

Office for
Students



Annual TRAC 2021-22

Sector summary and analysis by
TRAC peer group

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Enquiries to trac@officeforstudents.org.uk

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Background

1. This paper analyses the 2021-22 sector aggregate Transparent Approach to Costing (TRAC) data based on submissions from higher education institutions in England and Northern Ireland. Aggregated data based on submissions from UK higher education institutions is provided as an annex to this paper together with further analysis by peer group.
2. All UK higher education institutions are required to report Transparent Approach to Costing (TRAC) data annually by 31 January each year.¹ Further education colleges and other providers of higher education are not currently required to submit TRAC data. TRAC data was first collected for academic year 1999-2000. TRAC data for 2021-22 was collected by the Office for Students (OfS) on behalf of UK Research and Innovation, the Scottish Funding Council, the Higher Education Funding Council for Wales and the Department for the Economy (Northern Ireland) and these bodies are co-owners of the data.
3. For 2021-22 TRAC reporting, the deadline for all providers to submit and sign off the TRAC return by the accountable officer was 31 January 2023 – a return to the normal reporting deadline for TRAC after a period of flexibility in the two previous reporting cycles to submit the annual TRAC return on a later timescale due to the impact of the COVID-19 pandemic on the operating environment. Nevertheless, a small number of providers requested extensions, for exceptional circumstances, to the deadline of the TRAC return for 2021-22, or for submission of audited financial statements, the Annual Finance Return for providers in England, or the Finance Return for institutions in Northern Ireland, Scotland and Wales.
4. The TRAC guidance for 2021-22 reporting (version 2.7) removed the temporary additional guidance annex (1.1b) that applied for 2019-20 and 2020-21 reporting covering the adjustments required or permitted in relation to reporting of activities, costs and income for the period affected by the COVID-19 operational disruptions.² However, where institutions applied these adjustments to input data sources in the two previous years (such as academic staff time allocation collections, or use of space) and these data are used in the institution's TRAC model for the 2021-22 return, the guidance for 2021-22 (version 2.7) included information to ensure the impact of these adjustments on the 2021-22 reporting period were reviewed and 'unwound' where necessary.
5. TRAC reporting has been prepared under the Higher Education Statement of Recommended Practice, applying Financial Reporting Standard (FRS) 102. This reporting standard introduced some significant changes in the way financial performance is reported, making comparison difficult between the latest results and historical TRAC data prior to 2015-16, as well as resulting in potentially greater variability in income between years. The changes led to earlier recognition of income from new donations, endowments (in full in the year of receipt) and new capital grants (often in full in the year of receipt, except where the accruals method is used for

¹ For the purposes of this publication, higher education institutions are those institutions that were previously funded by the Higher Education Funding Council for England (HEFCE) and were required to submit annual TRAC returns to the Office for Students for 2021-22; and higher education institutions funded by the Scottish Funding Council (SFC), Higher Education Funding Council for Wales (HEFCW) and the Department for the Economy (Northern Ireland). A large number of providers in England, that are registered with the OfS, are not required to submit a TRAC return.

² TRAC guidance for 2021-22 (version 2.7) September 2021 is available at: www.trac.ac.uk/tracguidance/.

accounting for government capital grants), which may be ahead of the expenditure which they support. Further, in 2016-17, there was a change in the method for calculating the sustainability adjustment with the 'Margin for sustainability and investment' (MSI) replacing the previous method. Data for 2016-17 therefore formed the baseline for the start of a new time series of TRAC data. Analyses of the annual TRAC data for 2020-21 is available on the OfS website.³ (Analysis of annual TRAC data for earlier years is also available on the OfS website.⁴)

6. This paper contains analysis of the 2021-22 sector aggregate data based on submissions from 130 higher education institutions in England and Northern Ireland.⁵ Four institutions in England did not submit data for 2021-22 or were unable to complete the accountable officer sign-off in time for inclusion in this analysis. Aggregated data for 153 UK higher education institutions is provided in Annex B. Data was collected from three further providers but has been excluded from the UK analysis. (Comparative data for 2020-21 where provided is based on the same population of institutions included in the 2021-22 analysis, so may not match previously published data for 2020-21.)
7. The TRAC data collection process for 2021-22 included the requirement to submit an action plan with the annual TRAC return to address any areas of non-compliance with the TRAC requirements. Of the 19 (20 in 2020-21) UK higher education institutions that submitted action plans, 11 were from institutions that had recently received a UKRI Funding Assurance visit. Within the 19 action plans, 15 cited issues related to academic staff time allocation surveys or workload planning models, of which five related to declarations regarding decisions not to undertake a data collection from academic staff in 2019-20 or 2020-21 (as permitted in the concessions set out in Annex 1.1b of the TRAC guidance covering COVID-19 related supplementary guidance for 2019-20 and 2020-21). Issues relating to use of workload planning-based methods related mostly to approval of workplans not being undertaken at the beginning or end of the year. Three institutions indicated that reviews of space data or space weightings had not been undertaken in the last three years. Two (three) institutions indicated that TRAC Oversight Groups had ceased to operate for the relevant period. Action plans were required to cover the actions being taken to address the area of non-compliance and steps taken to provide assurance on the reliability of the data submitted in the TRAC return.
8. The TRAC guidance was updated in September 2021 (version 2.6, for reporting on 2020-21) to allow greater flexibility in relation to the timing of review by the Committee of the Governing Body removing the requirement for a Committee of Governing Body to approve the TRAC return prior to sign-off by the Accountable Officer and submission of the return. The updated guidance did not remove the requirement that TRAC Oversight Group must report to the Committee of the Governing Body on compliance with the TRAC requirements before submission remains. The validation and review process for the TRAC return submissions

³ Analysis of the Annual TRAC for 2020-21 is available at www.officeforstudents.org.uk/publications/annual-trac-2020-21/.

