

College Sector Cash and Reserve Levels 2011/12

College: Total Sector	2010/11 £'000	2011/12 £'000	Narrative
			A balance sheet will change daily. It is important to understand the commitments within an organisation and the timing of those commitments.
Cash at bank and in hand	190,477	177,739	This cash balance of £178m is a decline on the previous year. This balance will be required to cover the current liabilities in the year of £131m (see below line re Total Current Liabilities). Some of the cash is in advance from SFC for estates development. This cash level represents approx 1-2 month of trading activity. Cash is required for working capital commitments; to contribute to merger expenditure; to prudently cover long-term commitments and future capital investments.
Total Current Assets	265,567	245,126	
Total Current Liabilities	149,120	130,557	
Net Current Assets	116,447	114,569	There are some large commitments not only to merger funding, but also estates campus developments e.g. student accommodation developments.
Total Assets - Current Liabilities	1,284,837	1,276,845	
Net Assets (including pension)	1,052,130	997,418	Positive value of the college sector - just under £1billion. The bulk of the value is held as fixed assets (land and buildings).
Reserves			
a) Income & Expenditure Account (excluding pension reserve)	208,565	219,746	Commitments for current capital projects, new campus developments and other estates developments e.g. student accommodation.
b) Pension Reserve	-67,439	-111,943	This is an accounting calculation of the pension liability for defined benefit pension schemes. This does not take account of those colleges with defined contribution schemes, nor will it cover those colleges who have no formal pension scheme.
c) Income & Expenditure Account (including pension reserve)	141,536	108,213	This is not cash. This is the cumulative operating position of the sector, after pension liabilities (valued under FRS17). These reserves have commitments of new campus developments and other estates developments against them. Such reserves will also be used to address a backlog of estates maintenance in some cases. To access reserves, the organisation will be required to operate in a deficit position i.e. spend more than is earned. Furthermore, cash is required for expenditure. Banks may not wish to lend cash to organisations who are operating in a deficit position.
d) Revaluation Reserve	237,577	230,631	This is purely an accounting adjustment wherein an asset, usually a building, has been revalued by an external advisor and the college is required to recognise any increase or decrease in value in its balance sheet. Therefore, this is a theoretical value which cannot be realised unless such assets are sold. The decrease is due to a revaluation.
e) Restricted Reserves	17,408	18,238	There are specific restrictions against these reserves, meaning they must be released for the stated purpose e.g. estates or the environmental research institute (ERI). Some restrictions apply to estates build already underway.
Total Reserves	396,521	357,082	
Loans and Provisions	-165,268	-167,484	
Deferred Capital and Endowments	660,073	645,032	
Fixed Assets	1,168,390	1,162,276	

