

**Office for
Students**



Annual TRAC 2020-21

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

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Background

1. This paper analyses the 2020-21 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 and further analysis by peer group.
2. All UK higher education institutions are required to report Transparent Approach to Costing (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 was first collected for academic year 1999-2000. TRAC data for 2020-21 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) and these bodies are co-owners of the data.
3. For 2020-21 TRAC reporting, providers were granted flexibility to submit the annual TRAC return on a later timescale if necessary, due to the impact of the COVID-19 pandemic on the operating environment for all providers and the impact on the timing for submission of audited financial statements and the Annual Financial Return for providers in England, and the HESA Finance Return for institutions in Northern Ireland, Scotland and Wales. The deadline for all providers to submit and sign off the TRAC return by the accountable officer was 31 March 2022.
4. The TRAC guidance for 2020-21 reporting (version 2.6) included an additional annex (1.1b) covering COVID-19 supplementary TRAC guidance.² This annex addressed the adjustments required or permitted in relation to reporting of activities, costs and income for the period affected by the COVID-19 operational disruptions. In particular, it included guidance on the impact on the activities of academic staff during the period affected by the COVID-19 pandemic restrictions the UK during the year, and definitions and approaches for estimating and reporting the impacts within the TRAC return for 2020-21.
5. 2020-21 is the sixth year in which TRAC reporting has been prepared under the new 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 previous method. Data for 2016-17 therefore

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 2020-21; 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).

² TRAC guidance for 2020-21 (version 2.6) September 2021 is available at: www.trac.ac.uk/tracguidance/.

formed the baseline for the start of a new time series of TRAC data. Analyses of the annual TRAC data for 2019-20 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 2020-21 sector aggregate data based on submissions from 132 higher education institutions in England and Northern Ireland.⁵ Aggregated data for 155 UK higher education institutions is provided in Annex B. Data was collected from two further providers in England, but has been excluded from this analysis, and one provider in England did not submit its TRAC return for 2020-21. Data was collected from three further UK providers but has been excluded from the UK analysis. (Comparative data for 2019-20 where provided is based on the same population of institutions included in the 2020-21 analysis, so may not match previously published data for 2019-20, except for analysis in Annex D.)
7. The TRAC data collection process for 2020-21 included the requirement to submit an action plan with the annual TRAC return to address areas of non-compliance with the TRAC requirements. Of the 20 UK higher education institutions that submitted action plans, eight were from institutions that had recently received a UKRI Funding Assurance visit. Within the 20 action plans, 14 cited issues related to academic staff time allocation surveys or workload planning models, of which five related to declarations regarding decisions not to undertake a data collection from academic staff in 2020-21 (as permitted in the concessions set out in Annex 1.1b of the TRAC guidance covering COVID-19 related supplementary guidance). Issues relating to use of workload planning-based methods related mostly to approval of workplans not being undertaken at the beginning or end of the year. Three institutions indicated that TRAC Oversight Groups had ceased to operate for the relevant period. 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.
8. This paper also contains annual TRAC data for 2020-21 analysed by TRAC peer group (Annex C and Excel workbook).⁶
9. This paper also contains a summary of some of the additional contextual information collected in the COVID-19 supplementary tables within the TRAC return for 2020-21. This is to aid the interpretation of the TRAC data for 2020-21 and to estimate the impact of the COVID-19 pandemic and associated restrictions on the operations of higher education providers during

³ Analysis of the Annual TRAC for 2019-20 is available at www.officeforstudents.org.uk/publications/annual-trac-2019-20/.

⁴ Analysis of the annual TRAC data for 2016-17 is available at www.officeforstudents.org.uk/data-and-analysis/trac-data/published-data-2016-17/.

Analysis of the annual TRAC data for 2017-18 is available at www.officeforstudents.org.uk/publications/annual-trac-2017-18/.

Analysis of the annual TRAC data for 2018-19 is available at www.officeforstudents.org.uk/publications/annual-trac-2018-19/.

⁵ The 132 higher education institutions in England and Northern Ireland comprise: 130 higher education providers that are funded by the OfS (including one provider that implemented TRAC for reporting from 2018-19); and two higher education institutions funded by the Department for the Economy, Northern Ireland.

