

TRANSPARENT APPROACH TO COSTING ANNUAL TRAC 2020-21

- TRAC data is collected annually from Higher Education Institutions (HEIs). 2020-21 is the sixth year in which TRAC reporting has been prepared under the FE/HE Statement of Recommended Practice (SORP), applying Financial Reporting Standard 102 (FRS 102). Covid-19 had an impact on the activities of HEIs in 2019-20 and 2020-21 and this influenced the costs and income of institutions. To draw informative conclusions, it is important to look at trends over a four/five-year period rather than one year's results in isolation. Table 1 presents a time series of TRAC data.

Table 1: TRAC data trends

Table 1	2016/17		2017/18		2018/19		2019/20		2020/21	
	Scotland	UK	Scotland	UK	Scotland	UK	Scotland	UK	Scotland	UK
Sustainability Gap Full Economic Cost Recovery										
	(£54m)	(£1,179m)	(£173m)	(£1,730m)	(£96m)	(£1.677m)	(£201m)	(£3,193m)	£174m	(£118m)
PFT	92.4%	99.3%	91.1%	97.7%	89.5%	96.2%	88.8%	96.1%	90.9%	97.6%
NPFT	138.2%	137.1%	140.4%	139.8%	143.4%	143.4%	148.5%	146.6%	152.3%	151.8%
Teaching Overall	103.4%	107.2%	103.3%	106.5%	103.2%	106.5%	105.1%	107.9%	107.6%	109.9%

- In 2020-21 there was a surplus of income over full economic cost of £174 m (3.8% of income) for Scottish Universities. This compares with the TRAC sustainability gap¹ reported for the Scottish HE sector in 2019-20 of £201 m (4.9% of total income). For the UK HE sector overall, the sustainability gap was £118 m (0.26% of income) (2019-20: £3,193 m, 7.8% of income).

INCOME AND FULL ECONOMIC COSTS BY ACTIVITY 2020-21²

- Table 2 on Page 3 shows a detailed breakdown of the TRAC figures across all activities with the UK recovery rate shown as a comparator. The 2019-20 outturns are consistent with those of previous years with Total Teaching recovery of Full Economic Cost (FEC) is

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

² For the purposes of TRAC, income and expenditure totals were adjusted to exclude items not representative of that year's activities, such as pension provisions.

in excess of 100%. Scotland performs well in “Other” activity (non-commercial and income-generating) and has, for several years, out-performed the rest of the UK in relation to FEC recovery in research (see Table 5 below).

Table 2: TRAC income and full economic costs by activity for Scottish HEIs 2020-21

£m	Teaching Publicly Funded	Teaching Non Publicly Funded	Teaching Total	Research	Other (Income generating)	Other (Non-commercial)	Total Other	Overall Total
Income	1,438	902	2,340	1,450	611	204	815	4,605
TRAC Full Economic Costs (FEC)	1,581	593	2,174	1,748	488	21	509	4,431
Surplus/(Deficit)	(143)	309	166	(298)	123	183	306	174
Surplus/(Deficit) as % of income	(9.9%)	34.3%	7.1%	(20.6%)	20.1%	89.7%	37.5%	3.8%
Recovery of FEC (Scotland)	90.9%	152.3%	107.6%	83.0%	125.2%	968.8%	160.2%	103.9%
Recovery of FEC (UK)	97.6%	151.8%	109.9%	71.8%	90.8%	493.5%	128.0%	99.7%

