



TRAC Return 2022/23

Outcome requested:	FIC s invited to consider the results of the TRAC return for 2022/23.															
Executive Summary:	<p>The annual TRAC return is the costing methodology for the HE sector which all providers are required to complete. The TRAC return for 2022/23 was submitted to OfS on 30th January 2024.</p> <p>The TRAC (Teaching) return detailing publicly funded teaching costs by subject was suspended by the OfS for the 2019/20 and has not been reintroduced. The OfS has confirmed that there are no plans to reintroduce it.</p> <p>The key results from the 2022/23 TRAC return are summarised as follows:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Recovery of full economic cost (income as % of costs)</th> <th style="text-align: center;">2021/22</th> <th style="text-align: center;">2022/23</th> </tr> </thead> <tbody> <tr> <td>Total</td> <td style="text-align: center;">104.2%</td> <td style="text-align: center;">99.0%</td> </tr> <tr> <td>Research</td> <td style="text-align: center;">62.1%</td> <td style="text-align: center;">63.8%</td> </tr> <tr> <td>Publicly Funded (PFT)</td> <td style="text-align: center;">95.7%</td> <td style="text-align: center;">86.3%</td> </tr> <tr> <td>Non-Publicly Funded Teaching</td> <td style="text-align: center;">224.2%</td> <td style="text-align: center;">199.6%</td> </tr> </tbody> </table> <p>Recovery of full economic costs on teaching have declined year on year as the full year effects of inflation have been felt. Overall recovery rates on research improved year on year.</p>	Recovery of full economic cost (income as % of costs)	2021/22	2022/23	Total	104.2%	99.0%	Research	62.1%	63.8%	Publicly Funded (PFT)	95.7%	86.3%	Non-Publicly Funded Teaching	224.2%	199.6%
Recovery of full economic cost (income as % of costs)	2021/22	2022/23														
Total	104.2%	99.0%														
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QMUL Strategy: strategic aim reference and sub-strategies [e.g., SA1.1]	Financial sustainability															
Internal/External regulatory/statutory reference points:	OfS and Research England regulatory requirements															
Strategic Risks:	KPI 12 – Cash generation															
Equality Impact Assessment:	Not applicable															
Subject to prior and onward consideration by:	FIC, ARC															
Confidential paper under FOIA/DPA	No															
Timing:	Annual report to the Committee															
Author:	Andrew Gladin Deputy Director of Finance Jeremy Beal, Head of Reporting and Financial Planning															
Date:	FIC 7 th March 2024 ARC 12 th March 2024															
Senior Management/External Sponsor	Karen Kröger, Chief Financial Officer															

Analysis of TRAC (Transparent Approach to Costing) 2022/23

Purpose of TRAC

TRAC is a standard method used to allocate total costs to all of a university's income generating activities so that it can determine the full economic cost of these activities.

TRAC is a mandatory return for all HE institutions, submitted annually to the Office for Students. The process was introduced in 1999 and is used by government departments to inform policy and funding of teaching and research by providing information about the costs and the financial sustainability of activities, institutions and higher education provision.

TRAC is also used to calculate the overhead rates that are used when costing research proposals.

TRAC Methodology

The TRAC return is compiled using an activity-based costing methodology allocating expenditure between Research, Teaching and Other activities. Time allocation surveys (TAS) are used for two faculties (S&E and H&SS). SMD provide information using the SWARM workload-planning tool.

Where TAS are used, a full survey is required to be carried out every three years, and this was undertaken for H&SS and S&E during 2020/21 with a survey in progress for 2023/24 which will be used for the next TRAC reporting cycle. In non-survey years, time allocations are reviewed by school managers for reasonableness.

Review and procedure for sign-off of TRAC Return

The compilation of the return incorporates a number of robust data checks including:

1. Reconciliation to the annual financial statements.
2. Completion of a number of built-in validation checks before for the return can be submitted, including checks against the submitted Annual Financial Return.
3. Compliance with the TRAC guidance supplied by OfS.
4. Year on year comparisons to check the integrity of the return, with investigation into any variances.
5. Review of prior year benchmarking data to identify areas where the University's results are out of line with peer institutions.
6. Detailed review by the Deputy Director of Finance.
7. Approval of the methodology by the internal TRAC Oversight Group (meeting Monday 6th November 2023) and Audit & Risk Committee.
8. Review of the completed return by the internal TRAC Oversight Group (meeting Tuesday 16th January 2024)
9. Periodic Internal Audit review (last review 2021).
10. Review and approval by Principal.

Summary of TRAC Return for 2022/23

The TRAC return is based upon the annual financial statements, to which the TRAC guidance sets out a number of adjustments to reach a surplus/deficit for TRAC purposes. The most notable adjustments are:

- The exclusion of movements in pension deficit provisions and gains or losses on investments
- The inclusion of a derived "Margin for Sustainable Investment". This measure is calculated as a six-year average EBITDA (Earnings before Interest, Tax, Depreciation and Amortisation) and is included as a "cost" to enable comparison of income with a cost base

that would generate the institution's average EBITDA (which in turn funds investment in capital, or the repayment of borrowings).

