

Decision of Group Audit and Risk Committee
by email on Thursday, 27 February 2020

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	CONFIDENTIAL
Paper title:	Transparent Approach to Costing – TRAC(T) Sign off
Board/Committee	Audit Committee
Date of meeting:	27 February 2020
Author:	David Kotula, Reporting Analyst
Sponsor:	Richard Flatman, Chief Financial Officer
Purpose:	For approval
Recommendation:	This is a sub-analysis of the TRAC return for 2018/19 that has already been approved by Audit committee. The Executive recommends, based on the assurances provided herein, that the committee approves the attached return which will be made to the OfS by Friday 28 th February 2020.

Executive Summary

The Transparent Approach to Costing (Teaching) return - TRAC(T), is a sub-analysis of the Transparent Approach to Costing (TRAC) return and has been made annually since 2007.

TRAC (T) has three main aims:

- to enable higher education institutions (HEIs) to understand their own costs better, so that they can use cost information for planning, decision-making and management;
- to inform OfS allocation of funds for teaching;
- to assist in understanding the total costs of sustainable teaching.

A reconciliation of the total costs in TRAC(T) to the figures published in the TRAC return is shown in table A – Source Data The return analyses the costs of OfS fundable teaching into HESA cost centres and then divides this cost by the total student numbers in each of those cost centres as reported in the HESA return to give *Subject-FACTS* for each of the current HESA cost centres (Full Average Annual Subject-related Cost of Teaching a HEFCE-fundable FTE student in a HESA academic cost centre). This output forms table B of the return (see Appendix 1).

Assurances regarding process

The following assurances are provided to Committee with regard to process:

1. Reconciliation to accounts

- The TRAC(T) return is an annual return based on the teaching element of the TRAC annual return. The basis for the 2018/19 return was the financial accounts for year ending 31/07/2019.
- The financial information used is a sub-set of the TRAC return. All costs that do not relate to publicly funded teaching are extracted. This information includes costs down to individual staff level for teaching staff and to cost centre level for school support staff. The individual staff costs are extracted from establishment data used in the budgeting process. All figures are reconcilable back to the published accounts and the 2018/19 TRAC return.
- Note that the costs include the Publicly Funded Teaching (PFT) element of the Margin for Sustainability (MSI) cost adjustment added under the TRAC requirements to provide a sustainable cost base. This increased our total cost of delivery this year by £17.3M.

2. Compliance with guidelines/regulations

- The return has been prepared by the University's Reporting Analyst in accordance with the regulations set down by OfS for the preparation of the TRAC(T) return. This includes any updated regulations or issues raised at TRAC self-help groups organised by the TRAC Development Group and BUFDG.
- There has been a change from this year with regards to the report sign off. The final report needs Audit committee approval prior to final sign off.
- The core costing information is based on the amount of time spent teaching for each academic member of staff. This is derived from a Workload Planning Tool. The results have been reviewed and verified by school managers to allow for any adjustments to be made prior to using the data in the TRAC return.
- The TRAC(T) requirement is for all costs to be allocated based on the relevant HESA Cost centres. Staff HESA cost centres are derived from a report collated by the HR department and then reviewed by school managers at a division level.
- Non-Staff costs are derived from the TRAC return that is sourced from the Agresso finance system at a cost centre level. HESA cost centres are applied on a department level.
- The robustness and accuracy of the data is verified during a reconciliation process by a suitably qualified colleague.
- Our data return sign-off protocols have been complied with, including review and approval by the Data Steward and the Head of Planning, Performance and Assurance before signature by the Vice Chancellor.
- The overall Subject-Facts cost per student has risen from £9,513 to £10,150.
- This is partially due to the switch from nursing being funded through NHS Contract to students self-funding which created a significant change in the model.

- To mitigate these changes I have undertaken a review of individual HESA cc's in the following schools. Engineering, Arts & Creative and Built Environment and made high-level adjustments where necessary.
- The model is reliant on a consistent approach between how staff and student FTE's are applied to HESA cc's. A review of how these correlate will be made this year, with the help of the Planning, Performance and Assurance team (PPA).
- We will also review the model used in TRAC(T), specifically around the way that central costs and the MSI adjustment are apportioned to direct costs during the automation of the process into the financial planning automation process using TM1 software.

