

Transparent Approach to Costing

Annual TRAC 2016-17

TRAC data is collected annually from Higher Education Institutions (HEIs) and [SFC/CI/09/2017](#) requested this information for 2016-17.

2016-17 is the second year in which TRAC reporting has been prepared under the new 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. 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. Analysis of the annual TRAC data for 2015-16 was published by SFC at [http://www.sfc.ac.uk/web/FILES/Governance/Transparent Approach to Costing 2015-16.pdf](http://www.sfc.ac.uk/web/FILES/Governance/Transparent%20Approach%20to%20Costing%2015-16.pdf).

The TRAC sustainability gap reported for the Scottish HE sector in 2016-17 was £53.8 million or 1.4% of total income (2015-16: £105.6 million sustainability gap or 2.9% of total income). For the UK sector overall, the sustainability gap was £1,179 million or 3.2% of income (2015-16: £217 million sustainability gap or 0.6% of total income).

It should be noted that surpluses reported may have been boosted by earlier recognition of income from donations, endowments and capital grants (received in year) with income being recognised ahead of the related expenditure which they support. However, in contrast, some deferred grants held at the time of transition to FRS 102 will have been credited directly to the reserves on transition and will not be reflected in the reported figures noted above.

Income and full economic costs by activity 2016-17

Table 1 shows a detailed breakdown of the TRAC figures by activity. Publicly funded teaching (PFT) shows a full economic cost (FEC) recovery of 92.4% and non-publicly funded teaching a recovery of 138.2%. Equivalent figures for the UK are 99.3% for PFT and 137.1% for NPFT. Overall, teaching activity for Scottish institutions shows a FEC recovery of 103.4%.

Table 1

TRAC income and full economic costs by activity for Scottish HEIs 2016-17

£'000	Teaching	Teaching	Teaching	Other	Other	Total Other	Overall Total
	Publicly Funded	Non Publicly Funded	Total	(Income generating)	(Non-commercial)		
Income	1,240,995	589,019	1,830,014	509,310	155,297	664,607	3,769,398
TRAC Full Economic Costs (FEC)	1,343,763	426,133	1,769,896	447,539	13,320	460,859	3,823,189
Surplus/(Deficit)	(102,768)	162,886	60,118	(317,657)	61,771	141,977	(53,791)
Surplus/(Deficit) as % of income	(8.3%)	27.7%	3.3%	(24.9%)	12.1%	91.4%	(1.4%)
Recovery of FEC	92.4%	138.2%	103.4%	80.1%	113.8%	1165.9%	144.2%

Definitions:

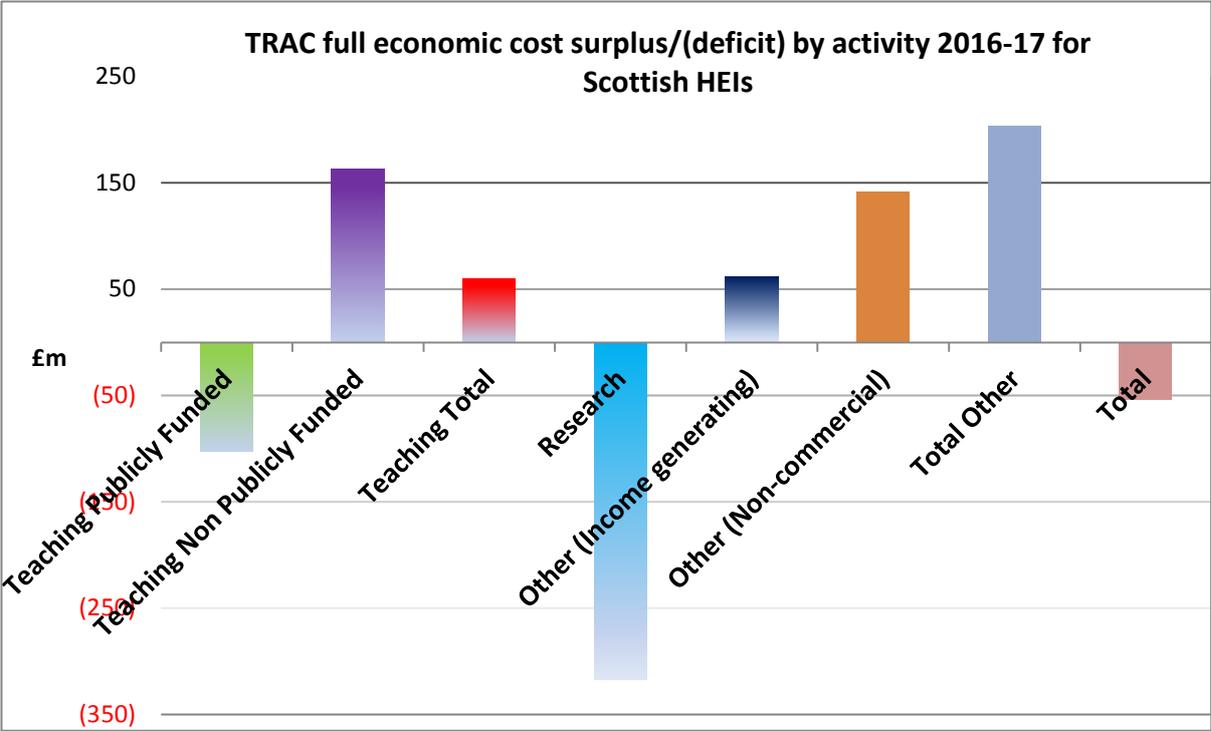
Publicly funded teaching: Teaching of higher and further education courses to Home and European (EU) students which is funded by SFC, Skills Development Scotland (SDS) or by the NHS. This includes Rest of UK student fees.

