



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

7 May 2008

Dear colleagues

The TRAC (Transparent Approach to Costing) Strategy Group, which I chair, has previously set out its objectives in the [TRAC for Teaching bulletin \(July 2007\)](#) and on the [HEFCE web-site](#). This letter provides an update on the group's work.

There are some important messages that I want to pass on, and I hope that this letter achieves that goal. If not please do get in touch with us. I also identify a number of actions we would like you to consider: these are set out in the text below and summarised in the conclusion.

The group's work is important because the robustness of TRAC and the data reported from it will have significant implications for the future funding and regulation of our institutions. There are opportunities for the sector here, and also some significant risks. These are particularly associated with the review of fees in England, the Comprehensive Spending Review (CSR), and the Research Councils UK (RCUK) review of the full economic costs for funding of research.

The aim of the group is to help the sector to achieve a position where

institutions manage income flows so that they match costs in a sustainable way.

This is obviously a broader remit than TRAC itself: it is as much about how institutions use strategic financial management information as about the details of TRAC. However, the credibility and relevance of TRAC to institutional management are central concerns of the group. Full details of the group's membership, terms of reference and objectives are set out on the HEFCE web-site.

The main focus of our work in the Strategy Group has been on three questions:

- a. Is TRAC working for institutions and retaining its credibility with the funders?
- b. How should we manage TRAC in future?
- c. What level of resources is required to maintain the quality and reputation of the UK higher education student experience?

This letter summarises our thinking on these three issues and I think should be of interest to Vice-Chancellors/heads of institution.

1. Robustness of TRAC reported results

It is obviously important that the TRAC methodology is, and is seen to be, robust. A central component of the methodology is reporting the allocation of academic staff time. The TRAC Strategy Group has some evidence that a lack of rigour in reporting the allocation of staff time is resulting in a distortion of TRAC returns in some institutions. There is some evidence that there may be an overestimate of time spent on research and an underestimate of time spent on teaching. This would have the effect of making teaching appear less expensive than it actually is.

We are also finding that the RCUK Quality Assurance and Validation (QAV) process is indicating that institutions may be having difficulties producing reliable data for this purpose.

Proposals to deal with this

The TRAC Strategy Group has discussed two pragmatic steps we can take to help those institutions which are experiencing these problems.

Firstly, we want to remind institutional management teams that:

- a. they are required to allocate academic staff effort between teaching research and other activities in a way that is fit for purpose;
- b. this information should be of some interest internally (e.g. in supporting teaching and research strategies and school and faculty planning);
- c. the reasonableness of the data reported by academics should be confirmed by appropriate academic school heads or equivalent;
- d. this does not require heads of school to breach any undertaking of confidentiality that some institutions have made to staff in respect of their individual time allocation schedules.

It may help any institutions which have doubts about their data to review the definitions in their time allocation schedules to help academics to get this right. The key point is that “research” in TRAC has either to have an external sponsor, or to be expected to lead to some research output. If it does neither, it is not “research”, but is general scholarly activity which, while valuable, is significantly a cost of teaching.

Secondly, we have agreed that institutions with a lower level of research (less than 10% of total income) may, if they wish, exercise a new dispensation which would enable them to use a more flexible approach to academic time allocation – including, for example, the use of suitably verified workload-allocation models. This would be entirely optional for those institutions eligible, but is in effect a relaxation of the requirements which could benefit about 50 institutions not currently eligible for the existing TRAC dispensation.

We know that a number of these institutions would find that a workload-allocation approach could fit more easily with their internal management processes. The research councils have accepted that there would be no reduction in the overall robustness of TRAC data at national level. There would be no change for those more research-intensive institutions which are subject to external audit in the RCUK QAV process.

Full details of this change will be circulated to institutions through the normal channels for updates to TRAC guidance.

2. Governance of TRAC

The second issue relates to the way policy for TRAC is decided. We have been concerned that developments to TRAC, with potential resource implications for institutions, are driven by a variety of different stakeholders, without adequate systematic input from heads of institutions on the overall balance of effort and benefits. Institutions are consulted on individual developments, but often provide a technical rather than a strategic response. I am convinced that Universities UK needs to play a more proactive and strategic role here, alongside a number of other stakeholders, to ensure the interests of the sector are given full consideration. This was agreed at the Universities UK council meeting on 1 February.