The committee is requested to approve the attached return made to OfS.

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TRAC(T) Reasonableness Check

Executive Summary

As part of the process of completing the annual TRAC(T) return a Board Committee or a member thereof is specifically required to review the results for reasonableness.

The reasonableness requirements are based on the TRAC and TRAC(T) requirements published in the TRAC Guidance version 2.4. The checks for TRAC(T) are underlined by those undertaken for the TRAC return.

The key requirements

1. The Annual TRAC and TRAC(T) results should be aligned with broad expectations for the institution, taking account of the additional volatility in the financial accounts introduced by the implementation of the accounting standard FRS 102 for 2015-16 and future periods, e.g. through the inclusion of certain capital and investment related items in TRAC income and the inclusion of pension charges, restructuring costs and other material costs in TRAC expenditure.
2. TRAC-related benchmarking (Annual TRAC and TRAC(T)) should be used to gain assurance over the reasonableness of the results when compared to similar institutions.
3. High level adjustments should be rationalised and underpinned with appropriate evidence. It is not expected that such adjustments should recur in subsequent years as corrective action should be taken to avoid the need for further adjustments, unless required for consistency under FRS 102.
4. Material errors should be subject to corrective action. If these are identified after submission, resubmission of the TRAC return should be agreed with UKRI and the OfS or the respective Funding Council, or for the TRAC(T) return, with the OfS or relevant Funding Council only.
5. TRAC(T) The full economic cost of teaching is derived from Annual TRAC.
6. TRAC(T) Cost drivers should be robust at academic department level. i.e. Student and staff FTE's should be reviewed.
7. Non-OfS Funding and Non subject-related costs should be removed at Academic department level.

Outcomes:

1. Expectations for TRAC(T)

The OfS Fundable costs have increased by 25% from £65.5M to £81.65M, this is due to the transition of nursing students from NHS funding to Student Loan Funding a 218% increase from £5.5M to £17.8M and a general increase in costs for non-Health of 5.2% totalling £3.2M. These numbers are in line with the student FTE's increase of 3% for non-health and 217% for Health.

TRAC related Benchmarking

Our university is deemed to be part of Peer Group E for TRAC(T). The benchmarking for 2017/18 is as follows. The low level of OfS Fundable activities (58.0%) is due to atypical NHS Contract activities LSBU undertakes. For 2018/19 this number is 70.9% and it is expected to rise further as the final cohorts transfer to SLC funding.

A.2 Teaching costs by activity					
	Institution	Peer group E			
		Average	1st Quartile	Median value	3rd Quartile
% of Teaching					
NPFT	7.2%	11.6%	5.5%	7.5%	11.8%
non-OfS/FC-fundable	34.9%	16.5%	8.3%	15.6%	26.4%
OfS/FC-fundable	58.0%	71.9%	60.7%	74.7%	82.8%
% of OfS/FC-fundable Teaching					
bursaries	0.4%	2.6%	1.5%	2.4%	3.6%
other non-subject	9.8%	5.1%	3.9%	4.9%	6.1%
subject-related	89.8%	92.3%	90.2%	92.5%	94.1%

High level adjustments

High level adjustments were made in the Schools of Engineering (ENG), Arts and Creative Industries (ACI, Built Environment (BEA) and Health (HSC). These were made after reviewing the student HESA Cost Centre allocation for ENG and the Staff HESA cost centre allocations for ACI, BEA and HSC.

2. Material Errors

No material errors have been noted and any errors after submission will be corrected.

TRAC(T) return 2018-19

Institution: London South Bank University
UKPRN: 10004078
TRAC Peer Group: E

Declaration by Accountable Officer¹

I confirm that the costs, income and charge-out rate information reported in the attached return have been prepared in accordance with the TRAC(T) requirements as set out in the TRAC guidance (Version 2.4, July 2019, <https://www.trac.ac.uk/tracguidance/>).

