

TRAC – Validation Checklist

As part of the embedding of TRAC, the Funding Councils have been testing institutions' 2004/05 results for reasonableness. This was the first time that income has been formally reported alongside costs to the Funding Councils.

The following set of questions and prompts are designed to help you think through the reasonableness of your TRAC results, and to explore some of the possible reasons for their appearing surprisingly high or low. In some cases this will be justified. In others, your methods might need amending.

It would be useful for your TRAC Steering Group to consider your figures in relation to the questions under (A) below. If the answer to any of these tests is yes, and the reason is not yet known, then your Steering Group should ask that a high-level review of methods is carried out. The prompts given under (B) would provide a useful tool for this. This will provide either a reason for the figures you are calculating (why they are an outlier in the sector), or provide you with an idea as to where your methods might need changing to strengthen their robustness. The final section (C) reminds you of other tests that you should be doing to ensure the reasonableness of your TRAC results.

You may of course have already undertaken through this type of review, either during the external QA process or as part of your own reasonableness testing. You may already be satisfied that your results are reasonable and your methods are robust. If so, there is of course no need for you to repeat this process at this stage.

(A) Are you showing some unusual figures?

At the level of the institution as a whole:

- Are you showing a surplus on PFT?
- Are you showing a deficit on NPFT?
- Have you a deficit on PFR that is more than 50% of income?
- Have you a deficit on NPFR that is more than 50% of income?
- Are you showing a deficit on O?

(The HEFCE is using the above criteria as flags to raise questions with institutions about their data. That does not mean that institutions with these results are incorrect, it just means that institutions need to confirm that they are happy with their methods if they are showing results of this magnitude.)

- Are your indirect or estates costs of Research in the Lower or Upper Quartiles of the sector?
- Are the indirect/estates costs of Other (if calculated on an FTE basis) about the same as they are for Research?
- Does the surplus/deficit as a % of income vary significantly between different types of external research sponsor?
- On institution-own-funded research, are you showing a significantly larger deficit (as % of income) than your peers? (Peer group information including results by research sponsor type was provided in January 2006 to all institutions who provided data to the J M Consulting benchmarking exercise.)

(Again, even if you are answering 'yes' to some of these, the figures may well be correct. However, you may wish to consider the reasons for an unusual result, and if unclear, confirm that you are satisfied with the methods you are using.)

At the level of department or group of departments:

- Is there a material amount of time/cost being charged to Research or Other activities where there are few results, and there is no obvious reason for this? ('Results' might include PGR students, research projects, consultancy activity, activity submitted to the RAE, etc.) There may be a good reason for this, e.g. as work is done to develop new work-streams where income and outputs will (hopefully) follow later; or activities that have had to be aborted before completion.
- Do any of your Teaching costs/student look unusual? The total costs of PFT for each department or group of departments should be divided by the student FTEs that were used in the cost drivers. Similarly, NPFT. If the costs of laboratory students are lower than those of those in classroom-disciplines; or not significantly different; or the costs per NPFT student are lower than PFT; then it would be worth understanding why. It might indicate that there is some factor other than subject significantly influencing the average costs (e.g. types of student, issues around converting headcount to FTEs, non-standard mode of delivery etc). It may indicate an inappropriate use of some methods.

If the answer to any of the above is Yes, you should find a review of your methods useful. The following gives some prompts that should be of assistance in this.

(B) Prompts when reviewing TRAC methods for reasonableness

If the answer to any of the following is No, this might indicate that either (a) your institution is different in that respect from many in the sector, and could provide you with a satisfactory explanation of why your figures are different; or (b) you should consider whether a change in your methods could add to the robustness of the figures being calculated.

Time allocation

- Is time on scholarship being collected separately from time on Research?
- Are you satisfied that academics are not overstating their time on Research, at the expense of Teaching (there are many pressures in the HEI system that are encouraging this)?
(Please note that TRAC does however require all time on institution activities to be reported in the time allocation process – just because time is being spent on Research, or Teaching administration, outside any ‘contracted working hours’, that does not mean it can be ignored. Reasonable estimates of this time should be included.)
- Are your PGR costs and income matched in the figures reported for each type of sponsor? (If you have significant numbers of PGR students, with the costs still scattered between PFR and NPFR, but the income is not (it is all shown under PFR), then this might be leading to unusual surplus/deficit results.)
- If you have a medical school and are operating with knock-for-knock arrangements – has some of the time that is allocated to OCS been subsequently reallocated to Teaching (to reflect the time of clinicians on Teaching)?
- Is the allocation between PFT and NPFT for international students (taught in the UK alongside home students) being done centrally (using for example, student numbers)? If not, are you happy that academics are able to allocate their time robustly between PFT and NPFT?
- Is the amount of time allocated to Support comparable with your peer institutions? Is the ratio of time allocated to Support for Other compared to time allocated directly to Other, about the same as it is for Support for Research?

You may identify one or two areas where your time allocation collection could be made more robust. If the impact on results is material, then TRAC Guidance allows a high-level adjustment to be made to the time allocation data if (a) this would improve robustness of the reported figures; (b) it is properly evidence-based (e.g. a proper assessment has been made which established that inappropriate interpretations of the activity definitions has led to a material over- or under-statement of time in any one activity category). Such an assessment could be obtained through, for example, discussions with some Heads of Departments, and workshops or discussions with a small sample of academics, to identify the nature and extent of the problem. This would be followed up, in future years, with amendments to time allocation methods to ensure that the collected data was robust.)

