

New JNCHES Sustainability  
Issues Working Group

# An Insider's Guide to Finance and Accounting in Higher Education

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**NEW JNCHES**  
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# An Insider's Guide to Finance and Accounting in Higher Education

## How UK Higher Education Institutions (HEIs) manage their finances and report their financial performance

### Introduction

This Guide has been commissioned<sup>1</sup> to help anyone involved in higher education, especially employers' and trade union representatives, understand the technical basis of the annual accounts of higher education institutions (HEIs) and the techniques they use to manage their finances. It explains the main concepts and accountants' jargon you're likely to find in those accounts (or financial statements, as they're more usually known). It will suggest some things to watch for and some ways to judge the financial health of your institution and other institutions. You'll be pleased to hear that no technical accountancy knowledge is assumed.

You'll find it very useful to get a copy of your institution's annual Financial Statements from your finance department; most institutions now put them on their websites as well, so you could download a set from a similar institution to help judge relative positions. The British Universities Finance Directors' Group (BUFDG) website has links to many institutions which have their financial statements online<sup>2</sup>. These documents have to be publicly available, but there's obviously a lot more financial information contained in internal documents. It's up to individual institutions to decide how much more to release – especially commercially-sensitive documents – but collective agreements with trade unions may deal with this point.

The Guide was written by Michael Pearson, formerly Bursar and Finance Officer at Loughborough University and former Chairman of the British Universities Finance Directors' Group. A small readers' group of sector representatives commented on a draft of the Guide and their contribution is much appreciated.

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<sup>1</sup> By the Sustainability Issues Working Group set up by the New Joint Negotiating Committee for Higher Education Staff

<sup>2</sup> See <http://www.bufdg.ac.uk/resources/statements/>

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# 1. Why take an interest?

## What's this chapter about?

Look at this local newspaper headline:

*'Local College Taken Over – Students Very Worried. It was revealed last night that the local college was facing bankruptcy and might be taken over by an American university. The Principal of the College said: 'I'm afraid it's true. We've been having crisis meetings with the funding council every day recently, but I don't think they'll help us any more. I'm devastated. It's the Government's fault – I never expected they'd cut our grant so hard.'*

1. Although this headline is artificial, it feels real enough, in the light of the Browne Review of HE finance and the Comprehensive Spending Review. HEIs will have to be very quick on their feet to avoid serious financial problems and potential bankruptcy as the cuts take effect and the impact of higher fees becomes apparent. This Guide is not about how we arrived at this position. The issue here is whether a HEI could get into serious financial difficulty and whether you could see it coming and help prevent it. And what happens next. Everyone involved in HE should take a close interest in the financial position of their own institution, to help prevent a tough job turning into a crisis.

## Can it happen to us?

2. There's no question that it can happen. It's some years ago now, but University College, Cardiff was heading in that direction in the early eighties. Bank overdrafts began to appear in its annual accounts – highly unusual in those faroff days – and alarm bells started to ring in the old University Grants Committee and the associated government department. Before matters got out of hand, a merger was arranged with a smaller, neighbouring institution, more than anything to protect the interests of current students and the public money invested in the institution.

## How would we know there was something wrong?

3. If income goes down but expenditure continues unchanged, you'll run out of cash. That's what happened at Cardiff. Failure to reduce spending leads to a cash shortage, approaching the point at which the institution's bank will call a halt. So there's one clue to trouble ahead – a growing short-term overdraft. And there's another clue – income declining whilst expenditure remains constant or increases. Whilst much has changed in the degree of financial monitoring since Cardiff, that major risk is still there today – failure to adjust expenditure to reduced income levels. And it's always much more difficult to cut costs than it was to grow expenditure in the good times.

*A short-term overdraft at the bank isn't the same as a long-term loan. The latter should be the result of a business plan for investment which will generate increased income or efficiencies through lower costs.*

## If there is something wrong, don't hang around

4. No-one said it's easy to cut costs. Most institutions can save a few percent by squeezing existing budgets, but more than that means thinking about stopping some activities and questioning all costs. Not an attractive option and initially expensive because breaking contracts of employment or any other sort of contract costs money in compensation. But if income is falling rapidly, action must be taken or bankruptcy will become inevitable. There's a real risk of running out of time if action is too little, too late or both. Keeping everyone informed and using agreed methods of consultation may be the difference between orderly (if unwelcome) change and a crisis.

*The opportunity to plan the way forward may be lost if there is delay in dealing with the problem – to be replaced by crisis management under someone else's direction.*

## Why does it happen?

5. It might be because of financial mismanagement or slow response to change. But it might be caused by what I might call a HEI's 'business' position. I have to be careful with that word business, since it carries connotations of profit and shareholders, which don't exist in HE. What does exist, however, is the fact that HEIs have to balance their books. That means making sure the running costs of the normal educational and other activities of the institution are met by the income those activities generate. A shortfall of income in one year may not be critical, but two or three in succession should start to ring alarm bells. That is by no means the whole story, since long-term commitments or excessive borrowing may also undermine the financial security of an institution and later chapters will look at the whole picture of an institution's finances. For now, the point is that, like all businesses, HEIs consume economic resources and produce economic outputs and need to manage that equation to a balance. If costs exceed revenues for any length of time, institutions will struggle and fail – sometimes because their underlying finances are poorly managed; sometimes because their business or educational model is flawed or obsolete, or the institution itself is poorly managed.

## Is the model working?

6. So understanding the realities of the institution's business or educational model, how it's changing and how the institution is managed is a key indicator of how well it might survive in today's turbulent times. It's very interesting to note that the assessors of an institution's financial situation – the banks, funding councils and credit rating agencies – place more emphasis on their assessment of management quality than anything else. They believe that effective management which carries widespread support among the staff of an institution will be more likely to meet the challenge, whatever it is.

## Tell me what to look out for

7. Monitoring trends in all the main indicators of an HEI's performance and whether there is a will to react to them in good time is the foundation of preventing serious financial problems. Effective governance arrangements are equally important – e.g. an audit committee which is taken seriously and a finance committee which has a grip of the way the institution's finances are heading. Governance and management need to be accountable to stakeholders, especially to staff whose future depends on the institution's leadership. Well-run consultative arrangements with staff and trade unions can play a crucial role in securing support for change in what may be difficult circumstances. Most institutions have established a set of financial Key Performance Indicators (FKPIs), which are designed to help keep track of an institution's finances and these will be reviewed by management and governors regularly. They may be available on the intranet or made available as part of consultation processes. Careful study and tracking of trends will pay dividends – especially if what you see is reflected in the strategic plan.

*See a later chapter for the main FKPIs to watch.*

## Give me some help

8. If you have the time, finding some comparable institutions is a real help in assessing whether yours is heading for trouble. With over 160 HE institutions in the UK, I suggest you find half a dozen or so to watch because some or all of their history, culture, subject range, location, student body make-up, income pattern etc. are similar to yours. How are they facing higher tuition fees and lower government grants? For your own institution, quite a lot is

published besides annual accounts and this can provide a grandstand view of what's going on around you.

9. Get to know the management structure and how it works. Who's really in charge of the money and how do they operate? Which governors understand finance and have serious influence over it? What's the quality of the chair of governors and chair of audit committee? Personal qualities and skills are very important in this area. Most institutions will have the names of governors on their websites, or they will be shown in their annual Operating Review and Accounts, which may be published alongside their financial statements. Some institutions give information about the backgrounds of governors in that Review.

### Is anyone watching what's going on?

10. Yes - the funding council of the relevant country. There'll be a financial memorandum between that council and your institution, setting out the basic rules for financial management and accountability. Well worth reading – it'll be on their website<sup>3</sup>. They monitor the finances of institutions through their Annual Accountability Returns or a similar set of key statistics and make an assessment of financial risk. Institutions judged to be at higher risk can expect more proactive and regular monitoring. If the risk assessment suggests that things are starting to go seriously wrong, funding councils will step in and demand changes.

### How do I find out what's going on?

11. The best way is through membership of the governing body of the institution, which is ultimately responsible for its financial security. It's entitled to see all the key financial documents and to hear them explained. One of its principal tasks is to scrutinise and challenge what's going on. If you can't get a seat, you could always ask for some of the key documents e.g. FKPI reports, financial forecasts and budgets.

You may be asked to respect confidentiality – these documents will be of considerable interest to other HEIs. There are usually other opportunities to get a little closer to the important information about an institution, for example, working groups on particular topics, management positions and staff forums. Collective agreements with trade unions may specify arrangements for access to information.

### And if there is a serious financial problem, what then?

11. You can expect increasing levels of intervention from your funding council, which will offer help and support to steer you back towards independence. In the extreme, they can withhold grants. There are also serious legal issues to be addressed, so specialised advice needs to be taken early on. History suggests that a merger, forced or otherwise, is a likely outcome. Even the suggestion that problems are serious may do reputational damage to an institution.

### How worried should I be?

12. It is almost thirty years since the Cardiff incident and much has happened to make a repeat very unlikely. For example:
  - The funding councils now operate sophisticated monitoring techniques which should give them early warning of severe problems and the opportunity to intervene

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<sup>3</sup> See for example the Welsh Funding Council's at [http://www.hefcw.ac.uk/documents/publications/circulars/circulars\\_2008/w0836he\\_circ.pdf](http://www.hefcw.ac.uk/documents/publications/circulars/circulars_2008/w0836he_circ.pdf)

- There have been major improvements in governance, which should make internal monitoring more effective
  - Financial planning and monitoring techniques are better developed
  - The finances of institutions are now of much greater interest to staff, since institutions are no longer regarded as extensions of the state.
13. So early detection of financial problems is now the norm, with advice and help readily available to prevent them getting serious. Indeed, this Guide is intended to contribute to the process of making institutions' finances understandable, along with what drives them and how they are managed. *Understanding the key issues affecting the sustainability of an institution is a vital task for all who have its interests at heart.*

## 2. Getting and spending

### What's this chapter about?

*Where does it come from and where does it go? I don't think anyone really knows. (Anecdotal comment)*

### Where does our money come from?

1. The answer is often a lot of different places, depending on what your HEI does. Let's deal firstly with those that are a factor of student numbers:

- Funding council grants for teaching; up to now, these have been the biggest source for nearly all HEIs.
- Tuition fees; a rapidly growing source of income following changes of government policy. Note the very different arrangements for England, Wales, Scotland and Northern Ireland. Note also the wide variety of fees for different categories of student e.g. full-time, part-time, international and postgraduate.