⁶ Available at www.officeforstudents.org.uk/data-and-analysis/trac-data/published-data-2020-21/.

the 2020-21 academic year. This is included at Annex D and Excel workbook which is released as an experimental official statistic.⁷

Contact

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

⁷ Available at www.officeforstudents.org.uk/data-and-analysis/trac-data/published-data-2020-21/.

Key points

10. The annual TRAC return for 2020-21 shows a sector aggregate deficit of £177 million for higher education institutions in England and Northern Ireland, with 99.5 per cent of TRAC full economic costs recovered.⁸ This compares with a deficit of £2,823 million and a recovery of 92.5 per cent in 2019-20.⁹ This excess of costs over income is consistent with the previous years, but for the period March-July in 2019-20 and for 2020-21 the impact of the COVID-19 pandemic on operating arrangements has been an additional factor affecting both income and costs of higher education institutions. In 2020-21 total income increased by £3,052 million to £38,022 million, an increase of 8.7 per cent. The full economic costs of all activities increased by £407 million to £38,200 million – an increase of 1.1 per cent.

11. This change in full economic costs comprises:

- **Total staff costs have increased by £2,953 million (18 per cent)**, however this is primarily because of the large USS pension deficit provision adjustment (non-cash credit), which reduced staff costs below the underlying level in 2019-20¹⁰. Although there has been increased pension cash contributions by providers in 2020-21. TRAC costs adjust for USS provision movements. In 2019-20, staff costs reflected an exceptional non-cash accounting 'credit' of £2,456 million to reflect the finalisation of the 2018 USS valuation. When removing the effect of this as reported in the financial statements and the OfS Annual Financial Return (AFR) (or HESA Finance return for institutions in Northern Ireland), the underlying increase in staff costs between 2019-20 to 2020-21 was approximately 2.6 per cent. As the accounting adjustment for USS is not reflective of annual operating costs, the TRAC methodology makes adjustment for the distortion caused by the impact of the accounting for the USS deficit reduction plan, replacing it with the annual cash contributions (which include deficit contributions).¹¹ The financial implications of the 2020 USS valuation is not reflected in the 2020-21 financial data, but is expected to feature in 2021-22 accounts.

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 2019-20 data are based on the same population of institutions as included for the 2020-21 analysis and so will not necessarily match the values in the 2019-20 report.

¹⁰ Values from OfS Annual Financial Return and HESA Finance Return for institutions in Northern Ireland based on the same population as included in the 2020-21 TRAC figures.

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.

- **Other operating costs have remained flat at £12,018 million**, a decrease of 0.01% between 2019-20 and 2020-21, and there have been reductions in interest and finance costs and restructuring costs offset by increases in staff costs and depreciation.¹²
- **An increase in the sustainability adjustment by £400 million** from £3,072 million in 2019-20 to £3,472 million in 2020-21. The sustainability adjustment represents 9.1 per cent of the full economic costs, compared with 8.1 per cent of the full economic costs in 2019-20. 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 increase in the aggregate sustainability adjustment for 2020-21 reflects the increase in EBITDA (cash generation) in 2020-21 and the impact of revised forecasting of the impact of the COVID-19 on actual results or projections for future income and costs, as well as other factors affecting institutions' projections (including the effects of student recruitment in 2020-21 or research activity and growth and inflation assumptions). It also reflects variability in higher education institutions' forecasts (as prepared and submitted in late 2021 or early 2022) and judgements made by individual institutions in preparing financial forecasts.
- **Changes due to the impact of the COVID-19 pandemic and associated operational restrictions that applied during 2020-21.** Higher education institutions will have made changes to their operational arrangements while continuing to support staff to deliver teaching (e.g. through delivery of blended learning or a phased return to on-campus teaching), research or professional or administrative services as well as to support students in their learning, or in providing support to assist with wellbeing or hardship, or to support prospective students make informed choices. Institutions will also have taken a range of steps to reduce costs, for example, the running of the estate and on-campus facilities, or deferred planned expenditure or investment.

