

Analysing college and university finances

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UCU training

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Opposing job losses

- With public spending being cut, many colleges and universities are seeking to reduce spending on staff
- How can this be opposed from a financial perspective?
- Aims of this session: to provide guidelines and significant information; to support opposition to job losses at departmental and institutional levels

Opposing job losses

- Obtain key data
- Analyse data
- Challenge the financial strategy
- Assess impact on students & equal opps
- Target non-staff spending
- Ensure any reductions are phased over as long a period as possible

Main sources of information

- Annual accounts or financial statements
- Public spending allocations
- Forecasts

Financial year

- Financial year FE & HE 1 August – 31 July
- Accounts or financial statements formally published about 4-6 months after the end of the financial year
- But draft version should be available earlier than this

Financial year

- Institutions will have a budget for the current financial year and forecasts for the next two or three years after that
- In March-April the public funding bodies in HE announce funding for institutions for the coming academic year, starting in the autumn
- Public funding allocations for FE colleges are made at the start of the calendar year and confirmed by late spring

Analysing the accounts

In this presentation, the most recent accounts or financial statements from City of Sunderland College (FE) and University College London (HE) are analysed.

The main topics analysed are:

- Income
- Expenditure
- Staff costs
- Operating surplus
- Current assets
- Debt
- Reserves & cash

Some questions to ask

Look at the two most recent financial years, and ask:

- Has income/expenditure/debt etc increased or decreased?
- By what % has income/expenditure/debt etc increased or decreased?
- What are staff costs as a % of total expenditure?
- How much cash/near-cash has the institution got?
- How does the institution compare with other institutions or the sector as a whole?

City of Sunderland College (CoSC) accounts: income

Income	2007-8	2006-7
Source: City of Sunderland College accounts 2007-8	£'000	£'000
Funding council income	33,791	32,482
Tuition fees & education contracts	5,172	3,931
Other income	2,457	2,272
Endowment & investment income	533	498
Total income	41,953	39,183
Change in total income %	$((41,953-39,183)/39,183)*100 = 7.1\%$	
Comment: In 2007-8 CoSC's total income increased by 7.1%		

CoSC accounts: expenditure

Expenditure	2007-8	2006-7
Source: City of Sunderland College accounts 2007-8	£'000	£'000
Staff costs	27,146	25,421
Exceptional restructuring costs	115	(263)
Other operating expenses	11,453	10,716
Depreciation	2,402	2,466
Interest payable	724	816
Total expenditure	41,840	39,156
Change in total expenditure %	$=((41,840-39,156)/39,156)*100 = 6.9\%$	

Comment: In 2007-8 CoSC's total expenditure increased by 6.9%

CoSC accounts: staff costs

Expenditure	2007-8	2006-7
Source: City of Sunderland College accounts 2007-8	£'000	£'000
Staff costs	27,146	25,421
Total expenditure	41,840	39,156
Staff costs as % total expenditure	= (27,146/41,840)*100	= (25,421/39,156)*100
	= 64.9%	= 64.9%
Staff costs as % total expenditure, England tertiary colleges	65.1%	Source: UCU calculation
Comment: In 2007-8 CoSC's spending on staff costs was lower than the average for England.		

CoSC accounts: operating surplus as % of total income

	2007-8	2006-7
Source: City of Sunderland College accounts 2007-8	£'000	£'000
Total income	41,953	39,183
Total expenditure	41,840	39,156
Operating surplus/(deficit) (aka surplus/ (deficit) on continuing operations after depreciation and before tax)	113	27
Operating surplus/(deficit) as % of total income	$= (113/41,953)*100$	$= (27/39,183)*100$
	= 0.3%	= 0.1%
Comment: In 2007-8 CoSC had an operating surplus of £113,000, which was 0.3% of total income		

CoSC accounts: current assets

Balance sheets	At 31 July 2008	At 31 July 2007
Source: City of Sunderland College accounts 2007-8	£'000	£'000
Stock	16	12
Debtors	2,015	1,383
Cash at bank and in hand	6,993	8,851
Total current assets	9,024	10,246
Less creditors: amounts due within 1 year	6,042	3,816
Net current assets	2,982	6,430
Current ratio of assets : liabilities	= 9,024/6,042	
Ratio should be at least 1:1 to show ability to meet short-term debts	= 1.49 : 1.0	

Comment: At 31.8.08 CoSC's ratio of current assets to creditors was 1.49:1.0, showing ability to meet short-term creditors.