Some of these categories are government-controlled. At present recruiting the approved number of students is critical. Several HEIs have been fined recently for recruiting too many home undergraduates. Funding from this source is essentially driven by numbers rather than quality, although there is an inevitable influence of the latter on ability to recruit. At the time of writing, major changes are being planned for the HE funding regime, which may have a fundamental effect on these sources of income.

*There are some tricky pricing decisions ahead, as the cap on home undergraduate tuition fees is lifted.*

2. Many institutions have research as a high priority and attract funding specifically for that purpose. It comes in several forms:

- Grants from the funding councils, based on performance in the last Research Assessment Exercise (RAE) – in future, the Research Excellence Framework (REF). This is a steeply geared allocation system, with the bulk of the money going to relatively few HEIs.
- Grants and contracts awarded on a competitive basis by a large number of research councils, government departments, industry, commercial organisations and the European Union.
- Some substantial charities, especially in the medical field, make grants for research.
- Donations are actively being sought by many more institutions than hitherto.

Funding here is very dependent on quality rather than volume of activity. The signs are that it will be more rather than less selectively allocated in future.

3. Enterprise is a more recent activity for many institutions, but is high on government's list of priorities, to ensure that HEIs contribute strongly to the economic development of the UK. Funding comes in several forms, but essentially:

- Funding council grants, based to some extent on performance in getting research and expertise out into industry and commerce.
- Sponsorship and partnership for commercial development of research outcomes, which may lead to royalties on successful exploitation.

4. Many institutions operate student accommodation and catering services, either owned by them or by others. This may be a significant source of income, but is also a substantial risk if occupancy is not maintained at a high level.
5. HEIs also have sports centres and other similar operations, designed primarily to meet students' needs, but which may be available for public or commercial use, both as a service to the public and as a means of generating income. Many departments in HEIs generate income through selling consultancy services.
6. Some HEIs have substantial investments in property and other assets which can generate significant amounts of income.

### So where does it go?

7. About 58% of all expenditure relates to staff costs, including employers' contributions to pension schemes and National Insurance.
8. Much of the rest is spent maintaining and servicing buildings, libraries, laboratories, workshops and a variety of services. The latter include various forms of support for students, as well as corporate services such as HR, IT, governance and finance.
9. If a HEI has borrowings, there will be debt servicing costs to pay. When the amounts are large, the rate of interest and the conditions of the loan will be the subject of negotiation.
10. Finally, there will be depreciation of fixed assets – an estimate of the cost of using up the value in buildings and equipment, or spreading the cost of an investment over its useful working life. See a later chapter for more on this topic.

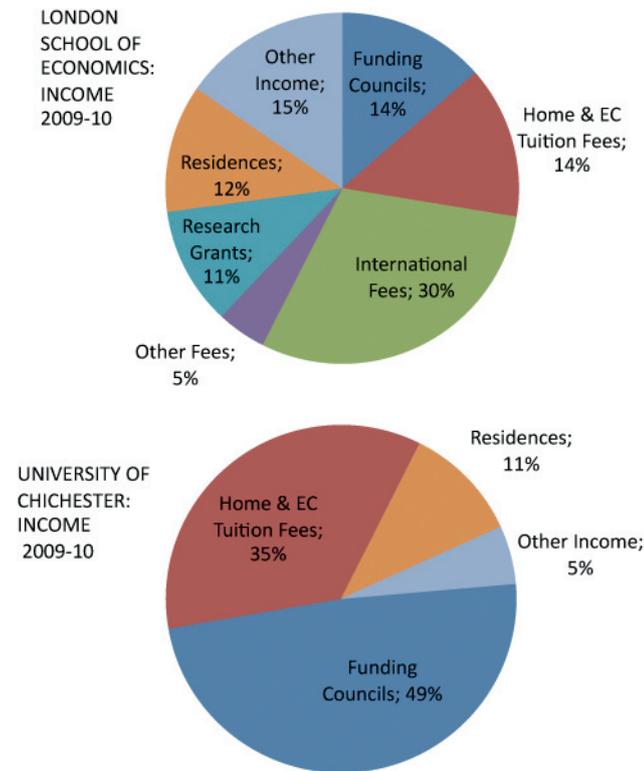
### Income streams and associated expenditure

11. It's important to understand that the finances of HEIs are more like those of a clutch of small businesses than one big one, because they operate in several distinct areas of activity, which generate a variety of 'income streams'. It's rarely a case of putting all income into a pot and then deciding how to spend it. Income earned for specific work (e.g. a research contract) will have to be spent on doing that work. Moreover, departments will naturally expect to receive the lion's share of what they've earned teaching students and performing in research and enterprise. So HEIs will usually have a relatively small amount of money to spend at their discretion, or in a strategic way – in the short-term especially. If income is falling, they may have difficulty meeting existing commitments. Their annual budgets normally start from a position where most of their income is needed to meet existing commitments. That's another reason for planning well ahead – planning is better than hoping for the best.

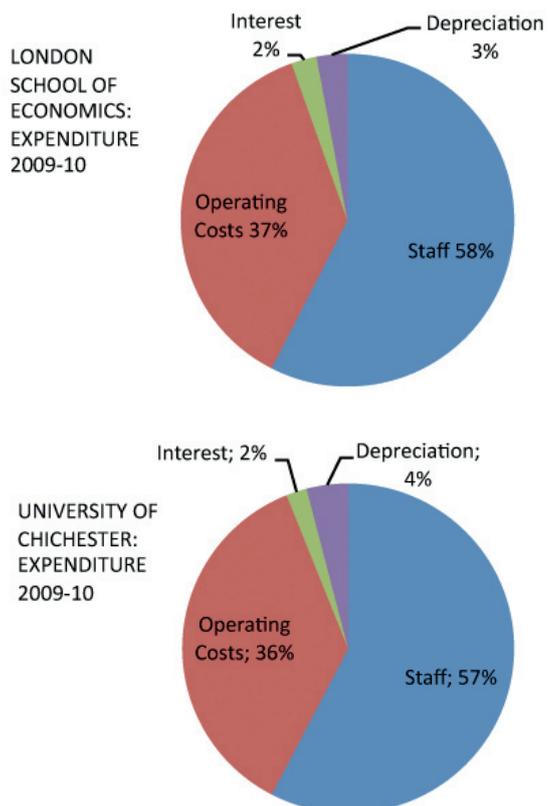
*It's important to understand how financial management in HEIs works. Much expenditure is directly or indirectly matched to income.*

## Diversity of income but not expenditure

12. The diversity of the HE sector is well-known and this is reflected in the diverse patterns of income between institutions. Here is just one example based on two very different institutions – the London School of Economics and the University of Chichester:



But their expenditure patterns are remarkably similar:



## 3. The annual accounts de-constructed

### What's this chapter about?

How to go about understanding an HEI's annual accounts (nowadays called financial statements). Have a copy of your institution's handy whilst you read it.

### What am I looking for?

The key point here is that a single financial statement cannot convey the three different ways of looking at an institution's finances.

1. Let's start by asking what you might want to know about a HEI's finances. As a member of staff, you have a close interest in its *financial sustainability* – is the institution living within its means and thus likely to survive? Similarly, you might be interested in its *wealth* – how much money and other assets does it really have and what are its liabilities?

Finally, you'll certainly be interested in how it manages its cash. These are three different questions about any institution – company, individual or HEI doesn't matter – and accountants supply three different statements to give you the answers. These statements may be history, but they're reliable because they're prepared to national accounting standards and have been independently audited by professionals who would be in serious trouble if they failed to do a proper job on them.

Before that, however, let's try and recall how we got to that seemingly complex position.

### Accounts made simple

2. Once upon a time, the accounting world was simple. People received bank statements which told them how much they'd earned and how much they'd spent. If the former was bigger than the latter, they felt comfortable with life, without fearing letters from the bank manager (or penalty fees in more modern language). Putting these together for a period – say, a year – produced a Receipts and Payments Account which was adequate for many purposes. It still is for individuals and small organisations, as the next chapter suggests.
3. Life got more complicated for many reasons – not just accountants sticking their oars in. People took out mortgages and so started to get another statement, probably once a year, showing a rather large debt due to a building society, which was being paid off over a long period. To understand the total financial position of an individual or organisation these two sources of information had to be amalgamated – easy enough for an individual, harder as organisations got bigger and had many other sources of financial information to amalgamate. Rules were needed for classifying the various transactions in order to give a clear and fair picture.
4. It was also realised that bank statements and the like didn't reflect everything that was going on. Whenever the statement was printed, there were cheques which had been issued but not paid in. People might also be owed money for work done. Again, in order to understand the total financial position, these outstanding transactions needed to be brought into the overall statement. These adjustments are called *accruals* of debtors and creditors – amounts owed *to* you and amounts owed *by* you. They are outstanding *balances* at a given date and so appear on the balance sheet.
5. Going back to your mortgage, you know that the building society's statement gives only half the story – your debt to them. But you own a very important

asset – your house – the value of which doesn't appear on the statement. Again, to understand your overall financial position, both sides need to appear on your consolidated accounts. Unlike houses, many HEI buildings don't retain their value – they become obsolete or require extensive alteration or re-furbishment. Accountants have a system called capital accounting to deal with this situation, under which they 'write-off' an investment in a capital asset over its useful life – the process of depreciation – leaving the amount not yet written off (the net book value) as a balance on the assets side of the balance sheet. The outstanding debt also appears on the other side of the balance sheet (liabilities), so that both sides of the story come together. The next chapter explains more about the depreciation process.

6. Adding cash and bank balances (credit or debit) just about completes a simple balance sheet. Cash flow statements are a more recent innovation, reflecting concern that such fundamental information was not being revealed clearly enough by the income and expenditure account and balance sheet alone. Most business failures are caused by running out of cash.

