

## EIS presentation handout

Andrew McGettigan, 25 March 2026

**“The issue here is whether a HEI could get into serious financial difficulty and whether you could see it coming and help prevent it.”**

*An Insider’s Guide to Finance and Accounting in Higher Education*, p. 1

Why cash?

**Cash is needed to settle demands for payment *as they arise***

“If income goes down but expenditure continues unchanged, you’ll run out of cash. ... Failure to reduce spending leads to a cash shortage, approaching the point at which the institution’s bank will call a halt.”

*An Insider’s Guide to Finance and Accounting in Higher Education*, p. 1

What is cash?

**Not just notes and coins!**

### **Cash and cash equivalents**

**Cash includes cash in hand, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are in practice available within 24 hours without penalty.**

**Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value.**

**Current investments may also be available – most commonly, deposit accounts that require some notice or *term* deposits maturing in the near future**

### Liquidity Days

Cash and current investments held, but rebased to reflect the “size” of an institution by comparing it to average daily cash expenditure.

Common metric included in the Higher Education Statistic Agency’s Key Financial Indicators.

## How much cash or liquidity is sensible?

### 9. Net liquidity days

This tells us how many days the institution can – in theory, at least – continue to pay its bills with the cash that it has to hand. The larger the number here, the better, but too high and we should wonder whether treasury management is working optimally. Anything less than 60 days is potentially worrying, especially if the institution is facing other financial issues.

*In our example 115.4 days*

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*A BUFDG Guide to Understanding University Finance (2025), p.66 [British University Finance Directors Group]*

In England, Office for Students requires HEIs to notify them if liquidity is projected to fall below 30 days. These institutions are considered to be at heightened risk of “disorderly market exit.”

**But no specific level appears to be specified, recommended or *monitored* by SFC:**

“Universities are responsible for their own financial sustainability and are required to notify SFC *if they identify* material risks to their financial viability or sustainability.”

*Financial Sustainability of Universities in Scotland 2022-23 to 2026-27, p. 3*

**SFC does not report on number of institutions below certain cash levels:**

“... cash days vary considerably for individual universities. The sector position is skewed by the results of the two largest universities which account for well over 50% of the overall cash reserves at the end of July 2024.”

*Financial Sustainability of Universities in Scotland 2022-23 to 2026-27, p. 21*

**Not specific or measurable – what is the “Minimum” here?**

46. SFC analysis determines whether the institution is operating within the financial parameters considered by SFC to indicate financial health. The key indicators are:

- Adjusted operating surplus/deficit and Earnings Before Interest, Taxes and Depreciation, and Amortization (EBITDA) margin for colleges and universities.
- Minimum unrestricted cash days for colleges and universities.
- Borrowing as a percentage of total assets for universities.

*Outcomes Framework & Assurance Model: Guidance for Institutions, p. 17*

## “Reserves” & Reserves Policy: Office of the Scottish Charity Regulator [OSCR]

<https://www.oscr.org.uk/managing-a-charity/charity-accounting/charity-reserves-guidance/3-how-should-charity-trustees-set-a-reserves-level/>

### Reserves policy

Particular areas to consider are:

- Funds to allow for unforeseen emergencies or other unexpected needs, for example an unexpected repair bill or requiring funding for an urgent project.
- Unforeseen day to day operational costs, such as cover for long-term sick absence.
- Grant income not being renewed, and how much notice you would get if this is the case.
- Planned commitments which may need higher levels of reserves.
- Funds to allow for increased beneficiary need - external changes may mean your charity receives additional beneficiaries.
- The need to fund short-term deficits in a cash budget, for example money may need to be spent before funding is received.

### OSCR – useful distinction – reserves vs “funds”

<https://www.oscr.org.uk/managing-a-charity/charity-accounting/charity-reserves-guidance/>

““**Reserves**” are the funds that your charity has which can be freely spent on any of its [charitable purposes](#).”

Total charity funds – Total restricted funds and endowments = **Unrestricted funds**

**Restricted funds** and **endowment funds** will not be included in your reserves as these cannot be freely spent.

Unrestricted funds – Fixed assets or funds already set aside within unrestricted funds = **Available reserves**

**Reserves** don't include tangible fixed assets or designated funds.

Once you have your starting point the **charity trustees** can start to look at what level of reserves you want to hold back.

N.B. “Reserves” here is closer to the everyday sense of (cash) reserves.

“Reserves” in university financial statements will be what OSCR refer to as “funds”.

“Restricted” money is advanced for particular purposes – capital grants, research grants, some donations, endowments etc.

## Dundee

For FY25, there was a c.£12m difference between the budgeted opening cash balance and the actual cash balance on 1 August 2024. The University has suggested this is made up of £8.5m of cash expected to be received in FY24 but received in FY25 and c.£3.5m unanalysed working capital movements.

In FY24 and Q1 of FY25 the University did not have sufficient visibility over cash or movements in cash. In FY24 it was protected by the (reducing) cushion of the Exscientia monies and the availability of an RCF.

The lack of financial control, particularly around research finance and research income, resulted in a c.£20m and c.£12m adverse funding gap (the difference between budgeted opening cash and actual opening cash) at the start of FY24 and FY25 respectively. This was exacerbated by the cash outlay for Tay Cities (timing differences) and the University's own capital expenditure costs.

