

Financial sustainability of the university sector: Analysis of financial statements 2013-14

Purpose

1. This paper summarises the university sector's actual financial results for 2013-14 and updates our assessment of institutions' financial sustainability.

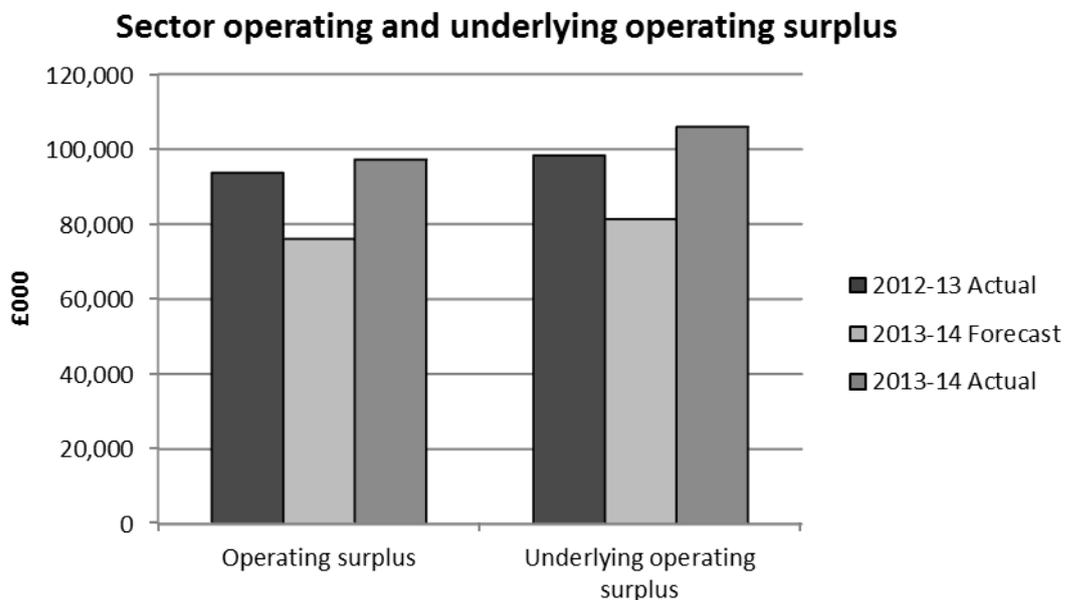
Strategic Plan implications

2. The Council's Strategic Plan gives a commitment that the Council will deliver colleges and universities that can survive financially and environmentally in the long-term.

Background

3. This paper is based on the Council executive's analysis of the actual financial results of higher education institutions for the year ended 31 July 2014.

Overview of institutions' results



4. The sector recorded an overall operating surplus of £97 million (3% of income) which is an improvement on the forecast surplus of £76 million (2.4% of income) and the previous year's surplus of £94 million (3.1% of income).
5. Four institutions recorded an operating deficit in 2013-14, compared to one institution in the previous year's results.



6. The underlying operating position, as adjusted for exceptional costs (less those matched by SFC merger funding), shows a surplus of £103 million, an improvement on the forecast underlying surplus of £81 million. Of the 2 institutions reporting an underlying deficit, one was in line with the forecast.
7. The 2013-14 sector operating result includes exceptional costs amounting to £8.7 million (2012-13: £4.6 million) with 9 institutions incurring exceptional costs during the year.
8. The sector is generally liquid with the sector ratio of cash to expenditure being 117 days (2012-13: 120 days). As forecast, there are 14 institutions with a ratio of cash to total expenditure over 60 days, including 9 institutions with over 100 days at the end of 2013-14 (Forecast: 4 institutions). None of the institutions were in a net overdraft position at the year end.
9. Total borrowing at the end of 2013-14 was £529 million, an increase on the previous year's levels (£505 million) and an increase on forecast (£513 million).

Fundable body status

10. Section 7 of the Further and Higher Education (Scotland) Act 2005 (the Act) lists the criteria which the Council must consider in relation to proposing or approving any modification to the list of fundable bodies contained in schedule 2 of the Act and requires the Council to ensure that the bodies listed on schedule 2 meet the criteria at all times.
11. The Council's executive undertook an annual review of all higher education institutions listed in schedule 2 taking evidence from existing sources so as to minimise any additional burden on institutions. Our 'test' with regard to each criterion was to confirm that there was no evidence from the identified sources that indicates that the criterion was not being met in all material respects.

Further information

12. For further information, please contact Claire Taylor, Senior Financial Analyst, direct line: 0131 313 6604, e-mail: ctaylor@sfc.ac.uk.