I confirm that a full self-assessment of compliance against each requirement listed in the guidance has been carried out since the last submission. I also confirm that a Board Committee has specifically reviewed the results of the tests for reasonableness and has either confirmed compliance or has drawn up an action plan for any areas where the institution is not fully compliant **before submission, in accordance with TRAC guidance section 2.1.4.3**. I confirm that the Board Committee has lay membership (TRAC guidance section 2.1.5.18).

With reference to the TRAC(T) data loaded on: **TRAC(T) data not yet uploaded**

Name of Board committee which confirmed compliance with the TRAC(T) requirements	Date of meeting at which compliance was confirmed (Please enter in the format of dd/mm/yyyy)

Signed: (Accountable Officer¹) _____
Name: _____
Title: _____
Date: _____

To be returned no later than noon on 28 February 2020. Earlier submissions are encouraged.

The name and title of the Accountable Officer¹ must be completed before the return is uploaded to the OfS portal. The results file should then be printed and signed by the Accountable Officer¹. Please scan the signed hard copy and upload electronically to the OfS/Funding councils via the OfS portal. The OfS/Funding Councils do not require a paper copy.

¹ The Accountable Officer is a person, normally the head of institution, who reports to the OfS/Funding Council on behalf of the institution. The OfS definition of Accountable Officer is provided in the 'Regulatory Framework for higher education institutions'. The HEFCW definition of Accountable Officer is provided in the 'Financial Management Code'. The SFC refers to the Chief Executive Officer, rather than the Accountable Officer, in the 'Financial Memorandum with Higher Education Institutions'. The DfE definition of Accountable Officer is provided in the 'Financial Memorandum between the Department for the Economy (DfE) and the Northern Ireland Universities'. Links to each document are provided in the glossary at section 6.1 of the TRAC guidance (Version 2.4, July 2019, <https://www.trac.ac.uk/tracguidance/>).

TRAC(T) return 2018-19

Section A worksheet has failed 1 validation check(s). For details, please see the validation report.

Institution: London South Bank University
 UKPRN: 10004078
 TRAC Peer Group: E

This workbook contains two sections: A and B (in 2 worksheets)
 A provides source data for Subject-FACTS
 B is the calculation of Subject-FACTS

Sections A and B are **mandatory** (part of the TRAC(T) requirements as set out in the TRAC guidance section 4.3.5.2).

A Source data

MANDATORY

This section should be completed by **all** institutions.

The purpose of this section is to provide a reconciliation to the figures returned under annual TRAC.

	<i>£000</i>		
Total expenditure (derived from audited financial statements)	146,504		<i>per annual TRAC return</i>
plus Sustainability adjustment (EBITDA for MSI)	17,342		<i>per annual TRAC return</i>
gives TRAC costs	163,845		<i>per annual TRAC return</i>
less Research	17,843		<i>per annual TRAC return</i>
Other	20,909		<i>per annual TRAC return (Other income generating activity plus Other Non-commercial activity)</i>
gives Teaching	125,093		<i>per annual TRAC return</i>
		% of Teaching	
less NPFT	9,611	7.7%	<i>per annual TRAC return</i>
Non-OfS/Funding Council-fundable PFT	26,806	21.4%	
gives OfS/Funding Council-fundable PFT	88,677	70.9%	
		% of Funding Council-fundable PFT	
less Non-subject related			
Funding proxy	6,915	7.8%	<i>per funding table (Annex 4.3c or Annex 4.3d) (note 1)</i>
Bursaries (note 2)	109	0.1%	<i>actual costs and charges included in financial statements</i>
Total non-subject related	7,024	7.9%	
gives Subject-related costs of OfS/Funding Council-fundable provision	81,653		

Notes:

1. The funding proxy total should agree to the total costs of non-subject related areas where OfS/Funding Council funding is used as the proxy. This figure is provided at the bottom of the table in Annex 4.3c of the TRAC(T) guidance. The main exceptions to this are listed in Section 4.3.5.15 of the TRAC Guidance published in July 2019, (<https://www.trac.ac.uk/tracguidance/>).

Please note that the figures in Annex 4.3c are displayed to the nearest £ and need to be divided by 1000 before entering in this table.