Now let's look at the three main statements which form any set of accounts for a substantial organisation, commercial or otherwise.

## Income and expenditure

### I want a future here – how can I tell if that's likely?

7. The first question is financial sustainability. Are we living within our means? Is the *income* being generated from our routine operations – teaching, research, enterprise, student accommodation etc. – more or less than the *expenditure* on those operations? A *deficit* suggests we're not sustainable and costs will have to be cut or more income generated. A *surplus* suggests we are, and we're generating funds which can be invested to renew facilities and innovate – important ancillary tests of sustainability.

Trends here are more important than what happens in a single year. A succession of deficits is a serious matter which requires action – otherwise, at some point, the institution will run out of cash.

### So where do I look?

8. The *Income and Expenditure Account* is designed to answer the sustainability question – at least so far as it can be answered in purely financial terms. It brings together all the income and expenditure related to routine operations – that is, pay, pensions, laboratory supplies, energy, building maintenance. However, it excludes capital items like new buildings (and major repairs), along with equipment and grants for those purposes (see the next chapter for an explanation of how these items are treated via a depreciation charge to the Account). It reports the totals of income and expenditure for a financial year. If income exceeds expenditure, a surplus results. If it's the other way around, there's a deficit.

See a later chapter for some benchmarks for judging the content of the account.

### Note that it's based on costs committed, not cash paid

9. The statement shows what your routine operations have earned and what it's cost to earn that amount. Accountants always try to avoid distortions in their reports, so they use a concept called *accruals* to make adjustments to the cash amounts of receipts and payments – in this case, to report income which is due, whether or not it was received, or expenditure which had been incurred during the financial year, whether or not the bill had been paid.

This approach can be contrasted with a report of receipts and payments.

The intention here is to record only costs and income relating to the year in question.

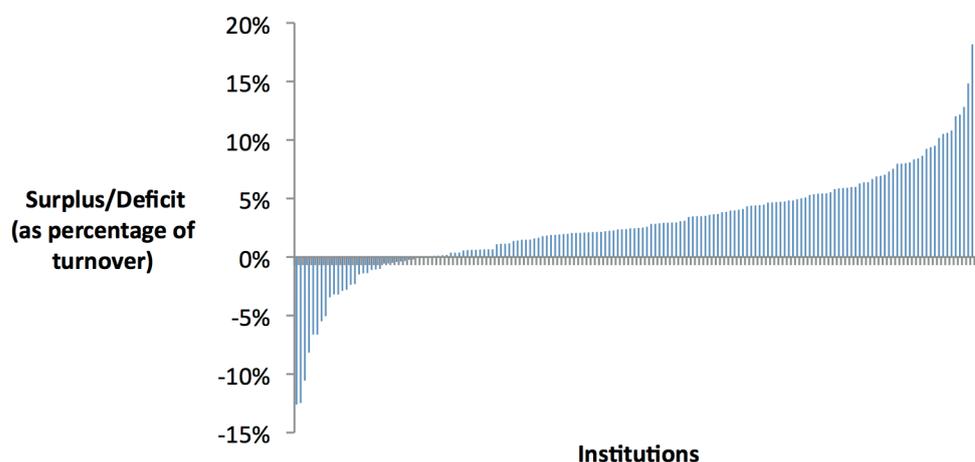
## Must you mention depreciation?

10. Afraid we must, since it's central to understanding what's going on, but there's a whole chapter devoted to it later on. Bear in mind that it's there to avoid distortion of financial reporting, not to make life difficult. It's basic purpose is to spread the cost of a capital investment over its useful life.

## Is our surplus big enough?

11. Whether a surplus is big enough is a matter of judgement. There's a discussion about it in the JNCHES Review of HE Finance and Pay Data<sup>4</sup>. But a later chapter will suggest some measures you can use to form a judgement. HEFCE's Financial Memorandum suggests 2% as a target. For now, it's worth noting that HEI surpluses vary a great deal. Here is the data for 2008-9, each vertical column representing an institution.

*HEIs' surpluses and deficits 2008-9 (Source HESA/HEIDI)*



## Exceptional items

12. It's important to look out for exceptional items in an income and expenditure account, because they can easily distort the underlying performance of an institution. A windfall from selling intellectual property, for example, or selling a building for more than its value on the balance sheet can give a misleading impression of what is going on. Have a close look at the account and the notes later in the financial statements to see if there's anything of interest.

<sup>4</sup> See for example paragraph 189 onwards in: [http://www.ucea.ac.uk/objects\\_store/jnches\\_review\\_of\\_he\\_finance\\_and\\_pay\\_data.pdf](http://www.ucea.ac.uk/objects_store/jnches_review_of_he_finance_and_pay_data.pdf)

# The Balance Sheet

## Wealthy? I don't understand how that relates to HE

13. It's possible to establish what any individual, company or institution is worth at a point in time. Most individuals don't bother – they're only accountable to themselves, but companies and institutions are accountable to others – shareholders, employees, members of the public. They need to present a picture of what they're worth on a regular basis, so a judgement can be made about their underlying financial strength and capacity for development. This is the purpose of the *Balance Sheet* – the second way of looking at an institution's financial position. At its simplest, this is a report of:

- what you own
- what you owe and
- what you are owed.

That is your assets and liabilities at the end of the financial year – the difference is called your 'equity' and will be referred to in accounts as your Reserves. Think of it like a private house. Usually, the outstanding mortgage will be less than the value of the house, so you'll have a positive equity. It can be the other way round and that can be a serious problem for an individual or an institution. For substantial organisations like HEIs, balance sheets need to accommodate a variety of transactions with rather technical labels, but the essence of the statement remains – assets less liabilities equals reserves. A sample HEI balance sheet appears in Appendix One.

*Two key points:*

*However big your reserves are, they're not the same as cash.*

*To covert reserves into cash, you'll have to sell assets.*

*Don't assume those assets will sell for the amount showing on the balance sheet.*

## Why does it matter?

14. Your institution's wealth is important because it's one indicator of ability to withstand a financial shock or capacity for development. If you have substantial equity, you can live on your wealth for a time. It may not be a very good idea, because you're using up the family silver, but it can give you breathing space. Bankers are also keenly interested in your wealth. They want to know what you could sell to repay a loan if you run into difficulties.

## Where do the balances come from?

15. Any transactions which don't find their way to the Income and Expenditure Account will appear on the Balance Sheet. For example, if you've bought a new building which will be used for many years to come, the cost will go there because it would be misleading to treat it as an expenditure wholly relevant to the financial year you're reporting. It's a 'fixed' asset. Similarly, if you've borrowed from the bank to pay for it, that loan will appear on your balance sheet, as a liability 'Creditors – amounts falling due after more than one year'. Those balances may reduce from year to year – in the first case as the building is depreciated (see next chapter) and in the second as you repay the loan. The key parts of the balance sheet are receipts and payments which you can't attribute to a single year, plus other debts due to you and due from you to others – unpaid bills and similar items.

The total is a summary of your assets and liabilities at a certain date and the difference between the two represents your reserves.

## How do you tell a good balance sheet from a bad one?

16. You look at various indicators, which you can test against other HEI's. This topic is discussed in more detail later.

## One other point to remember

17. You'll also find something called 'Endowments' on balance sheets. These are funds held for specific purposes which were set by donors. They have to be used for those purposes alone. Of course, the bigger the better, but you can't touch them to solve general financial problems.

## Cash Flow

### Why is cash important – surely we can always borrow some?

18. Perhaps you've heard the phrase 'cash is king'. The last couple of years have been a dramatic reminder of what it means. Whether you're an individual, building society, HEI or sovereign government, if you run out of cash, you're finished. Suppliers stop supplying goods and services and staff leave. So the first – and arguably the most urgent – task of a set of accounts is to explain how you've managed your cash during the financial year. In other words, what cash have you received during the period under review and what have you spent it on – this is the *Cash Flow Statement*. If more cash has flowed out of your institution than has flowed in, that's a *cash outflow*. The other way round is an *inflow*.

### How cash is generated

19. The first section of the cash flow statement will tell you how much cash your institution has generated from its routine operations in the financial year. Starting with the surplus or deficit on your income and expenditure account, adjustments need to be made because elements of that account were not cash transactions. Outstanding bills at the end of the year are one difference and the dreaded depreciation is another – it's treated as expenditure, but isn't a cash payment. The first section of the cash flow statement removes all these adjustments and reveals just how much cash your routine operations have *generated* (or consumed). This is often a FKPI for institutions – it's another sustainability indicator. It's important because that's how you can find the cash to pay for capital items, such as new buildings, in an era when government and other grants for buildings are rare or non-existent.

Think about this – how else can you buy a new building?

### Returns on investments and the servicing of finance

20. The next line shows what interest or other income you've earned from deposits with banks and what interest (but not capital repayments) you've had to pay on your borrowing. This is usually a negative figure, reflecting the fact that you've borrowed more money than you've deposited. Whether it's too much is a matter of judgement – the main question will be whether the borrowing enabled you to become a better HEI in one way or another. If not, tomorrow's students will be paying for today's mistakes.

This is effectively your renewal and development report, at least so far as major facilities are concerned. If there's not been much activity, what does that say?

### What was our capital spending – and how was it funded?

21. After reporting any taxation, the next line is always interesting to analysts because it gives a clue to the extent to which your institution is renewing itself. It's a report of your capital expenditure – spending which has produced lasting assets in the form of buildings, equipment or other valuable assets – less whatever grants you were able to obtain to pay for them. It's a key measure of whether you're keeping your property and facilities up to date and fit for purpose. It's worth looking at other institutions' accounts to form a judgement about whether you're keeping up. Of course, you may have the good fortune to be starting from an excellent base and there are some

non-financial measures which will help you make an overall judgement eg building condition surveys, which most HEIs carry out on a regular basis to help assess what spending will be required in future.

## Have we been to the bank this year?

22. The line headed 'Financing' reveals the amount of new borrowing during the year – or it may be a reduction if you've paid some back to the bank. Elsewhere in the accounts you'll find some very interesting information about the terms on which borrowing has been undertaken – interest rates, length of repayment terms, fixed or variable rates etc..

