

TRAC Report 2018-19

Executive Summary

1. This paper discusses College's 2018-19 TRAC results, comparing against the prior year and the top 33 UK higher education institutions (based on income and having a medical school).
2. The College recorded a TRAC deficit of £11m in 2018-19, a £35m improvement on the prior year, as shown in Table 1. This is due to non-operating gains (recorded in Other activities) and a reduction in MSI (an estimate of the cash an institution expects to generate from its operating activity for reinvestments in its estate). This has masked and underlying deterioration in Teaching and Research.

Table 1 – TRAC results, by activity, compared to prior year

£m	Publicly funded (PFT)	Non-publicly funded (NPFT)	Research	Other	Total
TRAC surplus/(deficit) 2017/18	(12)	81	(138)	23	(46)
TRAC surplus/(deficit) 2018/19	(23)	77	(122)	57	(11)
Change (2017/18 to 2018/19)	(11)	(4)	16	34	35

3. MSI was £85m for 2018-19, a £30m reduction on the prior year. This is mainly due to additional pension related staff costs and lower expected receipts from donations factored into the MSI calculation. The fall in MSI has suppressed the underlying year-on-year deterioration of research.
4. Changes to the way in which costs are allocated to activities moved £11m of costs away from Research to Teaching as shown in Table 4. Excluding this change; the publicly funded teaching deficit has worsened by £4m compared to the prior year, non-publicly funded teaching surplus remained the same, and the research deficit improved.
5. The combined research rate is £81.6k/FTE, a 5% decrease compared to the prior year. The reduction is driven by a change in the allocation of costs away from research and a reduction in MSI.
6. Benchmarking for peer group A (top 33 UK higher education institutions based on income and having a medical school) shows that Imperial's overhead rates have decreased compared to last year whilst the peer group has increased on average. Imperial's rate remains above the upper quartile.

Introduction

7. TRAC is an activity-based exercise determining the financial sustainability of Teaching, Research and Other activities. The Margin for Sustainability and Investment (MSI) is combined with the financial results which are allocated to activities. The output supports the case for continued and increased public investment in Research.

8. TRAC also calculates the indirect and estates rates that are utilised for costing research proposals.

Imperial's results 2018-19

9. College's Financial Statements record a deficit of £40m this year as shown in Table 2. Adjustments relating to the treatment of our USS pension deficit recovery contribution provision (£114m this year) reduces volatility in the cost base recorded in TRAC. This gives College an underlying TRAC surplus of £74m, £5m better than the prior year.
10. This year's TRAC results remain skewed, however. Non-operating gains and losses, including movements on assets held as investments and gains on disposal of assets, were £25m better than the prior year. With only a £5m improvement in underlying TRAC surplus, operating performance has worsened year-on-year.

Table 2 – TRAC Results compared to financial statements

£m	2017-18	2018-19
Surplus / (deficit) as per published financial statements	80	(40)
TRAC guidance adjustments	(10)	114
Underlying TRAC surplus (A)	69	74
MSI (B)	115	85
TRAC surplus/(deficit) results (A-B)	(46)	(11)

11. Tuition fee income and funding for research overheads both increased on the prior year. These were however outstripped by the growth in internally funded operating costs. This reflects College's commitment in investing to improve the quality of the teaching and learning experience for our students and the growing cost of employment.
12. MSI is an estimate of the cash an institution expects to generate from its operating activity for reinvestments in its estate. This was £85m for 2018-19, a £30m reduction on the prior year as shown in Table 3. This reflected College's latest plans and included additional pension related staff costs and prudent management assumptions on items such as donation receipts.
13. The resultant £35m improvement in the TRAC deficit masks the underlying worsening of operating performance.

Imperial's results by activity 2018-19

14. The TRAC Results are allocated between the Teaching, Research and Other activities using cost drivers. The model is reviewed on rolling basis with these allocations between categories updated if deemed necessary after review by the TRAC Committee. In 2018-19 there was a holistic review of the model which led to several assumptions being revised. Overall this moved £11m away from Research to Teaching. This has distorted the year-on-year comparisons although the underlying message remains the same.

