Annual TRAC 2024-25

Sector summary and analysis by TRAC peer group

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Introduction

1. This paper analyses the 2024-25 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. UK higher education institutions that are required to report TRAC data annually are expected to submit the TRAC return 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 2024-25 was collected by the Office for Students (OfS) on behalf of UK Research and Innovation, the Scottish Funding Council, Medr – the Commission for Tertiary Education and Research (Wales) and the Department for the Economy (Northern Ireland). These bodies are co-owners of the data.

3. For 2024-25 TRAC reporting, the deadline for all institutions to submit their TRAC return, signed off by their accountable officer, was 31 January 2026. 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 Financial Return (for providers in England) or the HESA Finance Return for institutions in Northern Ireland, Scotland and Wales.

4. TRAC reporting has been prepared under the Higher Education Statement of Recommended Practice, applying Financial Reporting Standard (FRS) 102. The FRS means that income from new donations and endowments are recognised in full in the year of receipt, and new capital grants are often recognised 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 these income streams support. In 2016-17, the method for calculating the sustainability adjustment with the 'Margin for sustainability and investment' (MSI) was changed and replaced. Data for 2016-17 therefore formed the baseline for the start of a new time series of TRAC data.

5. The TRAC guidance for 2024-25 reporting (version 3.0) included a further significant change to the method used for calculating the margin for sustainability and investment (MSI) and the basis for allocating the MSI to the activity categories reported in TRAC. TRAC reporting for 2024-25 is the first year of reporting under this new method, and it is anticipated that the methodology in this area will continue to evolve over the next one to two reporting periods. The methodological change also affects the comparability with reporting in earlier years. Therefore, this official statistic is described as 'official statistic – in development'. Details of the changes to the method of calculation are set out in Chapter 3, section 3.2 of the TRAC

[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 OfS for 2023-24; and higher education institutions funded by the Scottish Funding Council (SFC), Medr – Commission for Tertiary Education and Research (Wales) 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.

guidance for 2024-25 (version 3.0), and are illustrated in Figure 3.2 of the guidance, and Annex 3.2a.[2] Further explanation of the impact of this change is given in the box on page 8.

- Analysis of the **annual TRAC data for 2024-25** is available on the OfS website at www.officeforstudents.org.uk/data-and-analysis/trac-data/latest-trac-data-2024-25/.
- Analysis of **annual TRAC data for earlier years** is available on the OfS website at www.officeforstudents.org.uk/data-and-analysis/trac-data-previous-years/.

6. This paper contains analysis of the 2024-25 sector aggregate data based on submissions from 128 higher education institutions in England and Northern Ireland.[3] One institution in England had not submitted data for 2024-25 at the point of preparing this analysis and two further institutions in England submitted data for 2024-25 but their data has been excluded. Aggregated data for 150 UK higher education institutions is provided in Annex B. Data was collected from three further institutions but has been excluded from the UK summary; and one institution outside of England did not submit data for 2024-25. Exclusions of institutions from the analysis may arise due to non-compliance with the TRAC requirements; concerns about data quality or where a resubmission is required to correct errors in the return which has not been completed in time to be included; or where specific changes or individual factors affect the comparability and use of the data. (Comparative data for 2023-24, where provided, is based on the same population of institutions included in the 2024-25 analysis (unless otherwise stated), so may not match previously published data for 2023-24.)

7. The 2024-25 TRAC data collection process required UK higher education institutions to submit an action plan alongside their annual TRAC return, addressing any areas of non-compliance with TRAC requirements. Of the ten institutions that submitted action plans (down from seventeen in 2023-24), six reported issues related to academic staff time allocation surveys or workload planning models. Among these, all acknowledged that their staff time allocation surveys or workload plan-based models were not fully compliant – most commonly due to failing to meet required response rates for time allocation surveys or workload plans not achieving sufficient coverage within the required timescales. One cited that their approach did not meet TRAC requirements. Five institutions reported that TRAC governance arrangements were insufficiently frequent during the reporting period. Another three indicated that reviews of cost drivers, space data, or space weightings were not conducted in accordance with TRAC requirements. Three institutions noted structural changes that impacted on the robustness of their TRAC processes or a lack of in-house expertise in some cases leaving institutions dependent on external consultants or software suppliers to complete their TRAC returns. Action plans were expected to outline corrective measures and provide assurance on the reliability of submitted data. However, some institutions failed to submit action plans despite acknowledging non-compliance in their TRAC returns. Others submitted

[2] TRAC guidance for 2024-25 (version 3.0, August 2025) is available at: www.trac.ac.uk/tracguidance/archive/.

[3] 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.

plans that lacked sufficient detail or failed to demonstrate that the issues were being adequately addressed.[4]

8. As noted in previous reports, the TRAC guidance was updated in September 2021 (version 2.6, for reporting on 2020-21) to provide greater flexibility in the timing of review by the governing body's committee. Specifically, it removed the requirement for this committee to approve the TRAC return before it is signed off by the accountable officer. Instead, the changes emphasised the TRAC oversight group's responsibility for confirming compliance with TRAC requirements and providing assurance on the return prior to sign-off. However, the oversight group must still report to the governing body's committee on compliance before the TRAC return is submitted. This requirement was further clarified in the 2023-24 TRAC guidance, which included an illustration of the timelines for meeting oversight and governance expectations.[5]

9. The TRAC validation and review process found that several institutions had not aligned their oversight timelines with the submission deadline. Some delayed submission to present reports at later spring 2026 committee meetings. In addition, some institutions provided incomplete or unclear information on governance and oversight processes. A few were found to be non-compliant by the OfS or devolved funding bodies, requiring action plans or resubmissions. There were some instances where institutions did not appear to be making use of benchmarking data to understand anomalies or potential errors in their data.