12. Total income includes £822 million of income from new endowments received, new donations and new capital grants and other material income, representing 2.2 per cent of income. This is a reduction on the £969 million (2.8 per cent) income from these sources in 2019-20. This has the effect of reducing the shortfall on cost recovery as income will be recognised in full on receipt, 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 small deficit on a full economic cost basis – meaning that costs exceeded income by £304 million, with 98.0 per cent of the full economic costs recovered compared with 96.2 per cent in 2019-20.

¹² Values from OfS Annual Financial Return and HESA Finance Return for institutions in Northern Ireland based on the same population as included in the 2020-21 TRAC figures.

- Non-publicly funded teaching (primarily overseas students) continued to generate a significant surplus: £2,293 million recovering 152.9 per cent of costs, representing an increase from £1,971 million recovering 146.4 per cent of costs from 2019-20.
- Research continues to show a substantial deficit, but the deficit reduced slightly in 2020-21 to £3,805 million, from £4,005 million in 2019-20. This represents a slightly improved recovery of 70.6 per cent compared with 68.8 per cent of full economic costs for 2019-20 but was still notably lower than in 2010-11 when the recovery rate on research peaked at 77.8 per cent. Research income for 2020-21 includes £364 million of income from new endowments and donations, and new capital grants, representing 4.0 per cent of research income. This compares with £405 million (4.6 per cent of research income) in 2019-20.
- Other (income-generating) activities show a deficit with costs exceeding income by £662 million, representing a recovery rate of only 88.1 per cent. This represents a small reduction from the deficit incurred in 2019-20 but reflects a significant change from previous years. (In 2018-19 there was a surplus of income over costs of £185 million representing a recovery of 103.2 per cent.¹³) Total income for this activity reduced from £5,249 million in 2019-20 to £4,884 million in 2020-21 – largely attributable to the waiver, or refund, of accommodation fees made to students in institution-owned accommodation, or under-occupancy of accommodation, as well as to the loss of revenue from on-campus catering, facilities and conference operations. The full economic costs reduced from £6,040 million to £5,546 million.
- Other (non-commercial) activity (income from investments, donations and endowments, 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, shows a surplus of £2,300 million. This represents a significant increase from £533 million in 2019-20. In 2020-21, income from new endowments, donations, new capital grants and other material items totalled £195 million, representing 6.8 per cent of other (non-commercial) income compared with £297 million (26.4 per cent of other (non-commercial) income) in 2019-20. A notable factor in the increase in income reported for 2020-21 is the gains (both realised and unrealised) on investment assets, representing the recovery in valuations since 31 July 2020 which reflected the impact of the COVID-19 pandemic and uncertainty in the global economy on asset valuations. In addition, some caution is required in interpreting this category as FRS102 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 Figures for 2018-19 data are based on the same population of institutions as included for the 2020-21 analysis and so will not necessarily match the values in the 2018-19 report.

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, 2020-21 (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	14,529	6,625	9,127	4,884	2,856	38,022
TRAC full economic costs	14,833	4,332	12,932	5,546	556	38,200
TRAC surplus/(deficit)	(304)	2,293	(3,805)	(662)	2,300	(177)
TRAC surplus/(deficit) as a % of income	(2.1%)	34.6%	(41.7%)	(13.6%)	80.5%	(0.5%)
Recovery of full economic costs %	98.0%	152.9%	70.6%	88.1%	513.3%	99.5%
Recovery of full economic costs % (2019-20)	96.2%	146.4%	68.8%	86.9%	190.2%	92.5%
Included in income						
New endowments received	7	38	79	4	74	201
New donations	17	42	100	16	107	282
New government capital grants	60	11	165	23	2	260
New non-government capital grants	11	2	21	23	12	68
Other material items	0	0	0	11	0	11
Total income items	95	92	364	76	195	822
Total as % of income	0.7%	1.4%	4.0%	1.6%	6.8%	2.2%
Total as % of income (2019-20)	0.7%	1.7%	4.6%	1.2%	26.4%	2.8%

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, 2020-21 (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:

- Research council-funded research activity accounted for 21.0 per cent of total research costs, with a recovery of 71.8 per cent of full economic cost, compared with 71.0 per cent in 2019-20.
- Cost recovery on 'Training and supervision of postgraduate research students' continues to show the lowest recovery across the externally sponsored research activity, at 47.5 per cent. Postgraduate full-time equivalent student numbers, as reported in TRAC, increased by 0.6 per cent from 80,194 in 2019-20 to 80,720.¹⁵
- Quality-related research funding from Research England (RE) or Department for the Economy (Northern Ireland) (DfENI), available to support all 'public good' research, totalled £1,858 million, compared with £1,833 million for 2019-20.
- Recovery of costs from 'other government departments' was 74.7 per cent, representing a small increase in recovery rate from 73.8 per cent for 2019-20. Cost recovery from UK charities was 57.3 per cent (57.4 per cent in 2019-20), while cost recovery on 'Industry-sponsored' research activity (including research funded by overseas government bodies and overseas charities) was 76.1 per cent (76.2 per cent for 2019-20).

15. In line with previous years, the sector continues to have a substantial level of activity that does not cover its full economic costs. The data for 2020-21 should be interpreted taking account of the impact of the COVID-19 pandemic across all activities, affecting operational arrangements on-campus over the year. This impacts on income streams – most significantly due to losses of income from student accommodation, catering and on-campus facilities and conferences – and on expenditure, including mitigations to offset reduced income streams or areas of increased costs. These factors also impact on the capacity of higher education institutions to cross-subsidise across activity categories and the aggregate position for the sector may not be representative of diversity and range for individual institutions.

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).

18. A summary of the data collected in the COVID-19 supplementary tables as part of the Annual TRAC return for 2020-21 is provided as experimental statistic as an Excel workbook (see Annex D). Annex D provides analysis of the additional information collected in the COVID-19 supplementary tables on the changes to academic staff activity and associated staff costs to provide context in interpreting the 2020-21 data.

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

Table 2: Research income and full economic costs by sponsor type, 2020-21 (higher education institutions in England and Northern Ireland) (figures in £ million)

	Recurrent research funding from the Funding Councils	Institution-own funded	Training and supervision of postgraduate research students	Research Councils	Other government departments	EU	UK charities	Industry	Total research
TRAC income	1,858	460	1,164	1,950	1,021	564	1,063	1,048	9,127
TRAC full economic costs		2,267	2,451	2,715	1,367	900	1,855	1,377	12,932
TRAC surplus/(deficit)		(1,807)	(1,287)	(766)	(346)	(336)	(792)	(329)	(3,805)
TRAC surplus/(deficit) as a % of income		(392.9%)	(110.6%)	(39.3%)	(33.9%)	(59.6%)	(74.5%)	(31.4%)	(41.7%)
Recovery of full economic costs %		20.3%	47.5%	71.8%	74.7%	62.6%	57.3%	76.1%	70.6%
Recovery of full economic costs % (2019-20)		16.9%	46.0%	71.0%	73.8%	62.3%	57.4%	76.2%	68.8%
Included in income									
New endowments received	1	37	39	0	0	0	0	2	79
New donations	1	61	14	2	1	0	3	19	100
New government capital grants	6	56	17	41	17	8	12	9	164
New non-government capital grants	0	3	1	7	1	1	6	2	21
Other material items	0	0	0	0	0	0	0	0	0
Total income items	8	156	70	50	19	9	21	31	364
Total as % of income	0.4%	34.0%	6.0%	2.6%	1.8%	1.5%	2.0%	3.0%	4.0%
Total as % of income (2019-20)	0.2%	46.9%	2.1%	4.4%	3.5%	1.6%	2.4%	3.7%	4.6%

Notes to Table 2

- 'European Union' covers EU government bodies including the 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 Transparent Approach to Costing (TRAC) full economic costs and TRAC surplus/(deficit), 2020-21 (higher education institutions in England and Northern Ireland)

	Total (£M)
Total income adjusted for TRAC (derived from audited financial statements for 2020-21)	38,022
Total expenditure adjusted for TRAC (derived from audited financial statements for 2020-21)	34,726
Operating surplus/(deficit) per audited financial statements	3,296
Sustainability adjustment (EBITDA for MSI)	3,472
Full economic cost (total expenditure plus target surplus for sustainable operations)	38,198
TRAC surplus/deficit	(176)