⁴ Published analysis of the annual TRAC data for 2016-17 to 2019-20 is available at www.officeforstudents.org.uk/data-and-analysis/trac-data/.

⁵ The 130 higher education institutions in England and Northern Ireland comprise: 128 higher education providers that are funded by the OfS (including one provider that implemented TRAC for reporting from 2018-19); and two higher education institutions funded by the Department for the Economy, Northern Ireland.

identified that a significant proportion of returns that required follow-up – due to omission of, ambiguous or incorrect information regarding reporting on assurance to a Committee of the Governing Body before submission. Additionally, in a small number of cases, the validation and review process undertaken by the OfS or the respective higher education funding bodies for Scotland, Wales and Northern Ireland led to the identification of aspects of non-compliance leading to re-submission of the TRAC return, the need prepare an action plan to address areas of non-compliance, or both.

9. This paper also contains annual TRAC data for 2021-22 analysed by TRAC peer group (Annex C and Excel workbook).⁶
10. Analysis of the TRAC data for 2020-21 included a summary of some of the additional contextual information collected in the COVID-19 supplementary tables within the TRAC return for 2020-21, showing the extent to which estimates of changes in staff activity and associated costs impacted on the full economic costs of activities reported. (This was released as an experimental official statistic, at Annex D and Excel workbook of the publication analysing the TRAC data for 2020-21).⁷ No supplementary information on changes in academic staff activity and costs was collected for 2021-22 but the information for 2020-21 may aid interpretation of the data for 2021-22 as higher educations adopted post-pandemic restricted operating arrangements.

Contact

For enquiries regarding the TRAC data, please contact Heather Williams, Principal Analyst (Costing), email trac@officeforstudents.org.uk.

⁶ Available at www.officeforstudents.org.uk/data-and-analysis/trac-data/published-data-2021-22/.

⁷ Available at www.officeforstudents.org.uk/data-and-analysis/trac-data/published-data-2020-21/.

Key points

11. **The annual TRAC return for 2021-22 shows a sector aggregate deficit of £1,962 million for higher education institutions in England and Northern Ireland, with 95.3 per cent of TRAC full economic costs recovered.**⁸ This compares with a deficit of £202 million and a recovery of 99.5 per cent in 2020-21.⁹ This excess of costs over income is consistent with the previous years, but for the period March-July in 2019-20 and for 2020-21 the impact of the COVID-19 pandemic on operating arrangements was an additional factor affecting both income and costs of higher education institutions. For these periods, expenditure was reduced through savings or decisions to defer activity and investment to mitigate the impacts of lost income and areas where additional expenditure was necessary to enable continuation of teaching and research activity, and support students during the pandemic. The significant increase in the deficit in 2021-22 partly reflects increases in pension costs, and also expenditure associated with the return to on-campus activity and on previously deferred activity and the impact of inflation on operating costs. **In 2021-22 total TRAC income increased by £1,612 million to £39,609 million, an increase of 4.2 per cent. The full economic costs of all activities increased by £3,372 million to £41,571 million – an increase of 8.8 per cent.** However, total TRAC income for 2020-21 was boosted by £2,142 million of exceptional gains on investments and investment property reflecting the bounce-back in investment valuations after the impact of the COVID-19 disruptions to markets in March 2020.

12. This change in full economic costs comprises:

- **Total staff costs have increased by £6,248 million (32.2 per cent from £19,400 million in 2020-21 to £25,648 million in 2021-22. However this includes a large USS pension deficit provision adjustment (non-cash adjustment) of £5,093 million to reflect the 2022 deficit recovery plan (following the last actuarial valuation of the scheme in March 2020).** Without this, data from the OfS Annual Financial Return (AFR) and HESA finance return data for institutions in Northern Ireland shows that the underlying staff costs increased by 5.9 per cent between 2020-21 to 2021-22. However, as the accounting adjustment for USS is not reflective of annual operating costs, the TRAC methodology makes adjustment for the distortion caused by the impact of the accounting for the USS deficit reduction plan, replacing it with the annual cash contributions (which include deficit contributions).¹⁰ TRAC data shows that the adjustment made for the USS deficit reduction plan in 2021-22 was £5,298 million and this was replaced with annual cash contributions of

⁸ TRAC full economic costs comprise the total expenditure from audited financial statements plus the sustainability adjustment: the margin for sustainability and investment (MSI).

⁹ Comparisons with the 2020-21 data are based on the same population of institutions as included for the 2021-22 analysis and so will not necessarily match the values in the 2020-21 report.

¹⁰ The TRAC methodology makes adjustment to exclude the costs or credits attributable to the agreement of a deficit recovery plan for certain specific multi-employer defined benefit pension schemes, including the Universities Superannuation Scheme (USS). This is to avoid the potential distorting effect of large charges (and potential credits) caused by triennial reassessment of multi-employer pension scheme recovery plans (such as the USS, the Superannuation Arrangements for the University of London (SAUL) and University of Oxford Staff Pension Scheme (OSPS)). This is addressed by replacing the financial accounting charges with the annual cash contributions (which include deficit contributions) to the pension scheme in question. The FRS102 accounting for USS, SAUL and OSPS is different to other defined benefit pension schemes, which is why this adjustment is necessary for these schemes but not for other defined benefit schemes.