10. This paper also contains annual TRAC data for 2024-25 analysed by TRAC peer group (see Annex C and Appendix 1 Excel workbooks).[6]

Contact

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[4] Information in paragraph 7 is based on analysis undertaken by UKRI Funding Assurance of the action plans submitted with the 2024-25 returns.

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

[6] Annex C is published separately to this report at OfS, Latest TRAC data - 2024-25.

Key points

11. The annual TRAC return for 2024-25 shows a sector aggregate deficit of £2,146 million for higher education institutions in England and Northern Ireland, with 95.5 per cent of TRAC full economic costs recovered.[7] This compares with a deficit of £1,985 million and a recovery of 95.8 per cent in 2023-24.[8] In 2024-25, total TRAC income increased by £889 million to £46,038 million, an increase of 2.0 per cent. The full economic costs of all activities increased by £1,051 million to £48,184 million – an increase of 2.2 per cent and continues a trend of full economic costs significantly exceeding income.

12. This change in full economic costs from the previous year comprises:

- **Total staff costs (excluding pension provision charges) increased** by £942 million (4.1 per cent) to £23,924 million in 2024-25, up from £22,982 million in 2023-24.[9]
  - The increase in staff costs reflects continued inflationary pressures on employment costs across the sector as well as the increase in Teachers' Pension Scheme employer contribution rates from April 2024 for half of all institutions that return TRAC data.
  - The TRAC methodology adjusts for distortions caused by the accounting treatment of the Universities Superannuation Scheme deficit reduction plan, as the associated accounting entries do not reflect actual annual operating costs. Instead, TRAC replaces these with the annual cash contributions, which include payments toward the deficit. For 2024-25, there were no adjustments for USS in TRAC as the scheme does not have a deficit recovery plan.
- **Other operating costs remained broadly stable in 2024-25**, increasing marginally by £63.5 million (0.4 per cent) to £16,823 million, up from £16,760 million (2023-24). The limited growth suggests providers are managing non-pay expenditure more tightly in response to ongoing financial pressures.
- **Interest and finance costs decreased**, falling by £165.2 million to £467.6 million in 2024-25, down from £632.8 million in 2023-24, a decline of 26.1 per cent.
- **Restructuring costs increased by 46.7 per cent** to £243.0 million in 2024-25, up from £165.6 million in 2023-24.
- **A reduction in the sustainability adjustment by £114 million** – to £3,515 million in 2024-25, from £3,630 million in 2023-24. This represents 7.3 per cent of the full economic costs, compared with 7.7 per cent of full economic costs in 2023-24. This continues the downward trend in the sustainability margin relative to full economic costs from

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

[8] Comparisons with the 2023-24 data are based on the same population of institutions as included for the 2024-25 analysis and so will not necessarily match the values in the 2023-24 report.

[9] Data for staff costs, other operating costs and interest and finance cost from analysis of the OfS Annual Financial Return 2025 for providers included in this TRAC analysis and from the HESA Finance return 2024-25 for the two institutions in Northern Ireland.

8.4 per cent 2022-23. The sustainability adjustment is intended to reflect the level of surplus required for institutions to remain financially sustainable over the longer term, and 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 2024-25 reflects:

- an improvement in the aggregate six-year average surplus/ (deficit) position compared with the 2023-24 six-year average, including a modest reduction in finance charges, offset by a modest increase in depreciation and amortisation and reduction in capital grants.

- a reduction in actual and forecast staff costs across the six-year period due to the release of USS pension provisions partially in 2022-23 and fully in 2023-24, compared with the increase in costs due to the USS provision made in 2021-22.

- continuing inflationary pressures across the staff and non-staff expenditure, together with the ongoing costs of maintaining, renewing and developing institutional estates and infrastructure

- actions taken or planned by institutions to mitigate financial pressures, including through workforce restructuring, curriculum and portfolio review, efficiency programmes and other cost reduction measures

- assumptions regarding future student recruitment, student retention, research activity, and other income streams and the extent to which vary across institutions and reflect different assessments of future opportunities and risk

- variations in institutional forecasts and financial strategies (as prepared and submitted in late 2025 or early 2026 for institutions in England), and judgements made by individual institutions in preparing financial forecasts, including the extent to which they include restructuring or down-sizing portfolios versus investment in enhancement of teaching provision and student support or research portfolios, or expected improvements in financial performance.

- the change in the method for calculating the sustainability adjustment does not affect the overall sustainability metric in total. The change in the method does, however, impact on the distribution of the sustainability adjustment to the TRAC activity categories though the impact varies across institutions. Further information is provided in the box on page 8 below.

