

Transparent Approach to Costing: Annual TRAC 2017-18

TRAC data is collected annually from Higher Education Institutions (HEIs) and [SFC/CI/07/2018](#) requested this information for 2017-18.

2017-18 is the third year in which TRAC reporting has been prepared under the FE/HE Statement of Recommended Practice (SORP), applying Financial Reporting Standard 102 (FRS 102). This 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 because of changes to the timing when some income is recognised in the accounts. The adoption of FRS 102 is likely to lead to greater volatility in reported surpluses or deficits and so it will be necessary to take a multi-year view when assessing TRAC results. It is important to look at trends over a four/five year period rather than one year's results in isolation. Data for 2015-16 therefore formed the baseline for the start of a new time series of TRAC data. (See Table 1)

The TRAC sustainability gap¹ reported for the Scottish HE sector in 2017-18 was £173 million or 4.5% of total income (2016-17 £53.8m, 1.4% of income). For the UK sector overall, the sustainability gap was £1,730 million or 4.5% of income (2016-17: £1,179 million, 3.2% of income).

Table 1	2015/16		2016/17		2017/18	
	Scotland	UK	Scotland	UK	Scotland	UK
Sustainability Gap	£105.6m	£217m	£53.8m	£1,179m	£173m	£1,730m
Full Economic Cost Recovery						
PFT	93.1%	101.4%	92.4%	99.3%	91.1%	97.7%
NPFT	135%	141.2%	138.2%	137.1%	140.4%	139.8%
Teaching overall	102.7%	109.5%	103.4%	107.2%	103.3%	106.5%

Income and full economic costs by activity 2017-18

Table 2 shows a detailed breakdown of the TRAC figures by activity. Publicly Funded Teaching (PFT) shows a Full Economic Cost (FEC) recovery of 91.1% and Non-Publicly Funded Teaching (NPFT) a recovery of 140.4%. Equivalent figures for the UK are 97.7% for PFT and 139.8% for NPFT. Overall, teaching activity for Scottish institutions shows a FEC recovery of 103.3%.

¹ Total Expenditure + Margin for Sustainability and Investment (MSI) minus Total Income

Table 2

TRAC income and full economic costs by activity for Scottish HEIs 2017-18

£'000	Teaching Publicly Funded	Teaching Non Publicly Funded	Teaching Total	Research	Other (Income generating)	Other (Non-commercial)	Total Other	Overall Total
Income	1,273,211	643,484	1,916,695	1,281,186	537,698	97,879	635,577	3,833,458
TRAC Full Economic Costs (FEC)	1,397,332	458,317	1,855,649	1,647,733	486,895	16,180	503,075	4,006,457
Surplus/(Deficit)	(124,121)	185,167	61,046	(366,547)	50,803	81,699	132,502	(172,999)
Surplus/(Deficit) as % of income	(9.7%)	28.8%	3.2%	(28.6%)	9.4%	83.5%	20.8%	(4.5%)
Recovery of FEC	91.1%	140.4%	103.3%	77.8%	110.4%	604.9%	126.3%	95.7%

Definitions:

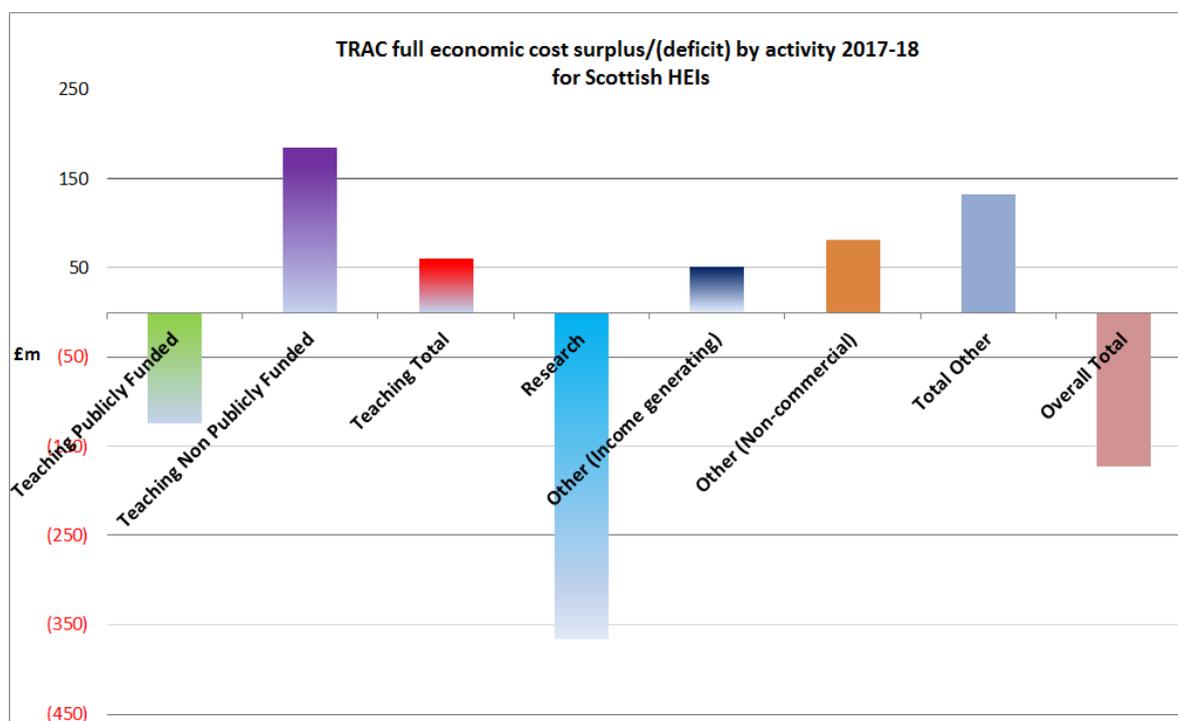
Publicly funded teaching: Teaching of higher and further education courses to Home and European (EU) students which is funded by SFC, Skills Development Scotland (SDS) or by the NHS. This includes Rest of UK student fees.