Through FY24 the University was not controlling its cash in a meaningful way. One of the results of this was the breach of two banking covenants (both of which should have been identified prior to the year end).

## Gillies Report, p. 25

## AAB “Accounting Review: Dundee” (April 2025), p. 22

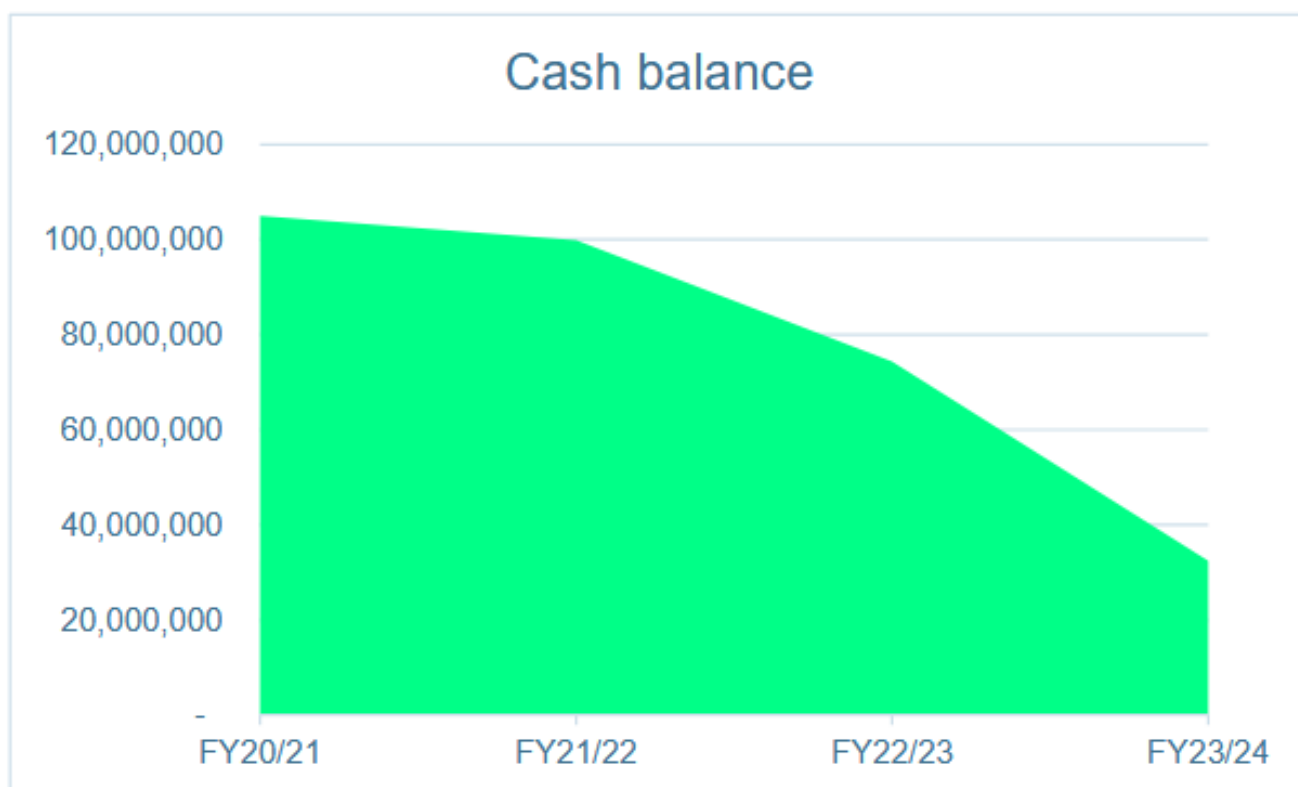


Figure 3: Cash Balance from FY2020/21 – FY2023/24

## Credit facilities & Covenants

Breaching covenants can lead to “accelerated” repayment. The demand to pay back what is owed *today*.

Here is an old set of accounts showing how University of Swansea had to recognise this possibility. They had to move their debt to “Amounts *falling due within one year*”.

### 19 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Consolidated 31 July 2019	University 31 July 2019	Consolidated 31 July 2018	University 31 July 2018
	£m	£m	£m	£m
Bank overdraft	2.5	-	2.2	-
Secured loans	111.3	111.3	2.5	2.5
Service concession arrangements	6.2	6.2	5.9	5.9
Trade payables	8.0	8.0	8.1	8.1
Social security and other taxation payable	4.1	4.1	3.7	3.7
Accruals and deferred income	59.3	59.4	58.6	58.5
	191.4	189.0	81.0	78.7

At 31 July 2019 the University's outstanding secured loans have been classified as falling due within one year although the scheduled repayments under the facility agreement are for repayments of £109m to be made after more than one year. The reason for this accounting treatment are explained in note 20 below.

### 2018/19 Annual Report for Swansea

Note 20: “At 31 July 2019 the University was in breach of one of its borrowing covenants to EIB .... This breach has been waived by EIB *subsequently* but the position at year end was one of expected breach which was at that point un-remedied. Accordingly, the loans outstanding with EIB have been classified as repayable on demand at 31 July 2019 and are included within creditors due in less than one year.”