

**Office for
Students**



Annual TRAC 2022-23

**Sector summary and analysis
by TRAC peer group**

Reference OfS 2024.28

Enquiries to trac@officeforstudents.org.uk

Publication date 27 June 2024

Contents

| | |
|---|-----------|
| Introduction | 2 |
| Contact | 4 |
| Key points | 5 |
| Analysis of aggregate TRAC income and full economic costs by activity | 7 |
| Annex A: Derivation | 16 |
| Annex B: UK sector data summary | 17 |
| Annex C: UK peer group summary 2022-23 | 23 |
| Analysis by TRAC peer group: methodology | 23 |

Introduction

1. This paper analyses the 2022-23 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 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 for 2022-23 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). These bodies are co-owners of the data.
3. For 2022-23 TRAC reporting, the deadline for all institutions to submit their TRAC return, signed off by their accountable officer, was 31 January 2024. A small number of institutions requested extensions, for exceptional circumstances, to the deadline for the TRAC return; 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 2022-23 reporting (version 2.8) did not contain any substantive changes from the previous year, and did not contain any changes to the TRAC requirements. However, the guidance did include clarifications to reinforce the requirements relating to the responsibilities of the institution's TRAC oversight group. This included reporting to a committee of the governing body on compliance with the TRAC requirements before submission of the TRAC return. The guidance for 2022-23 reporting also reiterated that where TRAC models for 2022-23 used adjusted input data (such as academic staff time allocation or use of space) based on 2020-21 activity, this adjusted data should be reviewed and adjustments 'unwound' where necessary.²
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 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

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 2022-23; 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 2022-23 (version 2.8) July 2023 (updated November 2023) is available at <https://www.trac.ac.uk/tracguidance/>.

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 2022-23 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 2022-23 sector aggregate data based on submissions from 128 higher education institutions in England and Northern Ireland.⁵ One institution in England was not able to submit data for 2022-23 and complete the accountable officer sign-off in time for inclusion in this analysis; a further five institutions submitted data but it has been excluded from this analysis. Aggregated data for 150 UK higher education institutions is provided in Annex B. Data was collected from two further institutions but has been excluded from the UK summary; two institutions outside of England did not submit data for 2022-23 or were unable to complete the accountable officer sign-off in time for inclusion. (Comparative data for 2021-22, where provided, is based on the same population of institutions included in the 2022-23 analysis, so may not match previously published data for 2021-22.)
7. The TRAC data collection process for 2022-23 included submission of an action plan with the annual TRAC return, to address any areas of non-compliance with the TRAC requirements. Of the 26 (19 in 2021-22) UK higher education institutions that submitted action plans, 18 cited issues related to academic staff time allocation surveys or workload planning models, of which 10 declared that workload plan-based methods were not fully compliant – most commonly this was due to either not achieving the required response rates for in-year time allocation surveys or workload plans, or not undertaking approval of workload plans with academic staff, at the beginning and end of the year.⁶ Five made declarations that time allocation surveys had not been undertaken in the last three years, or that statistical surveys had not been undertaken every year – in some cases, this was because the institutions had not resumed the time allocation survey collection process that had been suspended during the COVID-19 affected periods (a concession applied for collection of time allocation data for reporting on 2019-20 and 2020-21 but the concession was removed from 2021-22 onwards). Two institutions indicated that reviews of space data or space weightings had not been undertaken in the last three years. Three institutions indicated that TRAC oversight groups had not operated, or not operated sufficiently frequently, over the relevant period; four had not complied with the requirements for the reporting on compliance to a committee of the governing body in the relevant period in advance of submitting the TRAC return. 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. However, some institutions did not submit action plans with the TRAC return, despite identifying elements of non-compliance in the TRAC return. Some institutions submitted action plans that contained

³ Analysis of the Annual TRAC for 2021-22 is available at: www.officeforstudents.org.uk/data-and-analysis/trac-data/published-data-2021-22/.

⁴ Published analysis of the annual TRAC data for 2016-17 to 2020-21 is available at: www.officeforstudents.org.uk/data-and-analysis/trac-data/.

⁵ The 128 higher education institutions in England and Northern Ireland comprise: 126 higher education providers that are funded by the OfS; and two higher education institutions funded by the Department for the Economy, Northern Ireland.