13. Total TRAC income included £975 million from new endowments, donations, capital grants, and other significant income sources – representing 2.1 per cent of total income. This is marginally lower than in 2023-24 when these sources contributed £1,066 million (2.4 per cent of total income). This income helps reduce the reported shortfall in cost recovery, as it is fully recognised in the year it is received. However, the related expenditure may occur in future years, creating a timing mismatch between income and associated costs.

Impact of changes to the method for calculating the sustainability adjustment in TRAC in 2024-25

The sustainability adjustment used in the TRAC calculation continues to be based on a higher education-sector adjusted calculation of earnings before interest, taxation, depreciation and amortisation (EBITDA), using a six-year average of historic actual and forecast data – 'EBITDA for MSI'. The six-year average EBITDA for MSI is added to total TRAC expenditures to give the TRAC full economic costs (see Annex A).

Following the recommendations in the Review of TRAC published in 2021[10] and the findings in the review of the technical aspects of the calculation of the MSI[11], the regulators and funders agreed the MSI method should be revised to separately calculate and allocate MSI to student residences.[12] These changes are set out in TRAC guidance v3.0 (August 2025).

The revised methodology was implemented for 2024-25 to better reflect the range of ownership and financial arrangements in the MSI calculation and to reduce the impact of these variations from the MSI to the main activities of teaching and research.

For 2023-24 and prior years (from 2016-17), the method for apportioning the value of the six-year average EBITDA for MSI to TRAC activity categories was to allocate it in proportion to the TRAC expenditure for the main TRAC categories (teaching, research and other). The apportioned MSI value for each TRAC activity category is added to the TRAC expenditure to give the full economic costs for each TRAC activity category. In a very small number of cases where the six-year average EBITDA for MSI value for an institution is negative, the negative is not applied, and the sustainability adjustment defaults to zero for calculating the full economic costs.

For 2024-25, the new method for calculating the sustainability adjustment involves a three step calculation of EBITDA for MSI:

- **Step 1: EBITDA for MSI for the whole institution** (as calculated in 2023-24 and prior years)
- **Step 2: EBITDA for MSI for student residences** – this is allocated to the new sub-category 'Other (student residences)'
- **Step 3: the net EBIDTA for MSI** (calculated as 'whole institution MSI' value minus 'student residences MSI') – this is then apportioned across teaching, research and the other sub-categories of income-generating activities (other academic department activities; other standalone enterprises).

If the six-year average EBITDA for MSI calculated in step 1 is negative, the sustainability adjustment defaults to zero for calculating the full economic cost, and this is applied across all activity categories (as applied under the methodology used in 2023-24). In 2024-25, five institutions reported a negative six-year average MSI value.

Institutions that do not own any student residences, and do not have a financial relationship with any organisation providing accommodation for their students, do not calculate an EBITDA for student residences – the whole of the EBITDA for MSI is apportioned across teaching, research and the other sub-categories of income-generating activities.

There were 21 institutions that did not have any student residences in the England and Northern Ireland sector and 22 in the UK. There is no change to the apportionment of MSI for these institutions due to the change in methodology.

In cases where one of the EBITDA calculations in step 2 or step 3 is negative, the sustainability adjustment applied in calculating the full economic costs will default to zero.

In cases where the EBITDA for MSI for students residences (step 2) exceeds the value for the whole institution, the MSI allocated to residences is capped at the value of the whole institution MSI and the allocation to the main activities (excluding student residences) is zero. This approach is consistent with the existing principles for the MSI methodology and its application in previous years, but the effect of disaggregating the components of the MSI calculation means that a slightly lower value of MSI is allocated to activities than if the previous methodology was applied.

Verification work on the TRAC returns for 2024-25 identified some discrepancies in the detailed implementation of revised MSI calculations. Follow-up work indicated that these are unlikely to materially impact on the reporting of full economic costs at TRAC activity level, or in sector or peer group aggregate-level presented in this publication. This reflects the fact that the EBITDA for MSI calculation for student residences represents only one component of total MSI, which itself represents a relatively small proportion of the full economic costs (7.3 per cent in aggregate, across all activities).

The impact of the revised methodology varies between institutions because it depends on the ownership, financing and operational arrangements associated with student residences. It also depends on the scale of these arrangements relative to the scale of their teaching, research and other activities. Many institutions have a mix of financing arrangements for their student residential portfolio and some do not own or have any financial relationships with the owners or operators of the accommodation used by their students. However, the principal impact is on the full economic costs attributed to the Other (income-generating) activity category, which itself is characterised by considerable diversity in both the activity portfolios and levels of cost recovery across the sector. For most of the institutions, the impact of these changes on the full economic costs of teaching and research is small. Comparative estimates using the previous methodology indicate that the sector-level conclusions presented in this publication are not materially affected by the change.

Tables summarising the impact of the changes are shown in Tables 7 and 8 at Annex D.

Relevant comparator figures are quoted under the sections for each of the TRAC activities.

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[10] See OfS, Review of TRAC 2021.

[11] See Review of technical aspects of the MSI calculation Section 5.9. Figure 14 illustrates the impact of student residences on MSI before and after applying the separate calculation for student residences.

[12] The Review also made recommendations regarding the treatment of large capital donation and reconfirmed the principle that MSI should not be allocated to the Other (non-commercial) but these do not result in material or systematic changes to the data.