£178 million. For 2020-21 the equivalent aggregate USS adjustment in TRAC was £89 million with annual cash contributions of £124 million.

- **Other operating costs increased by £1,954 million to £13,924 million**, an increase of 16.3 per cent between 2020-21 and 2021-22.
- Interest and finance costs fell by £214 million, from £658 million in 2020-21 to £444 million in 2021-22. However this fall was primarily due to material fair value accounting adjustments relating to bond liabilities made by a small number of institutions.
 - **An increase in the sustainability adjustment by £350 million from £3,474 million in 2020-21 to £3,824 million.** The sustainability adjustment represents 9.2 per cent of the full economic costs compared with 9.1 per cent of full economic costs in 2020-21. The sustainability adjustment is calculated based on a six-year average of 'earnings before interest, taxation, depreciation and amortisation' (EBITDA) based on data for the latest three years' audited financial statements and three years' forecast performance. The aggregate sustainability adjustment for 2021-22 reflects:
 - the increase in EBITDA (cash generation) in 2021-22
 - the forecast assumptions of the student recruitment and research activity
 - the inflationary pressures across the staff and non-staff cost base.
 - It also reflects variability in higher education institutions' forecasts (as prepared and submitted in late 2022 or early 2023 for institutions in England) and judgements made by individual institutions in preparing financial forecasts, including the extent to which institutions are able to resume, or need to constrain, expenditure on capital investment plans; maintaining facilities and infrastructure; or investing in innovation and enhancement of teaching provision and student support or research portfolios.

13. Total TRAC income includes £926 million of income from new endowments received, new donations and new capital grants and other material income, representing 2.3 per cent of income. This is an increase on the £823 million (2.2 per cent) income from these sources in 2020-21. This has the effect of reducing the shortfall on cost recovery as income will be recognised in full on receipt in the current year, whereas the expenditure supported from these sources may be incurred in subsequent years.

Analysis of aggregate TRAC income and full economic costs by activity

14. Table 1 and Figure 1 show the sector aggregate TRAC data by activity for higher education institutions in England and Northern Ireland. Key points are:

- **Publicly funded teaching** incurred a deficit on a full economic cost basis – meaning that costs exceeded income by £955 million, compared with a deficit of £307 million for 2020-21. The full economic costs recovery rate fell to 93.7 per cent compared with 97.9 per cent in 2020-21 with 35 institutions in England and Northern Ireland recovering below the UK sector lower quartile full economic cost recovery rate of 88.3 per cent in 2021-22. Income for publicly funded teaching fell slightly from

£14,516 million in 2020-21 to £14,317 million in 2021-22 (on a cash basis for the same population of institutions), while the full economic cost of publicly funded teaching increased by £449 million to £15,272 million. This trend reflects the increases in operating costs due to increases in staff costs including pension costs and inflationary increases in other operating expenses. This includes estates and facilities as well as returning to on-campus operations post-pandemic and changes in the volume of taught students offset by efficiency savings, but set against a capped rate of tuition fee income for undergraduate teaching.

- **Non-publicly funded teaching** (primarily overseas students, but also includes self-funded students) continued to generate a significant surplus: £2,724 million compared with £2,299 million in 2020-21, recovering 147.6 per cent of costs – slightly below the recovery rate of 152.7 per cent of costs in 2020-21, but a significant increase on total income to £8,448 million compared with £6,661 million in 2020-21. This increase in income reflects the significant growth in non-EU domiciled student numbers, with the number of postgraduate non-EU students increasing by 33.9 per cent between 2020-21 and 2021-22, while undergraduate non-EU students increased by 7.4 per cent based on analysis by the OfS of Annual Finance Returns for 2022.¹¹
- **Research** continues to show a substantial deficit, with the deficit increasing to £4,482 million for 2021-22 after a lower deficit of £3,828 million in 2020-21. This represents a deterioration in the full economic cost recovery rate of 68.1 per cent compared with 70.4 per cent of full economic costs for 2020-21, and notably lower than in 2010-11 when the recovery rate for research peaked at 77.8 per cent. The median rate for full economic cost recovery was 57.5 per cent for the UK sector (or 58.9 per cent for the UK sector excluding institutions that are eligible for and claim dispensation from the full TRAC requirements). Research income for 2021-22 includes £408 million of income from new endowments and donations, and new capital grants, representing 4.3 per cent of research income. This compares with £365 million (4.0 per cent of research income) in 2020-21. The trend in deficits reflects the increases in operating costs due to increases in staff costs including pension costs and inflationary increases in other operating expenses, particularly estates and research facilities.
- **Other (income-generating) activities** show a small surplus of £231 million in 2021-22, compared with a deficit of £663 million in 2020-21, representing a recovery rate of 103.8 per cent compared with only 88 per cent in 2020-21. This represents a return to the recovery rate achieved in 2018-19 and a significant improvement from the two previous years when income streams associated with student accommodation were affected by waivers or refunds of accommodation fees or under-occupancy; or curtailment of on-campus catering, facilities and conference operations. Total income for this activity increased from £4,850 million in 2020-21 to £6,248 million in 2021-22. The full economic costs increased from £5,513 million to

¹¹ Financial sustainability of higher education providers in England – 2023 update, page 20. Pages 17-19 provide an analysis of tuition fee income by student domicile. This analysis covers all providers in England required to submit Annual Finance Returns to the OfS, so includes data for providers that are not required to submit Annual TRAC returns. See www.officeforstudents.org.uk/publications/financial-sustainability-of-higher-education-providers-in-england-2023-update/.