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: 2016-17 is the first year that '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 2016-17 is also shown in graphical format below.



In 2015-16 one-off Research and Development Expenditure Credits (RDEC) significantly affected some income figures and so our analysis included adjustments for this. In 2016-17 RDEC has not significantly affected the figures so no adjustments for RDEC have been included in this analysis.

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 2: 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%	4	12	4
90% - 100%	7	3	11
<90%	7	3	3

Margin for Sustainability and Investment

Table 3 shows build-up of full economic costs with the addition of a “Margin for Sustainability and Adjustment” (MSI). 2016-17 is the first 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 1.4% to 13.9%. The MSI adds £265.0 million to the reported costs representing 7.4% of expenditure (2015-16: £275.9 million adjustments for infrastructure and returns for financing and investment, representing 8.0% of expenditure).

Table 3: Scottish Institutional Results

	2016-17 Total £'000	2016-17 % of Income
Total income per audited financial statements for 2016-17 (a)	3,769,398	
Total expenditure per audited financial statements for 2016-17 (b)	3,558,140	
Operating surplus/(deficit) per financial statements	211,258	5.6%
Adjustment: Margin for Sustainability and Investment (c)	265,049	7.0%
Surplus/(deficit) per TRAC	(53,791)	(1.4%)
Total economic costs per TRAC (b) plus (c)	3,823,189	

Research income and costs by sponsor type

Table 4 analyses the recovery of full economic cost by research sponsor type. Again, these figures include income receipts which may not be matched by the related expenditure and so result in volatility in the surplus/deficit results. Overall, the recovery of FEC on research is 80.1% (2015-16: 79.1% excluding RDEC). The comparative UK recovery figure is 71.7% (2015-16: 74.6% excluding RDEC).

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/1866c816-2c9f-423f-8f28-fe37a232e477/ofs2018_28-updated_31_january_2019.pdf

Table 4
Research income and costs by sponsor type Scottish HEIs 2016-17
£'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	263,438	49,767	128,902	303,544	143,012	97,985	166,681	121,448	1,274,777
TRAC full economic costs (FEC)		185,488	262,073	398,954	173,077	142,935	262,312	167,595	1,592,434
Surplus/(deficit)	263,438	(135,721)	(133,171)	(95,410)	(30,065)	(44,950)	(95,631)	(46,147)	(317,657)
Surplus/(deficit) as % of income		(272.7%)	(103.3%)	(31.4%)	(21.0%)	(45.9%)	(57.4%)	(38.0%)	(24.9%)
Recovery of FEC		26.8%	49.2%	76.1%	82.6%	68.6%	63.5%	72.5%	80.1%