Analysis of aggregate TRAC research 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 £1,670 million, compared with a deficit of £1,720 million for 2023-24. The full economic cost recovery rate was 89.7 per cent, a marginal improvement from 89.2 per cent for the same population of institutions in 2023-24. In England and Northern Ireland, 33 institutions recovered below the UK sector lower quartile full economic cost recovery rate of 82.9 per cent for 2024-25 (compared with 83.2 per cent for 2023-24).[13] The UK sector upper quartile recovery rate was 98.0 per cent (96.6 per cent for 2023-24) meaning that the range of full economic cost recovery rates widened for publicly funded teaching. Income for publicly funded teaching was £14,492 million in 2024-25, representing an increase of 1.9 per cent from £14,225 million in 2023-24 (on a cash basis for the same population of institutions), while the full economic cost of publicly funded teaching increased by £218 million to £16,163 million (an increase of 1.4 per cent).

  This trend reflects higher operating costs due to increases in staff costs (including pension costs), and inflationary increases in other operating expenses (including estates and facilities). The increases in the cost base are set against a capped rate of tuition fee income for publicly supported undergraduate teaching.

  The impact of the change to the method for calculating and allocating the MSI adjustment (compared with applying the previous methodology) is estimated to have reduced the full economic costs for publicly funded teaching by £204 million (-1.2 per cent) and increased the recovery of full economic costs by 1.2 percentage points.

- **Non-publicly funded teaching** (primarily overseas students, but also includes self-funded students) continued to generate a significant surplus: £3,570 million in 2024-25 compared with £3,282 million in 2023-24, recovering 147.0 per cent of full economic costs in 2024-25. The total income in this category increased marginally to £11,167 million in 2024-25, compared with £11,049 million the previous year (up by 1.1 per cent).

  The impact of the change to the method for calculating and allocating the MSI adjustment (compared with applying the previous methodology) is estimated to have reduced the full economic costs for non-publicly funded teaching by £53 million (-0.7 per cent) and increased the recovery of full economic costs by 1.0 percentage point.

[13] The 2023-24 lower and upper quartile figures quoted in this report are the published lower and upper quartile rates as stated in the 2023-24 TRAC analysis, and have not been re-stated to reflect the population for the 2024-25 TRAC analysis.

The standstill in income for non-publicly funded teaching reflects the competition for non-undergraduate and postgraduate taught student markets. Non-UK postgraduate taught student numbers decreased by 14.7 per cent in 2024-25, in contrast to minimal movement between 2022-23 and 2023-24. Non-UK undergraduate student numbers continued to increase – by 1.3 per cent between 2023-24 and 2024-25 – compared with a 0.8 per cent decline in the preceding period (based on analysis of full-time equivalent student numbers returned in OfS Annual Financial Returns for 2023 and 2024 for the same TRAC population of institutions).

- **Research:** total income increased by £501 million (4.8 per cent) to £10,944 million but full economic costs increased by £563 million to £16,433 million. This means research activity continued to show a substantial deficit in 2024-25 of £5,489 million, an increase of £61 million from 2023-24, and follows increasing deficits in prior years. The full economic cost recovery rate showed a small improvement to 66.6 per cent compared with 65.8 per cent of full economic costs for 2023-24 (for the same population of institutions), but remains 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 for 2024-25 was 58.6 per cent for the UK sector.)

  Research income for 2024-25 included £521 million of income from new endowments and donations, and new capital grants (2023-24 £438 million), representing 4.8 per cent of research income (4.2 per cent in 2023-24). 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.

  The impact of the change to the method for calculating and allocating the MSI adjustment (compared with applying the previous methodology) is estimated to have reduced the full economic costs for research by £157 million (-0.9 per cent) and increased the recovery of full economic costs by 0.6 percentage points.

- **Other (income-generating) activities** showed an increase in income to £7,404 million (from £7,188 million in 2023-24 – an increase of 3.0 per cent) and includes income streams from provision of student accommodation and on-campus catering, facilities and conference operations. It also includes other income-generating activity such as consultancy and other services. These activities showed a small deficit of £358 million in 2024-25 (a small increase in deficit compared with a deficit of £114 million in 2023-24 restated based on the same population as for 2024-25), with full economic costs increasing from £7,302 million to £7,762 million (6.3 per cent increase). This represents a recovery rate of 95.4 per cent of full economic costs compared with 98.4 per cent in 2023-24 (for the same population).

  However, this activity category is most affected by the MSI methodology change as it includes the Other (student residences) sub-category which, for the majority of institutions, bears a higher proportion of MSI allocation than under the method for calculating MSI prior to 2024-25.

The change to the method for calculating and allocating the MSI adjustment (compared with applying the previous methodology) is **estimated to have increased the full economic costs for Other (income-generating) activities by £414 million (5.6 per cent) and reduced the recovery of full economic costs by 5.4 percentage points.** The range between the lower and upper quartile recovery rates has reduced from 36.1 percentage points to 26.4 percentage points, with the upper quartile reducing to 108.5 per cent from 117.5 per cent (TRAC publication 2023-24 Annex C, Analysis by TRAC peer group, Table 2, as published, unadjusted for the 2024-25 TRAC population), although this movement is not solely due to the change in MSI methodology.