£6,017 million. However, there is variation across the sector in this category with a UK sector median recovery rate of 96.3 per cent (i.e. half of the institutions had a cost recovery below this), and a lower quartile recovery rate of 80.8 per cent (one-quarter of providers were below this).

- **Other (non-commercial) activity** covers income from investments, donations and endowments (including investment gains – realised and unrealised), and capital grants received in the year that are not allocated to teaching or research, offset by expenditure funded from these sources in the year (including investment losses – realised and unrealised). Income for this category was £1,021 million in 2021-22, including income from new endowments, donations, new capital grants and other material items which totalled £250 million. This represents 24.5 per cent of other (non-commercial) income compared with £195 million (6.8 per cent of income) in 2020-21. There was a surplus of income over expenditure for this category of £520 million in 2021-22, compared with £2,296 million in 2020-21. However, a notable factor in the increase in income and apparent surplus reported for this category for 2020-21 was due to the gains (both realised and unrealised) on investment assets, representing the recovery in valuations since 31 July 2020 which reflected the immediate impact of the COVID-19 pandemic and uncertainty in the global economy on asset valuations. In addition, some caution is required in interpreting this category as FRS102 causes potentially significant distortion: the reporting standard requires recognition of new endowments and donations and new capital grants received in year, as income in full in the year of receipt, while the funds will support expenditure arising in subsequent years (such as investment in buildings, equipment and facilities).

Definitions for Table 1 (page 10) and Figure 1 (page 11)

Publicly funded teaching: Teaching of higher and further education courses to home and EU students who were fundable by the OfS or the Department for the Economy (Northern Ireland) or by the NHS, National College of Teaching and Leadership, or Education and Skills Funding Agency. Income includes student fees paid via the Student Loans Company.

Non-publicly funded teaching: Teaching of students from outside the UK and EU; self-funded home and EU students and other commissioned courses (such as employer-specific 'closed' courses).

Research: All research activity (but not scholarship or staff development) commissioned and funded by external sponsors, or the institution's own-funded research activity. Public sponsors of research include UK research councils and other government departments. Other sponsors include UK charities, the EU, overseas governments, overseas charities and research carried out for commercial or industrial sponsors.

Other (income-generating): Includes commercial activities such as catering and conferences, commercially let facilities and residences; activities carried out through subsidiary companies such as publishing or commercial consultancy; knowledge transfer activity; and, for institutions with medical and dental schools, services provided to the NHS.

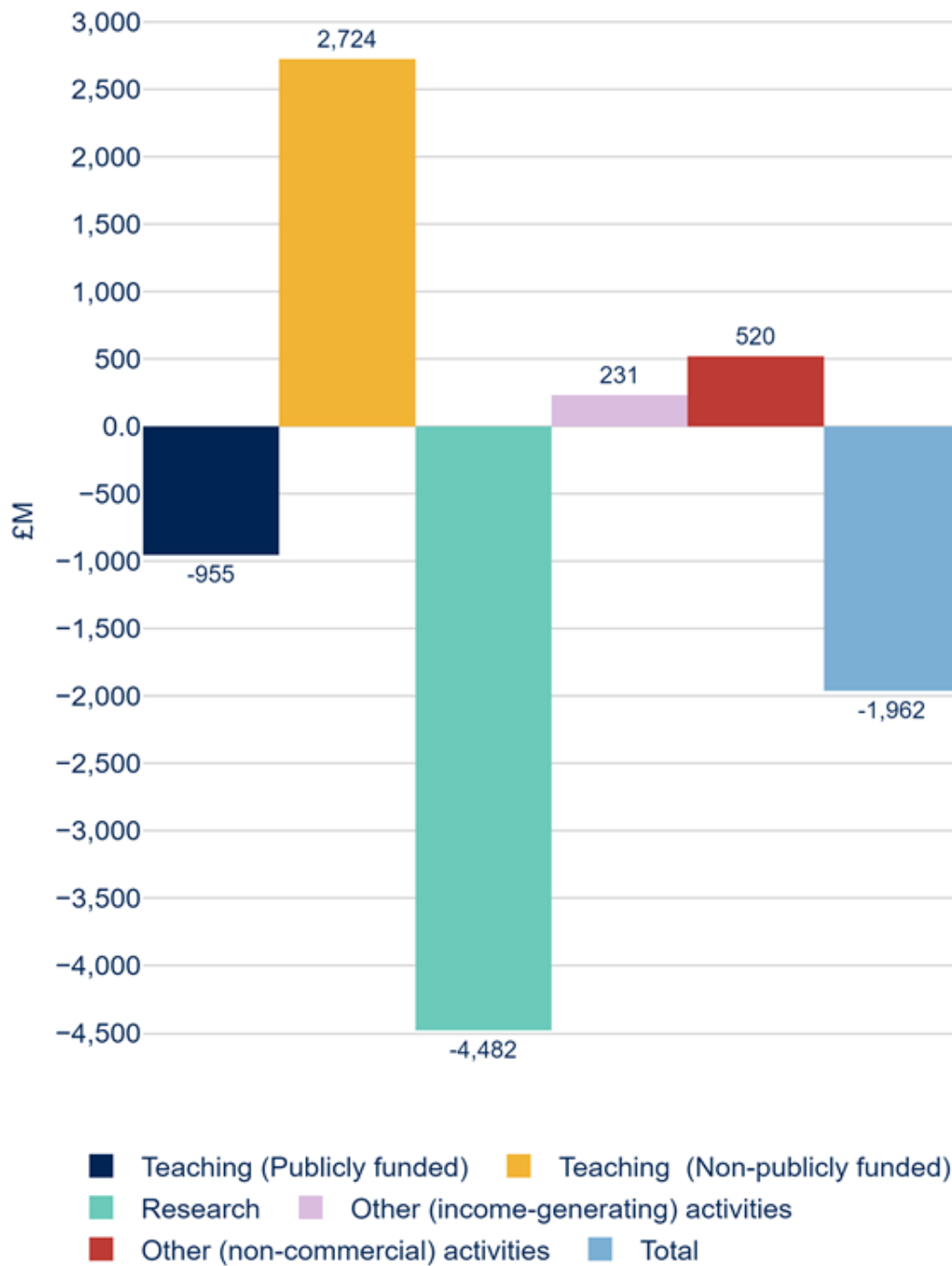
Other (non-commercial): Non-commercial activity such as investment and donations or endowments.

