

10 July 2009

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

Launch of the TRAC Development Group programme

I am writing to tell you about some of the work we are doing in the TRAC Development Group (TDG), including inviting you to participate in some events we are planning, and to engage with our work on behalf of the sector in other ways.

You will be familiar with the general background to the group, which was of course partly covered in the letter from Steve Smith dated 26 June 2009.

Our role and work plan

The main role of the group is to embed the TRAC methodology throughout the UK HE sector, and to ensure it is fit for use. We are well aware that there are some issues about TRAC, and that different types of institution see the value of TRAC in different ways. Like Steve, I am convinced that the sector is much better off with TRAC (and indeed there are some risks to us if TRAC loses its credibility with funders), but this does not preclude some robust examination of the way TRAC works, and of options to do things differently. My group is taking this agenda forward vigorously, and I want all institutions to be aware of the ways they can contribute to this process.

TDG has a widely-drawn membership (including funding and research councils) to enable it to address these issues on behalf of the sector. Further information on our work is on the HEFCE website at www.hefce.ac.uk under Finance and assurance/Finance and funding/TRAC/TRAC Development Group.

Communication with non-financial managers

One of the first challenges is that TRAC has become complex and it is not easy for senior managers to maintain an overview of the subject. Steve's letter to the sector of 26 June pointed out some of the disadvantages the sector is suffering as a significant number of institutions have not yet integrated the TRAC requirements into their senior management thinking. I believe we can help with communication here. The last general introduction to TRAC was published in 2005, and is now out-of-date. We have up-dated this document, which we are calling a policy overview and which locates TRAC in the context of institutions' needs for strategic financial information to manage their own sustainability, as well as to satisfy funders' and stakeholders' requirements. Copies are enclosed for use in your institution. Additional copies can be obtained from publications@hefce.ac.uk. This letter and the policy overview publication are also available at www.hefce.ac.uk under Finance and assurance/Finance and funding/TRAC/TRAC Development Group.

I hope you will pass these on to members of your senior management, including heads of academic departments/ schools; encourage them to read this overview, and perhaps discuss the issues it raises in your senior management group.

Who is TDG supporting?

I see the TDG responding to three main groups which have different interests in TRAC, and which are all represented on the group.

Firstly, TRAC practitioners: chiefly institutional TRAC Managers, but also Finance Directors, various service managers, national groups like BUFDG, and some of the staff in funding bodies who are interested in methods and implementation.

Secondly, the funding stakeholders, chiefly in the funding and research councils but also in BIS, Department of Health, the Training and Development Agency for Schools: they care about the confidence they can have in TRAC data and its use to support accountability and value for money. RCUK is a particularly important partner here, and we are developing a special dialogue to inform research councils better about TRAC.

Thirdly, the policy and strategic managers in institutions who bear the cost of implementing TRAC and are assumed to need to use TRAC data to manage sustainability of their activities and institutions.

The importance of TRAC Managers

TRAC Managers (the practitioners) are a key group who are critical to the credibility of TRAC data. In the QAV review, KPMG noted that the TRAC Accountants were sometimes isolated from other processes in the institution, and lacked strategic input and involvement, as well as operational support. This is part of a broader picture of great variability in the extent to which institutions use TRAC for internal management. Where institutions are using TRAC data for internal purposes (such as strategic planning), they are likely to take more care over their costing methods and data, and this in turn can help to avoid the non-compliance issues that KPMG found. By contrast, if institutions are not using TRAC, their TRAC data are much less likely to command confidence either internally, or with the funders like RCUK (as QAV demonstrated).

We are planning an event for TRAC Managers in the early autumn (provisional date Tuesday 13 October 2009) which will draw on the lessons from the QAV process and I hope will start a process of improved dialogue and support to institutions at this operational level. Other plans in this area include new support arrangements for TRAC implementation, and an initiative to improve the information flows and the briefing to the TRAC self-help groups, and their linkage to the TDG agenda.

I believe this is an important support to institutions, and to the professional development of these critical operational staff. I hope you will ensure that your TRAC Manager can benefit from this.

Possible changes in some key costing methods

There are some issues about the way TRAC works, particularly around the attribution of academic staff time, the operation of the cost adjustment called the Return for Financing and Investment, and about the way the minimum requirements and the whole body of TRAC Guidance are maintained and communicated.

We are currently doing some intensive work to identify whether there are alternative approaches we should consider in any of these areas. Steve Smith noted some issues on TRAC results on research, and the research councils have expressed a desire to take a hard look at academic time allocation. They note that we have conceded the principle of time-sheets for staff with EC-FP7 grants, and I anticipate we will come under pressure to do so more generally. The outcomes of QAV clearly add to the research councils' view that this part of TRAC is not always treated sufficiently seriously by institutions. A change in academic time allocation could of course have significant implications for institutions, and we will examine these carefully. We are also looking for examples of institutions that have confidence in their academic time data under the current arrangements, so that we can make the best possible case for retaining the present degree of discretion for institutions; I would be grateful to hear from you if you feel able to contribute to this. We will keep institutions informed of any possible changes in this area.

Re-building the dialogue with institutions' senior managers

More generally, we are keen to understand the institutional perspective on the use and burden of TRAC, and I want to open a more effective two-way dialogue with institutions' senior management colleagues for this purpose. This has worked well in the past – when TRAC was launched in 1999/2000, we had extensive communication with senior managers in institutions which helped to shape the design of the system. I believe the challenges we now face make it timely to re-establish the dialogue.

The policy overview enclosed with this letter is a first step in this (we would welcome comments and feedback on the issues raised). We are also planning events for senior managers over the next few months and will be contributing to events and meetings organised by sector professional groups, such as Association of Heads of University Administration (AHUA) and British Universities Finance Directors Group (BUFDG).

We are also holding a conference for senior officers (we envisage primarily a mix of PVCs (Teaching), PVCs (Research), and Registrars/Heads of Administration). This will be held on Wednesday 4 November 2009 in London, at Central Hall, Westminster. Invitations to the conference and booking information will be issued in the near future.

The main objectives of the event will be to:

- achieve a shared understanding with institutions about the relevance of TRAC and the importance of compliance with minimum requirements
- illustrate ways in which TRAC can be used in institutions (and highlight any areas for development to help it to be more useful to institutions)
- consult institutions on priorities for TDG's work, and on specific areas where changes may be made in TRAC methods
- build institutional support and ownership of TRAC and of the TDG agenda.

I see this event as an ideal opportunity to form a sector view, informed by institutional experience, on some of the possible changes I have noted above, and to help us to shape our agenda in a way which is most beneficial for the sector.

The event will include keynote presentations, and themed workshop sessions on practical topics which I believe will be relevant to senior management teams. We will also include some experience from institutions, and if you have anything (positive or negative) that you would like us to consider, I would be very pleased to hear from you.

Yours sincerely



Professor Stuart Palmer