- **Other (non-commercial) activity** includes income from investments, donations, endowments (including both realised and unrealised investment gains), and capital grants not allocated to teaching or research. This income is offset by related expenditure, including investment losses. In 2024-25, income in this category totalled £2,030 million, down from £2,244 million in 2023-24. This included £227 million from new endowments, donations, capital grants, and other significant items – representing 11.2 per cent of total non-commercial income, compared with £359 million (16.0 per cent) in the previous year.

  The surplus of income over expenditure was £1,801 million in 2024-25, compared with £1,995 million in 2023-24. However, this figure should be interpreted with caution, as it includes unrealised investment gains or losses (gains in income, and losses in costs) which can reflect both realised and unrealised gains or losses. (Unrealised gains reflected in income are not available to spend on supporting other activities.) Additionally, the FRS 102 accounting standard can distort this category. It requires full recognition of new endowments, donations and capital grants as income in the year received, even though the associated spending (e.g. on buildings, equipment, and facilities) occurs over future years.

Definitions for Table 1 (page 14) and Figure 1 (page 15)

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[14]. Income includes student fees paid via the Student Loans Company.

Non-publicly funded teaching: Teaching of students from outside the UK; self-funded home students and other commissioned courses (such as employer-specific ‘closed’ courses).[15]

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): This activity category comprises three sub-categories:

- Other (academic departments)
- Other (standalone enterprise activities)
- Other (student residences).

Activities reported under these categories include knowledge transfer activity; commercial activities such as catering and conferences, commercially-let facilities such as sports facilities and theatres; and activities and services such as publishing or commercial consultancy (including services carried out through subsidiary companies). A new sub-category ‘Other (student residences)’ was introduced for reporting from 2024-25 onwards to align with the new method for calculating and allocating the Margin for Sustainability and Investment adjustment. Income and costs associated with the provision of student residences are recorded within this new sub-category rather than within Other (standalone enterprise activities). For institutions with medical and dental schools, an additional sub-category Other (clinical services) may be used for services provided to the NHS under ‘knock-for-knock’ arrangements.

Other (non-commercial): Non-commercial activity such as investment activity (including gains and losses on investments, both realised and unrealised) and new donations or endowments (that are not designated for allocation to teaching or research).

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[14] Includes continuing students from the EU who were eligible for funding from the Student Loan Company on 1 August 2021.

[15] Includes students from the EU who did not have settled or pre-settled status and commenced study on a new course on or after 1 August 2021.

Table 1: TRAC income and full economic costs by activity, 2024-25 (higher education institutions in England and Northern Ireland) (figures in £ million)[16]

TRAC income and full economic costs by activity	Teaching (Publicly funded)	Teaching (Non-publicly funded)	Research	Other (income-generating)	Other (non-commercial)	Total
TRAC income	14,492	11,167	10,944	7,404	2,030	46,038
TRAC full economic costs	16,163	7,597	16,433	7,762	229	48,184
TRAC surplus/(deficit)	(1,670)	3,570	(5,489)	(358)	1,801	(2,146)
TRAC surplus/(deficit) as a % of income	(11.5%)	32.0%	(50.2%)	(4.8%)	88.7%	(4.7%)
Recovery of full economic costs %	**89.7%**	**147.0%**	**66.6%**	**95.4%**	**885.9%**	**95.5%**
Recovery of full economic costs % (2023-24)	89.2%	142.3%	65.8%	98.4%	902.6%	95.8%
Included in income:						
New endowments received	4	39	102	28	91	264
New donations	11	56	142	7	112	329
New government capital grants	52	11	259	10	0	333
New non-government capital grants	3	2	18	3	4	29
Other material items	0	1	0	0	20	21
Total income items	70	109	521	48	227	975
Total as % of income	0.5%	1.0%	4.8%	0.7%	11.2%	2.1%
Total as % of income (2023-24)	0.5%	1.1%	4.2%	1.0%	16.0%	2.4%

[16] Definitions for this table can be found on page 13. Figures in this and subsequent tables may not sum because of rounding.

Figure 1: TRAC full economic cost surplus/(deficit) by activity, 2024-25 (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, broken down by research sponsor type. This shows that:

- Quality-related recurrent research funding from Research England or the Department for the Economy (Northern Ireland), available to support all 'public good' research, totalled £2,102 million – negligible change from 2023-24.

- UKRI Research councils-funded research activity accounted for 22.2 per cent of total research costs, with a recovery of 69.8 per cent of full economic cost, compared with 68.0 per cent in 2023-24.

- 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 44.2 per cent – up from 42.7 per cent in 2023-24. Postgraduate research full-time equivalent student numbers, as reported in TRAC, was 79,291 in 2024-25 – an increase of 1.6 percent from 78,054 in 2023-24.[17]

- Recovery of costs from 'other government departments' was 78.3 per cent, a modest increase of 2.4 percentage points on the recovery rate for 2023-24 of 75.9 per cent.

- Cost recovery from UK charities was 55.8 per cent (55.6 per cent in 2023-24).

- Cost recovery on 'Industry-sponsored' research activity (including research funded by overseas government bodies and overseas charities) was 76.5 per cent (up from 75.1 per cent for 2023-24).

- Institution own-funded research was costed at £3,260 million (£3,171 million in 2023-24), representing 19.8 per cent of the total full economic costs of research. The recovery rate was 16.6 per cent of full economic costs, down from 17.1 per cent in 2023-24. While the quality-related recurrent grant funding from Research England or the Department for the Economy (Northern Ireland) is available to support this activity and other 'public good' research, it also relies on substantial cross-flows from other income sources across the portfolio of academic and other income-generating activities.