Table 1: TRAC income and full economic costs by activity, 2021-22 (higher education institutions in England and Northern Ireland) (figures in £ million)¹²

	Teaching (Publicly funded)	Teaching (Non- publicly funded)	Research	Other (Income- generating)	Other (Non- commercial)	Total
TRAC income	14,317	8,448	9,574	6,248	1,021	39,609
TRAC full economic costs	15,272	5,725	14,056	6,017	501	41,571
TRAC surplus/(deficit)	(955)	2,724	(4,482)	231	520	(1,962)
TRAC surplus/(deficit) as a % of income	(6.7%)	32.2%	(46.8%)	3.7%	51.0%	(5.0%)
Recovery of full economic costs %	93.7%	147.6%	68.1%	103.8%	203.9%	95.3%
Recovery of full economic costs % (2020-21)	97.9%	152.7%	70.4%	88.0%	512.5%	99.5%
Included in income:						
New endowments received	10	35	65	3	85	198
New donations	20	48	110	10	147	335
New government capital grants	53	6	199	30	0	288
New non-government capital grants	5	2	34	16	3	59
Other material items	0	0	0	30	15	46
Total income items	87	91	408	90	250	926
Total as % of income	0.6%	1.1%	4.3%	1.4%	24.5%	2.3%
Total as % of income (2020-21)	0.7%	1.4%	4.0%	1.6%	6.8%	2.2%

¹² Definitions for this table can be found on page 9. Figures in this and subsequent tables may not sum because of rounding.

Figure 1: TRAC full economic cost surplus/(deficit) by activity, 2021-22 (higher education institutions in England and Northern Ireland)



Analysis of aggregate TRAC research income and full economic costs

15. Table 2 provides further analysis of research income and costs, split by research sponsor type. This shows that:

- UKRI Research councils-funded research activity accounted for 20.8 per cent of total research costs, with a recovery of 68.7 per cent of full economic cost, compared with 71.7 per cent in 2020-21.
- Cost recovery on 'Training and supervision of postgraduate research students' continues to show the lowest recovery across the externally sponsored research activity, at 46.6 per cent. Postgraduate full-time equivalent student numbers, as reported in TRAC, reduced by 0.9 per cent from 80,899 in 2020-21 to 80,189 in 2021 22.¹³
- Quality-related research funding from Research England (RE) or Department for the Economy (Northern Ireland) (DfENI), available to support all 'public good' research, totalled £1,926 million, compared with £1,861 million for 2020-21, including some additional quality-related (QR) funding streams supporting recovery of research activities in the period emerging from the COVID-19 pandemic.
- Recovery of costs from 'other government departments' was 74.9 per cent, slightly improved compared with the recovery rate for 2020-21 of 74.0 per cent. Cost recovery from UK charities was 57.3 per cent (57.2 per cent in 2020-21), while cost recovery on 'Industry-sponsored' research activity (including research funded by overseas government bodies and overseas charities) was 74.6 per cent (76.1 per cent for 2020-21).

Summary

16. In line with previous years, the sector continues to have a substantial level of activity that does not cover its full economic costs. While the sector aggregate position shows a recovery of income streams from non-publicly funded teaching (primarily international students), and other income-generating activity compared with 2020-21 when the COVID-19 pandemic affected recruitment from overseas and on-campus operations, research activity continues to show full economic costs substantially in excess of income. Publicly-funded teaching also shows a deteriorating position with increased deficits largely due to staff costs and pensions and inflationary cost pressures across all areas. These factors also impact on the capacity of higher education institutions to cross-subsidise across activity categories. Moreover, the aggregate position for the sector may not be representative of diversity and range for individual institutions.