15. Table 3 shows the TRAC Results by Activity. An additional line has been included to show the results prior to the changes to allow for easier year-on-year comparison. Furthermore, the large reduction in MSI this year (£30m) disguises the underlying deterioration across activities.

Table 3: TRAC Results by Activity

TRAC results	£m				
	Publicly funded (PFT)	Non-publicly funded (NPFT)	Research	Other	Total
2017-18	(12)	81	(138)	23	(46)
2018-19 (like for like)	(16)	81	(133)	57	(11)
2018-19 (Cost driver changes)	(7)	(5)	11	0	(0)
2018-19 (Final)	(23)	77	(122)	57	(11)

16. Publicly funded teaching recorded a deficit of £23m, £11m lower than the prior year. This is driven by increases in the underlying cost base as well as additional costs allocated to teaching as a result of cost driver changes.

17. Non-publicly funded teaching recorded a surplus of £77m. This is £4m lower than the prior year however this is largely due to the change in cost driver assumptions.

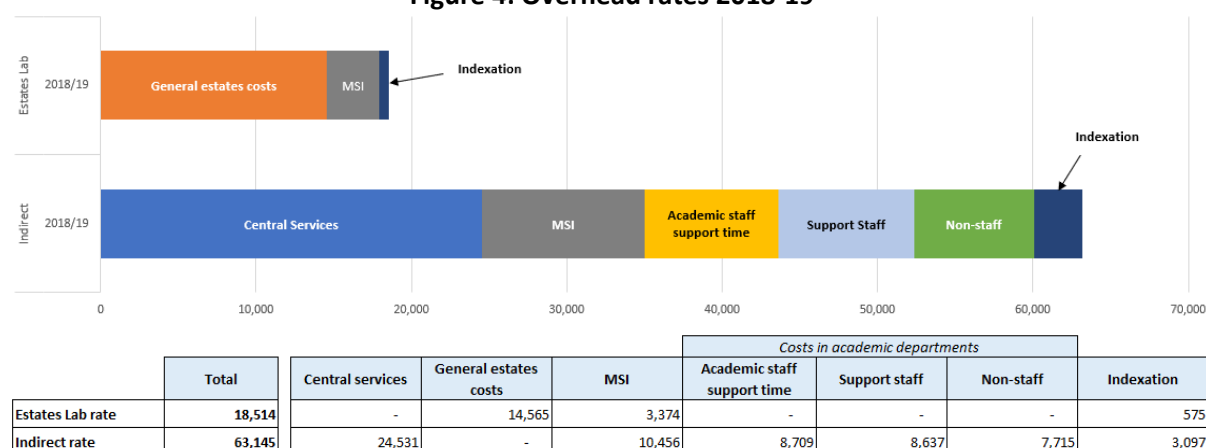
18. The deficit on Research activity has of £122m has reduced £16m on last year. Excluding MSI and cost driver changed however, the underlying deficit has increased by £16m year-on-year.

19. Other activities recorded a £57m surplus for 2018-19, £34m higher than the prior year. This is driven by the non-operating gains discussed in paragraph 9.

Imperial's research overhead rates 2018-19

20. The 2018-19 TRAC Results has seen a reduction in the research overhead rates. This year's rates are summarised in Figure 4.

Figure 4: Overhead rates 2018-19



21. The research overhead indirect rate is £63.1k/FTE. This is £3.2k/FTE lower than the prior year. The research overhead estates-lab rate is £18.5k/FTE. This is in line with the prior year. In both cases, increases in the underlying cost base has been offset by the reallocation of costs away from research activity and the reduction in MSI.