Annex 4.3c for 2018-19 can be found on the TRAC website (<https://www.trac.ac.uk/tracguidance/>)

If you wish to enter a figure that is different to that provided in Annex 4.3c please provide reasons/explanation in the "Validation" worksheet or on a separate word document if necessary.

2. The non-subject related bursaries figure comprises the actual costs or charges made to the financial statements for bursaries, hardship payments and scholarships of OfS/Funding Council-fundable taught students. Please note that any scholarships relating to research students or non-OfS/Funding Council-fundable students should not be included in this figure - those are Research costs or non-OfS/Funding Council-fundable Teaching costs and should be deducted under the lines "less Research" or "less non-OfS/Funding Council-fundable PFT" or "less NPFT" in the table above. Also note that fee waivers should not be included in this figure – they should instead be netted off against income.

A.1 Cost recording methods

MANDATORY

Do you consider that you have met all of the TRAC requirements (once your figures have been benchmarked and reviewed for reasonableness)?

Please select Yes or No from the drop-down list

Yes

To inform their teaching funding methods, the OfS/Funding Councils need representative data for the sector (covering all subject areas) on the costs of different subjects. Do you believe that your TRAC(T) figures are fit for the purpose of informing the OfS/Funding Councils' teaching funding methods?

Please select Yes or No from the drop-down list

Yes

Do you consider your figures to be robust at the level of department? (Robustness is defined as: meeting the TRAC requirements and recording academic time allocation data that are statistically robust at the level of department).

Please select Yes or No from the drop-down list

Yes

Do you produce a cost per student by department for use by institutional managers?

Please select Yes or No from the drop-down list

No

If you have reported that you recover more than 105% of your costs on PFT activity on your Annual TRAC return, have you assessed the impact of this on your Subject-FACTS?

Please select Yes, No or N/A from the drop-down list

N/A

Institution: London South Bank University
 UKPRN: 10004078
 TRAC Peer Group: E

B. Report to OFS/Funding Councils MANDATORY

This section should be completed by all institutions.

The purpose of this section is to collect the information that may be used by the OFS/Funding Councils.

	Price groups in use for 2018-19 reporting	Total subject-related costs of OFS/Funding Council-fundable provision (a)	OFS/Funding Council-fundable student FTEs from HESA (b)	Subject-FACTS (c)=((a)/(b))*1000
		£000	FTEs	£
HESA academic cost centre				
101	Clinical medicine			
	A	0	0.00	0
	B	0	0.00	0
	Total	0	0.00	0
102	Clinical dentistry			
	A	0	0.00	0
	B	0	0.00	0
	Total	0	0.00	0
103	Nursing and allied health professions			
	B	5,340	539.47	9,898
	C1	7,884	825.03	9,556
	C2	3,908	410.79	9,514
	Total	17,132	1,775.29	9,650
104	Psychology and behavioural sciences	3,932	317.94	12,367
105	Health and community studies	0	0.00	0
106	Anatomy and physiology	0	0.00	0
107	Pharmacy and pharmacology	0	0.00	0
108	Sports science and leisure studies	768	72.32	10,903
109	Veterinary science			
	A	0	0.00	0
	B	0	0.00	0
	Total	0	0.00	0
110	Agriculture, forestry and food science	1,162	105.74	10,993
111	Earth, marine and environmental sciences	0	0.00	0
112	Biosciences	2,181	199.96	10,907
113	Chemistry	0	0.00	0
114	Physics	0	0.00	0
115	Biomedical engineering	0	0.00	0
116	Chemical engineering	1,950	168.73	11,559
117	General, metallurgy and materials engineering	0	0.00	0
118	Civil engineering	4,708	514.09	9,158
119	Electrical, electronic and computer engineering	3,114	234.89	13,259
120	Mechanical, aero and production engineering	3,303	310.01	10,654
121	Information technology, systems sciences and computer software engineering	2,444	186.23	13,124
122	Mathematics	0	0.00	0
123	Architecture, built environment and planning	10,716	1,105.56	9,693
124	Geography and environmental studies	0	0.00	0
125	Area studies	0	0.00	0
126	Archaeology	0	0.00	0
127	Anthropology and development studies	0	0.00	0
128	Politics and international studies	0	0.00	0
129	Economics and econometrics	0	0.00	0
130	Law	3,946	329.96	11,959
131	Social work and social policy			
	C2	1,207	176.40	6,841
	D	21	3.04	6,992
	Total	1,228	179.44	6,844
132	Sociology	2,900	249.94	11,605
133	Business and management studies	12,123	1,187.80	10,206
134	Catering and hospitality management	0	0.00	0
135	Education			
	C2	0	0.00	0
	D	2,245	251.03	8,942
	Total	2,245	251.03	8,942
136	Continuing education	0	0.00	0
137	Modern languages	0	0.00	0
138	English language and literature	0	0.00	0
139	History	0	0.00	0
140	Classics	0	0.00	0
141	Philosophy	0	0.00	0
142	Theology and religious studies	0	0.00	0
143	Art and design	4,600	468.85	9,812
144	Music, drama, dance and performing arts	1,903	231.40	8,225
145	Media studies	1,277	155.62	8,206
Total in HESA academic cost centres		81,655	8,044.80	10,150
999	Cost centre not assignable	0	0.00	0
Total		81,655	8,044.80	10,150