CoSC accounts: debt as % income

Balance sheets (notes)	At 31 July 2008	At 31 July 2007
Source: City of Sunderland College accounts 2007-8	£'000	£'000
Bank loans & overdrafts:		
Due within 1 year	372	382
Due after more than 1 year	4,597	4,973
Total bank loans & overdrafts	4,969	5,355
Total income	41,953	39,183
Debt as a % of total income	= (4,969/41,953)*100 = 11.8%	
Debt as a % of total income, England tertiary colleges	17.5%	
Comment: At 31.7.08 CoSC's debt was 11.8% of total income, which was lower than the average for England		

FE funding: Skills Funding Agency

England total	2008-9	2009-10	2010-11
Adult Learner Responsive (ALR) £'000	1,664,555	1,753,338	1,782,906
Change %		5.3%	1.7%
ALR learner numbers	1,450,000	1,500,000	1,120,000
Change %		3.5%	-25.3%
Employer Responsive (ER) £'000	1,158,614	1,315,575	1,381,781
Change %		13.6%	5.0%
ER learner numbers	1,430,000	1,410,000	1,720,000
Change %		-1.4%	22.0%

Source: BIS Skills Investment Strategy Nov 09

Comment: This indicates that in 2010-11 funding for Adult Learner Responsive, and for Employer Responsive, will increase, but ALR learner numbers will fall sharply, while ER learner numbers will rise sharply.

FE: Young People's Learning Agency & NAS

excluding school sixth forms

England total	2009-10	2010-11	Change %
Young People's Learning Agency/LAs:			
• FE incl foundation learning & E2E budget £m	3,776	4,025	6.6%
• Specialist LLDD* provision age 16-25 £m	237	267	12.7%
• Education in youth custody £m	18	18	0%
National Apprenticeship Service:			
• Apprenticeships £m	695	780	12.2%
Source: DCSF & LSC 16-19 Statement of Priorities, Jan 2010			
*Learners with Learning Difficulties or Disabilities			

University College London (UCL) accounts: income

Income	2008-9	2007-8
Source: UCL financial statements 2008-9	£'000	£'000
Funding Council grants	209,895	193,832
Academic fees & support grants	126,736	107,753
Research grants & contracts	248,640	211,217
Other operating income	124,026	112,255
Endowment & investment income	8,164	10,705
Total income	717,461	635,762
Less: share of income from joint ventures	(3,725)	(348)
Net income	713,736	635,414
Change in net income % = ((713,736-635,414) /635,414)*100 = 12.3%		
Comment: UCL's net income in 2008-9 rose by 12.3%		

UCL accounts: expenditure

Expenditure	2008-9	2007-8
Source: UCL financial statements 2008-9	£'000	£'000
Staff costs	416,540	383,607
Other operating expenses	232,700	205,130
Depreciation	39,921	38,659
Interest and other finance costs	12,722	7,371
Total expenditure	701,883	634,767
Change in total expenditure % = $((701,883-634,767)/634,767)*100 = 10.6\%$		
Comment: UCL's total expenditure in 2008-9 rose by 10.6%		

UCL accounts: staff costs

Expenditure	2008-9	2007-8
Source: UCL financial statements 2008-9	£'000	£'000
Staff costs	416,540	383,607
Total expenditure	701,883	634,767
Staff costs as % total expenditure	= (416,540/701,883)*100 = 59.4%	60.4%
Staff costs as % total expenditure, UK HEIs		57.4%
	Source: UCU calculation	

Comment: In 2008-9 staff costs at UCL were 59.4% of total expenditure. This was lower than UCL staff costs in 2007-8. Staff costs at UCL in 2008-9 were 2 percentage points higher than the UK average in 2007-8.

UCL accounts: operating surplus/ (deficit)

UCL	2008-9	2007-8
Source: UCL financial statements 2008-9	£'000	£'000
Net income	713,736	635,414
Total expenditure	701,883	634,767
Operating surplus/(deficit) (a.k.a. 'surplus/(deficit) on continuing operations after depreciation and before tax') = income minus expenditure	11,853	647
Operating surplus/(deficit) as % of net income	1.7%	0.1%
HEFCE advises an operating surplus of	~3.0%	~3.0%
Comment: UCL's operating surplus increased sharply in 2008-9. The surplus rose to 1.7% of net income in 2008-9. This was below the 3.0% level of operating surplus HEFCE advises.		

UCL accounts: current assets

Balance sheets <small>Source: UCL financial statements 2008-9</small>	At 31 July 2009	At 31 July 2008
UCL	£'000	£'000
Stocks	507	609
Debtors	162,500	117,637
Current asset investments	-	6,412
Short-term deposits	76,306	68,739
Cash at bank and in hand	23,182	13,669
Total current assets	262,495	207,066
Less creditors: amounts due within 1 year	(231,231)	(171,497)
Less: share of net liabilities in associate	(324)	(106)
Net current assets	30,940	35,463
Current ratio of assets : liabilities	1.1 : 1.0	1.2 : 1.0
Comment: At 31.7.09 UCL's ratio of current assets to creditors was 1.1:1.0, showing ability to meet short-term creditors.		

UCL accounts: debt as % income

Balance sheets (notes)	At 31 July 2009	At 31 July 2008
UCL	£'000	£'000
Bank loans & overdrafts:		
Due within 1 year	4,734	1,464
Due after more than 1 year	63,227	64,692
Total bank loans & overdrafts	67,961	66,156
Net income	713,736	635,414
Debt as a % of total income	= (67,961/713,736)*100	
	= 9.5%	= 10.4%
Debt as a % of total income, UK HEIs		19.6%

Comment: At 31.7.09 UCL's debt was 9.5% of total income, which was considerably lower than the average for the UK (in 2007-8).

