

Using financial information to  
challenge redundancies

# Overall strategy:

## 1. Obtain & analyse data

- Analyse any modelling/forecasting provided employer
- Obtain financial data to understand the true financial picture of institution
- **Access support from UCU members working in accountancy or finance or from UCU staff via Regional Office**

## 2. Challenge the financial strategy

- Impact on student numbers in HE will be temporary (FE impact unknown at the moment)
- Move to online provision will require more staff
- Target non-staff spending
- Assess impact on students & equality impact
- Ensure any reductions are phased over as long a period as possible

# Main sources of information

- Each institution publishes their annual accounts online with commentary
- Annual accounts or financial statements for most institutions are also available online:
  - FE college management accounts for most colleges in England <https://www.gov.uk/guidance/esfa-financial-management-college-accounts>
  - HESA financial data, all UK universities <https://www.hesa.ac.uk/data-and-analysis/finances>

# Main sources of information cont.

- Monthly management accounts- may be online
- Forecasts
- Both of the above can be requested from employer under TULRCA Trade Union Act (recognised union has right to information to inform collective bargaining) . Freedom of Information requests are a second option.
- Student numbers- available from accounts (previous slide) or online for HE institutions <https://www.hesa.ac.uk/data-and-analysis/students/where-study>

# Main sources of information cont.

- UCU Bargaining Information System creates reports based on the above data to compare institutional finances across regions/by mission group etc.- ask for access via ROs
- For HE: USS Briefs analysis of 2018-19 HESA data to compare financial risk at universities  
<https://medium.com/ussbriefs/institutions-most-at-risk-due-to-covid-19-a-tool-kit-for-members-and-negotiators-5829a7c2ae2d>

# 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
- Draft version should be available earlier than this
- Monthly managements accounts should be available about a month in arrears

# Financial year

- Institutions should have a budget for the current financial year and next financial year and forecasts for the following three years
- 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

# What's in the accounts?

**Financial report**

**Statement of Principal Accounting Policies**

**Income and Expenditure Account**

- Income
- Expenditure
- Staff costs
- Operating surplus (income minus expenditure)



# What's in the accounts? cont.

## **Balance Sheet – 31 July snapshot**

- Fixed assets (long term, non-liquid e.g. buildings)
- Cash & current assets
- Debt
- Reserves

## **Cash flow**

## **Notes**

# Some key financial indicators (examples on following slides)

## 1. **Operating surplus or deficit**

- Net income minus total expenditure

## 2. **Operating surplus/(deficit) as % of income**

- Net income minus total expenditure divided by total income

## 3. **Staff costs as a % of expenditure**

## 4. **Net current assets/liabilities**

- How much cash is immediately available, plus how much is invested (may or may not be immediately available)

## 5. **Current ratio**

- Shows the ratio of immediately available cash against the total short term debt due within a year. Shows whether an institution can meet their immediate repayments without withdrawing from reserves

## 6. **Long-term debts as a % of income**

# 1. Operating surplus or deficit

<b>St Andrews 2010-11</b>	<b>£000</b>
Total income	165,706
<b>Minus</b>	
Total expenditure	160,493
=	
Operating surplus	5,213

## 2. Operating surplus/deficit as % of income

<b>St Andrews 2010-11</b>	<b>£000</b>
Operating surplus	5,213
<b>Divided by</b>	
Total income	165,706
=	0.03
<b>x 100 for Percent</b>	
= op. surplus as a % of income	3.15%
<b>Rounded to</b>	3.2%

### 3. Staff costs as a % of expenditure

<b>St Andrews 2010-11</b>	<b>£000</b>
Staff costs	92,727
<b>Divided by</b>	
Total expenditure	160,493
=	0.577
<b>x 100 for percent</b>	
= staff costs as a % of expenditure	57.77%
<b>Rounded to</b>	57.8%

## 4. Net current assets/liabilities

<b>St Andrews Balance Sheets Consolidated at 31 July 2011</b>	<b>£000</b>
Total current assets	24,968
<b>Minus money owed to</b>	
Creditors – due within 1 year	(40,466)
=	
Net current liabilities	(15,498)

# 5. Current ratio of assets:liabilities

<b>St Andrews Balance Sheets Consolidated at 31 July 2011</b>	<b>£000</b>
Total current assets	24,968
<b>Divided by</b>	
Total owed to Creditors – due within 1 year	(40,466)
= current ratio of	0.617 : 1.00
<b>Rounded to</b>	<b>0.62 : 1.00</b>
<b>So for every £1.00 it owed, St Andrews only had 62p</b>	

## 6. Long-term debts

<b>St Andrews Balance Sheets Consolidated at 31 July 2011</b>	<b>£000</b>
Money owed to	
Creditors - amounts due after more than 1 year	(91,665)



# Long-term debts as % of income

<b>St Andrews Balance Sheets Consolidated at 31 July 2011</b>	<b>£000</b>
Creditors - amounts due after more than 1 year	(91,665)
<b>Divided by</b>	
Total income 2010-11	165,706
=	0.553
<b>x 100 =</b>	<b>55.3%</b>
<b>So St Andrews' long-term debts were 55.3% of total income</b>	

How much cash does the employer have?

## **Income and expenditure account**

Did the institution make a surplus or deficit?

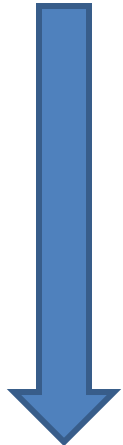
## **Balance sheet**

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?

See next slide for description

## 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

# Visual guide to financial accounts (diagram on previous slide)

- **Income & expenditure account** shows different sources of income, and where that money is spent (expenditure). *Consider what different income sources are to identify level of risk (see section below). Look critically at non-staff expenditure, and senior staff costs.*
- **Surplus/(Deficit)**- how much income is left after the year's expenditure. Any surplus will go into reserves, any deficit will need to be covered (from reserves).
- **Balance sheet** shows what resources the institution has (reserves; fixed assets such as buildings; current sellable assets such as investments), minus its debts/obligations.
- **Unrestricted reserves** (created by surpluses in the income & expenditure account) can be spent at institution's discretion. *Consider what reserves the institution has at its disposal.*
- *Consider **net current assets**- what cash/sellable items are available after debts due in the next year are paid for? As mentioned above, some tuition fee income shortfall is likely to be temporary.*

# Further reading & resources

- HE

- McGettigan Report on Uni of Sussex finances- readable & talks more broadly about UK HE <https://ucusussex.wixsite.com/ucusussex/post/the-mcgettigan-report>
- Overview of university finances in Covid times: <https://wonkhe.com/blogs/the-search-for-savings/>
- Detailed (but clear & easy to follow) guide to university finances <https://www.bufdg.ac.uk/understanding-finance/>

- FE

- AOC guide to college funding in England- different colleges rely on different funding streams to greater/lesser extent: <https://www.aoc.co.uk/funding-and-corporate-services/funding-and-finance/funding>