What won't be mentioned are the *covenants* or promises that your institution has made in order to borrow. These are very important and will be discussed later.

*While we're here, note the big risks involved in borrowing money. What happens if interest rates move against you? Are you protected?*

## And finally...

23. Lastly, you'll reach the line which tells you the 'Net Increase (or Decrease) in Cash – net being the difference between the inflows and outflows. A net cash outflow may or may not be a serious matter – you need to understand why it's happened. Once again, it needs to be seen in the light of the other two statements. If it's been going on for some years, you might start to worry. On its own, it doesn't tell you much, but used as a basis for comparative analysis with other institutions and trends over a period of years and in conjunction with the Balance Sheet, it can reveal a lot.

*Think what would happen if you had regular outflows.*

# Total Recognised Gains and Losses

## What on earth is this about?

24. Now we're getting to the obscure bits designed for other accountants to appreciate. It's technical stuff, but intended to catch changes in the valuation of assets or liabilities which haven't gone through the Income and Expenditure Account, mainly because they have little to do with the year's routine operations – it's accountants trying to avoid distortions again. They typically derive from revaluations of pension funds and property.

## Can't we just ignore them?

25. It would be nice to ignore these items, but the wealth of an institution can be affected by many forces, not just its routine operations. The value of property can go up or down and pension fund liabilities can change frequently. These changes (which can be very big) can have a major impact on the institution's equity or wealth and a place has to be found for them which doesn't distort other reports. For example, the recent change in the way in which pensions are adjusted for inflation, using the CPI measure instead of the RPI.

## Have we finished?

26. It might help understanding to show a few simple examples of accounting transactions. The ancient art of double-entry bookkeeping has been in use since the 15th century and is still the foundation for accounting records. In this system, every transaction gives rise to two entries – a credit to one account and a debit to another. When these accounts are added up, the total amount of debit balances should equal the total of credit balances. If they don't, there's a mistake somewhere. The list of credit and debit balances is the original form of the *balance sheet*. It looks a bit different nowadays, but the underlying principle is unchanged; the modern layout helps to show key

elements more clearly. Note that the income and expenditure account will be one of those accounts on the balance sheet.

### Let's try some examples

27. *A student is charged for accommodation:*  
This is clearly income, so a credit goes to the income and expenditure account so the income appears in the year in which it was earned, regardless of whether the student has paid the bill. The debit goes to the outstanding debtors account, where it sits as a balance until the bill is paid.
28. *The student still owes money at the end of the financial year:*  
The total balance on the outstanding debtors account, including this bill, is carried forward on the balance sheet. When the bill is paid, the credit goes to that account, to extinguish the debt. The debit goes to the cash account, which has received the money.
29. *A salary is paid to a member of staff:*  
This is clearly expenditure, so a debit goes to the income and expenditure account and a credit to the cash account, which has paid out the money.
30. *A building is rented:*  
Rent payments are simply expenditure and debited to the income and expenditure account. The other half of the transaction is a credit to cash account, which has paid out the money.
31. *A building is bought:*  
This is not normal expenditure – it's capital expenditure, because the building will give useful service for many years to come. The expenditure will be capitalised and written-off over its expected useful life – see Chapter 4 for more on this topic. The immediate effect here is to debit the fixed asset account and credit the cash account, which has paid out the money. There is no effect on the income and expenditure account at this point. At the end of the financial year, however, a depreciation charge will be created, charging a proportion of the cost of the building to the income and expenditure account (to recognise that its useful life is being consumed year-by-year). The associated credit goes to the fixed asset account, reducing the value of the building in the institution's books (thus the 'net book value'). Note that the depreciation charge doesn't affect the cash account – no cash changes hands at this point.
32. *A building is sold:*  
If it was sold for the net book value – i.e. the original cost less accumulated depreciation, a credit goes to the fixed asset account and a debit to the cash account, which has received the money. However, if it was sold for more or less than the book value, the difference will have to go to the income and expenditure account, as a profit or loss on disposal of a fixed asset.
33. *A grant is received towards a new building:*  
This should be credited to the deferred grants received account and a debit made to the cash account, which has received the money. Like depreciation, a portion will be drip-fed to the income and expenditure account each year. This will match wholly or in part the depreciation charge arising from the purchase of the new building. If the grant equals the cost, the annual transfer of a slice of the grant will equal the annual transfer of a portion of the cost (i.e. the depreciation charge). If the grant is not for the full cost – say 75% only, then 75% of the depreciation charge will be covered by the

transfer from deferred grants and 25% will be a net cost to the income and expenditure account. These accounting entries will be created at the end of the financial year, crediting the income and expenditure account and debiting the deferred grants received accounts. Note again that the year-end transactions don't involve cash changing hands.

## Beware!

34. I've said several times that accountants try to avoid distortions in their accounts. But they also have to use estimates when they can't find exact figures. More seriously, there are a number of ways to report the value of fixed assets (buildings, equipment etc.) where values change over time. Special care needs to be exercised in reading the balance sheet, for example. The amounts shown under the fixed assets headings will sometimes be the original cost (less depreciation), but sometimes after re-valuation. The notes to the accounts will tell you which basis has been used.
35. There's another major point to be very clear about. Balance sheets are financial statements. They do not record values for the accumulated human, intellectual, relationship or reputational capital of an institution. This is the real wealth of a HEI.

*Never assume that fixed assets can be sold at the value stated in the balance sheet. Many HE buildings have limited alternative uses. All sorts of factors would affect their sale value.*

## 4. Capital expenditure and the mystery of depreciation

### What's this chapter about?

A typical comment...

*'I'm not an accountant and don't really understand depreciation, but have always been told that I don't have to worry too much because it's just a book entry that doesn't affect how much money the institution has in the bank'*

*'It's like bloody algebra to me – I don't understand a word!'*

Staff Governor

1. Lots of people struggle to understand what accountants are playing at when they talk about depreciation – and still more when they use the concept in accounts. Is it just a smoke and mirrors technique designed to confuse anyone not a member of their club? Whatever the reason, the technique is such a fundamental part of financial reporting that we'd better start by making sure you really understand it. If you want to know what an HEI's published accounts and their financial management reports really mean, you have to do this bit (and don't leave until you understand what's going on and why).

### Imagine you're the treasurer of the local football club

2. Let's start by looking again at the simplest form of accounts, such as you might find used by the local football club. Something like this:

Local Football Club – Receipts and Payments for Year Ending 30 June 20XX

	£
Receipts: Annual subscriptions	2358
Grant from local council	3000
Donations	245
Prize draw	533
<b>Total Receipts</b>	<b>6136</b>
Payments: Ground maintenance	4255
FA subscription	255
Insurance	781
Printing & stationery	420
<b>Total Payments</b>	<b>5711</b>
<b>Excess of receipts over payments</b>	<b>425</b>
<b>Balance at bank on 30 June 200X</b>	<b>3629</b>

This is simply a list of receipts and payments and the resulting difference between the two plus a note of what was in the bank at the end of the financial year. It's perfectly adequate for many small organisations. It shows that the club was covering its running costs and had some money in the bank to meet bills at the start of the new season. The Treasurer can face the AGM with confidence.

## And next year?

- Now let's move on a year and see what the Treasurer has to say about the following year's finances.

Local Football Club – Receipts and Payments for Year Ending 30 June 200Y

	This Year £	Previous Year £
Receipts: Annual subscriptions	2544	2358
Grant from local council	2750	3000
Donations	673	245
Prize draw	744	533
<b>Total Receipts</b>	<b>6711</b>	<b>6136</b>
Payments: Ground maintenance	3900	4255
Pavilion extension	4500	-
FA subscription	275	255
Insurance	861	781
Printing & stationery	453	420
<b>Total Payments</b>	<b>9989</b>	<b>5711</b>
<b>Excess of Payments over Receipts (-)</b>	<b>-3278</b>	<b>425</b>
<b>Balance at bank on 30 June 200Y</b>	<b>351</b>	<b>3629</b>

Now the Treasurer has to explain that the club has incurred a deficit on the year, but things are not as bad as they seem. Without the extension to the pavilion, the underlying costs of running the club were covered by receipts. On the back row of the AGM, they're looking a bit puzzled, but they believe their Treasurer can be trusted. Is that a satisfactory way to report financial performance?

*This approach is beginning to creak.*

*It's mixing short-life and long-life transactions.*

## Would this work for an HEI?

- Now think about the Finance Director's task in explaining the annual HEI accounts. Would that simple approach to financial reporting work for much larger and complex organisations, such as HEIs? Suppose there is not one building extension to report, but many. How is the Finance Director expected to explain that there were 121 this year and 87 last? Then they'll have to explain how big each one was. Moreover, some will give worthwhile service for many years, others won't. With all those distortions, the real messages of the accounts will soon be lost in the detail. Just putting large irregular transactions into accounts in that way will give a very distorted picture of what is going on.

So.....

- Accountants try to avoid that distortion by creating rules for the reporting of transactions which bring lasting value – they call it capitalisation and depreciation. The most common example is a new building. They estimate its useful working life – perhaps 50 years – and account on the basis that one-fiftieth (or 2%) of its usefulness (or value) will be consumed each year. So when they assess the running costs of the HEI, they allocate 2% of the

building's costs to the part of the accounts which reports on *what it has cost to run the institution this year and what that expenditure has generated in income* – the income and expenditure account.

### Not so fast...

6. That's all very well, I hear you say – what have you done with the other 98%? The building didn't cost 2% of £X million, it cost 100% of £X million. Somewhere, an awful lot more money has gone out of the door than you're reporting. Quite right – and that brings us back to the reason why there are three principal parts to any set of accounts for a substantial organisation. I've just mentioned the first again – income and expenditure. The second is the balance sheet – literally a statement of balances in the organisation's books at a given date ie the last day of its financial year. So if I've only used up 2% of a new building's value ('written-off' is the technical term), there's an unexpired *balance of 98%* - which will appear on the balance sheet. The third statement is the cash flow report and it's here that you'll find the 100% of £X million reported because that *much cash has gone*.