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

Summary

16. In summary, the analysis shows:

- The sector continues to have a substantial level of activity that does not cover its full economic costs, giving a £2 billion deficit on a full economic cost basis.
- The funding gap in publicly funded teaching remains significant, due to sustained cost pressures, particularly rising staff-related expenditures, alongside other operational expenditures.
- Research activity continues to show deficits exceeding £5 billion, with full economic costs substantially in excess of income; hence research activity is reliant on cross-subsidies from other sources.
- While the sector aggregate position continues to show growth in income from non-publicly funded teaching (primarily international students), which continues to make a significant contribution to support other activities, it does not provide sufficient surplus to offset the deficits across publicly funded teaching and research.
- Other income-generating activity also recorded slightly below a break-even position on a full economic cost basis, in part reflecting the increase in the MSI apportionment to the Other (student residences) sub-category, as well as the diversity of activity portfolios within this category.
- 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.

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 in Annex C.

19. A summary of the modelled impact of the change to the methodology for calculating and apportioning the MSI calculation to activities is provided in Tables 7 and 8 at Annex D.

Table 2: Research income and full economic costs by sponsor type, 2024-25 (higher education institutions in England and Northern Ireland) (figures in £ million)

Research income and full economic costs by sponsor type	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	2,102	541	1,392	2,544	1,531	299	1,175	1,362	10,944
TRAC full economic costs		3,260	3,151	3,644	1,955	536	2,107	1,780	16,433
TRAC surplus/(deficit)		(2,719)	(1,759)	(1,100)	(425)	(238)	(932)	(418)	(5,489)
TRAC surplus/(deficit) as a % of income		(502.6%)	(126.4%)	(43.2%)	(27.7%)	(79.6%)	(79.3%)	(30.7%)	(50.2%)
Recovery of full economic costs %		**16.6%**	**44.2%**	**69.8%**	**78.3%**	**55.7%**	**55.8%**	**76.5%**	**66.6%**
Recovery of full economic costs % (2023-24)		17.1%	42.7%	68.0%	75.9%	56.4%	55.6%	75.1%	65.8%
Included in income:									
New endowments received		80	20					1	102
New donations		72	33					38	142
New government capital grants	6	115	18	52	39	4	17	10	261
New non-government capital grants	0	0	0	3	1	4	6	1	16
Other material items	0	0	0	0	0	0	0	0	0
Total income items	6	268	72	55	40	8	23	50	521
Total as % of income	0.3%	49.5%	5.1%	2.2%	2.6%	2.8%	1.9%	3.7%	4.8%
Total as % of income (2023-24)		49.2%	2.4%	1.9%	1.5%	2.4%	1.2%	3.0%	4.2%

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), 2024-25 (higher education institutions in England and Northern Ireland)

Derivation of TRAC full economic costs and TRAC surplus/(deficit)	Total (£ million)
Total income adjusted for TRAC (derived from audited financial statements for 2024-25)	46,038
Total expenditure adjusted for TRAC (derived from audited financial statements for 2024-25)	44,668
Operating surplus/(deficit) per audited financial statements	1,370
Sustainability adjustment (EBITDA for MSI)	3,515
Full economic cost (total expenditure plus target surplus for sustainable operations)	48,184
TRAC surplus/deficit	(2,146)

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 2024-25 – Version 3.0 (August 2025) and Annual TRAC return template at Annex 4.1a.[18]

- 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 18.

- 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.

