

Financial sustainability and governance of the university sector: Analysis of the 2020-21 annual accounts

Purpose

- To provide an update on the Council executive's analysis of the university sector's financial results for 2020-21.

Recommendations

- The Committee is invited to note this update.

Financial implications

- There are no specific programme fund or running cost implications arising from this paper that are not already allowed for in the Council's programme fund or running cost budgets.

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Purpose

1. To provide an update on the Council executive's analysis of the university sector's financial results for 2020-21.

Background

2. The annual accounts return is one of the main financial returns provided by institutions to the Funding Council during the course of the year. The annual accounts return comprises the audited financial statements and supporting reports by the institution's audit committee, internal and external auditors.

Timings for 2020-21 annual accounts return

3. The annual accounts return has traditionally been submitted at the end of December but the continuing impact of the pandemic has created challenges in terms of finalising institutions' annual reports and accounts (including the external audit opinion). In this context, SFC allowed an additional two months for institutions to submit the usual audited financial information thereby extending the deadline to 28 February 2022.

HESA Finance Statistics Return

4. The two-month extension to the annual accounts return has also resulted in delays in the submission of the Finance Statistics Return (FSR) that institutions provide to the Higher Education Statistics Agency (HESA). It is standard practice for HESA to undertake a series of checks on the FSRs and the deadline for this work was extended by two months from the usual deadline of the end of January to the end of March.
5. Unfortunately, HESA's checking process has not been finalised and we were still waiting to receive institutions' 2020-21 FSRs from HESA at the time of writing this report. SFC uses these spreadsheet returns to inform our analysis of institutions' 2020-21 annual accounts and in particular to generate tables and graphs that are included in the report to the Finance Committee. The delay means that the detailed analysis of the university sector's financial results for Academic Year 2020-21 will now be reported to the Committee's meeting at the end of May.

Initial assessment of institutions' 2020-21 annual accounts returns

6. Reviews of institutions' 2020-21 financial statements (excluding the HESA spreadsheet returns) have noted that the results for most institutions appear to be broadly in line with or improved on forecast. It is anticipated that the sector underlying operating position and reported cash reserves will exceed financial projections submitted at the end of June 2021. Furthermore, our review of institutions' corporate governance statements and audit reports has not highlighted any immediate concerns surrounding institutions' governance arrangements and no qualifications have been reported.

Next steps

7. A full analysis of institutions' 2020-21 annual accounts returns will be reported to the Committee at its meeting on 31 May. Institutions have recently submitted financial forecast updates for the current Academic Year and our analysis of these returns will also be incorporated in the May update.

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Risk assessment

8. There is a risk to the achievement of the Council's strategic plan priorities and/or a risk of reputational damage from failures in college and university governance, leadership and management, including financial failure.
9. Overall, for the university sector, the Executive's assessment of this risk is very high.

Equality and diversity assessment

10. There are no equality and diversity issues associated with this paper.

Recommendations

11. The Committee is invited to **note** this update.

Financial implications

12. There are no specific programme fund or running cost implications arising from this paper that are not already allowed for in the Council's programme fund or running cost budgets.

Publication

- 13.** This paper will be published on the Council website in edited format (to remove references to specific institutions or forecast information which, if disclosed, would be likely to prejudice 'substantially' the commercial interests of a person, company or a public authority (Freedom of Information (Scotland) Act 2002, Section 33).

Further information

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