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 2020-21 – Version 2.6 (July 2021) 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 16.
- 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, 2020-21 (UK higher education institutions) (figures in £ million)

	Teaching (Publicly funded)	Teaching (Non- publicly funded)	Research	Other (Income generating)	Other (Non- commercial)	Total
TRAC income	16,608	7,690	10,907	5,705	3,141	44,051
TRAC full economic costs	17,042	5,042	15,147	6,247	592	44,070
TRAC surplus/(deficit)	(434)	2,648	(4,240)	(542)	2,549	(20)
TRAC surplus/(deficit) as a % of income	(2.6%)	34.4%	(38.9%)	(9.5%)	81.1%	(0.0%)
Recovery of full economic costs %	97.5%	152.5%	72.0%	91.3%	530.3%	100.0%
Recovery of full economic costs % (2019-20)	95.7%	146.5%	69.8%	88.7%	189.0%	92.8%
Included in income						
New endowments received	8	41	82	4	75	210
New donations	18	44	102	31	125	319
New government capital grants	95	23	251	39	18	426
New non-government capital grants	17	5	43	25	12	102
Other material items	0	0	0	51	0	51
Total income items	138	113	477	150	230	1,108
Total as % of income	0.8%	1.5%	4.4%	2.6%	7.3%	2.5%
Total as % of income (2019-20)	0.9%	1.9%	4.6%	1.2%	30.5%	3.0%

Figure 2: TRAC full economic cost surplus/deficit by activity, 2020-21 (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, 2020-21 (UK higher education institutions) (figures in £ million)

	Recurrent research funding from the Funding Councils	Institution-own funded	Training and supervision of postgraduate research students	Research Councils	Other government departments	EU	UK charities	Industry	Total research
TRAC income	2,224	549	1,373	2,337	1,267	688	1,252	1,218	10,907
TRAC full economic costs		2,535	2,864	3,223	1,644	1,088	2,177	1,615	15,147
TRAC surplus/(deficit)		(1,986)	(1,491)	(887)	(377)	(400)	(926)	(396)	(4,240)
TRAC surplus/(deficit) as % of income		(362.0%)	(108.6%)	(37.9%)	(29.7%)	(58.2%)	(74.0%)	(32.5%)	(38.9%)
Recovery of full economic costs %		21.6%	47.9%	72.5%	77.1%	63.2%	57.5%	75.5%	72.0%
Recovery of full economic costs % (2019-20)		17.2%	45.7%	71.4%	75.9%	62.9%	57.4%	75.2%	69.8%
Included in income									
New endowments received	1	37	40	0	0	0	1	2	82
New donations	1	62	14	2	1	0	3	20	102
New government capital grants	9	73	28	57	30	14	23	15	250
New non-government capital grants	0	4	3	16	3	3	11	4	44
Other material items	0	0	0	0	0	0	0	0	0
Total income items	11	176	85	76	34	17	38	41	477
Total as % of income	0.5%	32.2%	6.2%	3.2%	2.7%	2.4%	3.0%	3.4%	4.4%
Total as % of income (2019-20)	0.2%	44.4%	2.4%	4.6%	3.8%	2.1%	2.9%	3.8%	4.6%

Notes to Table 5

- 'European Union' covers EU government bodies including the 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 Transparent Approach to Costing (TRAC) full economic costs and TRAC surplus/(deficit), 2020-21 (UK higher education institutions)

	Total (£M)
Total income adjusted for TRAC (derived from audited financial statements for 2020-21)	44,051
Total expenditure adjusted for TRAC (derived from audited financial statements for 2020-21)	40,175
Operating surplus/(deficit) per audited financial statements	3,876
Sustainability adjustment (EBITDA for MSI)	3,895
Full economic cost (total expenditure plus target surplus for sustainable operations)	44,069
TRAC surplus/deficit	(19)

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 2019-20 – Version 2.5 (July 2020) 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 17.
- 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 2020-21

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 has been deferred pending decisions about work to be taken forward from the Review of TRAC.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-2020-21/.

