
Analysis of the Financial Position of the HE sector 2002/03

9 July 2004

Ref: W04/42HE

To: Heads of higher education institutions in
Wales;
Principals of directly funded further
education colleges

Summary: This circular informs institutions of financial
health performance indicators for the higher
education sector in Wales as shown by the
audited financial statements for 2002/03.

Response by: No response

Further information: Contact: M J Morris
Telephone: 01443 663945
E-mail: MorrisM@ELWa.org.uk

INTRODUCTION

- 1 This circular informs institutions of financial health performance indicators for the higher education sector in Wales as shown by the audited financial statements for 2002/03. It does not include the Open University which is not funded by HEFCW.
- 2 Key financial ratios and figures which give an indication of each institution's financial position are provided in Tables 1 to 15. These are based on the audited financial statements returned by institutions. Each table includes brief notes on coverage and the data sources. Notes on the definitions used are provided in Annex A.
- 3 The sector's income and expenditure account, balance sheet and cash flow statement are provided in Tables 16 to 18.
- 4 Within the sector figures reported for 2002/03, UWIC's figures have been affected by the Institution's decision fully to implement Financial Reporting Standard 17 this year, when its likely statutory implementation date is 2005/06. The outcome is that UWIC has taken an additional charge of £543k in interest payable to its income and expenditure account and that general reserves are reported at a negative balance of £1.4m due to the impact of a reserve for pension liabilities of £16m. These figures also have a material effect on the sector's financial position as noted in this publication.

INCOME AND EXPENDITURE ACCOUNT

- 5 In 2002/03 there were 14 higher education institutions in Wales with a total income of £749m of which £325.1m, or 43 per cent, came from the Higher Education Funding Council for Wales (HEFCW) grant as shown on Table 1. Pay expenditure accounted for £419m as shown on Table 2; this represents 56 per cent of income. The sector reported an operating surplus of £16.7m as shown on Table 5. Three institutions, compared to four in 2001/2002, reported an operating deficit. The sector historic cost surplus as shown in Table 6 was £25.2m. Two institutions, reported an historic cost deficit in both 2001/02 and 2002/03.

BALANCE SHEET

- 6 As shown in Table 8, net liquid assets remained static at 92 days expenditure. Table 9 demonstrates a strengthening current ratio for the sector at 1.9. The net book value of equipment, as shown in Table 10, increased to £30.9m, a significant increase of 8.4 per cent. Conversely, as demonstrated in Table 11, long term liabilities decreased by 10.8 per cent to close at £87m. General Reserves, (inclusive of general endowments), as shown in Table 14, increased by 4.3 per cent to £306.3m.

CASH FLOW STATEMENT

- 7 Table 15 shows that the sector reported an overall inflow in cash of £10.1m in 2002/03, compared to an inflow of £7.7m in 2001/2002. Cash flow from operating activities weakened, payments to acquire fixed assets increased and there was a minimal increase in new secured loans of £3m.

FURTHER INFORMATION

- 8 This circular is intended to provide higher education institutions with an early indication of their comparative financial position for 2002/03. It is in addition to, not a replacement for, the Annual Volume of Further and Higher Education Statistics for 2002/03 which will be published by the HEFCW by the end of the year.
- 9 Further information about the published tables may be obtained from: M J Morris, Finance Manager, Higher Education Funding Council for Wales, Ty'r Afon, Bedwas Road, Bedwas. Caerphilly. CF83 8WT.