### Concentrate hard here...

7. Let's try and explain that by looking at the entries in the institution's accounts. Leave aside for a moment where the cash came from to pay for the building – we'll deal with that later. Suppose we've bought a new physics building costing £10M and we expect it to have a useful life of 50 years – we've made an accounting rule that says we'll consume the value of the building at the rate of 2% a year. That's an estimate, of course, but most buildings will be fairly obsolete after that period or need a lot of re-furbishment, so not worth much to the owner. The first year's accounts entries will be:

Cash Flow Statement:

Purchase of new Physics building (Capital section)	£10M
<i>(a fact - £10M of cash has gone)</i>	

Balance Sheet: Fixed Assets

Value of new Physics Building	£10M
<i>(the new building's value, carried forward)</i>	

### Next year things look rather different in the accounts

8. The accounting entries for the second year will look very different.

Cash Flow Statement:	No relevant entry
----------------------	-------------------

Income & Expenditure Account:

First Year's Depreciation charge for new Physics building – 2% of £10M =	£200k
<i>(to reflect consumption of a fiftieth of the building's value)</i>	

Balance Sheet: Fixed Assets

Depreciation Section	£200k
<i>(reduction in book value of the new building – it now stands at £9.8M and this amount is carried forward)</i>	

Think about this.  
Why not?

9. That's it. Call it artificial if you like, but it's a genuine attempt to reflect the fact that some purchases bring lasting value to an institution and if they were treated as an expense when they were bought you would have a very misleading understanding of the institution's financial position, especially its statement of income and expenditure – or sustainability.

## But we haven't quite finished

10. Before leaving depreciation, it would be useful to deal with a very similar concept – 'Deferred Capital Grants Released'. If you were able to attract a grant to help pay for your new physics building, how would you put this in the accounts? Think about the distortion of treating it all as income in the year it's received – just as much of a distortion as treating the whole of the cost of the building as an expense. So the accounting treatment is simply the opposite of depreciation. Deferred capital grants which are in the process of being written off annually to the Income and Expenditure Account will appear on the balance sheet, next to Endowments and Reserves in the 'Equity' section. Only in very specific circumstances will they have to be repaid, so they are closer to being part of institutional reserves than long-term liabilities.

## Try this one

11. Let's suppose you were lucky enough to secure a 100% capital grant for your new physics building – £10M. The accounting rule requires you to 'drip-feed' this money into the Income and Expenditure account at the same rate as you charge the depreciation of the building it has financed – 50 years. Here are the entries:

Cash Flow Statement:

(Capital section)

Cash received	£10M
---------------	------

*(a fact again – you've received the money)*

Income & Expenditure Account:

Credit for First Year's Release of Deferred Capital Grant for new Physics building: 2% of £10M =	£200k
--	-------

*(offsets the depreciation charge)*

Balance Sheet: Deferred Capital Grants

Transfer of 2% of the deferred grant for new physics building	£200k
--	-------

*(the first slice of the grant for the new building, written-off to income and expenditure; the balance of £9.8M is carried forward) this account appears in the funds section of the balance sheet, as part of the institution's equity)*

Similarly, in the following years, there would be no cash flow entry, but the I&E and Balance Sheet entries would be the same, the latter showing a declining amount carried forward each year as the grant is written-off.

*This is a rather nice result – the release of the deferred capital grant matches the depreciation charge, so there's no net effect on the surplus or deficit for the year. But what would be the effect of a 50% grant?*

## Get real! – You can't get grants like that any more

12. So let's accept that 100% grants from government are going to be very rare – though hopefully, others may provide donations or endowments instead. How can we afford a new building if we can't get big grants?

The answer is the same for an individual or an institution - either save up for it or borrow it. More likely there'll be a mixture of the two in most cases. Saving up requires surpluses on the Income and Expenditure account to

*For a useful discussion of why HEIs need to generate surpluses, see the paper on this topic submitted to the JNCHES Review of HE Finance and Pay Data.*

generate cash. Borrowing requires an overall healthy financial position, in order to satisfy the bank that they'll get their money back. In neither case are we dealing with depreciation, but with hard cash. If we spend our savings, we'll have less interest coming in. If we borrow, we'll have to pay out interest and pay back the loan.

13. If we use our savings, the accounting entries for the building purchase are no different to those in paragraph 7 and 8 above. Cash has gone out of the door, we've got a new physics building and we'll start to depreciate it in the usual way. If there is no capital grant, paragraph 11 can't apply. There is nothing to release to the Income and Expenditure account to offset the depreciation charge. So there will be a net cost to the income and expenditure account for the next 50 years! Was that a good investment? *The answer to that question is whether that investment has created at least that much value in return.*
14. If a loan can be raised, cash will come into the institution and interest will start to be paid. For simplicity, let's assume the loan is repayable in full after twenty years. The first year's accounting entries will be:

Cash Flow Statement: Cash received (Financing section) <i>(a fact again – you've received the money from the bank)</i>	£10M
--	------

Cash Flow Statement: Interest paid, say 5% on £10M = <i>(assuming you borrowed on the first day of the financial year)</i>	£500k
--	-------

Income & Expenditure Account: Interest charged on loan <i>(the same amount will be charged in each of the next twenty years, assuming the interest rate is fixed)</i>	£500k
---	-------

Balance Sheet: Outstanding Loan (Creditors – Amounts falling due after more than 1 year )	£10M
---	------

The second year's entries will look like this:

Cash Flow Statement: Cash received <i>(you haven't received any this year)</i>	Nil
---	-----

Cash Flow Statement: Interest Paid: Say 5% on £10M = <i>(the annual payment on the loan – the interest may vary if the rate is not fixed)</i>	£500k
---	-------

Income & Expenditure Account: Interest charged on loan	£500k
---	-------

Balance Sheet: Outstanding Loan (Creditors – Amounts falling due after more than 1 year ) <i>(Assuming repayment is at a future date)</i>	£10M
--	------

Of course, this is a simple illustration. In practice, matters may be complicated by repayment being required before the full term of the loan, interest rates may vary and most importantly, the bank will impose conditions on the institution – ‘covenants’ – which you ignore at your cost. In extreme cases, *ignoring them may mean you might have to repay your loan prematurely!*

15. The above transactions are shown in isolation. In a later chapter, we’ll see what they look like when collected together to reveal the overall position. *Whether or not you could afford a new Physics building is a matter of judgement, which we’ll look at later.*

16. Nothing has been said yet about ‘accounting policies’. These are the rules institutions adopt to govern the way accounting transactions are treated. They can have a major influence on the results which are presented in accounts, making them look much more or less favourable. The way in which fixed assets are capitalised and depreciated is especially important. For example, if you believe that your buildings will never need replacement, re-furbishment or alteration, you don’t need to depreciate them, avoiding a large charge to your Income and Expenditure account. But is that a fair representation of the position?

*This sounds nasty – how would you repay? You’d probably have to negotiate a fresh loan and you could expect to pay rather more for it!*

*An institution’s accounting policies should be studied carefully, to check if there are any which seem unusual.*

## 5. How they do financial planning

### What's in this chapter

*The problem is that every time the Finance Director does the sums he comes up with a different result – and it always sounds persuasive!*

1. Contrary to popular belief, accountants don't just pluck figures out of thin air. Whilst they do spend time pondering what the future holds, they do it within a structure:
  - Where we've been – last year's accounts
  - Where we are – this year's budget and management accounts
  - Where we're going – the financial forecasts for the next four years

Their purpose is to achieve our old friend 'sustainability' – to make sure that, quite literally, the institution doesn't run out of money and continuously renews itself. They're also concerned to prioritise spending and live within their means. Budgets are also a method of delegating financial authority.

### Last year's accounts – that's history isn't it?

2. Yes, but an important source of information about institutional performance in terms of the three usual indicators - sustainability, wealth and cash. Any of these may give cause for concern and influence thinking in the finance department. A series of deficits will certainly be a worry, because it may be in breach of the funding council's financial memorandum. It could indicate mismanagement or an institution struggling to cope with change. Lack of wealth may constrain borrowing for capital expenditure or other investments and shortage of cash will need action. What's more, these are audited figures, so they form a firm base for projections.

### What do you mean by 'Budget'?

3. A better description of the process might be financial plan. Budgets are simply plans for how you can expect an institution's finances to work out during the current year. Of course, in practice they may become spending limits for some departments and targets for those who generate income. It's dangerous to wait until after the year end to see if those plans have worked out well, so accountants prepare management accounts on a regular basis during the year. These are simply reports on performance to date, often with a projection of how the rest of the year is expected to go. Their purpose is to monitor progress against the financial plan throughout the year. They're produced more quickly than the published accounts for the previous year and aren't usually subject to audit – but their early availability makes them more useful if corrective action is required.

### Communicate, communicate, communicate

4. The key to making budgets that work is effective communication at all levels in the process. The management accounting team in your institution have a critical role in that process, squeezed between the strategic thinking of the management team on the one hand and heads of department on the other, who will have to live with the allocations and targets eventually agreed (or put up with) and deliver the intended results. Institutions vary a lot in how they do budgeting, but most now operate some variant of a devolved system, in which departments have individual income and expenditure

accounts. These aim to show what they've earned and what they've spent, including their share of all the central costs of the institution. I used the word 'aim' because there will be no correct way of assessing exactly what those earnings and costs are – there will inevitably be some judgement in the resource and cost allocation models being used.

## How does it work?

5. Understanding and communication of key messages in both directions are the basis of good budgeting— communication is all. It's pointless setting budgets for departments or institutions which can't be delivered – even with goodwill. There'll be a lot of too-ing and fro-ing between the finance and planning departments and heads of department to get to a result which all can live with, perhaps after intervention by vice-chancellors or their assistants. Some departments will be easily settled, others may be struggling, so there may well be some tough negotiations to find a solution. Bear in mind that this process should be going on within a longer-term process of renewal and development to meet changing patterns of demand and other institutional strategic objectives. And at the end of the budgeting process, the governing body will have to be satisfied that the budget can be delivered and has addressed the key issues facing the institution.