⁶ Information in paragraph 7 is based on analysis undertaken by UKRI Funding Assurance of the action plans submitted with the 2022-23 TRAC returns.

minimal information, or provided insufficient assurance that the institution was addressing areas of non-compliance.

8. As noted in previous reports, 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 and removing the requirement for this committee to approve the TRAC return prior to sign-off by the accountable officer and submission of the return. The updated guidance retained the requirement that the TRAC oversight group must report to the committee of the governing body on compliance with the TRAC requirements before submission of the TRAC return. This was further clarified in the TRAC guidance for 2022-23 (version 2.8) which included an illustration of the timelines for meeting the oversight and governance requirements.⁷ The validation and review process for the TRAC return submissions identified that a significant proportion of returns that required follow-up were due to omission of, ambiguous or incorrect information regarding reporting on assurance to a committee of the governing body before submission. In other instances, institutions had not adjusted the timetable for the oversight processes to reflect the requirement for reporting to a committee on compliance with the TRAC requirements before submission or delayed the TRAC submission in order to present the report to a later committee meeting in spring 2024, after the TRAC submission deadline. 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 to prepare an action plan to address areas of non-compliance, or both.
9. This paper also contains annual TRAC data for 2022-23 analysed by TRAC peer group (Annex C and Excel workbook).

Contact

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

⁷ See Annex 2.1c of the TRAC guidance, Process timeline for Committee of the governing body, at www.trac.ac.uk/tracguidance/.

Key points

10. The annual TRAC return for 2022-23 shows a sector aggregate deficit of £2,767 million for higher education institutions in England and Northern Ireland, with 93.7 per cent of TRAC full economic costs recovered.⁸ This compares with a deficit of £1,926 million and a recovery of 95.2 per cent in 2021-22.⁹ This excess of costs over income has increased significantly in 2022-23, but continues a position that has deteriorated and follows a significant increase in the deficit in 2021-22. This was partly attributable to increases in pension costs, expenditure associated with the return to on-campus activity after the pandemic, and on previously deferred activity, as well as the impact of inflation on operating costs. Increases in staff costs and pensions, operating costs including energy costs, and higher interest rates on financing were significant factors in 2022-23. In 2022-23, total TRAC income increased by £2,815 million to £40,887 million, an increase of 7.4 per cent. The full economic costs of all activities increased by £3,656 million to £43,654 million – an increase of 9.1 per cent.

11. This change in full economic costs comprises:

- **Total staff costs, excluding pension provision charges, increased by £1,638 million (8.6 per cent) from £19,143 million in 2021-22 to £20,780 million in 2022-23.¹⁰**

The TRAC methodology makes adjustment for the distortion caused by the impact of the accounting for the USS deficit reduction plan (as the accounting adjustment for USS is not reflective of annual operating costs), replacing it with the annual cash contributions (which include deficit contributions).¹¹ TRAC data showed that the adjustment made for the USS deficit reduction plan in 2021-22 was £5,191 million and this was replaced with annual cash contributions of £173 million. For 2022-23 the equivalent aggregate USS adjustment in TRAC was that a credit of £695 million was replaced with annual cash contributions of £456 million. This increase in cash contributions reflects the change in pension interest costs.

- **Other operating costs increased by £1,922 million to £15,336 million, an increase of 14.3 per cent between 2021-22 and 2022-23.**

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 2021-22 data are based on the same population of institutions as included for the 2022-23 analysis and so will not necessarily match the values in the 2021-22 report.

¹⁰ Data for staff costs, other operating costs and interest and finance cost from analysis of the OfS Annual Finance Return 2023 for providers included in this TRAC analysis and from the HESA Finance return 2022-23 for the two institutions in Northern Ireland.

¹¹ 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.

- **Interest and finance costs increased significantly in 2022-23, from £449 million in 2021-22 to £708 million in 2022-23, an increase of 57.5 per cent.** However, much of this is due to the unwinding of the USS pension finance charge, off-set by a material fair value accounting adjustment relating to bond liabilities.
- **A minimal increase in the sustainability adjustment by £25 million from £3,684 million in 2021-22 to £3,709 million.** The sustainability adjustment represents 8.5 per cent of the full economic costs compared with 9.2 per cent of full economic costs in 2021-22. 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 2022-23 reflects:
 - a stable EBITDA (cash generation) position in 2022-23 compared with the prior year
 - the forecast assumptions of the student recruitment and research activity, and the extent to which assumptions reflect cautious or ambitious plans or include compensating provisions for risk and uncertainty
 - the inflationary pressures across the staff and non-staff cost base and the costs of capital development and maintenance.
 - 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;
 - expenditure on maintaining facilities and infrastructure; or
 - investing in innovation and enhancement of teaching provision and student support or research portfolios.