DEFINITIONS

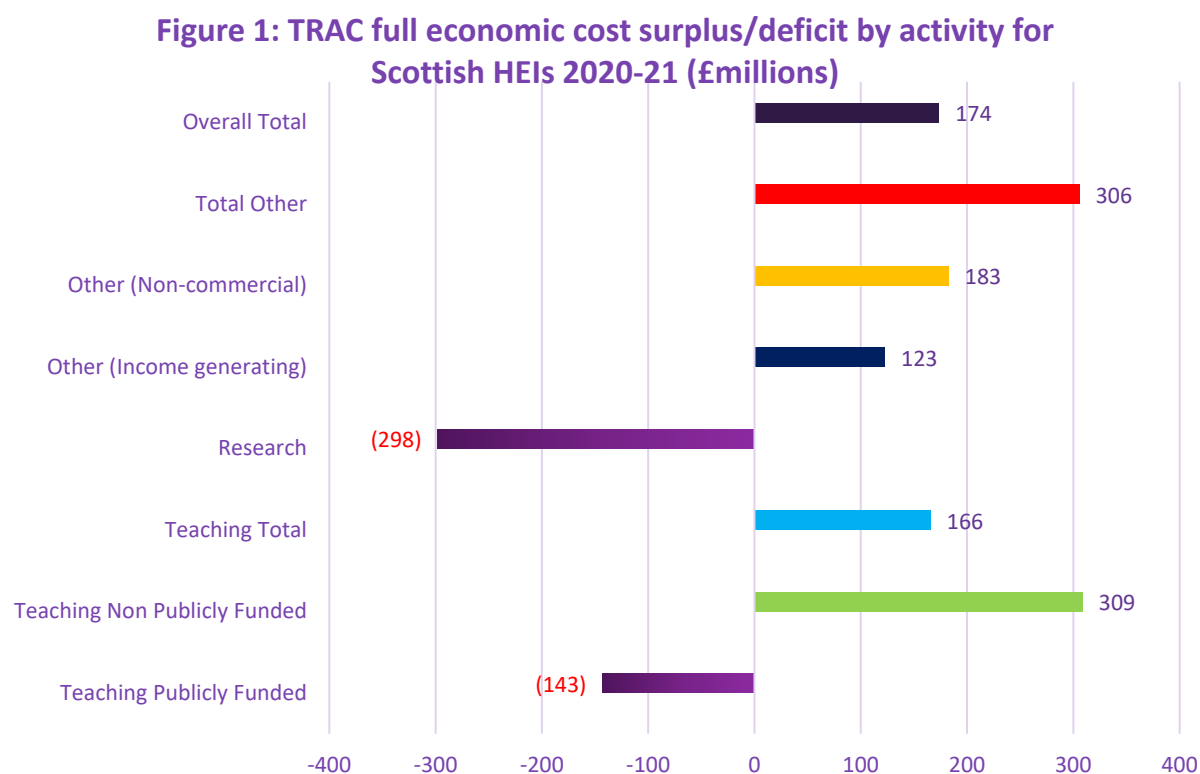
Publicly funded teaching: Teaching of higher and further education courses to Home and European (EU) students which is funded by SFC, Skills Development Scotland (SDS) or by the NHS. This includes Rest of UK student fees.

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).

4. Figure 1 shows the FEC surplus /(deficit) position by activity for Scotland’s HEIs for 2020-21.



5. 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 Table 3 below.

Table 3: Number of Scottish HEIs by FEC recovery band

% FEC recovery	PFT	NPFT	Total activity (inc teaching, research and other)
	No. of institutions	No. of institutions	No. of institutions
>100%	4	15	6
90% - 100%	8	1	9
<90%	6	2	3

MARGIN FOR SUSTAINABILITY AND INVESTMENT

6. Table 4 shows the build-up of full economic costs with the inclusion of a “Margin for Sustainability and Adjustment” (MSI) reflecting the costs of maintaining infrastructure and the return required for finance and investment. The MSI reflects an institution’s own circumstances and is forward looking, with forecast information included in the calculation. The range of MSI at Scottish institutions for 2020-21 is 0% to 17.6%. The MSI adds £310.3 m to the reported costs representing 6.73% of expenditure (2019-20:

£222.7 m, 5.41% of expenditure).

- It is important to note that the MSI adjustment calculates the surplus an institution needs to achieve to reinvest and achieve the growth ambitions laid out in forecasts, in addition to maintaining sustainability. The rationale and calculation of this adjustment has been the focus of a detailed review undertaken by an accountancy firm after MSI was introduced.

**Table 4 Build-up of Scottish sector Full Economic Costs
£m**

	2020-21 Total £m	% of income
Total income per audited financial statements for 2020-21(a)	4,605	
Total expenditure per audited financial statements for 2020-21 (b)	4,121	
Operating surplus/(deficit) per financial statements	484	10.51%
Margin for Sustainability and Investment (c)	310	6.73%
Full Economic Cost per TRAC (b) + (c)	4,431	
FEC Surplus/(deficit) per TRAC	174	3.78%

RESEARCH INCOME AND COSTS BY SPONSOR TYPE

- Table 5 analyses the recovery of Full Economic Cost by research sponsor type. Overall, the recovery of FEC on research is 83% (2019-20: 77.6%). The comparative UK recovery figure is 71.8% (2019-20: 69.6%).

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 [Annual TRAC 2020-21: Sector summary and analysis by TRAC peer group - Office for Students](#).

Table 5
Research income and costs by sponsor type Scottish HEIs 2020-21
£m

	Recurrent research funding from the funding councils	Institution own funded	Postgraduate research	Research Councils	Other government departments	European Community	UK Charities	Industry	Total
Income	294	79	168	320	189	88	166	146	1,450
TRAC full economic costs (FEC)		208	314	423	199	131	274	199	1,748
Surplus/(deficit)	294	(129)	(146)	(103)	(10)	(43)	(108)	(53)	(298)
Surplus/(deficit) as % of income		(163.3%)	(86.9%)	(32.2%)	(5.3%)	(48.9%)	(65.1%)	(36.3%)	(20.6%)
Recovery of FEC (Scotland)		38.0%	53.5%	75.7%	95.0%	67.5%	60.4%	73.2%	83.0%
Recovery of FEC (UK)		21.3%	47.8%	72.4%	76.9%	63.0%	57.4%	75.5%	71.8%

11. Percentages shown on Tables 2 and 5 are calculated on the raw data and may differ slightly from calculations based on the figures presented in the tables which are rounded to the nearest £1 million.