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/.

Annex D: Analysis of the Annual TRAC return COVID-19 supplementary tables 2020-21 – an experimental official statistic

Introduction

1. The TRAC return for 2020-21 included the collection of additional information about the impact of the change to higher education institutions' operating circumstances due to the COVID-19 pandemic on institutions' delivery of their teaching, research and other activities, and their ability to compile the TRAC return data for 2020-21 robustly in accordance with the TRAC requirements. The purpose of the additional data collection was to provide information to assess the scale of the impact of these disruptions on the full economic costs reported in TRAC and provide context for the interpretation and use of the TRAC data for 2020-21 within an ongoing time series of data.
2. The TRAC guidance (version 2.6) for 2020-21 included an additional annex (1.1b Supplementary TRAC guidance addressing issues arising from the impact of the coronavirus (COVID-19) pandemic).²¹ This provided further guidance to assist higher education institutions in preparing the TRAC returns for 2020-21, focusing on definitions and approaches to providing estimates of the impact of COVID-19 disruption and restrictions on changes to academic staff activity.
3. The addition of the COVID-19 supplementary tables as part of the Annual TRAC return was intended as a temporary addition to capture information about the impact of the coronavirus pandemic on the costs of activities reported in TRAC, and was initially collected for 2019-20. The guidance for 2020-21 and data collected in the COVID-19 supplementary data tables for 2020-21 was revised based on the experience of collecting data on the COVID-19 impacts in the 2019-20 collection, with additional notes to improve clarity of definitions and guidance on the estimates required. The data collected in these tables is prepared based on estimates and without the same rigour or evidence base that supports the TRAC system. Thus the analysis of the data collected in the COVID-19 supplementary tables is published as an experimental official statistic.²²
4. This analysis shows, in aggregate for UK institutions, the extent of the estimated impacts of COVID-19-related changes on activities and costs reported in TRAC for 2020-21. Analysis of the Annual TRAC COVID-19 supplementary tables for 2019-20 is available on the OfS website.²³ Where comparative data for 2019-20 is referenced in this annex, it is based on the data as published as the experimental statistic for 2019-20 and has not been restated to reflect the population of institutions included the 2020-21 analysis in the main report or Annexes B

²¹ TRAC guidance v2.6 (for 2020-21) – see www.trac.ac.uk/tracguidance/.

²² For further information about official statistics, see www.officeforstudents.org.uk/data-and-analysis/official-statistics/.

²³ See www.officeforstudents.org.uk/publications/analysis-of-the-annual-trac-return-covid-19-supplementary-tables-2019-20/.

and C. It is not expected to be necessary to collect similar information in the 2021-22 TRAC return.

We welcome feedback on the methods and presentation of this information and how it may be improved to aid understanding of the context of the COVID-19 impacts on the interpretation and use of the TRAC data for 2020-21.

Feedback on this experimental official statistic can be sent to Heather Williams at TRAC@officeforstudents.org.uk.

The COVID-19 supplementary tables

5. Section 1 of the COVID-19 supplementary tables collected information about changes in the allocation of academic staff time and the associated costs. This included information about the method used for collecting academic staff time allocation in normal operating circumstances, and information about whether adjustments were made to the academic staff activity data institutions collected in the 2020-21 academic year, or to the academic staff activity data collected in prior years in order to prepare the 2020-21 TRAC return.²⁴
6. Section 2 of the COVID-19 supplementary tables collected information about the movement in research charge-out rates. The data in section 2 includes information which is commercially sensitive and is not presented in this experimental statistic.
7. The approaches to preparing the estimates of the impacts of the COVID-19-related changes on academic staff activities and the costs of the activities varied across institutions, depending on:
 - the method of time allocation used by the institution and frequency of collecting data from academic staff
 - their approach to collecting additional information to support the adjustments to historic time allocation survey data where this fed into the academic time allocation and cost allocation for 2020-21
 - the judgements or quality of the estimates made.
8. Therefore, data provided in the COVID-19 supplementary tables may not have the same level of robustness as data prepared in the main TRAC return tables because of the elements of judgements and estimation required. In addition, the supplementary guidance recognised the circumstances where an institution was due to collect staff time allocation data from academic staff in 2020-21, but was unable to do so, or chose not to do so due to the impact of the COVID-19 pandemic. The guidance set out the steps and approach to be taken in preparing its annual TRAC return for 2020-21 in these circumstances; this included declaring that it was not