17. UK sector aggregate data is provided in Tables 4, 5 and 6 and Figure 2 in Annex B.

18. Further analysis for the UK sector summarised by peer group is provided as an Excel workbook (see Annex C).

¹³ Data does not include postgraduate research students at institutions that apply dispensation from the TRAC requirements.

Table 2: Research income and full economic costs by sponsor type, 2021-22 (higher education institutions in England and Northern Ireland) (figures in £ million)

	Recurrent research grant from the Funding Councils/ Research England	Institution-own funded	Training and supervision of postgraduate research students	Research councils	Other government departments	EU	UK charities	Industry	Total research
TRAC income	1,926	402	1,215	2,008	1,114	575	1,139	1,196	9,574
TRAC full economic costs		2,521	2,607	2,924	1,487	926	1,988	1,604	14,056
TRAC surplus/(deficit)		(2,118)	(1,392)	(916)	(373)	(351)	(850)	(408)	(4,482)
TRAC surplus/(deficit) as a % of income		(526.7%)	(114.6%)	(45.6%)	(33.5%)	(61.0%)	(74.6%)	(34.1%)	(46.8%)
Recovery of full economic costs %		16.0%	46.6%	68.7%	74.9%	62.1%	57.3%	74.6%	68.1%
Recovery of full economic costs % (2020-21)		20.2%	47.5%	71.7%	74.0%	62.5%	57.2%	76.1%	70.4%
Included in income:									
New endowments received		11	52					2	65
New donations		55	11					44	110
New government capital grants	6	82	12	42	21	19	10	7	199
New non-government capital grants	0	0	0	6	1	1	2	23	34
Other material items	0	0	0	0	0	0	0	0	0
Total income items	6	148	76	48	23	19	12	76	408
Total as % of income	0.3%	36.9%	6.2%	2.4%	2.0%	3.3%	1.0%	6.4%	4.3%
Total as % of income (2020-21)	0.4%	34.1%	6.0%	2.6%	1.9%	1.5%	2.0%	3.0%	4.0%

Notes to Table 2

- 'European Union' covers EU government bodies including the Commission.
- 'Industry' includes all other organisations such as UK industry, commerce and public corporations, EU non-government organisations (comprising EU-based charities, EU industry and any other EU source), overseas charities, overseas industry and other sources.

Annex A: Derivation

Table 3: Derivation of Transparent Approach to Costing (TRAC) full economic costs and TRAC surplus/(deficit), 2021-22 (higher education institutions in England and Northern Ireland)

	Total (£M)
Total income adjusted for TRAC (derived from audited financial statements for 2021-22)	39,609
Total expenditure adjusted for TRAC (derived from audited financial statements for 2021-22)	37,746
Operating surplus/(deficit) per audited financial statements	1,863
Sustainability adjustment (EBITDA for MSI)	3,824
Full economic cost (total expenditure plus target surplus for sustainable operations)	41,570
TRAC surplus/(deficit)	(1,961)

Notes to Table 3

- The income and expenditure lines as reported in the financial statements are adjusted, where appropriate, in respect of pension costs, gains or losses on disposal of fixed assets, gains or losses on investments, share of surpluses or deficits in joint ventures and associates, taxation charges or credits and non-controlling interests, in line with the TRAC guidance for 2021-22 – Version 2.7 (September 2022) and Annual TRAC return template at Annex 4.1a.¹⁴
- The sustainability adjustment is defined as ‘earnings before interest, tax, depreciation and amortisation’ (EBITDA), adjusted as defined in the TRAC guidance requirements (section 3.2.4 and template at Annex 3.2a) to provide the ‘margin for sustainability and investment’ (‘EBITDA for MSI’) – see link in footnote 14.
- Full economic cost is total expenditure derived from the financial statements, plus the sustainability adjustment.
- TRAC surplus/(deficit) is the difference between total income and the full economic costs.