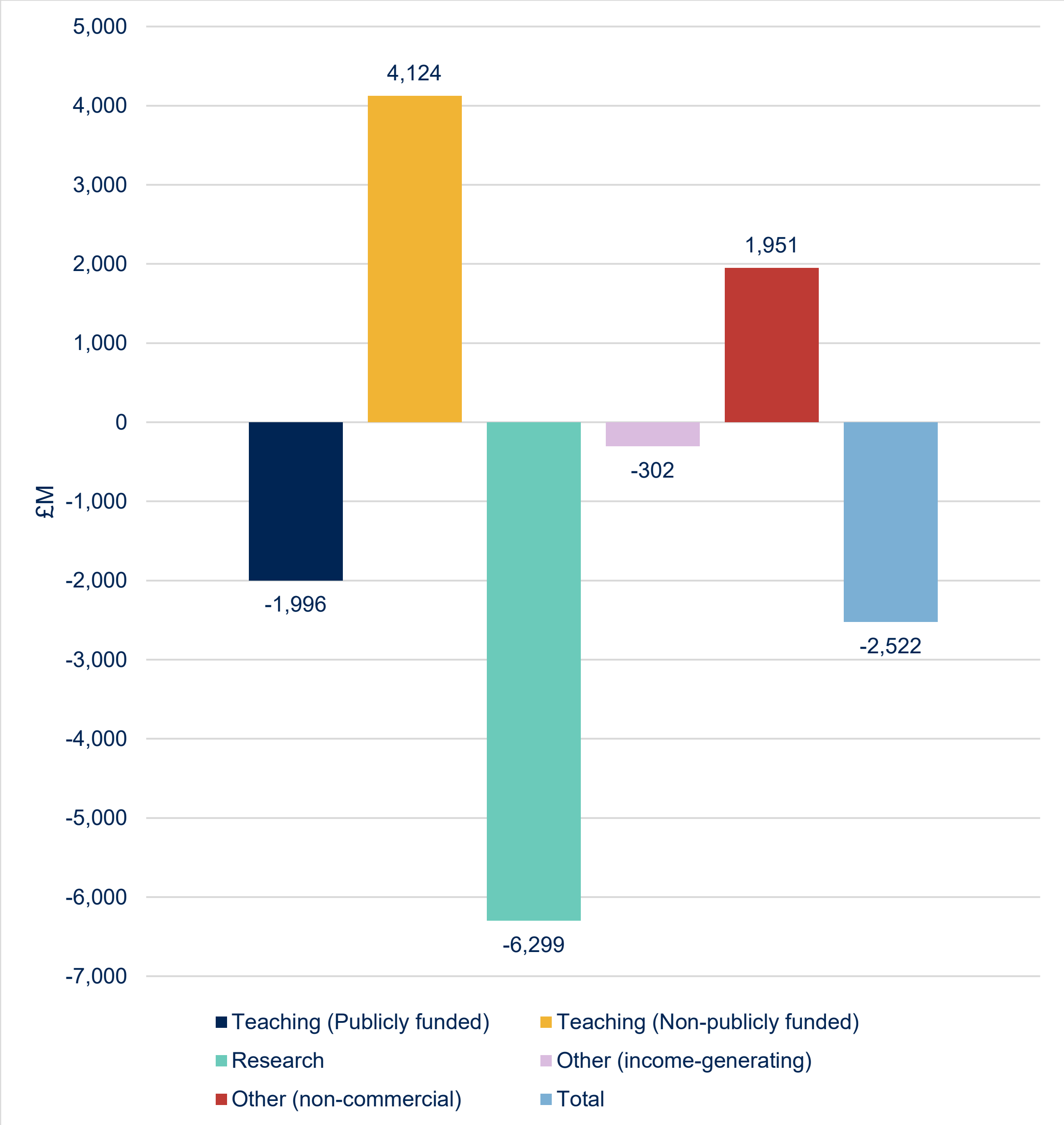
[18] The TRAC guidance for 2023-24 (version 3.0) is available at www.trac.ac.uk/tracguidance/archive/.

Annex B: UK sector data

Table 4: Income and full economic costs activity, 2024-25 (UK higher education institutions) (figures in £ million)

TRAC income and full economic costs by activity	Teaching (Publicly funded)	Teaching (Non-publicly funded)	Research	Other (income-generating)	Other (non-commercial)	Total
TRAC income	16,479	12,831	12,806	8,347	2,189	52,651
TRAC full economic costs	18,475	8,706	19,104	8,649	238	55,173
TRAC surplus/(deficit)	(1,996)	4,124	(6,299)	(302)	1,951	(2,522)
TRAC surplus/(deficit) as a % of income	(12.1%)	32.1%	(49.2%)	(3.6%)	89.1%	(4.8%)
Recovery of full economic costs %	**89.2%**	**147.4%**	**67.0%**	**96.5%**	**918.6%**	**95.4%**
Recovery of full economic costs % (2023-24)	88.7%	142.5%	66.3%	99.7%	958.0%	95.7%
Included in income:						
New endowments received	6	52	103	28	96	286
New donations	13	66	149	8	125	360
New government capital grants	65	16	309	13	0	404
New non-government capital grants	9	9	43	4	4	69
Other material items	0	1	2	0	20	23
Total income items	93	144	606	53	246	1,142
Total as % of income	0.6%	1.1%	4.7%	0.6%	11.2%	2.2%
Total as % of income (2023-24)	0.6%	1.3%	4.3%	1.1%	15.8%	2.5%

Figure 2: TRAC full economic costs surplus/(deficit) by activity, 2024-25 (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 or the Department for the Economy (Northern Ireland) or by the NHS, National College of Teaching and Leadership, or Education and Skills Funding Agency.[19] Income includes student fees paid via the Student Loans Company.

Non-publicly funded teaching: Teaching of students from outside the UK; self-funded home students and other commissioned courses (such as employer-specific 'closed' courses)[20].

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): This activity category comprises three sub-categories:

- Other (academic departments)
- Other (standalone enterprise activities)
- Other (student residences).

Activities reported under these categories include knowledge transfer activity; commercial activities such as catering and conferences, commercially-let facilities such as sports facilities and theatres; and activities and services such as publishing or commercial consultancy (including services carried out through subsidiary companies). A new sub-category Other (student residences) was introduced for reporting from 2024-25 onwards to align with the new method for calculating and allocating the Margin for Sustainability and Investment adjustment. Income and costs associated with the provision of student residences are recorded within this new sub-category rather than within Other (standalone enterprise activities). For institutions with medical and dental schools, an additional sub-category Other (clinical services) may be used for services provided to the NHS under 'knock-for-knock' arrangements.

Other (non-commercial): Non-commercial activity such as investment activity (including gains and losses on investments, both realised and unrealised) and new donations or endowments (that are not designated for allocation to teaching or research).