To ensure this in future, we have agreed to implement a new two-tier governance structure for TRAC with:

- a. a high-level policy group, which will for the present be provided by the existing TRAC Strategy Group;
- b. a development and implementation group which will oversee the various strands of development of TRAC, and will act as the focus for control of TRAC requirements, methods and guidance.

There is quite a significant programme of issues for these two groups to consider, and HEFCE, who are supporting these groups, are looking for institutional representatives for the TRAC Development and Implementation Group.

Further information about the process for appointment of members and the chair for the new group are available on the [HEFCE web-site](#).

If there are colleagues in your senior management team who you feel could contribute to, or lead, the work of this group we would be pleased to receive nominations, and ask that you to draw this information to their attention.

3. Costs of sustainable teaching

This third area is a more fundamental academic issue about the cost of maintaining the UK's competitive position in the international higher education market. This is a much broader issue than TRAC, but it is central to the remit of my group.

In England, Scotland and Northern Ireland we are now reviewing and benchmarking the first TRAC data on the costs of teaching students funded by the funding councils, in each of the Higher Education Statistics Agency (HESA) academic cost centres. This will inform HEFCE's current review of the price bands in their teaching funding method (full economic costs were of course not available when price bands were established in the past). These data should also help institutions to plan the sustainability of their teaching portfolios.

While TRAC for Teaching may lead to some adjustments to the HEFCE funding formula, it will not tell us much about the total resource needs of teaching, since it is often claimed that institutions "spend what they receive", and there is other evidence that some current teaching may be unsustainable at the current level of resourcing.

I identified this very early on as one of the most critical issues we face in the sector, and Professor Geoffrey Crossick has been leading an exercise to establish the level of resourcing that will be required in future to maintain the quality and international

competitive position of the UK student experience. This is not directly a TRAC issue, because TRAC only tells us about past expenditure, but any case we might want to make about future funding or fee levels will need to be at least aligned with what TRAC is telling us, since this is the evidence that government trusts in this area. And, of course, this is the reason we wish to be sure that our TRAC reporting is not misleading about the costs of teaching.

We are focusing this work on identifying what is distinctive and valuable about the UK student experience, and looking at the evidence of the way this has been impacted by the evolution of funding, the changes in the market environment and the other pressures on academic staff and on institutions. We are working with the Pro Vice-Chancellors (Teaching and Learning) networks, and with a number of volunteer case study universities. This is challenging, not least because the diversity of the sector, and the autonomy of institutions may make it hard to link any apparent negative impacts (such as could be implied by the Higher Education Policy Institute (HEPI) survey of contact hours, for example) directly to funding or fee regulation.

I know Geoff's group would be pleased to hear of any studies or evidence that individual universities have in this area.

We expect to produce a report on the costs of sustainable teaching in the summer.

Conclusions

TRAC was a requirement for institutions, and it has delivered some real benefits to the sector – including over £1bn per annum of additional funding to make research more sustainable. However, it has grown in unforeseen ways and has perhaps lost some of its original focus. Its value is certainly perceived differently in different types of institution and this is understandable, but there is a potential risk to the whole sector if the credibility and robustness of the data does not meet the future requirements of funding bodies.

My perspective on this is that, as heads of institution, we have a responsibility to ensure that we have, and report, appropriate and credible financial management information – especially where this will influence the funding of the sector. If TRAC is not delivering for us, we can change it if we want to. However, we will only succeed in doing this if we have a clear view of what we do want, and if we can carry with us the other stakeholders who use TRAC. If we undermine TRAC without a better alternative, we may simply lose funding. The new governance arrangements and a much greater level of engagement by Universities UK will help, but it will also need individual Vice-Chancellors to engage with these issues more than we have in the recent past.

I and my group are ready to do what we can to move this forward in a helpful way. Can I encourage you to help us collectively to take greater control of this important part of the management of the sector?

Specifically, and by way of summary, could I encourage you to:

- a. think about your institution's approach to academic staff time allocation and the implications for your annual TRAC reporting and QAV submissions to RCUK, identifying any corrective actions where required;
- b. be aware of the new governance structure being established to oversee TRAC and the process for inviting members for the TRAC Development and Implementation Group;
- c. be aware of the group's work on the costs of sustainable teaching and the resources required in the future to maintain the quality and international competitive position of the UK higher education experience.

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 TRAC Strategy Group, at HEFCE (h.williams@hefce.ac.uk; 0117 931 7113).

Yours sincerely

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