*You can budget by the top-down method – tell everyone what they'll be able to spend – or must earn. However, ownership of a budget through negotiation is more likely to deliver the desired result.*

## Financial forecasts – are you serious?

6. It may seem futile to try and look more than a year ahead, but HEIs have a long 'product cycle' and can't avoid planning in general. For example, commitments to students often stretch over five years or more, so staff and facilities need to be thought about well beyond one year. Of course, it's difficult to be precise about inflation, pay awards, government policies, interest rates, student demand, research funding and many more influences. Moreover, forecasts may spread such gloom and doom that they become self-fulfilling, for example, if staff leave because they see no future. At the other extreme, they can be so optimistically composed that they deliver unrealistic assurance to regulators and governors.

## So are they worth doing?

7. Yes – at a minimum, they show that the institution is thinking ahead. The key purpose of financial forecasts is to demonstrate that the institution should be able to survive for a reasonable period on the resources likely to be at its disposal and the commitments it has. They also offer a very valuable opportunity to spell out the main assumptions inevitably involved in making any forecast. They are important enough to be studied closely by anyone given access to them, not least because, in retrospect, they can reveal something of the quality of institutional planning.

## What else is there to think about?

8. There will be lots of 'building blocks' for budgets and forecasts. That overworked word 'sustainability' has again been used here rather a lot, but it's the purpose of financial planning. Here are some issues which need to be taken into account when doing that planning:
  - The institution's strategic plan and plans for research, teaching and learning, access, enterprise, IT, HR, marketing, student support and estates
  - Fee-setting policies
  - Resource and cost allocation systems

*A close reading of financial statements will reveal any contingent liabilities facing an institution. These may affect financial planning.*

- Relationship between fixed and variable costs
- Student number forecasts
- Probable order book for research grants and contracts
- Funding council grants and strategies
- Other revenue stream forecasts
- Existing commitments, for example to staff, pensions and long-term contracts
- Costing and pricing strategies
- Capital and building maintenance budgets and funding sources
- Space utilisation policies and timetabling
- Investment strategies for endowments

All these can influence the budget-setting process. Plans to handle structural problems and the need for change in the institution (and the leadership and governance structures involved) may be less obvious inputs, but will need to be accommodated.

### **Strategic versus operational decisions**

9. A distinction needs to be made between those 'strategic' inputs to financial plans referred to above, and the many operational decisions which institutions make every year. The latter include decisions about individual projects or proposals to change the method of obtaining services. These will be based on a business case, which is essentially a statement of the costs and benefits of what is being proposed expressed mainly but not exclusively in financial terms. Institutions should have a robust project development and appraisal system in place to assess these proposals. Every major decision has long-term implications.

## 6. Are they spending it wisely?

### What's this chapter about?

*Does this quotation strike a bell?*

*'In truth, we have a financial strategy in name only. If the principal or finance director wants something, they do it and tell us afterwards.'* (Staff Governor)

1. This chapter tries to identify some of the deeper issues which HEIs have to resolve in the process of managing their finances. Whilst the issue of the day may simply be a question of how to survive, every significant decision will have long-term implications and should be taken within that context.

### We need new buildings – why can't we borrow some money?

2. If your HEI is stuck with poor quality buildings or equipment, why not borrow money to improve them? You may have quite a respectable balance sheet and a good academic reputation - even a willing bank manager, *but would it be wise?* Would that investment deliver improved academic performance, or a better student experience? Even if it would, can you afford the interest and debt repayments which will be commitments for a long time ahead – and which nowadays might involve higher tuition fees? On the other hand, how will you continue to attract students if you don't invest? The underlying issue here is making the judgement between today and tomorrow – between the interests of current and future students and other parties. It's another aspect of sustainability, a very important challenge for any institution which believes it has a future.

*The key question is 'What's the strategy – and why?' This needs to guide all major spending decisions.*

### We're struggling to recruit – we must do more marketing

3. That might be the right thing to do, but it ought to be thoroughly examined first. Here's a case where a temporary increase in expenditure – perhaps on marketing – might be justified. But is the long-term strategy right? Are the missing students out there? Is there a case for a more fundamental review of courses, for example? This might involve spending money on re-structuring, leading to a temporary deficit. A bold decision, perhaps, but it might be wiser than trying to sustain something that doesn't have a future. The point here is to make sure that the strategic plan does influence decisions and that feedback loops are built in to check that the plan is working. It's also important that a structure is in place to enable clear understanding of the various parts of the institution. These may behave in very different ways – for example, teaching and research – and each will require its own strategic plan.

### And it's not just spending wisely

4. Wise financial stewardship is not just about spending decisions. Management of income is equally important. One obvious area is costing and pricing of research and other contracts for services, which is discussed in section 7.7 below. If work is being carried out too cheaply, there may be long-term harm to the institution. In the future, more difficult decisions about fee-setting will have to be faced. Income collection and credit control become increasingly important as tuition fees – graduate contributions – rise. The recent student number statistical problems affecting several institutions drew attention to the danger of over-stating numbers. But there is a similar risk of under-stating numbers, especially if information systems are not up to the job. This all points to the importance of having effective and efficient control systems in place for the routine work of institutions, backed up by internal audit.

## Risk management – Just a management fad?

5. Of course you can't plan for every eventuality – there will always be something to catch you unawares. But you can try to identify the major risks to realisation of your HEI's strategies and take action to manage them. Risk management covers a whole range of techniques, designed to help realise those strategies or prevent the unexpected from getting in the way. At its lowest level, it deals with risks which are bound to happen fairly frequently, like transport accidents, and to deal with them effectively through training and insurance. Bigger risks, like fire, may require a range of responses, including emergency planning, insurance, training and appropriate design and equipment solutions. At a strategic level, the risks of changes in markets, government policies, competitor behaviour and the like can be assessed.

## Have you got a working risk register?

6. Every institution will have a risk register, recording the principal risks it faces, the likelihood of occurrence and an assessment of the severity of impact. There may well be more than one – strategic being separated from operational, for example. The register will also record who is responsible for monitoring and reporting on risks, any mitigating action being taken normally and what might be done if the risk is realised. It should be a practical tool to help everyone manage risk – and opportunity.

## Bean-counting!

7. Yes – some of it is. But it's useful to know how many beans you have and whether some have mysteriously disappeared since you last looked at them. Besides, some of them will be 'public' beans – money provided by government – for which your HEI will have a special accountability. Satisfactory audit arrangements are a condition of funding council grants and the institution's constitution. It's not always the big money that can cause damage to your HEI's reputation. Think of the MPs' expenses scandal of recent years as an example of what relatively small amounts spent on duck houses and the like can do to reputations.

## Meet the bean-counters bean-counter – the auditors

8. HEIs have two sorts of auditors – external and internal. The former will always be a professional accounting firm contracted to express an independent opinion on the HEI's annual financial statements – do they give a true and fair view and do they comply with relevant legislation and accounting requirements? The latter may also be a professional firm, but can be members of the HEI's staff. Their job is to report on whether the institution's financial and management controls are effective. Both lots will report to the institution's audit committee, which is charged with the task of giving assurance to the governing body that control systems are adequate and working. This in turn is reported to the principal funding body. Ensuring the independence of the audit committee is a key task for the governing body.

*Always read the auditors' report. Auditors have to be seriously concerned before they issue a 'qualified report' – perhaps even questioning the ability of the institution to survive. A separate report, the annual 'Management Letter' deals with less serious concerns arising from their work. It's still an important document.*

## 7. How are we doing?

### What's this chapter about?

Consider this local newspaper headline:

*'HEI declares record surplus – Principal's 'Proud Day'. In his speech at yesterday's graduation ceremony, the Principal of the Local College said that he was proud to lead such a financially-successful institution.'*

### Is that what it's about? Surely not!

1. Agreed – financial success is not what it's about. Higher education is about delivering high quality teaching and learning, research and enterprise. Financial security and stability are necessary, but are not measures of institutional success.

### So what's 'financial security'

2. Back to the three key tests – sustainability, wealth and cash. Is your HEI struggling in one or more of these tests? How would you know? First of all, look at the FKPIs for your institution in isolation. If you're running a series of deficits on your income and expenditure account, you can't feel secure on the sustainability test. If your liabilities exceed your assets on your balance sheet, your wealth is inadequate to support investment and renewal. And if your cash flow reports consistently show outflows, you'll hit the proverbial brick wall at some point, when the bank refuses to honour your payment requests.

### What's going on elsewhere?

3. Are you out of line with other HEIs? What surpluses or deficits are they reporting? What's their wealth compared to yours? This information is available if you know where to look. Some years ago, HEIs formed a database of such information – it's called HEIDI<sup>6</sup>. It's available for public use for research, but with restrictions on publication. There you'll find the information you need to make these comparisons. Mostly, it's in the form of ratios or indicators, which saves you the need to convert it to a standard basis so that proper comparisons can be made.

*HEIDI is a very useful tool for understanding where your institution sits in the spectrum of HE.*

### So what can I see on HEIDI?

4. So far as financial information is concerned (and there's much else besides), the main financial indicators to look for are:
  - Surplus or deficit as a percentage of income – the key measure of financial sustainability
  - Discretionary reserves as a percentage of income – the excess of assets over liabilities, or equity in the HEI (of course, it may be negative) (See section 3.13 for a definition of reserves)
  - External borrowing as a percentage of income – a measure of how far you've already used up your ability to borrow
  - Ratio of current assets to current liabilities; this is the 'Current Ratio' which tests whether you have enough working capital to run routine operations. Does what you are owed plus cash in the bank exceed what you owe to others in the short term? If it doesn't, you'll need to get an overdraft from the bank. Will the bank help?

<sup>6</sup> www.heidi.ac.uk

- Liquidity (cash plus investments less overdrafts) as a percentage of expenditure – usually expressed as the number of days an institution could survive without further income. This is quite a sharp test, since it's based on cash and investments you can realise quickly.
- Cash Flow – the amount of cash generated from routine operations as a percentage of income (See Chapter 3.18)

### Are there any benchmarks?

5. Yes, here are the relevant ones for the UK in 2008-9. They're a very useful guide to the underlying financial strength of your institution.