2017-18 data for comparison

Total subject-related costs of Funding Council-fundable provision (d)	Funding Council-fundable student FTEs from HESA (e)	Subject-FACTS (f)=((d)/(e))*1000	Revised FTEs English institutions only	% change in subject-related costs	% change in OFS/Funding Council-fundable student FTEs	% change in Subject-FACTS
0	0.00	0				
0	0.00	0				
0	0.00	0				
0	0.00	0				
2,160	213.99	10,094	213.99	147.2%	152.1%	-1.9%
3,680	368.00	10,001	368.00	114.2%	124.2%	-4.4%
2,341	236.00	9,918	236.00	67.0%	74.1%	-4.1%
8,181	817.98	10,001	817.98	109.4%	117.0%	-3.5%
2,940	313.66	9,372		33.8%	1.4%	32.0%
0	0.00	0				
0	0.00	0				
0	0.00	0				
684	71.08	9,629		15.2%	1.7%	13.2%
0	0.00	0				
0	0.00	0				
0	0.00	0				
1,343	136.76	9,822		-13.5%	-22.7%	11.9%
0	0.00	0				
2,130	206.17	10,333		2.4%	-3.0%	5.6%
0	0.00	0				
0	0.00	0				
0	0.00	0				
2,048	206.53	9,915		-4.8%	-18.3%	16.6%
0	0.00	0				
4,693	485.91	9,658		0.3%	5.8%	-5.2%
1,629	167.81	9,709		91.2%	40.0%	36.6%
3,051	334.72	9,116		8.2%	-7.4%	16.9%
1,779	188.41	9,444		37.4%	-1.2%	39.0%
0	0.00	0				
9,496	1,013.24	9,372		12.8%	9.1%	3.4%
0	0.00	0				
0	0.00	0				
0	0.00	0				
0	0.00	0				
0	0.00	0				
0	0.00	0				
0	0.00	0				
0	0.00	0				
2,952	313.15	9,428		33.6%	5.4%	26.8%
1,331	196.22	6,784		-9.3%	-10.1%	0.8%
6	0.88	6,998		259.9%	244.8%	-4.4%
1,337	197.11	6,784		-8.2%	-9.0%	0.9%
2,337	242.08	9,655		24.1%	3.2%	20.2%
10,411	1,118.70	9,306		16.4%	6.2%	9.7%
0	0.00	0				
0	0.00	0				
2,470	248.40	9,945		-9.1%	1.1%	-10.1%
2,470	248.40	9,945		-9.1%	1.1%	-10.1%
0	0.00	0				
0	0.00	0				
0	0.00	0				
0	0.00	0				
0	0.00	0				
0	0.00	0				
0	0.00	0				
0	0.00	0				
0	0.00	0				
0	0.00	0				
0	0.00	0				
4,428	452.31	9,789		3.9%	3.7%	0.2%
2,301	241.23	9,541		-17.3%	-4.1%	-13.8%
1,318	133.49	9,870		-3.1%	16.6%	-16.9%
65,530	6,888.75	9,513		24.6%	16.8%	6.7%
0	0.00	0				
65,530	6,888.75	9,513		24.6%	16.8%	6.7%

