

# Using financial information

UCU training

Stephen Court [scourt@ucu.org.uk](mailto:scourt@ucu.org.uk)

UCU senior research officer

# Using financial information

Aims of this session:

- to provide guidelines and significant financial information;
- to give an overview of some key financial indicators, and how to calculate them;
- to support opposition to job losses at departmental and institutional levels

# A sort-of win at CONEL

- In 2011 the College of North East London proposed 64 job cuts, incl 44 FTE compulsory redundancies
- Analysis of financial data, including comparisons with other colleges in London, showed that CONEL's finances were in relatively robust health
- Outcome: no CRs, & around 40 VRs
- But in 2012 further reductions planned. The battle goes on ...

# Using financial information

- Obtain & analyse data
- Get help from UCU members working in accountancy or finance
- 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
- Monthly management accounts
- Public spending allocations
- Forecasts
- Student numbers
- Tuition fee regime

# Main sources of information

- UCU website: DAN UCU activists > branch resources > branch briefings

<http://www.ucu.org.uk/index.cfm?articleid=2969>

- **HEI financial data 2009-10, 2010-11**
- **FE college accounts 2009-10, 2010-11**

# 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
- 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

# What's in the accounts?

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

- Fixed assets
- Cash & current assets
- Debt
- Reserves

## **Cash flow**

## **Notes**

# Some key indicators

- **Operating surplus or deficit**
- **Operating surplus/(deficit) as % of income**
- **Staff costs as a % of expenditure**
- **Net current assets/liabilities & current ratio**
- **Long-term debts as a % of income**

# 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

## 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%

# Operating surplus as % of income: England FE

<b>2008-9</b>	<b>-2.07%</b>
<b>2009-10</b>	<b>1.4%</b>
<b>2010-11</b>	<b>1.5%</b>
<b>2011-12</b>	<b>1.8%</b>
Source: BIS college accounts <a href="http://skillsfundingagency.bis.gov.uk/providers/finance/financialmanagement/financialmanagement/collegeaccounts/">http://skillsfundingagency.bis.gov.uk/providers/finance/financialmanagement/financialmanagement/collegeaccounts/</a>	

# Operating surplus as % of income: HE

	<b>2011/12</b>	<b>2010/11</b>	<b>2009/10</b>	<b>2008/09</b>	<b>2007/08</b>
<b>England</b>	4.2%	4.6%	3.2%	1.3%	2.0%
<b>Wales</b>	2.3%	2.5%	2.8%	1.8%	2.8%
<b>Scotland</b>	3.1%	3.7%	2.1%	0.9%	1.8%
<b>Northern Ireland</b>	5.1%	1.3%	4.2%	1.4%	5.1%
<b>UK</b>	4.0%	4.4%	3.1%	1.3%	2.1%
Source: HESA HE Finance Plus, series; % calculation UCU					

# 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%



# Spending on staff: England FE

<b>English FE colleges</b>	<b>Total staff costs as % total expenditure</b>	<b>Total staff costs as % total income</b>
<b>2008-9</b>	<b>65.4%</b>	
<b>2009-10</b>	<b>64.8%</b>	
<b>2010-11</b>	<b>64.3%</b>	
<b>2011-12</b>	<b>62.9%</b>	<b>61.8%</b>
Source: BIS college accounts <a href="http://skillsfundingagency.bis.gov.uk/providers/finance/financialmanagement/financialmanagement/collegeaccounts/">http://skillsfundingagency.bis.gov.uk/providers/finance/financialmanagement/financialmanagement/collegeaccounts/</a>		

# Spending on staff: UK HE

<b>UK HEIs: Staff costs as % total expenditure</b>	<b>%</b>
<b>2000-1</b>	58.4
<b>2001-2</b>	58.0
<b>2002-3</b>	58.5
<b>2003-4</b>	58.5
<b>2004-5</b>	58.4
<b>2005-6</b>	57.8
<b>2006-7</b>	57.8
<b>2007-8</b>	57.4
<b>2008-9</b>	56.8
<b>2009-10</b>	56.6
<b>2010-11</b>	56.2
<b>2011-12</b>	55.5
Source: HESA HE Finance Plus, series; % calculation UCU	

# 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)

# 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>	

# Current ratio: FE England

	<b>Current ratio</b>
	:1
<b>31 July 2009</b>	1.28
<b>31 July 2010</b>	1.54
<b>31 July 2011</b>	1.57
<b>31 July 2012</b>	1.59
Source: BIS college accounts <a href="http://skillsfundingagency.bis.gov.uk/providers/finance/financialmanagement/financialmanagement/collegeaccounts/">http://skillsfundingagency.bis.gov.uk/providers/finance/financialmanagement/financialmanagement/collegeaccounts/</a>	

# Current ratio: HE

	<b>Current ratio at 31 July 2012</b>	<b>Current ratio at 31 July 2011</b>	<b>Current ratio at 31 July 2010</b>	<b>Current ratio at 31 July 2009</b>
	:1	:1	:1	:1
<b>England</b>	1.49	1.40	1.33	1.25
<b>Wales</b>	2.04	1.93	2.02	2.12
<b>Scotland</b>	1.27	1.21	1.12	1.16
<b>Northern Ireland</b>	2.60	2.13	2.17	2.37
<b>UK</b>	1.49	1.41	1.34	1.28
Source: HESA HE Finance Plus, series; calculation UCU				

# 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>	



# Long-term debts as % of income

<b>Amounts due to creditors after more than 1 year, as % of income</b>	<b>31 July 2011</b>	<b>31 July 2012</b>
UK HE institutions	20.7%	22.5%
England FE colleges	20.6%	19.5%

How much cash does the employer have?

**Income and expenditure account**

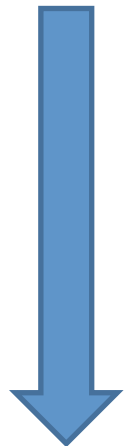
Did the institution make a surplus or deficit?

**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

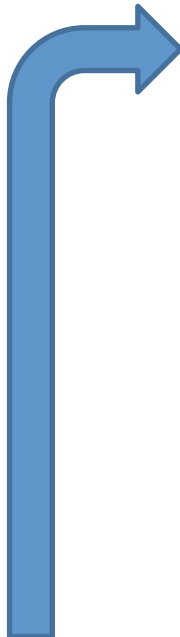
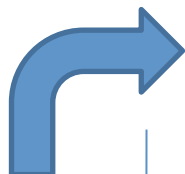
**Assets**  
**Fixed** -  
buildings,  
equipment  
-----  
**Current** -  
stock, debtors,  
investments,  
cash

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



# Finale

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

Stephen Court  
UCU senior research officer  
[scourt@ucu.org.uk](mailto:scourt@ucu.org.uk)