Sector Benchmarking 2018/19

22. Sector benchmarking is published annually comparing Imperial to other UK higher education institutions. College is in Peer Group A, which contains the top 33 institutions in based on an institutions level of income and having a medical school. The detailed benchmarking can be found in Annex A.
23. The reduction in MSI (cash the College expects to generate) this year has reduced its size relative to expenditure to 7.7%. This is now closer to the average of the peer group, last year it was 10.5%. Similarly, College's relative TRAC deficit is close to average.
24. Recovery of publicly funded teaching costs at College is 84% which is in the lower quartile of the peer group. This is likely due to College's focus on STEM subjects which are typically more expensive to deliver. Non-publicly funded teaching cost recovery is slightly above the average of the peer group at 173%.
25. Academic time on teaching is in the lower quartile of the Peer Group at 17%, with the average for the group at 26%. Conversely, academic time on research is in the upper quartile at 55%, with the group's average at 40%. This demonstrates a higher focus on research at College.
26. College's recovery of the full economic cost of research is in the upper quartile for the peer group owing to our volume of industry funded research. This, however, is suppressed due to a relatively low recovery for research council funded research. College's recovery of this funding group is 68% and, despite being in line with last year, is in the lower quartile of the peer group.
27. College is in the upper quartile for the indirect, estates lab, and estates non-lab rate. This reflects a comparatively high cost base compared to the peer group. Notably the rates for Imperial have dropped compared to last year, owing to a reduction in MSI and change in cost drivers, whilst the peer group has increase on average.

TRAC Website

28. A [website](#) to raise awareness of TRAC across the College has been published. It covers information regarding the TRAC process, research overhead rates, TRAC Committee and the sector, and the TOAST survey.

Annex A – Peer Group A benchmarking 2018-19

	Peer Group A			Imperial		
	Lower Quartile	Average	Upper Quartile			
Section 1	Operation					
a.	MSI as % of Expenditure	5.3%	7.3%	9.6%	7.7%	
b.	TRAC surplus/deficit as % of full economic cost per TRAC	(5.6%)	(0.5%)	(0.2%)	(1.0%)	
Section 2	Recovery of Full Economic Costs					
a.	Teaching Publicly Funded	95%	97%	104%	84%	Low
b.	Teaching Non-Publicly Funded	149%	170%	180%	173%	
c.	Research	64%	76%	83%	84%	High
d.	Other - Income Generating Activity	103%	110%	126%	173%	High
e.	Other - Non-Commercial Activity	Data not provided			111%	
f.	TOTAL	94%	99%	100%	99%	
Section 3	Recovery of Full Economic Costs by Research Sponsor					
a.	Institution-own Funded	7%	29%	28%	42%	High
b.	Postgraduate Research	38%	49%	52%	56%	High
c.	Research Councils	68%	76%	81%	68%	Low
d.	Other Govt Departments	69%	76%	82%	79%	
e.	European Union	63%	73%	76%	69%	
f.	UK-based Charities	52%	61%	63%	58%	
g.	Industry	64%	80%	82%	117%	High
h.	TOTAL	64%	76%	83%	84%	High
Section 4	RCUK Recovery Rates - £/FTE					
a.	Indirect Rate (un-indexed)	45,161	50,500	52,111	60,048	High
b.	Indirect Rate (indexed)	47,948	53,748	55,611	63,145	High
c.	Indirect Rate - Indexation %	5.1%	6.4%	6.8%	5.2%	Low
d.	17-18 to 18-19 Indirect Rate (Indexed) Movement %	0.1%	3.0%	4.6%	-4.8%	
e.	Estates - Lab (un-indexed)	11,924	14,916	16,678	17,938	High
f.	Estates - Lab (indexed)	12,535	15,764	17,342	18,514	High
g.	Estates - Lab Indexation	4.2%	5.7%	6.5%	3.2%	High
h.	17-18 to 18-19 Estates Rate Movement %	1.0%	5.6%	4.5%	0.5%	Low
i.	Estates - Non-Lab (un-indexed)	5,991	8,393	9,645	16,443	High
j.	Estates - Non-Lab (indexed)	6,245	8,933	10,187	16,969	High
k.	Estates - Non-Lab Indexation	4.2%	6.4%	6.5%	3.2%	Low
l.	17-18 to 18-19 Estates Rate (Non-Lab) Movement %	-2.2%	4.8%	6.3%	16.6%	High
m.	Infrastructure Technicians - Lab	890	1,240	1,543	737	
n.	Infrastructure Technicians - Non-Lab	124	270	416	0	
o.	Infrastructure Technicians - Indexation %	5.0%	6.8%	7.3%	5.9%	
Section 5	Academic Time (% un-weighted)					
a.	Teaching	21%	26%	33%	17%	Low
b.	Research	33%	40%	43%	55%	High
c.	Other	1%	3%	3%	1%	
d.	Support	27%	31%	35%	27%	Low