	Average Quartile	Upper Quartile	Median Quartile	Lower
Surplus/Deficit	3.5%	5%	2.5%	0.6%
Discretionary Reserves	160 days	208 days	144 days	103days
Borrowing	20%	31%	15%	5%
Current Ratio	1.5:1	1.7:1	1.3:1	1.0:1
Liquidity	87 days	119 days	75 days	47 days
Cash Flow	6.5%	9.7%	6.5%	3.1%

*As always, no one indicator should be judged in isolation. Look at the overall picture and question anything which is an outlier.*

Note: Average means the total of all individual values (e.g. of surplus or deficit) divided by the number of institutions. The median is the value for the institution in the middle of a list, if all are put in a list in ascending or descending order. The upper quartile is the institution coming a quarter of the way down the list from the top and the lower quartile is the institution coming three-quarters of the way down the list from the top.

What the terms mean in any one case will depend on the context. For the surplus/deficit measure, the institution at the upper quartile is stronger than the average or median. For borrowing, the upper quartile institution is more heavily borrowed than the average or median.

### Anything else interesting to note ?

6. Yes, a few points of interest from 2008-9 statistics:
- 32 HEIs reported deficits
  - 1 HEI had negative reserves
  - 28 HEIs had no borrowing
  - 42 HEIs had a Current Ratio of less than 1:1
  - 3 HEIs had negative liquidity
  - 17 HEIs reported net cash outflow from operations.

If you're struggling to understand these statistics, speak to your finance director or planning team.

## Costing and pricing

7. Without going into too much technical detail, it's worth mentioning costing and pricing and the concept of full economic cost (fec). Studies over a number of years have shown that HEIs tend not to recover the full cost of their activities when they determine what price to charge for their services. One reason is the extent of regulation of their prices by government, which still sometimes refuses to pay realistic rates of overhead. There is still a 'low-price' culture in HE, in which many staff regard overheads as someone else's problem. It's not. Failure to secure a realistic price for a piece of work means that other sources of funding are subsidising it.
8. Full economic cost comprises four elements:
  - Direct costs – those additional costs incurred as a direct result of doing the work
  - Indirect costs and overheads – a reasonable allocation of the cost of all the shared facilities and services which support those carrying out the work
  - An addition to reflect the replacement cost of the HEI's infrastructure (because its fixed assets may be recorded at historic cost)
  - An addition to reflect the cost of financing and investing in the development of the institution.

Of course, some of these can only be estimates or fair allocations. The point is that a serious attempt should be made to make those estimates and recover the costs involved; otherwise, work is being underpriced and the institution's finances are put under further pressure.

## Pensions

9. No guide to HE finance would be complete without a reference to pensions. Whilst the costs are substantial, the main issues are the degree of uncertainty surrounding 'defined benefit' schemes, which are usual in the sector, especially the many different ways of assessing the assets and liabilities of individual schemes. For example, the last actuarial valuation of the USS scheme offered five different bases of valuation, some showing the scheme had a surplus of assets, others a deficit. Costs have been going up in recent years and seem likely to continue doing so, in response to longer life expectancy, poor investment performance and inflation. What makes matters worse is the variation in accounting treatment for different pension schemes. The financial position of some schemes has to be reflected in institutional accounts – 'in-house' and local government schemes are typical examples. But much larger schemes – USS and Teachers' Pensions, for example – escape on technical grounds. It's difficult to defend this situation in terms of having institutional accounts which give a complete picture.

*When the last two adjustments are made, very few HEIs show annual surpluses. This is not helpful for future sustainability.*

*In the short-term, there may be little noticeable harm to an institution, but in the long-term funds will not be available to maintain and improve key assets such as property and equipment.*

## 8. The capital funding game

### What's this chapter about?

*Ever wondered where new buildings come from? So have many others. One retired governor said that, even after two long periods on the board, he still didn't understand how building projects started life.*

### Let's have a new building

1. The answer to how they start life is really a reflection on the strength of your strategic plan and the robustness of its implementation. Ideally, all HEIs ought to have a decent estates strategy, which is built up from:
  - A professional condition survey – are buildings and related services in good working condition?
  - Are they fit for their current use?
  - What are the implications of the teaching, learning, enterprise and research strategies?
  - What is the gap between space availability and needs?
  - How can issues arising from those four inputs be resolved?

Without that firm base, money is likely to be wasted on buildings which are obsolete or beyond economic repair, space which is not well-utilised and what might generously be called 'follies'! Large amounts of money are involved in estates – often the second largest item of expenditure after staff costs – so they deserve careful attention<sup>7</sup>.

2. But if a rational decision has been taken to have a new building – or carry out major refurbishment of an existing one, how can that be funded?

### Get a grant

3. Clearly the most attractive way is to ask for a grant which you won't have to repay. Grants from HM Government seem to go in cycles – there are periods when they're simply not available and others when they come without asking. Nowadays, though, you'll have to satisfy your funding council that you're operating strategically in this area<sup>8</sup>. There are other sources which might be tapped, but these are hard times for all funding bodies, either because of cuts in government spending or lower investment income. The opportunity to offer building naming rights may be a useful lever in some cases.

### Borrow it

4. Earlier chapters have referred to some of the issues which borrowing raises. The main financial ones are:
  - Is your balance sheet strong enough?
  - Is your income and expenditure in a sustainable state – can you afford the interest payments?
  - Are you generating enough cash from routine operations to service the debt?

<sup>7</sup> For more on this topic, see Getting to Grips with Estates at <http://www.lfhe.ac.uk/governance/functions/estates/gettingtogrips.pdf>

<sup>8</sup> For England, see Capital Investment Framework 2 at [http://www.hefce.ac.uk/pubs/circlets/2010/cl17\\_10/](http://www.hefce.ac.uk/pubs/circlets/2010/cl17_10/)

Behind that, however, will be more intrusive questions about the state of your 'business'. Your student recruitment performance, for example. The effectiveness of your planning and budgeting – your track record, for short. All these issues will be of interest to potential lenders, who will insist on a business plan, which they'll test thoroughly. Incidentally, as a charity, you'll need to bear in mind the degree of risk you're entitled to take, which is not the same as that available to a commercial business. Guidance on this issue is available from the Charity Commission<sup>9</sup>.

By the way, there's no such thing as 'internal borrowing' – capital expenditure is just that and has to be financed when incurred.

## Covenants and other nasties

5. Banks don't just send you the money, they write all sorts of terms into the lending contract designed to restrict your freedom, so that you spend their money wisely and pay it back in due course. You'll be required to make sure you observe your funding council's financial memorandum, for example. More seriously, you'll be given some key ratios to maintain e.g. maximum total borrowing as a proportion of income, or a current ratio of at least 1:1. In normal times and when things are going reasonably well for you, these constraints won't get in the way. But in other times, failure to meet them may trigger early repayment of the loan – not easy when you've already spent it! At a minimum, the bank will want a higher rate of interest from you and may impose other, tighter, constraints. If you've given a mortgage over your property, it could be sold to repay the debt. What operational problems might that cause?

*The terms of a loan are much more likely to trigger a crisis than the interest rate, if times are difficult for a HEI, so they deserve close attention before acceptance.*

## PFI – a big mistake?

6. PFI is a relatively recent invention. At its simplest, it's a contract to buy specified services for a period of time. So you might agree to buy a fully-serviced and maintained student residence for a period of 40 years. A long-term contract of this nature enables the other party to borrow money to construct the building against your undertaking to pay for using it. You don't have to borrow – whether or not you can. Provided you get the contract right – specifying exactly what is to be provided and by whom for the next 40 years – the arrangement may be helpful.
7. But there's the snag – forecasting the future accurately. If you don't get the contract right, you'll be paying for services you or your students may not want, or even for empty rooms if you haven't managed to push that risk on to someone else. But bear in mind that once you commit to construct a new building without PFI, you're also restricting future flexibility. As an example of the problem, consider how many buildings still have their original occupants after 40 years? PFI is a major risk area for institutions. Joint ventures to construct buildings – with the NHS, for example – carry the additional risk that the relationship which led to their creation may not last.

<sup>9</sup> See <http://www.charity-commission.gov.uk/library/guidance/cc26text.pdf>

## 9. Sources of financial information

### What's this chapter about?

*Where can I find all this useful information?*

1. There are various sources of financial information about a HEI, including some which it has a statutory obligation to provide or publish and others which may be made available, perhaps via a collective agreement with trade unions.
2. HEIs have a statutory obligation to publish their annual accounts (financial statements) and usually do so on their websites. You can also get a copy from your finance department. If you don't understand something, ask for an explanation.
3. There's quite a lot of sector-wide information on funding council websites. For example, the English council summarises and publishes the financial forecasts it receives from all HEIs – see Circular 2010/20. This includes a useful commentary on what they've seen. They also publish their allocations of grant to each HEI and the year-on-year movements can be interesting. There will also be various areas of guidance for institutions – e.g. Value for Money, Audit and Accounts Direction, telling HEIs how they should prepare their accounts.
4. Pension fund websites are another useful source of information, especially the reports of independent actuaries.
5. Much more information will be available within institutions. Budgets, management accounts, forecasts, audit reports etc. are private documents, available to members of governing bodies. These are not published – some would be very interesting to other HEIs – but institutions may be prepared to share their plans if you respect the need for confidentiality. Trade unions have rights to information and consultation. This is a complex area and not one to tackle in this guide, which is primarily about the technical aspects of finance and accounting in HE, but it's very important to be aware of that.
6. It's probably more important to understand through discussion the underlying assumptions than the bare figures in budgets and forecasts, in order to grasp the degree of tolerance involved. In other words, do the financial forecasts provide an optimistic or pessimistic view of the future. What is the 'worst case'?
7. Keep an eye on the press, which is always hungry for gossip and may pick up something about your institution. Search engines provide an easy way of looking.
8. And always keep your own eyes and ears open. An HEI's decisions will reflect its own view of its finances.

## 10. Questions to ask

### What is this chapter about?

*Finding the right question to ask is sometimes the key to getting useful information. Here are a few suggestions:*

### Key questions

1. What are our financial KPIs?
2. What is our recent and planned performance against them?
3. What is our relative performance against our peer group?
4. What is our financial strategy?
5. What is our recent and planned performance compared with strategy?