Institution: London South Bank University
UKPRN: 10004078
TRAC Peer Group: E

Notes:

1. Where students in one cost centre are funded across a number of price groups, please enter costs against the relevant price groups where possible. If this is not possible, enter figures in the Total line for that cost centre (over-riding the formula that is in the 'Total' cell).
2. The total costs in column (a) should agree with the total subject-related costs of Funding Council-fundable provision at the bottom of Section A.
3. The student FTEs in column (b) are defined in section 4.3.5.6 of the TRAC Guidance (v2.4) published in July 2019, (<https://www.trac.ac.uk/tracguidance/>). These are OfS/Funding Council-fundable student FTEs, excluding sandwich year-out students. If you require further information on how these FTEs have been derived you should refer to the document 'Useful links and information about the OfS data checking tool' which can be found on the TRAC website <https://www.trac.ac.uk/tracguidance/ofs-portal/>. Providers in Wales and Northern Ireland please contact your Funding Council for further information on how these FTEs have been derived

More information on the Revised FTEs in cost centre 103 can be found under the FAQ: *Pre-Registration Nursing, Midwifery and Allied Health professions. Why has the student data for 2017-18 been updated?* (<https://www.trac.ac.uk/tracguidance/faq>)
Please use the box below, or a separate word document if you wish to provide commentary on the data above e.g. if you know reasons why any of the figures may be an outlier.

Please type directly into this comment box, rather than copying and pasting text. Pasting text may cause errors when you upload your return.

TRAC(T) return 2018-19 validation report

Your workbook has failed 1 validation check(s). For details please see the messages below.

Please ensure that your return shows 'Validation passed' for checks 1 to 7 before submitting your workbook to OfS.

1. The name and job title of the Accountable Officer who will be signing this return should be entered on the "Signoff Sheet" worksheet.

Validation failed

2. Total subject-related costs of Funding Council-fundable provision in Section A should equal those returned in Section B.

Validation passed

3. The cost of bursaries should be completed in Section A. If you have a genuine reason for having no bursary costs please provide commentary in the box below.

Validation passed

Comments box on no bursary costs.

4. Sub-section A.1 is mandatory and should be completed.

Validation passed

5. Funding proxy figures provided in Section A should agree to the total provided in Annex 4.3c (England and NI)/Annex 4.3d (Scotland). If you have a genuine reason for altering the income proxy figure used (e.g. institutions with collaborative awards) please provide commentary on this in the box below.

Validation passed

Comments box on funding proxy differences.

6. Section B should not be showing cost centre(s) with costs but no students, or students but no costs. If it is, please amend or provide commentary on this in the box below.

Validation passed

Comments box on cost centre(s) with costs but no students, or students but no costs.

7. In Section B, the Subject-FACTS for all cost centres should not be the same.

Validation passed

Validation checks 8 to 13 will be carried out on submission of data to OfS. Please check your results package to ensure your data has passed these additional checks.

8. Total expenditure reported in Section A should equal total expenditure returned through the annual TRAC return in January 2020.

9. Sustainability adjustment (EBITDA for MSI) reported in Section A should equal the sustainability adjustment returned through the annual TRAC return in January 2020.

10. Research costs reported in Section A should equal Research costs returned through the annual TRAC return in January 2020.

11. Other costs reported in Section A should equal Other costs returned through the annual TRAC return in January 2020.

12. NPFT costs reported in Section A should equal NPFT costs returned through the annual TRAC return in January 2020.

13. The cost of bursaries reported in Section A should be less than or equal to the cost of bursaries returned in Table 8 of the OfS annual financial return in December 2019.

If you have uncovered errors in your 2018-19 annual TRAC return data submitted to OfS in January 2020 please email trac@officeforstudents.org.uk.