12. Total TRAC income included £1,043 million of income from new endowments received, new donations and new capital grants and other material income, representing 2.6 per cent of income. This is an increase on the £908 million (2.4 per cent) income from these sources in 2021-22. 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

13. 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 £1,440 million, compared with a deficit of £895 million for 2021-22 – an increase in deficit by £545 million. The full economic costs recovery rate fell to 90.4 per cent compared with 93.9 per cent in 2021-22; 31 institutions in England and Northern Ireland recovered below the UK sector lower quartile full economic cost recovery rate of 84.6 per cent in 2022-23. Income for publicly funded teaching fell slightly from £13,802 million in 2021-22 to £13,630 million in 2022-23 (on a cash basis for the same population of institutions), while the full economic cost of publicly funded teaching increased by £374 million to £15,070 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, including estates, facilities and financing costs following the rise in interest rates, where borrowing and credit facilities are not covered by fixed or capped arrangements. The increases in the cost base are set against a capped rate of tuition fee income for publicly supported undergraduate teaching.
- **Non-publicly funded teaching** (primarily overseas students, but also includes self-funded students) continued to generate a significant surplus: £2,910 million in 2022-23 compared with £2,574 million in 2021-22, recovering 143.6 per cent of costs – slightly below the recovery rate of 147.8 per cent of costs in 2021-22, but with a significant increase on total income to £9,578 million (up by 20.4 per cent) compared with £7,956 million. This increase in income reflects the significant growth in non-UK domiciled student numbers, with the number of postgraduate non-UK (EU and non-EU) students increasing by 29.1 per cent between 2021-22 and 2022-23, while the number of undergraduate non-UK students increased by 0.8 per cent (based on analysis by the OfS of Annual Finance Returns for 2023).¹²
- **Research** continued to show a substantial deficit, with the deficit increasing to £4,614 million for 2022-23 from a smaller deficit of £4,306 million for 2021-22. This full economic cost recovery rate showed a marginal improvement to 68.4 per cent compared with 68.2 per cent of full economic costs for 2021-22, 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 60.6 per cent for the UK sector (or 61.9 per cent for the UK sector excluding institutions that are eligible for and claim dispensation from the full TRAC requirements). Research income for 2022-23 included £520 million of income from new endowments and donations, and new capital grants, representing 5.2 per cent of research income. This compares with £403 million (4.4 per cent of research income) in 2021-22. The

¹² Financial sustainability of higher education providers in England – 2024 – Annex E, Student number data UG and Student number data PG (tables 2 and 3) data for 2021-22 and 2022-23. 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-2024/.

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** showed a small deficit of £244 million in 2022-23, compared with a surplus of £201 million in 2021-22, representing a recovery rate of 96.4 per cent compared with 103.4 per cent in 2021-22. This represents a deterioration in the recovery rate reflecting increased operating costs despite the increases in income streams from accommodation and of on-campus catering, facilities and conference operations. Total income for this activity increased from £6,073 million in 2021-22 to £6,568 million. The full economic costs increased from £5,872 million to £6,812 million (an increase of 16.0 per cent in full economic costs compared with an 8.2 per cent in income). However, there continued to be variation across the sector in this category with a UK sector median recovery rate falling from 96.3 per cent to 92.3 per cent (i.e. half of the institutions had a cost recovery below this), while the lower quartile recovery rate improved slightly to 82.3 per cent (one-quarter of institutions were below this) compared with 80.8 per cent in 2021-22.¹³
- **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 £1,113 million in 2022-23 (£996 million in 2021-22), including income from new endowments, donations, new capital grants and other material items which totalled £266 million. This represents 23.9 per cent of other (non-commercial) income compared with £240 million (24.1 per cent of income) in 2021-22. There was a surplus of income over expenditure for this category of £621 million in 2022-23 compared with £499 million in 2021-22. However, some caution is required in interpreting this category as it incorporates the impact of movements in the value of investment assets (gains in income, and losses in costs) which can reflect both realised and unrealised gains or losses, meaning that unrealised gains reflected in income are not available to spend on supporting other activities. In addition, FRS 102 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).