### Other questions

#### About property:

6. What is the replacement cost of our property and what is it insured for?
7. What was the outcome of the last property condition survey?
8. What is our energy consumption and comparative performance?
9. Were there any cost over-runs on building projects last year?
10. Are we compliant with the Capital Investment Framework?
11. Do we have any PFI agreements?

#### About finances:

12. What was the content of the external auditors' management letter?
13. What is the state of our pension funds and their future funding requirements?
14. Where are the investments held and on what terms?
15. What are the covenants for our borrowing and the repayment terms?
16. What are our interest rate risks and hedges?

#### General:

17. Is there any litigation in progress?
18. What was our performance against funding council targets?
19. What were our full economic cost (fec) outcomes?
20. What is our benchmarked procurement performance?

# Appendix One

## Specimen Income and Expenditure Account

For the Year ended 31 July 200Y

	Year Ended 31 July 0Y £'000	Year Ended 31 July 0X £'000
<b>A</b>	<b>Income</b>	
B	Funding body grants	
C	Tuition fees and education contracts	
D	Research grants and contracts	
E	Other income	
F	Endowment and investment income	
G	Total Income	
<b>H</b>	<b>Expenditure</b>	
I	Staff costs	
J	Other operating expenses	
K	Depreciation	
L	Interest and other finance costs	
<b>M</b>	<b>Total Expenditure</b>	
<b>N</b>	<b>Surplus after depreciation of tangible fixed assets at valuation and before tax</b>	
O	Share of operating loss in joint venture	
P	Share of operating (loss)/profit in associate	
Q	Taxation	
<b>R</b>	<b>Surplus after depreciation of assets at valuation and tax</b>	
S	Minority Interest	
<b>T</b>	<b>Surplus before exceptional items</b>	
U	Exceptional items: continuing operations	
V	Disposal of fixed assets	
W	Fundamental restructuring costs	
<b>X</b>	<b>Surplus on continuing operations after depreciation of assets at valuation, disposal of assets and tax</b>	
Y	(Deficit)/Surplus for the year transferred to accumulated income in Endowment funds	
<b>Z</b>	<b>Surplus for the year retained within general reserves</b>	

Note: In a separate statement called 'Group historical cost surpluses and deficits', an adjustment will be made to reflect the difference (if any) between the depreciation charge based on historical costs of fixed assets and the actual charge for the year calculated on the re-valued amount. In other words, if an institution has re-valued its fixed assets, this adjustment enables a comparison to be made between it and other institutions which have not done so.

# Specimen Balance Sheet

At 31 July 200Y

31 July 0Y  
£'000

31 July 0X  
£'000

## Assets and Liabilities

### A Fixed assets

- B Intangible assets
- C Tangible Assets
- D Benefit arising from acquisition of ABC College
- E Investments
- F Investment in joint venture
  - Share of gross assets
  - Share of gross liabilities
- G Investment in associate

### H Endowment assets

### I Current assets

- J Stocks
- K Debtors
- L Investments
- M Cash at bank and in hand
- N Less: Creditors: amounts falling due within one year
- O Less: Share of net liabilities in associate

### P Net current (liabilities)/assets

### Q Total assets less current liabilities

- R Less: Creditors: amounts falling due after more than one year
- S Less: Provisions for liabilities

### T Total net assets excluding pension liability

- U Less: Net pension liability

### V Total net assets including pension liability

## Funds (i.e. sources of assets and liabilities) – 'Equity'

### W Deferred capital grants

### X Endowments

- Y Expendable
- Z Permanent

### AA Reserves

### AB Income and expenditure account excluding pension reserve

- AC Pension reserve

### AD Income and expenditure account including pension reserve

- AE Revaluation reserve
- AF Minority interest

### AG Total Funds

# Specimen Cash Flow Statement

For the Year ended 31 July 200Y

	Year Ended 31 July 0Y £'000	Year Ended 31 July 0X £'000
<b>A</b>	<b>Net cash inflow from operating activities</b>	
B	Surplus after depreciation of tangible fixed assets at valuation and before tax	
C	Depreciation	
D	Benefit on acquisition of ABC College released to income	
E	Deferred capital grants released to income	
F	Amortisation of intangible assets	
G	Investment income	
H	Interest payable	
I	Decrease/(increase) in stocks	
J	Decrease/(increase) in debtors	
K	Increase in creditors	
L	Increase/(decrease) in provisions	
M	Receipt of donated equipment	
N	Pension Costs less contributions payable	
<b>O</b>	<b>Returns on investments and the servicing of finance</b>	
P	Income from endowments	
Q	Other Interest received	
R	Interest paid	
S	Interest element of finance lease rental payment	
<b>T</b>	<b>Taxation</b>	
U	Capital expenditure and financial investment	
V	Proceeds from sale of fixed assets	
W	Fixed asset investment disposal	
X	New endowments received	
Y	Endowment funds invested	
Z	Payments made to acquire fixed assets	
AA	Deferred capital grants received	
AB	Other items	
<b>AC</b>	<b>Management of liquid resources</b>	
	Withdrawals from/(additions to) deposits	
<b>AD</b>	<b>Financing</b>	
AE	New secured loans	
AF	Repayments of amounts borrowed	
AG	Capital element of finance lease rental payments	
<b>AH</b>	<b>Increase/(decrease) in cash in the year</b>	

## Appendix 2

### Glossary of specific terms used

Accounting date	The end of the period covered by the financial statements and the date of the balance sheet.
Accounting policies	An institution's rules for the accounting treatment of various transactions.
Accruals	Transactions which are not complete at the end of an accounting period, but must be reflected in the accounts for that period in order to give a true and fair view. They are added to income or expenditure and appear as balances (amounts owed to or owed by an institution) on the balance sheet.
Amortisation	The process of writing-off an asset – the same as depreciation.
Audit report on financial statements	External Auditors' published report of their independent examination of the institution's Annual Financial Statements.
Banking covenant	A condition attached to a loan which must be satisfied for the loan to continue.
Book value	The value of an asset or liability according to the records of an institution – rarely the same as its market value.
Cash	Cash plus deposits which can be realised within twenty-four hours.
Condition survey	An independent professional opinion on the condition of property, usually including its fitness for purpose.
Creditor	Someone who is owed money by another person or body.
Current assets	Cash, plus investments and debts due from others which are expected to be converted into cash within twelve months.
Current liabilities	Debts due to others which must be paid within twelve months.
Current ratio	The ratio of current assets to current liabilities – the ratio of cash plus what is owed to an institution to what is owed by an institution to others (including overdrafts).

Debtor	Someone who owes money to another person or body.
Deferred capital grant	A method of spreading the benefit of a grant towards the cost of a fixed asset over the working life of that asset.
Deficit	The excess of expenditure over income.
Defined benefit	A pension which is determined without direct reference to contributions to an individual pension fund.
Defined contribution	A pension which is determined by reference to contributions to an individual pension fund.
Depreciation	A method of spreading the cost of a fixed asset, such as property or equipment, over its useful working life.
Discretionary reserves	Reserves which are not earmarked for specific purposes eg pensions
Endowments	Gifts to institutions which are usually expected to be kept apart from their general funds and are often for specific purposes designated by donors.
Equity	What would remain if all assets realised their book value when sold and all liabilities were settled at book value. Effectively the same as an institution's reserves.
Exceptional item	A transaction which is not part of the normal activities of an institution and needs to be reported separately to give a fair view of its financial performance. Profits arising on property disposal and non-recurring restructuring costs are typical examples.
External auditors	A firm of professional auditors, appointed by the governing body to provide an independent report on the Annual Financial Statements.
Fixed asset	Property or equipment which will have a useful life beyond an accounting year. Usually interchangeable with the term 'tangible' – meaning can be touched. Intangible assets, such as investments or goodwill, cannot be touched.
Fixed rate loan	A loan on which the interest rate is fixed.
Floating rate loan	A loan on which the interest rate is not fixed, but reflects some benchmark.
Full economic cost	The direct costs incurred by an activity, plus a share of institutional overheads and indirectly-incurred costs (eg space occupied). Further additions may be necessary to reflect financing and infrastructure costs.

Hedging	Agreements designed to mitigate risk – often used in connection with floating rate loans.
HEIDI	Higher Education Information Database for Institutions.
Internal auditors	An arrangement with a professional firm or consortium of institutions or an in-house service, to examine and report on institutional management and control systems.
Liquidity	Cash plus short-term investments less overdrafts.
Long-term loan	A loan which will be repaid on agreed dates, unless its terms (ie covenants) are not met.
Management accounts	Financial reports prepared to monitor performance during a financial year.
Management letter	External Auditors' private comments on the Annual Financial Statements and the outcome of their audit work which are not sufficiently serious to affect their published opinion.
Minority interest	An accounting adjustment usually reflecting joint ownership of a subsidiary operation.
Overdraft	A loan which must be repaid on demand.
Payments	Cash paid – as opposed to commitments incurred to others.
PFI/PPP	Private Finance Initiative and Private Public Partnership. A structure usually designed for the procurement of property with continuing services, instead of just the property itself.
Provisions	Amounts set aside for probable liabilities which are believed to exist at the Accounting Date, but which will not have to be settled until a later period.
Rating agency	Organisations which supply independent opinions on the financial strength of others.
Receipts	Cash received – as opposed to debts due from others.
Revaluation reserve	The difference between the historic cost of a fixed asset and its revalued amount.
Short-term Investments	Investments which can be converted into cash within twelve months without significant loss.
Surplus	The excess of income over expenditure.
Trac	Transparent approach to costing.

[www.bufdg.ac.uk](http://www.bufdg.ac.uk)

[www.eis.org.uk](http://www.eis.org.uk)

[www.gmb.org.uk](http://www.gmb.org.uk)

[www.ucea.ac.uk](http://www.ucea.ac.uk)

[www.ucu.org.uk](http://www.ucu.org.uk)

[www.unison.org.uk](http://www.unison.org.uk)

[www.unitetheunion.org](http://www.unitetheunion.org)