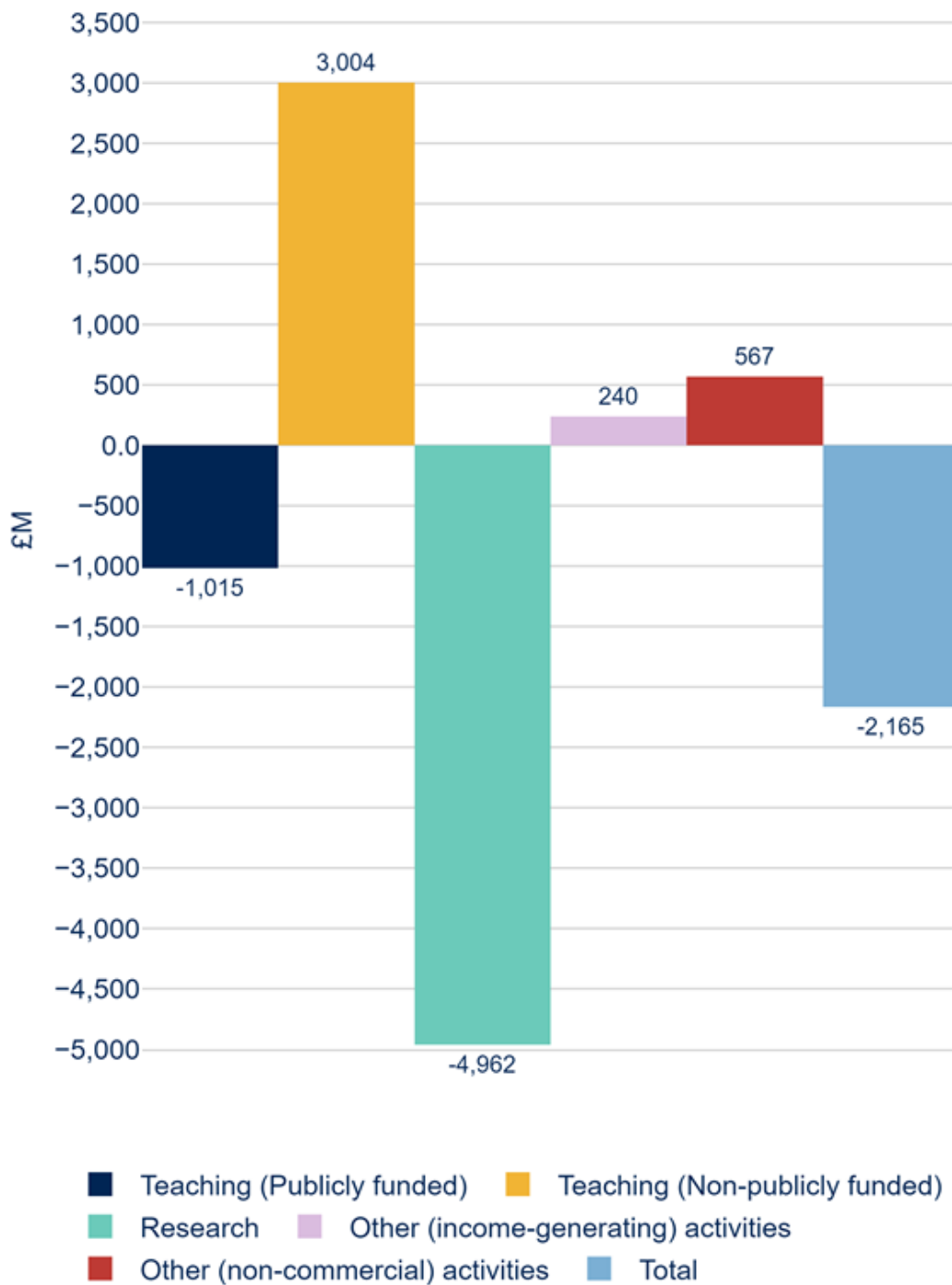
¹⁴ The TRAC guidance is available at www.trac.ac.uk/tracguidance/.

Annex B: UK sector data summary

Table 4: TRAC income and full economic costs by activity, 2021-22 (UK higher education institutions) (figures in £ million)

	Teaching (Publicly funded)	Teaching (Non- publicly funded)	Research	Other (Income- generating)	Other (Non- commercial)	Total
TRAC income	16,385	9,528	10,896	6,939	1,103	44,851
TRAC full economic costs	17,401	6,523	15,859	6,698	536	47,017
TRAC surplus/(deficit)	(1,015)	3,004	(4,962)	240	567	(2,165)
TRAC surplus/(deficit) as a % of income	(6.2%)	31.5%	(45.5%)	3.5%	51.4%	(4.8%)
Recovery of full economic costs %	94.2%	146.1%	68.7%	103.6%	205.9%	95.4%
Recovery of full economic costs % (2020-21)	97.9%	150.9%	71.0%	90.2%	517.7%	99.6%
Included in income:						
New endowments received	10	37	66	4	86	202
New donations	21	51	111	11	162	357
New government capital grants	69	9	235	39	6	358
New non-government capital grants	6	2	44	18	3	72
Other material items	0	0	0	30	21	52
Total income items	106	99	457	102	277	1,041
Total as % of income	0.6%	1.0%	4.2%	1.5%	25.2%	2.3%
Total as % of income (2020-21)	0.7%	1.3%	4.0%	2.4%	7.5%	2.3%

Figure 2: TRAC full economic cost surplus/(deficit) by activity, 2021-22 (UK higher education institutions)



Definitions for Table 4 and Figure 2

Publicly funded teaching: Teaching of higher and further education courses to home and EU students who were fundable by the OfS, Scottish Funding Council, Higher Education Funding Council for Wales or the Department for the Economy (Northern Ireland) or by the NHS, National College of Teaching and Leadership, or Education and Skills Funding Agency. Income includes student fees paid via the Student Loans Company.

Non-publicly funded teaching: Teaching of students from outside the UK and EU; self-funded home and EU students and other commissioned courses (such as employer-specific 'closed' courses).

Research: All research activity (but not scholarship or staff development) commissioned and funded by external sponsors, or the institution's own-funded research activity. Public sponsors of research include UK research councils and other government departments. Other sponsors include UK charities, the EU, overseas governments, overseas charities and research carried out for commercial or industrial sponsors.

Other (income-generating): Includes commercial activities such as catering and conferences, commercially let facilities and residences; activities carried out through subsidiary companies such as publishing or commercial consultancy; knowledge transfer activity; and, for institutions with medical and dental schools, services provided to the NHS.

Other (non-commercial): Non-commercial activity such as investment and donations or endowments.