UCL funding: HEFCE

UCL	Total teaching funding	Total recurrent research funding (inc trans. QR)	Total recurrent grant	HEFCE 'like-for-like' adjusted recurrent grant
	£	£	£	£
2009-10	68,954,057	104,937,188	175,696,840	175,696,840
2008-9	66,313,715	104,114,364	172,103,866	174,611,819
Change 2008-9 to 2009-10	4.0%	0.8%	2.1%	0.6%
http://www.hefce.ac.uk/pubs/hefce/2009/09_42/		http://www.hefce.ac.uk/pubs/hefce/2008/08_40/		

Comment: In 2009-10 total HEFCE recurrent funding for UCL will increase by 2.1%. The 'like-for-like' adjusted increase will be 0.6%.

Top-up fees: UCL estimate of additional income

UCL	Total estimated additional fee income	Estimated bursary commitment	Estimated outreach commitment	Estimated admin commitment
Estimate provided to OFFA 2005	£	£	£	£
2008-9	13,800,000	3,200,000	300,000	100,000
2009-10	16,000,000	3,900,000	300,000	100,000
2010-11	16,800,000	3,900,000	300,000	100,000
Comment: UCL's estimate shows total additional income from top-up fees rising to £16.8m in 2010-11.				

UCL students

Source: HESA	u/g UK &EU	u/g non- EU	p/g UK & EU	p/g non- EU	Total	Writing up
2006-7	9,485	2,320	5,765	1,815	19,385	
2007-8	9,520	2,400	6,965	2,105	20,990	820
[2008-9 accounts:					21,125]	

Comment: In 2007-8 UCL's total student number rose by 8.3%, according to HESA data.

Finance templates

- The following 3 slides provide templates for collecting and analysing financial information. They can be used at institutional level, and at the level of academic departments, although at departmental level, some of the categories (such as investment income) may not be relevant.

Finance template: income

	2006-7	2007-8	2008-9	2009-10	2010-11	2011-12	2012-13
	Actual	Actual	Actual	Budget	Forecast	Forecast	Forecast
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
INCOME							
Funding Council grants							
Academic fees and support grants							
Research grants and contracts							
Other operating income							
Endowment and investment income							
Total income							

Finance template: expenditure

	2006-7	2007-8	2008-9	2009-10	2010-11	2011-12	2012-13
	Actual	Actual	Actual	Budget	Forecast	Forecast	Forecast
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
EXPENDITURE							
Staff costs							
Other operating expenses							
Interest and other financial costs							
Depreciation							
Total expenditure							

Finance template: surplus/(deficit)

	2006-7	2007-8	2008-9	2009-10	2010-11	2011-12	2012-13
	Actual	Actual	Actual	Budget	Forecast	Forecast	Forecast
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Operating surplus/(deficit)							
Taxation							
Exceptional items							
Overall surplus/(deficit) on continuing operations after depreciation, taxation, exceptional items etc							

How much cash does the employer have?

Income and expenditure account

Did the institution make a surplus or deficit?

Balance sheet

Did the institution have any net current assets in cash or near-cash after allowing for the money it owes over the next 12 months?

Income & expenditure account

Income
minus
Expenditure



Surplus / (Deficit)

Balance sheet

Assets

Fixed -
buildings,
equipment

Current –
stock, debtors,
investments,
cash

∨
Any spare cash?

Reserves

'Income & expenditure account' or 'General account'
minus pension reserve

Other reserves: Restricted reserve; revaluation reserve

Other items: eg deferred capital grants



minus

Current & long-term
liabilities

and



Pension liability
equals



Total net assets
Incl pension liability

Current assets – cash, or
sellable items *minus*

Current liabilities – debts
payable within 1 year



How much cash does the employer
have: **surplus/deficit**

City of Sunderland College 2007-8

Income & expenditure account

Operating surplus £113,000, which was 0.3% of total income. Of this £100,000 retained within general reserves.

How much cash does the employer have: **reserves**

Balance sheet @ 31.7.08:

Reserves

I&E account £17.6m (accumulated surpluses)

minus pension reserve £10.9m

= £6.7m

Restricted reserve £124,000

Revaluation reserve £12.8m (only 'real' if assets
sold)

Total reserves £19.7m

How much cash does the employer have: **assets**

Balance sheet @ 31.7.08:

Fixed assets

£41.1m

Current assets:

Stock £16,000

Debtors £2.0m

Cash at bank and in hand £7.0m

Total current assets £9.0m

How much cash does the employer
have: **net current assets**

Current liabilities @ 31.7.08

Amounts owed to creditors within 1 year £6.0m

Net current assets @ 31.7.08 £3.0m

**However CoS college says £3.7m of the cash
balance is held as a reserve to cover
enhanced pension provision for 'premature
staff retirement' ...**

How much cash does the employer
have: **total net assets**

Long-term liabilities

Amounts owed to creditors due after more than
1 year (bank loans): £4.6m

Provisions for liabilities & charges: £3.7m

Net assets £35.9m

Pension liability £10.9m (mainly share of LGPS
deficit)

Net assets including pension liability £25.0m

Finale

I hope you have found this presentation helpful.
Please let me know if you have any comments,
or would like further information.

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