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 and 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: 'Other income' has been split between 'Other (Income generating)' – (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 'Other (Non-commercial)' – (non-commercial activity such as investments and donations or endowments; and, for HEIs with medical and dental schools, services provided to the NHS).

The FEC surplus /(deficit) position by activity for Scotland’s HEIs for 2017-18 is also shown in graphical format below.



In considering the sector recovery of FEC on teaching, there will be variation in recovery rates between institutions. The spread of FEC recovery is shown in the table below.

Table 3: Number of Scottish HEIs falling in FEC recovery bands

% FEC recovery	PFT	NPFT	Total activity (inc. teaching, research and other)
	No. of institutions	No. of institutions	No. of institutions
>100%	6	13	1
90% - 100%	6	2	13
<90%	6	3	4

Margin for Sustainability and Investment

Table 4 shows the build-up of full economic costs with the addition of a “Margin for Sustainability and Adjustment” (MSI). 2017-18 is the second year this adjustment has been used, replacing two previous adjustments which reflected the costs of maintaining infrastructure and the return required for finance and investment. The MSI was developed to reflect more closely an institution’s own circumstances and to be more forward looking by including forecast information in the calculation. The range of MSI at Scottish institutions is zero to 10.2%. The MSI adds £243.3 million to

the reported costs representing 6.46% of expenditure (2016-17: £ 265 million representing 7.4% of expenditure).

Table 4: Scottish Institutional Results 2017-18
£'000s

	2017-18 Total £000s	% of income
Total income per audited financial statements for 2017-18 (a)	3,833,458	
Total expenditure per audited financial statements for 2017-18 (b)	3,763,176	
Operating surplus/(deficit) per financial statements	70,282	1.83%
Margin for Sustainability and Investment (c)	243,281	6.35%
Full Economic Cost per TRAC (b) + (c)	4,006,457	
Surplus/(deficit) per TRAC	(172,999)	(4.5%)

Research income and costs by sponsor type

Table 5 analyses the recovery of Full Economic Cost by research sponsor type. Again, these figures are subject to volatility in the surplus/deficit results introduced by FRS 102. Overall, the recovery of FEC on research is 77.8% (2016-17: 80.1%). The comparative UK recovery figure is 70% (2016-17: 71.7%).

UK Analysis

The UK sector tables for TRAC income and full economic cost by activity can be found on the Office for Students website at the following link:

<https://www.officeforstudents.org.uk/media/b2369b78-8a51-4c0e-a528-4ccf22e2f819/annual-trac-2017-18-analysis-by-trac-peer-group.xlsx>

Table 5
Research income and costs by sponsor type Scottish HEIs 2017-18
£'000s

	Recurrent research funding from the funding councils	Institution own funded	Postgraduate research	Research Councils	Other government departments	European Community	UK Charities	Industry	Total
Income	267,050	46,065	132,914	292,209	139,754	103,746	170,028	129,419	1,281,186
TRAC full economic costs (FEC)		193,750	292,734	384,860	174,451	153,004	269,660	179,274	1,647,733
Surplus/(deficit)	267,050	(147,685)	(159,820)	(92,651)	(34,697)	(49,258)	(99,632)	(49,855)	(366,547)
Surplus/(deficit) as % of income		(320.6%)	(120.2%)	(31.7%)	(24.8%)	(47.5%)	(58.6%)	(38.5%)	(28.6%)
Recovery of FEC		23.8%	45.4%	75.9%	80.1%	67.8%	63.1%	72.2%	77.8%