¹³ The 2021-22 lower quartile figure quoted is the published lower quartile rate in stated in the 2021-22 TRAC analysis, and has not been re-stated to reflect the population for the 2022-23 TRAC analysis.

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, 2022-23 (higher education institutions in England and Northern Ireland)
(figures in £ million)¹⁴

| | Teaching (publicly funded) | Teaching (non-publicly funded) | Research | Other (income- generating) | Other (non- commercial) | Total |
|---|----------------------------------|--------------------------------------|--------------|----------------------------------|----------------------------|--------------|
| TRAC income | 13,630 | 9,578 | 9,998 | 6,568 | 1,113 | 40,887 |
| TRAC full economic costs | 15,070 | 6,668 | 14,612 | 6,812 | 492 | 43,654 |
| TRAC surplus/(deficit) | (1,440) | 2,910 | (4,614) | (244) | 621 | (2,767) |
| TRAC surplus/(deficit) as a % of income | (10.6%) | 30.4% | (46.2%) | (3.7%) | 55.8% | (6.8%) |
| Recovery of full economic costs % | 90.4% | 143.6% | 68.4% | 96.4% | 226.3% | 93.7% |
| Recovery of full economic costs % (2021-22) | 93.9% | 147.8% | 68.2% | 103.4% | 200.5% | 95.2% |
| Included in income: | | | | | | |
| New endowments received | 18 | 61 | 67 | 23 | 108 | 278 |
| New donations | 13 | 57 | 149 | 13 | 129 | 361 |
| New government capital grants | 24 | 7 | 241 | 19 | 0 | 291 |
| New non-government capital grants | 6 | 2 | 59 | 7 | 16 | 91 |
| Other material items | 1 | 0 | 3 | 4 | 13 | 22 |
| Total income items | 63 | 128 | 520 | 67 | 266 | 1,043 |
| Total as % of income | 0.5% | 1.3% | 5.2% | 1.0% | 23.9% | 2.6% |
| Total as % of income (2021-22) | 0.6% | 1.1% | 4.4% | 1.5% | 24.1% | 2.4% |

¹⁴ 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, 2022-23 (higher education institutions in England and Northern Ireland)



Analysis of aggregate TRAC research income and full economic costs

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

- Quality-related recurrent research funding from Research England or Department for the Economy (Northern Ireland), available to support all 'public good' research, totalled £2,162 million compared with £1,870 million for 2021-22. (For 2021-22 this included some additional quality related funding streams supporting recovery of research activities in the period emerging from the COVID-19 pandemic.)
- UKRI Research councils-funded research activity accounted for 21.4 per cent of total research costs, with a recovery of 67.2 per cent of full economic cost, compared with 68.1 per cent in 2021-22.
- Cost recovery on 'Training and supervision of postgraduate research students' continued to show the lowest rate of cost recovery across the externally sponsored research activity, at 44.7 per cent – down from 47.0 per cent in 2021-22. Postgraduate full-time equivalent student numbers, as reported in TRAC, was 76,571 in 2022-23 – slightly lower than in 2021-22 (76,946).¹⁵
- Recovery of costs from 'other government departments' was 75.0 per cent, consistent with the recovery rate for 2021-22 of 74.9 per cent. Cost recovery from UK charities was 57.7 per cent (57.4 per cent in 2021-22), while cost recovery on 'Industry-sponsored' research activity (including research funded by overseas government bodies and overseas charities) was 76.8 per cent (74.6 per cent for 2021-22).
- Institution own-funded research was costed at £2,774 million (£2,430 million in 2021-22), representing 19.0 per cent of the total full economic costs of research. While the quality-related recurrent grant funding from Research England or Department for the Economy (Northern Ireland) is available to support this activity, it also relies on substantial cross-flows from other income sources across the portfolio of academic and other income-generating activities.

Summary

15. In summary, the analysis shows:

- The sector continues to have a substantial level of activity that does not cover its full economic costs.
- The gap on publicly funded teaching has widened due to cost inflation on staff costs, including increased pensions costs and other operating expenditure, while publicly funded student tuition fees remain unchanged. Similarly, research activity continues to show full economic costs substantially in excess of income.
- While the sector aggregate position shows growth in income from non-publicly funded teaching (primarily international students) which continues to make a significant contribution

¹⁵ Data does not include postgraduate research students at institutions that apply dispensation from the TRAC requirements.

to support other activities, it does not provide sufficient to off-set the deficits across the other activity categories.