Other cost drivers

- Have you included visiting lecturers/PT contract staff in the staff FTE number?
- And the OCS time transferred to T – has that then been included in the staff FTE number?
- Is academic staff time never or rarely used as a single cost driver in any area apart from academic staff salaries? (Apart from the latter, it is unlikely to be the most appropriate cost driver – staff/student numbers or another indicator are generally a better indicator to use. For example, central administration would usually be best allocated on some combination of staff and student numbers, not staff alone.)
- 'Total costs' or 'all other costs' can be used as a cost driver – have other more appropriate cost drivers been considered in each case? (Use of the former might weight costs too much towards Research in some circumstances, because of the effect of the non-staff research project costs.)
- Has the input of appropriate department managers helped to inform the cost drivers used for (for example) library, audio-visual services, health and other services?
- Have FTEs for PGT students (or long course students) been weighted to reflect their higher use of services?
- Have you considered weighting any of the staff time or other cost drivers more appropriately to reflect the actual use of those services? As the cost drivers are being applied to each area of cost, have you considered the relative use of that area by a member of staff or a student, and incorporated weightings?
- Have you used headcount rather than FTEs in some areas?
- When allocating technician time between R and T, have you considered the extent to which technicians are already being directly allocated to research projects?
- When allocating Support staff time between T and R, have you considered the demands that students place on them, rather than academic staff? (Staff and student headcount can be a useful cost driver.)
- When allocating departmental costs between T and R, have you considered the extent to which many of the costs of Research appear as the direct costs of research projects – leaving many of the departmental costs used for T alone?
- Does the allocation of COCE reflect the main purposes of this adjustment – financing and future restructuring? (It may be appropriate not to just use 'all other costs' to allocate the COCE between T, R and O, but instead to mitigate the impact of non-staff project costs in Research, which may not be so relevant. It may also be inappropriate to allocate to residences only the part of the gross adjustment that relates to their financing.)

Allocation of costs to T, R, O

- Management and scholarship time (General Support) needs to be allocated between T, R and O. Direct academic staff time (spent on T, R and O) is often used to do this. Have you considered that much of the university management activity and scholarship relates to Teaching, and therefore that staff/student FTEs might be a better cost driver, or some other weighting that would reflect the T emphasis?
- When time is transferred from OCS to T, has the impact on other costs been considered – i.e. has a relevant proportion of indirect/estates costs also been transferred from OCS to T?
- Do all of the indirect/estates costs allocated to the PGR research sponsor

category reflect the mandatory PGR cost weightings (used in the indirect/estates cost rate calculations)?

- Does everything in the model ensure that the costs of international students are factored out of the costs of PFT?
- Do all of the costs allocated to O meet the definitions given in the TRAC Guidance? (for example, exceptional items such as a loss on disposal of assets and exceptional restructuring costs; passing on Funding Council grants to associated institutions for provision of T and R; marketing and other departments or units providing services to departments within an institution – should all be allocated to T and R; with very little if any to O).
- When you have very small amounts of activity in any one area of work (the volumes are not material to your institution in TRAC terms) and your allocations may be too blunt to ensure a reasonable result, are you satisfied that this has no adverse impact on any decisions that are being made on the TRAC figures?

Income allocation

- Has the income on the sale of assets etc been allocated appropriately across all activities (not just left in O)?
- Is the income from reimbursed staff salaries all being reported under O?
- Is your proportion of home/EU PGT students similar to that of your peers or to the sector as a whole? (Where your numbers are relatively high, compared to others, you are likely to be showing a higher surplus on PFT, as the costs and income are both included in PFT, but market prices may be much higher than for UG students.)

Impact of COCE and infrastructure adjustment

- As a percentage of the costs in your financial statements, are these significantly higher or lower than for the sector as a whole?

(C) Other tests of reasonableness

- Are you ensuring that you understand your data and any unexpected or outlying results? Are you carrying out tests for reasonableness as required under TRAC?

Examples of these tests were given in the TRAC Guidance in Part II, Chapter C.1 They are replicated here for ease of reference:

Examples of these comparisons and tests are:

- study the results – do they match the records, observations and expectations of heads of department?
- compare with results from previous comparable periods – are the data consistent?
- match with income – are the results understandable, explainable and fair and reasonable?
- benchmark – compare with data from other (peer) institutions; or with sector data;
- plot results – prepare a graph of time or costs of each activity by department against student numbers, and against income;
- compare with information produced by external bodies – calculate an average pay cost per FTE student and compare with relativities for each subject type with those used in the relevant Funding Council's funding methodologies for Teaching;
- carry out a small number of surveys or interviews to test the validity of results;
- carry out a sensitivity analysis on key cost drivers and cost pools – test equally appropriate but different cost drivers or weightings in the cost drivers. (An example here might be to use weighted cost drivers in the estates cost pool which reflect actual, or standard, costs of each building or campus);
- convene a small group to discuss the profile of academic activity in a year – they could consider what activity took place during the various periods (Easter, term, vacation etc) or for different purposes (library services used by students; estates used by PGR students).

'Outliers' can be investigated through surveys, interviews or workshops. It is important to give heads of department, the TRAC implementation project group, and the senior management team an opportunity to understand and comment on the figures. When they do so, their comparability with other figures from the management accounts, the resource allocation model and/or the strategic planning model, needs to be understood.

The results of these tests and checks **should** be given to the relevant institutional committee to provide assurance that the outcome is fair and reasonable.

- Are you using your data to recover fEC from public funders? Set prices or policy on cost recovery? Manage sustainability (i.e. inform decisions on the nature and volume of activities and how they are managed)? If so, are your senior management team and the appropriate institutional committee that confirms compliance with TRAC requirements, satisfied that the data is sufficiently robust for these purposes?

If you have any queries on any part of this self-analysis tool, please contact your Helpdesk contact at your Funding Council.