The tables below show the TRAC income and costs by activity for 2022/23 and the comparators for 2021/22. Broadly, in previous years QMUL's teaching (both publicly funded and non publicly funded) recovers a higher % of full economic costs than benchmark with our peer group (which mainly consists of Russell Group institutions), but a lower % of full economic costs on research activity.

	2022-23					Total £000
	Teaching		Research £000	Other Income generating activity £000	Non- commerca l activity £000	
	Publicly funded £000	Non-publicly funded £000				
Income	180,481	221,010	200,348	64,149	14,751	680,739
TRAC full economic costs	209,014	110,749	314,181	49,730	3,607	687,281
TRAC surplus/deficit	-28,533	110,261	-113,833	14,419	11,144	-6,542
Recovery of full economic costs (income as a % of full economic costs)	86.3%	199.6%	63.8%	129.0%	409.0%	99.0%

The 4 year trend for the recovery of full economic costs, along with the benchmark average for our Peer Group (A) for 2021/22 is shown below:

TRAC income and full economic costs by activity					2021-22
Source: Section A	2019-20	2020-21	2021-22	2022-23	Benchmark
Recovery of full economic costs (income as a % of costs)					
Publicly funded Teaching	104.1%	105.0%	95.7%	86.7%	94.6%
Non-publicly funded Teaching	188.2%	187.8%	224.2%	200.7%	177.7%
Research	62.3%	62.8%	62.1%	63.5%	73.3%
Other income generating activity	114.5%	134.3%	161.5%	129.0%	111.5%
Other non commercial activity	179.4%	133.2%	85.5%	409.1%	
Total	96.2%	98.3%	104.2%	99.0%	98.2%

The 2022/23 audited accounts show Total Income increased by £45.3M (7%) whilst Expenditure (excluding Pension Provision Movement) increased by £82.9M (15%) reflecting the impact of inflation and increased costs as activities return to more normal levels post pandemic. Underlying Surplus decreased year on year from £98.8M to £61.1M, and as a % of Income decreased from 16% to 9%.

This change in underlying performance flows directly into the TRAC return which shows a decrease in the recovery of Full Economic Costs, with a significant decrease to 86.3% in the recovery of Publicly Funded Teaching costs, where the income is predominantly Home Undergraduate fees, and therefore not eligible for any inflationary increase.

Sector benchmarking of the 2022/23 TRAC returns is expected in June or July and will be reported to the TRAC Oversight Group, FIC and ARC. We expect the fall in recovery rates for teaching that we are reporting, to be repeated across the sector. The 2021/22 benchmarking of Publicly Funded Teaching showed a third quartile rate of 88.8% for our peer group (group A), and a median of 98.1%.

Research

As in previous years, the TRAC return clearly shows how Research is subsidised by non-publicly funded teaching. This is a common pattern across the sector.

The recovery of research FEC improved slightly to 63.8% in the year, with notable increases in recovery rates for Industry and Postgraduate Research.

Research Grants Overhead Rates

In addition to providing a fully costed income & expenditure for key activities, the other key outputs, which have a direct financial impact on the university, are the charge-out rates for indirect costs and estates, which are included in UKRI research grant applications.

The rates generated in the 2022/23 return will be used for research grant applications from 1 February 2024 onwards but are unlikely to be reflected in income until 2025 due to the time taken for awards to be made and then activated. Income recognised in any year will include grants resulting from applications made during a number of previous years.

The table below shows the indirect, estates and laboratory technician charge out rates for QMUL.

Charge-out rates for research (indexed year 1 rate)							
					% difference 2019-20 to 2020-21	% difference 2020-21 to 2021-22	% difference 2021-22 to 2022-23
Source: Section D	2019-20	2020-21	2021-22	2022-23	2020-21	2021-22	2022-23
Indirect	61,412	63,548	68,193	69,021	3.5%	7.3%	1.2%
Estates non-laboratory	4,945	5,522	7,187	7,982	11.7%	30.2%	11.1%
Estates laboratory	15,000	16,296	20,397	21,734	8.6%	25.2%	6.6%
Indirect and Estates non-laboratory combined	66,357	69,070	75,380	77,003	4.1%	9.1%	2.2%
Indirect and Estates laboratory combined	76,412	79,844	88,590	90,755	4.5%	11.0%	2.4%

Process and Governance

A requirement of the TRAC methodology is for an internal TRAC Oversight Group to review the return. Membership and the terms of reference for this group have been reviewed and refreshed this year. The group is chaired by the Chief Financial Officer and the group has met twice as part of this return cycle.

The Oversight Group reviewed and approved the methodology for the return in advance of the return being prepared and suggested areas for detailed review. The Group reviewed and approved the completed 2022/23 return at a meeting on 16th January 2024.