- Other income-generating activities also recorded full economic costs slightly exceeding income so no longer generates funds to cross-subsidise other activities.
- The aggregate position for the sector may not be representative of the diversity and range for the individual higher education institutions included in this analysis.

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

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

Table 2: Research income and full economic costs by sponsor type, 2022-23 (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 | 2,162 | 465 | 1,215 | 2,099 | 1,135 | 487 | 1,155 | 1,279 | 9,998 |
| TRAC full economic costs | | 2,774 | 2,717 | 3,126 | 1,513 | 818 | 2,000 | 1,665 | 14,612 |
| TRAC surplus/(deficit) | | (2,308) | (1,502) | (1,027) | (378) | (330) | (845) | (386) | (4,614) |
| TRAC surplus/(deficit) as a % of income | | (496.0%) | (123.6%) | (48.9%) | (33.3%) | (67.8%) | (73.2%) | (30.2%) | (46.2%) |
| Recovery of full economic costs % | | 16.8% | 44.7% | 67.2% | 75.0% | 59.6% | 57.7% | 76.8% | 68.4% |
| Recovery of full economic costs % (2021-22) | | 16.0% | 47.0% | 68.1% | 74.9% | 62.0% | 57.4% | 74.6% | 68.2% |
| Included in income: | | | | | | | | | |
| New endowments received | | 18 | 49 | | | | | 0 | 67 |
| New donations | | 90 | 19 | | | | | 39 | 149 |
| New government capital grants | 20 | 104 | 14 | 35 | 46 | 10 | 10 | 6 | 246 |
| New non-government capital grants | 0 | 0 | 1 | 9 | 6 | 4 | 30 | 3 | 54 |
| Other material items | 0 | 0 | 2 | 0 | 0 | 0 | 0 | 2 | 3 |
| Total income items | 20 | 213 | 85 | 44 | 52 | 14 | 40 | 50 | 520 |
| Total as % of income | 0.9% | 45.9% | 7.0% | 2.1% | 4.6% | 2.9% | 3.5% | 3.9% | 5.2% |
| Total as % of income (2021-22) | 0.3% | 36.9% | 6.5% | 2.5% | 2.2% | 3.5% | 1.1% | 6.6% | 4.4% |

Notes to Table 2

- 'European Union' covers EU government bodies including the European 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 TRAC full economic costs and TRAC surplus/(deficit), 2022-23 (higher education institutions in England and Northern Ireland)

| | Total (£M) |
|---|------------|
| Total income adjusted for TRAC (derived from audited financial statements for 2022-23) | 40,887 |
| Total expenditure adjusted for TRAC (derived from audited financial statements for 2022-23) | 39,943 |
| Operating surplus/(deficit) per audited financial statements | 945 |
| Sustainability adjustment (EBITDA for MSI) | 3,709 |
| Full economic cost (total expenditure plus target surplus for sustainable operations) | 43,652 |
| TRAC surplus/deficit | (2,765) |

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 2022-23 – Version 2.8 (July 2023 (updated November 2023)) and Annual TRAC return template at Annex 4.1a.¹⁶
- 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 13.
- 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.

