



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

16 July 2008

Dear colleagues

This letter provides an update on developments since my letter dated 7 May 2008 and decisions made by the TRAC Strategy Group on 1 July.

Governance arrangements for TRAC

My letter of 7 May set out our plans for a two-tier governance structure comprising a high-level policy group provided by the existing TRAC Strategy Group and the TRAC Development and Implementation Group to oversee the various strands of development of TRAC. We received an excellent response to our invitation for members of the new group and following a meeting of the selection panel I can announce the membership of the TRAC Development and Implementation Group. The group will be chaired by Professor Stuart Palmer, Deputy Vice-Chancellor at the University of Warwick with Professor Graham Henderson, Vice-Chancellor at the University of Teesside as Deputy Chair. Full details of the membership are set out in the Annex. The TRAC Development and Implementation Group will formally begin its work in the autumn.

With the establishment of the two-tier governance arrangements, the TRAC Strategy Group's focus will be primarily on the strategic and policy aims in supporting the financial sustainability of the UK HE sector. In the future the TRAC Strategy Group will be known as the Financial Sustainability Strategy Group which better reflects its aims and purpose.

Proposed extension of dispensation arrangements

My previous letter also outlined proposals to reduce the burden of TRAC for some institutions with lower levels of research income by allowing an extension of the existing dispensation arrangement which would enable them to use a flexible approach to academic time allocation and other areas. The details of these proposals were discussed by the TRAC Strategy Group on 1 July.

The Research Councils noted that some of the early findings from the RCUK Quality Assurance and Validation (QAV) process were giving rise to some concern. They were cautious about agreeing to the extended dispensation until a clearer picture emerges from the QAV visits which are currently underway. The TRAC Strategy Group therefore agreed that the extension of the dispensation arrangements should not be implemented until these issues have been examined in more detail. It is therefore extremely unlikely that the extended dispensation will be made available from 1 February 2009.

All parties remain committed to the principle of reducing burden and developing TRAC methods which are fit for purpose for both institutions and funders. Further consideration of these proposals and the outcomes of the RCUK QAV process will be taken forward by the TRAC Development and Implementation Group in the autumn.

In the meantime, institutions that would have been entitled to apply the proposed extended dispensation will therefore need to ensure that they continue to have fully robust systems for TRAC in place for the foreseeable future.

Existing dispensation arrangements remain unchanged.

I would also encourage you to ensure that your senior management team gives appropriate scrutiny to the QAV returns you provided to RCUK (both QAV-DATA and QAV-METHOD).

Development of TRAC for use for EU Framework Programme 7 (FP7)

Universities UK, supported by the UK Research Office (UKRO), JM Consulting and KPMG, has successfully negotiated approval of the draft TRAC EC-FP7 guidance (a modified version of TRAC) and Audit Certification process based on the RCUK QAV process as an approved method for reimbursement based on eligible full costs. While this approach will impose a requirement on institutions to recalculate actual indirect costs and the need for time sheets for all academic staff working on FP7 projects, the methods and associated audit programme, if implemented by HEIs, will enable them to be eligible for the higher level of reimbursement for FP7. It will be for institutions to evaluate the costs versus benefits of implementing the full cost approach rather than accepting the reduced flat rate which will apply by the end of 2009.

In its response to the draft TRAC EC-FP7 guidance, the commission highlighted that in the view of the Commission Services in DG Research, the TRAC guidance represented a robust methodology and welcomed the coordinated approach taken in the UK.

The final guidance will be published shortly and Universities UK is planning dissemination events for the autumn.

Should you wish to comment on any of the issues I raise above, please send your comments to Heather Williams, Secretary and Project Manager for the Financial Sustainability Strategy Group, at HEFCE (h.williams@hefce.ac.uk; 0117 931 7113).

Yours sincerely



Steve Smith
Vice-Chancellor

Cc Directors/Heads of Finance

TRAC Development and Implementation Group

Membership

Chair

Professor Stuart Palmer Deputy Vice-Chancellor, University of Warwick

Deputy Chair

Professor Graham Henderson Vice Chancellor and Chief Executive, University of Teesside

Members from institutions

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| Reggie Blennerhassett | Director of Finance, Roehampton University |
| Ian Creagh | Head of Administration and College Secretary, King's College London |
| Louise Denniff | Grants and Contracts Officer, Loughborough University |
| Professor Kevin Edge | Pro-Vice-Chancellor (Research), University of Bath |
| Peter Hope | Director of Finance, University of Ulster |
| John Hurd | Finance Manager – Costing and Pricing, University of Derby |
| Professor Anthony Monaco | Pro-Vice-Chancellor (Planning and Resources), University of Oxford |
| Professor Gill Nicholls | Pro-Vice-Chancellor (Academic), University of Salford |
| John O'Boyle | Director of Quality and Academic Services, Ravensbourne College of Design and Communication |
| Robert Rabone | Director of Finance and Resources, The University of Sheffield |
| Ewa Szyknowska | TRAC Manager, Imperial College London |
| Professor Alistair Ulph | Vice-President and Dean, Faculty of Humanities, The University of Manchester |
| Professor Andrew Walker | Vice-Principal, Heriot-Watt University |

Members from funders and sector bodies

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| Elanie Clarke | Policy Officer, GuildHE |
| Sarah Kirkpatrick | Senior Funding Officer, SFC |
| Ian Lewis | Head of Finance, HEFCE |
| Gareth MacDonald | Head of Assurance, RCUK |
| Kevin McGladdery | Policy Officer, Universities UK |
| Bethan Owen | Head of Governance, Leadership and Information, HEFCW |
| Heather Williams | Finance Consultant, HEFCE (Project Manager) |