²⁴ The TRAC methodology allows institutions choice about the approaches for the collection of data on academic staff activities as well as flexibility on the frequency of data collection. Institutions may collect data from all academic staff once every three years; collect data covering approximately one-third of academic staff every year; or collect data from all academic staff every year. The approaches used by institutions to estimate the impact of COVID-19-related operational changes and costs would depend on the method of data collection in use, and the point in the data collection cycle.

compliant with the relevant TRAC requirements. Of the institutions included in this analysis, 20 UK institutions submitted action plans to address areas of non-compliance, of which 14 cited issues related to time allocation surveys or workload planning models. Of these, five institutions did not undertake a time allocation collection in 2020-21. Other issues related to workload planning approaches, mostly related to approval of plans not being undertaken at the start or the end of the year.

9. Further information on the definitions used for this analysis and guidance on the approaches to be used for estimation of the impact of the different factors of COVID-19-related operational changes are provided in the TRAC guidance, version 2.6, Annex 1.1b COVID-19 – Supplementary TRAC guidance.²⁵ Paragraph 3.1.4.25 provides definitions for the categorisation of the impacts on academic staff activity summarised in this report.
10. UK sector analysis of the data collected in the COVID-19 supplementary tables is provided as an Excel workbook.²⁶ Readers should refer to the section 'Notes on interpretation of the data on changes in academic staff time and associated costs due to COVID-19 impacts and other factors' (page 28 of this document) when considering the data presented in these summaries.

Annex D, Table 1: Summary of response to questions in TRAC 2020-21 COVID-19 supplementary tables

11. Table 1 provides a summary of responses to the questions in section 1 about the methods used for collecting academic staff time data and the adjustments made.
12. Table 1 shows the following:
 - Of the 155 institutions for which data is included in this analysis, 14 institutions (9 per cent) that were due to collect time allocation or workload planning data in 2020-21 deferred collections until 2021-22.
 - 10 institutions (6.5 per cent) stopped collecting time allocation or workload planning data that was due to be collected in 2020-21, due to COVID-19.
 - For 12.9 per cent of institutions, a high-level adjustment to time allocation data was made due to the impact of COVID-19 on operating arrangements.
 - For 31.0 per cent of institutions, a high-level adjustment to the proportions of academic staff time spent supporting TRAC activities due to the impact of COVID-19 on operating arrangements was not made as the impact was not material.
 - For 50.3 per cent of institutions, a high-level adjustment was not made as time allocation data was collected in 2020-21.

²⁵ TRAC guidance, Annex 1.1b Supplementary TRAC guidance addressing issue arising from the impact of the coronavirus (COVID-19) pandemic – see www.trac.ac.uk/wp-content/uploads/2021/09/Annex-1.1b-Covid-TRAC-guidance.pdf

²⁶ Annex D Excel file is available at www.officeforstudents.org.uk/data-and-analysis/trac-data/published-data-2020-21/.

Annex D, Table 2: Comparison of changes in academic staff costs with TRAC full economic costs for, and changes in, academic staff costs due to COVID-19 impacts for 2020-21 for UK higher education institutions

13. Table 2 provides a summary of the aggregated data comprising:

- the value of TRAC full economic costs for 2019-20 and 2020-21, by TRAC activity category and the difference between years
- the value of academic staff costs for 2019-20 and 2020-21, by TRAC activity category and the difference between years
- a breakdown of the components of the difference in value of academic costs between 2019-20 and 2020-21 using the following definitions:
 - the value of changes in academic staff time allocation between TRAC activity categories due to the COVID-19 impact (e.g. additional time spent on teaching and less time spent on research activity or vice versa)
 - value attributable to COVID-19 disruption to staff activity
 - the value of other changes not due to COVID-19
- the change in academic staff costs as a percentage of full economic costs.