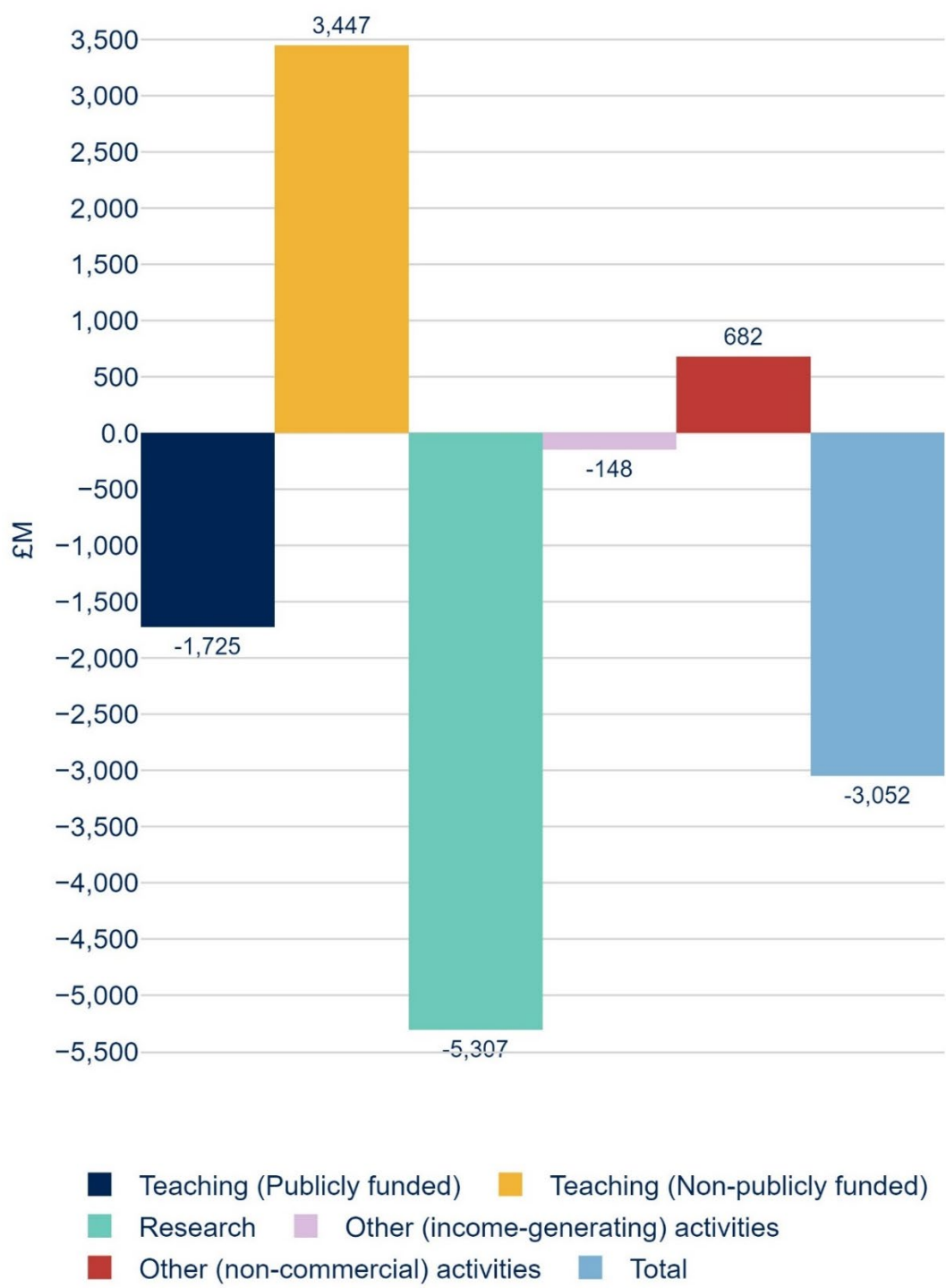
¹⁶ The TRAC guidance is available at www.trac.ac.uk/tracguidance/.

Annex B: UK sector data summary

Table 4: TRAC income and full economic costs by activity, 2022-23 (UK higher education institutions) (figures in £ million)

| | Teaching (publicly funded) | Teaching (non-publicly funded) | Research | Other (income- generating) | Other (non- commercial) | Total |
|---|----------------------------------|--------------------------------------|--------------|----------------------------------|----------------------------|--------------|
| TRAC income | 15,725 | 11,173 | 11,962 | 7,502 | 1,210 | 47,573 |
| TRAC full economic costs | 17,451 | 7,726 | 17,269 | 7,650 | 529 | 50,624 |
| TRAC surplus/(deficit) | (1,725) | 3,447 | (5,307) | (148) | 682 | (3,052) |
| TRAC surplus/(deficit) as a % of income | (11.0%) | 30.9% | (44.4%) | (2.0%) | 56.3% | (6.4%) |
| Recovery of full economic costs % | 90.1% | 144.6% | 69.3% | 98.1% | 228.9% | 94.0% |
| Recovery of full economic costs % (2021-22) | 93.9% | 148.8% | 69.4% | 103.8% | 199.1% | 95.5% |
| Included in income: | | | | | | |
| New endowments received | 21 | 112 | 68 | 27 | 111 | 339 |
| New donations | 16 | 65 | 155 | 14 | 141 | 390 |
| New government capital grants | 70 | 23 | 363 | 33 | 0 | 489 |
| New non-government capital grants | 12 | 6 | 88 | 9 | 17 | 131 |
| Other material items | 1 | 0 | 3 | 4 | 18 | 28 |
| Total income items | 119 | 207 | 677 | 87 | 287 | 1,378 |
| Total as % of income | 0.8% | 1.9% | 5.7% | 1.2% | 23.7% | 2.9% |
| Total as % of income (2021-22) | 0.8% | 1.3% | 4.5% | 1.7% | 24.7% | 2.5% |