Table 5: Research income and full economic costs by sponsor type, 2021-22 (UK higher education institutions) (figures in £ million)

	Recurrent research grant from the Funding Councils/ Research England	Institution-own funded	Training and supervision of postgraduate research students	Research councils	Other government departments	EU	UK charities	Industry	Total research
TRAC income	2,217	440	1,361	2,283	1,315	672	1,264	1,344	10,896
TRAC full economic costs		2,774	2,953	3,291	1,739	1,075	2,212	1,814	15,859
TRAC surplus/(deficit)		(2,334)	(1,592)	(1,008)	(424)	(403)	(949)	(470)	(4,962)
TRAC surplus/(deficit) as a % of income		(529.9%)	(117.0%)	(44.1%)	(32.3%)	(59.9%)	(75.1%)	(35.0%)	(45.5%)
Recovery of full economic costs %		15.9%	46.1%	69.4%	75.6%	62.6%	57.1%	74.1%	68.7%
Recovery of full economic costs % (2020-21)		20.8%	47.5%	71.9%	74.3%	62.6%	57.1%	75.6%	71.0%
Included in income:									
New endowments received		11	53					3	66
New donations		56	12					44	111
New government capital grants	8	93	17	44	35	19	11	8	235
New non-government capital grants	0	1	1	13	1	1	3	23	44
Other material items	0	0	0	0	0	0	0	0	0
Total income items	9	160	82	57	36	20	14	78	457
Total as % of income	0.4%	36.4%	6.0%	2.5%	2.7%	3.0%	1.1%	5.8%	4.2%
Total as % of income (2020-21)	0.5%	32.6%	5.9%	2.7%	2.6%	1.5%	2.1%	2.9%	4.0%

Notes to Table 5

- European Union' covers EU government bodies including the Commission.
- 'Industry' includes all other organisations such as UK industry, commerce and public corporations, EU non-government organisations (comprising EU-based charities, EU industry and any other EU source), overseas charities, overseas industry and other sources.

Table 6: Derivation of Transparent Approach to Costing (TRAC) full economic costs and TRAC surplus/(deficit), 2021-22 (UK higher education institutions)

	Total (£M)
Total income adjusted for TRAC (derived from audited financial statements for 2021-22)	44,851
Total expenditure adjusted for TRAC (derived from audited financial statements for 2021-22)	42,789
Operating surplus/(deficit) per audited financial statements	2,062
Sustainability adjustment (EBITDA for MSI)	4,226
Full economic cost (total expenditure plus target surplus for sustainable operations)	47,015
TRAC surplus/(deficit)	(2,164)

Notes to Table 6

- The income and expenditure lines as reported in the financial statements are adjusted, where appropriate, in respect of pension costs, gains or losses on disposal of fixed assets, gains or losses on investments, share of surpluses or deficits in joint ventures and associates, taxation charges or credits and non-controlling interests, in line with the TRAC guidance for 2021-22 – Version 2.7 (September 2022) and Annual TRAC return template at Annex 4.1a.¹⁵
- The sustainability adjustment is defined as ‘earnings before interest, tax, depreciation and amortisation’ (EBITDA), adjusted as defined in the TRAC guidance requirements (section 3.2.4 and template at Annex 3.2a) to provide the ‘margin for sustainability and investment’ (‘EBITDA for MSI’) – see link in footnote 15.
- Full economic cost is total expenditure derived from the financial statements, plus the sustainability adjustment.
- TRAC surplus/(deficit) is the difference between total income and the full economic costs.

¹⁵ The TRAC guidance is available at www.trac.ac.uk/tracguidance/.

Annex C: UK peer group summary 2021-22

1. The sector peer group summary is provided as an Excel file.¹⁶ The Excel workbook contains three worksheets of data:
 - Tables 1 and 2 provide analysis of TRAC full economic costs and cost recovery on the main activities, analysed by TRAC peer group
 - Table 3 provides recovery of full economic costs for research, by research sponsor type, analysed by TRAC peer group
 - Table 4 provides analysis of the sustainability adjustment and TRAC surplus/(deficit).

Analysis by TRAC peer group: methodology

2. The worksheets provide summary data (averages, medians and quartiles) for the UK sector and each of the TRAC peer groups (groups A to F), including charts.
3. Higher education institutions have been allocated to TRAC peer groups based on levels of research income, overall total income, having a medical school, or specialism in music or the arts. TRAC peer groups are set for a number of years in order to maintain a stable group for comparison, and so are not updated annually.¹⁷ The planned review and updating of peer groups has been deferred pending decisions about work to be taken forward from the Review of TRAC.¹⁸
4. When considering the analysis in the peer group tables, the number of institutions with data in each peer group should be taken into consideration; these are shown at the top of each table.
5. In all tables, the 'UK sector' has been split into three categories: All institutions; those not applying dispensation; and those applying dispensation. For individual peer groups, all institutions are included, whether dispensation has been applied or not. This change was introduced from 2018-19. In 2017-18 (and earlier) TRAC analysis, the data shown for 'UK sector' and individual peer groups excluded institutions that applied dispensation.

¹⁶ Available at www.officeforstudents.org.uk/data-and-analysis/trac-data/published-data-2021-22/.

¹⁷ A list of higher education institutions and the criteria used in defining each peer group can be found at Annex 4.1b of the TRAC guidance, available at www.trac.ac.uk/tracguidance/.

¹⁸ The Review of TRAC was commissioned by the Office for Students working with UK Research and Innovation and the higher education funding bodies for Northern Ireland, Scotland and Wales. Further information is available on the OfS website at www.officeforstudents.org.uk/advice-and-guidance/partnerships-and-collaboration/financial-sustainability-and-trac/review-of-trac/.



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