14. Table 2 shows:

- In total for 2020-21, for all TRAC activity categories, the value of academic staff costs reported in COVID-19 supplementary table was £9,640 million, compared with TRAC full economic costs of £44,070 million (21.9 per cent). This compares with £9,516 million of academic staff costs reported in the COVID-19 supplementary table for 2019-20 (also 21.9 per cent of full economic costs).
- The increase in academic staff costs (as reported in the COVID-19 supplementary table) accounted for 20.1 per cent of the net increase in TRAC full economic costs.
- For teaching activity, the total increase in academic staff costs was £224 million (compared with £430 million in 2019-20), representing 22.3 per cent of the net increase in the full economic costs of teaching (compared with 44.5 per cent for 2019-20).²⁷
- Only 49 institutions reported additional academic staff costs associated with the impact of COVID-19 for teaching, totalling £94 million. This was offset by a £96 million reduction in academic staff costs allocated to research.
- Of this increase for teaching activity, the estimated increase attributed to COVID-19-related changes represented 0.4 per cent the full economic costs of teaching while other changes in academic staff costs not related to COVID-19 represented 0.6 per cent of the full

²⁷ Comparative data for 2019-20 stated in this comparison is as published in the Analysis of the annual TRAC return COVID-19 supplementary tables 2019-20 and has not been restated to reflect the population of institutions included in the UK sector data for 2020-21 in Annex B or Annex C.

economic costs of teaching. (This compares with 0.6 per cent and 1.4 per cent estimated in the 2019-20 return).

- For research activity, the value of academic staff costs reduced in total by £79 million, compared with a net increase in the full economic costs of research of £151 million. This reduction in academic staff costs for research comprised a decrease of £96 million due to the estimated impact of COVID-19 (0.6 per cent of the full economic costs of research), and an increase of £17 million due to changes other than COVID-19 (representing 0.1 per cent of the TRAC full economic costs for research).²⁸

15. In comparison, in the 2019-20 return, when the impact of the COVID-19 pandemic affected the period from March-July 2020, institutions estimated an increase in academic staff costs attributable to teaching of £127 million (0.6 per cent of the full economic costs of teaching for the 2019-20) due to COVID-19, offset by a reduction of academic staff costs allocated to research of £111 million (0.7 per cent of the full economic costs of research for 2019-20).²⁹

Notes on interpretation of the data on changes in academic staff costs due to COVID-19 impacts and other factors

16. Our work to review and validate the information submitted in section 1 of the COVID-19 supplementary data tables identified some issues and inconsistencies in the way institutions had prepared the data returned in Table 1: Changes in the allocation of academic staff time and Table 2: Changes in academic staff costs. The main issues identified for some institutions were:

- Support time of academic staff and associated academic staff costs (as returned in the UKRI rates sheet, Table F2b – Academic staff costs covered by time allocation surveys) was incorrectly returned in the column for Other (non-commercial) activity rather than reallocated to the core activity categories: Teaching, Research and Other (income generating). This resulted in an understatement of academic staff costs for activity categories in the COVID-19 data table.
- Academic staff costs did not include the costs for staff wholly allocated to activities, so academic staff costs are understated in the COVID-19 data table.
- Academic staff costs reported in Table 2 were lower than the total academic staff costs returned in the UKRI rates sheet, Table F2b of the TRAC return) so academic staff costs are understated.

17. This means that the comparison of academic staff costs with TRAC full economic costs understates the value and proportion of academic staff costs. Nevertheless, while there are some differences in the bases of the academic staff cost data returned by individual institutions, it is considered unlikely that these differences would materially distort the breakdown of changes between those that were COVID-19-related and those due to other non-COVID-related factors.

²⁸ See footnote 27.

²⁹ See Annex A, Table 3 of the Analysis of the Annual TRAC return COVID-19 supplementary tables 2019 20 at www.officeforstudents.org.uk/publications/analysis-of-the-annual-trac-return-covid-19-supplementary-tables-2019-20/.

18. A sub-analysis based on peer groups has not been provided due to the relatively small number of providers reporting changes in academic staff costs due to COVID-19-related factors.



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