

Changes to TRAC, and invitation to participate in Management Information Projects

I am writing to tell you about some changes we are making to TRAC and to invite you to participate in some projects to demonstrate and improve the utility of TRAC for internal management in institutions. Please note that this is not just a technical issue for your Director of Finance – you will be asked as head of institution to confirm that these changes have responded to any remaining concerns you had about your TRAC data, and the project on metrics for sustainability in particular has policy relevance to the current financial climate and to the work of Bill Wakeham's group on the efficiency and sustainability of FEC research.

Changes to TRAC

In my letter last July, I mentioned that TRAC needs to work in a way which is useful inside institutions if we are to maintain its credibility with funders. This is clearly not the case in all parts of the sector at present. Although heads of institutions sign off their TRAC results as fit for purpose, there has been a persistent message from some institutions that they cannot use TRAC for internal management because the academic time allocation data are flawed. This has been picked up by the funding bodies and the implications for future funding and sustainability of the sector were discussed at our conference for institutional senior managers in November. Both the research councils and HE funding bodies noted that the assurance they gain from TRAC is reduced if they perceive that institutions do not have confidence in their own TRAC data, and are not using them for internal management.

We in the TRAC Development Group are responding to this in two ways.

Firstly, we are making some quite significant changes to TRAC which will have an impact in five main areas listed below.

1. Better accounting for academic staff time spent on Scholarly activity, in particular research without an external sponsor (which will now be driven by the primary purpose of the activity – often to support teaching and the student experience).
2. Excluding from TRAC the academic staff time on activities which are not in support of the institutional mission (so that so-called “personal research” will not be counted for TRAC purposes).
3. Requiring all institutions (as some do already) to calculate research surplus/deficits disaggregated by sponsor type (Research Councils, charities, EC etc) robustly. This should be more helpful for internal research strategy and management (although challenging for some institutions where their portfolio is heavily loss-making), but it will crucially provide better information on how QR is used and on the impact of PGR students. This will give a more credible base for the sector in explaining the efficiency and sustainability of public good research, which is now high on the government’s agenda, and is the territory of Bill Wakeham’s FEC Task Group.
4. Recognising that TRAC full economic costs include the Return for Financing and Investment as a sector-level proxy for a required margin, rather than an actual historic cost. We will therefore now report TRAC costs in two ways: as the short-run operational cost (without RFI adjustment) and as the long-run sustainable cost (with the RFI). This should remove some of the concerns that have arisen that in some circumstances the TRAC adjusted costs may overstate the real cost of institutions and activities. We are also taking a more fundamental look at the future of the RFI adjustment, through one of the projects discussed below.
5. A number of institutions wish to base their TRAC academic staff time data on the data they are developing or already use for their workload planning models. This will now be an acceptable method in TRAC, subject to appropriate simple safeguards to ensure that the results reflect actual rather than only planned performance, and that TRAC activity categories are followed.

These changes are to be implemented by each institution in the way that it considers will help to improve the robustness and utility of its TRAC data – so institutions’ TRAC Steering Groups will have to make some decisions here. The changes will be relevant in different ways to different institutions and some will be relatively little affected. However, those which have been expressing concern that they “cannot use their TRAC data” should find that some of the changes above are directly relevant to them, and they will be expected to take advantage of these as appropriate. In due course, funders (i.e. HEFCE in England, HEFCW in Wales, SFC in Scotland) will probably seek your confirmation that these changes have indeed responded to any concerns you had. This will be an important assurance which the sector needs to provide to the funders in the current public funding environment.

I believe that, taken together, these changes should make TRAC more credible and useful to institutions and hence to the funding bodies, without imposing any significant new burdens of implementation. They also show that we are listening to the concerns expressed by institutions and are able to make changes to address these. Full details will be issued to institutions through the normal channels in the next few weeks. As always any queries can be addressed in the first instance to Heather Williams at HEFCE, using the contact details above.

Management Information Projects

The second response we are making is to pick up the challenge to make TRAC relevant to institutions' own needs (the 'utility' part of our agenda). We plan to do this by extending good practice in institutional strategic financial management through a number of development projects, which we expect to be supported in England through the HEFCE LGM fund with other funding bodies providing support for some or all of the projects.

The projects we are planning cover the following areas:

- Sustainability metrics
- Departmental profitability analysis
- Workload planning methods and academic time allocation
- Course costing
- Resource allocation.

A brief summary of what these projects are about is in the table at the end of this letter.

We would like to enable institutions to share experience and participate in valuable development activity which will help them, as well as taking forward the TRAC agenda. This will have the effect of providing additional assurance to funders that TRAC is being used by institutions.

We are looking for a number of institutions to participate in these projects, working in clusters of 4-6 to share good practice. The work can be either in depth (e.g. developing systems in-house, or lighter-touch (volunteering and commenting on ideas). The projects will report in a year's time, and the results of the work will be disseminated to the sector by way of a second senior managers' conference shortly after that and through the LGM Fund conference.

The sustainability metrics project is slightly different in that there is a policy imperative to move forward quickly and we need to obtain a reasonably representative sample of participating institutions and so I am hoping for a strong level of interest in this. It will probably involve a larger number of institutions providing information and interacting with consultants, but should require less commitment by each of them. As it is about developing thinking and methods that are needed for institutional and sector sustainability, this project will have a broader policy impact and will need to engage institutional senior management teams and governors.

The projects will not all be of the same size nor use the same methods. They are likely to involve either:

- a. a number of meetings (perhaps six over the year) where ideas are generated and developed into potential methods and directions for institutions to consider (outside the project); or
- b. Active development of methods in several pilot institutions, which will plan the work and share experiences in discussion with each other.

Alternatively, institutions could contribute by reading and commenting on papers via email.