Figure 2: TRAC full economic cost surplus/(deficit) by activity, 2022-23 (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, 2022-23 (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 | 2,551 | 513 | 1,430 | 2,575 | 1,438 | 606 | 1,363 | 1,485 | 11,962 |
| TRAC full economic costs | | 3,140 | 3,217 | 3,737 | 1,841 | 1,003 | 2,370 | 1,960 | 17,269 |
| TRAC surplus/(deficit) | | (2,627) | (1,788) | (1,162) | (403) | (397) | (1,007) | (476) | (5,307) |
| TRAC surplus/(deficit) as a % of income | | (511.8%) | (125.0%) | (45.1%) | (28.0%) | (65.4%) | (73.9%) | (32.0%) | (44.4%) |
| Recovery of full economic costs % | | 16.3% | 44.4% | 68.9% | 78.1% | 60.5% | 57.5% | 75.7% | 69.3% |
| Recovery of full economic costs % (2021-22) | | 16.4% | 46.9% | 69.3% | 76.7% | 62.9% | 57.6% | 74.5% | 69.4% |
| Included in income: | | | | | | | | | |
| New endowments received | | 19 | 49 | | | | | 1 | 68 |
| New donations | | 95 | 19 | | | | | 40 | 154 |
| New government capital grants | 22 | 119 | 25 | 83 | 70 | 14 | 18 | 17 | 369 |
| New non-government capital grants | 0 | 2 | 3 | 24 | 7 | 6 | 34 | 6 | 82 |
| Other material items | 0 | 0 | 2 | 0 | 0 | 0 | 0 | 2 | 3 |
| Total income items | 22 | 234 | 98 | 107 | 77 | 20 | 52 | 65 | 677 |
| Total as % of income | 0.9% | 45.6% | 6.9% | 4.2% | 5.4% | 3.3% | 3.8% | 4.4% | 5.7% |
| Total as % of income (2021-22) | 0.4% | 35.5% | 6.3% | 3.0% | 3.0% | 3.6% | 1.7% | 6.1% | 4.5% |

Notes to Table 5

- 'European Union' covers EU government bodies including the European 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 TRAC full economic costs and TRAC surplus/(deficit), 2022-23 (UK higher education institutions)

| | Total (£M) |
|---|-----------------------|
| Total income adjusted for TRAC (derived from audited financial statements for 2022-23) | 47,573 |
| Total expenditure adjusted for TRAC (derived from audited financial statements for 2022-23) | 46,388 |
| Operating surplus/(deficit) per audited financial statements | 1,185 |
| Sustainability adjustment (EBITDA for MSI) | 4,235 |
| Full economic cost (total expenditure plus target surplus for sustainable operations) | 50,623 |
| TRAC surplus/deficit | (3,050) |

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 2022-23 – Version 2.8 (July 2023 (updated November 2023)) and Annual TRAC return template at Annex 4.1a.¹⁷
- 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.

¹⁷ The TRAC guidance is available at www.trac.ac.uk/tracguidance/.

Annex C: UK peer group summary 2022-23

1. The sector peer group summary is provided as an Excel file.¹⁸ 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.¹⁹ The planned review and updating of peer groups suggested in the Review of TRAC has been deferred and will be reconsidered at a future date.²⁰
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.

¹⁸ Available at www.officeforstudents.org.uk/data-and-analysis/trac-data/published-data-2022-23/.

¹⁹ 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/.

²⁰ 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/.



© The Office for Students copyright 2024

This publication is available under the Open Government Licence 3.0 except where it indicates that the copyright for images or text is owned elsewhere.

www.nationalarchives.gov.uk/doc/open-government-licence/version/3/