[19] Includes continuing students from the EU who were eligible for funding from the Student Loan Company on 1 August 2021.

[20] Includes students from the EU who did not have settled or pre-settled status and commenced study on a new course on or after 1 August 2021.

Table 5: Research income and full economic costs by sponsor type, 2024-25 (UK higher education institutions) (figures in £ million)

Research income and full economic costs by sponsor type	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	2,459	580	1,630	3,063	1,802	345	1,379	1,547	12,806
TRAC full economic costs		3,647	3,675	4,371	2,269	619	2,465	2,059	19,104
TRAC surplus/(deficit)		(3,068)	(2,045)	(1,307)	(467)	(274)	(1,086)	(511)	(6,299)
TRAC surplus/(deficit) as a % of income		(529.1%)	(125.4%)	(42.7%)	(25.9%)	(79.6%)	(78.7%)	(33.0%)	(49.2%)
Recovery of full economic costs %		**15.9%**	**44.4%**	**70.1%**	**79.4%**	**55.7%**	**55.9%**	**75.2%**	**67.0%**
Recovery of full economic costs % (2023-24)		16.8%	42.7%	68.2%	77.8%	56.5%	55.4%	75.2%	66.3%
Included in income:									
New endowments received		80	22					1	103
New donations		78	33					38	149
New government capital grants	6	128	22	59	55	5	21	13	310
New non-government capital grants	0	2	3	16	3	5	9	4	42
Other material items	0	0	0	0	2	0	0	0	2
Total income items	7	289	79	76	60	10	30	55	606
Total as % of income	0.3%	49.8%	4.8%	2.5%	3.4%	2.9%	2.2%	3.6%	4.7%
Total as % of income (2023-24)		49.2%	2.5%	2.4%	2.4%	3.0%	1.7%	2.9%	4.3%

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), 2024-25 (UK-higher education institutions)

Derivation of TRAC full economic costs and TRAC surplus/(deficit)	Total (£ million)
Total income adjusted for TRAC (derived from audited financial statements for 2024-25)	52,651
Total expenditure adjusted for TRAC (derived from audited financial statements for 2024-25)	51,244
Operating surplus/(deficit) per audited financial statements	1,407
Sustainability adjustment (EBITDA for MSI)	3,928
Full economic cost (total expenditure plus target surplus for sustainable operations)	55,172
TRAC surplus/deficit	(2,521)

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 2024-25 – version 3.0 (August 2025) and Annual TRAC return template at Annex 4.1a.[21]

- 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 20.

- 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.

[21] The TRAC guidance is available at www.trac.ac.uk/tracguidance/archive/.

Annex C: UK peer group summary 2024-25

1. The sector peer group summary is provided as an Excel file.[22] 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.[23] 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, after taking into consideration the impact of forthcoming methodological changes to TRAC on the peer group level analysis.[24]

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 analyses, the data shown for 'UK sector' and individual peer groups excluded institutions that applied dispensation.

[22] Available at Latest TRAC data - 2024-25.

[23] 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/.

[24] 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/for-providers/finance-and-funding/trac-transparent-approach-to-costing/review-of-trac/.

Annex D: Changes to TRAC methodology for MSI

Table 7: Modelled impact of change in methodology for calculation and apportionment of MSI by TRAC activity, 2024-25 (higher education institutions in England and Northern Ireland) (figures in in £ million)

Impact of change in MSI calculation method by activity	Teaching (Publicly funded)	Teaching (Non-publicly funded)	Research	Other (income-generating)	Other (non-commercial)	Total
full economic costs for 2024-25 - new method (TRAC guidance v3.0)	16,163	7,597	16,433	7,762	229	48,184
full economic costs for 2024-25 - calculated using old method (v2.9)	16,366	7,650	16,590	7,349	229	48,184
Change in full economic costs	(204)	(53)	(157)	414	0	1
Percentage change in full economic costs	-1.2%	-0.7%	-0.9%	5.6%	0.0%	0.0%
Recovery of full economic costs % 2024-25 (v3.0 method)	**89.7%**	**147.0%**	**66.6%**	**95.4%**	**885.9%**	**95.5%**
Recovery of full economic costs % (v2.9 method)	88.5%	146.0%	66.0%	100.8%	885.9%	95.5%

Table 8: Modelled impact of change in methodology for calculation and apportionment of MSI by TRAC activity, 2024-25 (UK higher education) in £ million

Table 8: Impact of change in MSI calculation method by activity in £ million	Teaching (Publicly funded)	Teaching (Non-publicly funded)	Research	Other (income-generating)	Other (non-commercial)	Total
full economic costs for 2024-25 - new method (TRAC guidance v3.0)	18,475	8,706	19,104	8,649	238	55,173
full economic costs for 2024-25 - calculated using old method (TRAC guidance v2.9)	18,705	8,773	19,296	8,161	238	55,172
Change in full economic costs	(230)	(66)	(191)	489	0	1
Percentage change in MSI	-1.2%	-0.8%	-1.0%	6.0%	0.0%	0.0%
Recovery of full economic costs % 2024-25 (v3.0 method)	**89.2%**	**147.4%**	**67.0%**	**96.5%**	**918.6%**	**95.4%**
Recovery of full economic costs % (v2.9 method)	88.1%	146.3%	66.4%	102.3%	918.6%	95.4%