In the Appendix, is a short form that you can use to indicate your institution's interest in participating. I would welcome your institution's involvement in this initiative, and ask that you encourage your Director of Finance, Head of Administration, or Pro-Vice-Chancellor to sign up to one or more of the projects. A form is attached for information. This can be downloaded for submission from www.hefce.ac.uk/finance/fundinghe/trac/tdg/. We would appreciate early indications of interest by 31 March 2010, but we will consider further responses during April. Depending on the level of responses we may need to limit which institutions are selected to participate.

Yours sincerely

A handwritten signature in black ink that reads "Stuart Palmer". The signature is written in a cursive style with a large, stylized 'S' at the beginning.

Professor Stuart Palmer
Vice Chancellor's Office, University of Warwick
Chair, TRAC Development Group

APPENDIX: TRAC Development Group: Management Information Projects

A brief summary of each project is below.

Sustainability metrics

At sector level, TRAC full economic costs with the RFI adjustment included give an indication that institutions and activities (particularly research) are in deficit and probably not sustainable. However, there is no accepted way to indicate the scale of any “sustainability gap”, to measure progress towards sustainability, or to provide the evidence now sought by the government that fEC funding of research has led to improved sustainability.

The project will start from the base of institution’s individual assessments of the level of surplus they need to make, or of their own sustainability, to test whether such data could (if prepared on a consistent basis and reported to the funding councils and suitably aggregated) be used as a metric of sustainability of the sector, and of its research and teaching, to inform policy and funding. The project will test whether this approach could moderate or replace the current formulaic RFI adjustment at sector level for policy and funding purposes. It is not proposed that individual institutional sustainability assessments would directly influence funding.

Departmental profitability analysis

Some institutions currently use their TRAC data at a department level to examine the profitability of each department. The overall surplus/deficit in each department, and the financial position for Teaching, Research, Other activities, the recovery on different types of research activity, and average teaching costs per student, can all be reported and reviewed. This project will identify how this data is calculated and reported, and how it fits in as a core part of the institution’s planning or monitoring processes.

Workload planning methods and academic time allocation

New TRAC Guidance is being issued that will allow institutions to develop workload planning and management models that will meet TRAC requirements without having to comply with some of the current restrictions that institutions currently find a burden. These workload planning models will produce more robust information than currently because they will be owned by both academics and institutions, and used for purposes other than TRAC. This project is likely to involve either working group discussions or a number of pilot institutions who are starting to develop workload planning models of this type. It will explore issues around the design of these models (and their interface with planning, HR, workload management, workload monitoring, and other institutional processes).

Course costing

The tighter funding environment has increased the desire in many institutions to understand better the costs of their teaching provision. Course costing is one method for doing this. There are many ways of developing course costing systems (see for example the Advisory Note issued by the TDG in this area). They can be combined with the TRAC time allocation recording systems, carried out through one-off detailed activity profiling, reviewed through workload allocation models, or considered as part of a higher ‘module-classification’ type process. These have two common challenges – the course costing system can be very time

consuming, and it can be too easy to become bogged down in detail and inhibit the value of the costs being produced. The project will seek to identify how institutions are starting to develop course costing systems – a number of institutions will be invited to participate as pilots to this end.

Resource allocation

TRAC allocates historic costs to departments and to activities. Many resource allocation models use similar types of cost driver models to allocate costs, but the cost drivers differ, and the costs that are included differ – they are budgeted costs, often exclude long-run costs such as the RFI and depreciation, and may reserve some future spend for use in centrally-managed project funding. Estates costs are sometimes allocated to departments in space charging systems, but the methods for doing so often differ from TRAC. This project will seek to identify good practice on how TRAC allocation techniques have been developed for use in resource allocation and space charging models, and the benefits and challenges in doing this.

The work is planned to take place over the next year, finishing in early 2011. The results will be disseminated at a TDG conference for senior institutional managers, probably in summer 2011.

The TDG Support Unit will provide consultancy support to the work, and ensure that the outputs from each project are in a form that can be disseminated to the sector. They will also support pilot institutions in preparing bids to the Leadership Governance and Management Fund for additional support in carrying out the work, where required.

TRAC Development Group: Management Information Projects
Expression of interest form

Institution	<i>Insert name:</i>
--------------------	---------------------

This form should be downloaded from www.hefce.ac.uk/finance/fundinghe/trac/tdg/

You are invited to participate in one or more of these projects. Please indicate the project(s) you would like to participate in, and provide the other information as requested below. Any queries can be addressed in the first instance to Jenni Rogers (j.rogers@hefce.ac.uk; 0117 931 7154).

Please reply by 31 March 2010 to TRAC-Secretariat@hefce.ac.uk

Project	Tick as appropriate (√)
1. Sustainability metrics	
2. Departmental profitability analysis	
3. Workload planning methods and academic time allocation	
4. Course costing	
5. Resource allocation	
For each project you have selected, please describe your experience in using TRAC in this area, and how you have been planning to take this forward (e.g. Have you already done work in this area, do you have a process in place, or are you just considering doing so?)	Please use a separate page
<p>If you have selected any of projects 2-5, please indicate what type of involvement in this study you might be interested in:</p> <ul style="list-style-type: none"> a. Receiving and commenting on issues papers and possible approaches; b. Participation at working group meetings (perhaps six a year) with other interested institutions (also including commenting on issues papers); c. As a pilot: active development of a system in your institution (also including commenting on issues papers and participating in working group meetings). <p>(this is not applicable for project 1)</p>	
<p>Please give the name and contact details of the individual who will be leading the work in your institution, and who we can contact to take the work forward</p> <p>Name email</p> <p>Position phone</p>	

Please return to: TRAC-Secretariat@hefce.ac.uk

Thank-you