

State of the Sector V
Assets



8. Assets

This chapter looks at the voluntary and community sector's total assets and liabilities. The data is for the financial year 2006/07, the latest available. The data presented in this chapter is made up of estimates based on the analysis of 530 sets of accounts. Where possible, comparisons have been made with previous years.

Assets held by voluntary and community organisations in 2006/07 totalled £737.5 million, a decrease of 2.4% since 2003/04. The level of debt (liabilities) held by the voluntary and community sector in 2006/07 was estimated to be £214.7 million, an increase of 11.3% since 2003/04.

The amount of cash (in a bank or in hand) held by voluntary and community organisations decreased by 7.5% between 2003/04 and 2006/07. Such decreases in the sector's current asset base could affect future liquidity if the trend of a shrinking and more competitive funding environment coupled with rising levels of debt continues.

As the value of assets held by organisations falls, the level of debt accrued by organisations increased. However there has been a turn around in the levels of short-term and long-term debt. For instance in 2006/07, 56.8% of creditors were payment due within one year (money owed and due within a year), compared with 46.8% in 2003/04.

The majority of funds held by organisations are unrestricted in nature (67.2%) which means that organisations in times of financial difficulty can use these funds to cover any shortfalls and continue to operate for a specified period of time. Organisations with an income of over £1 million per annum hold the bulk of funds in the voluntary and community sector, with 69.5% of all funds being held by just 4% of all organisations.

Just over one third of all organisations with an income of over £1 million per annum do not have a reserves policy. As the size of the organisation increases the likelihood also increases that they will have a reserves policy clearly set out in their accounts.

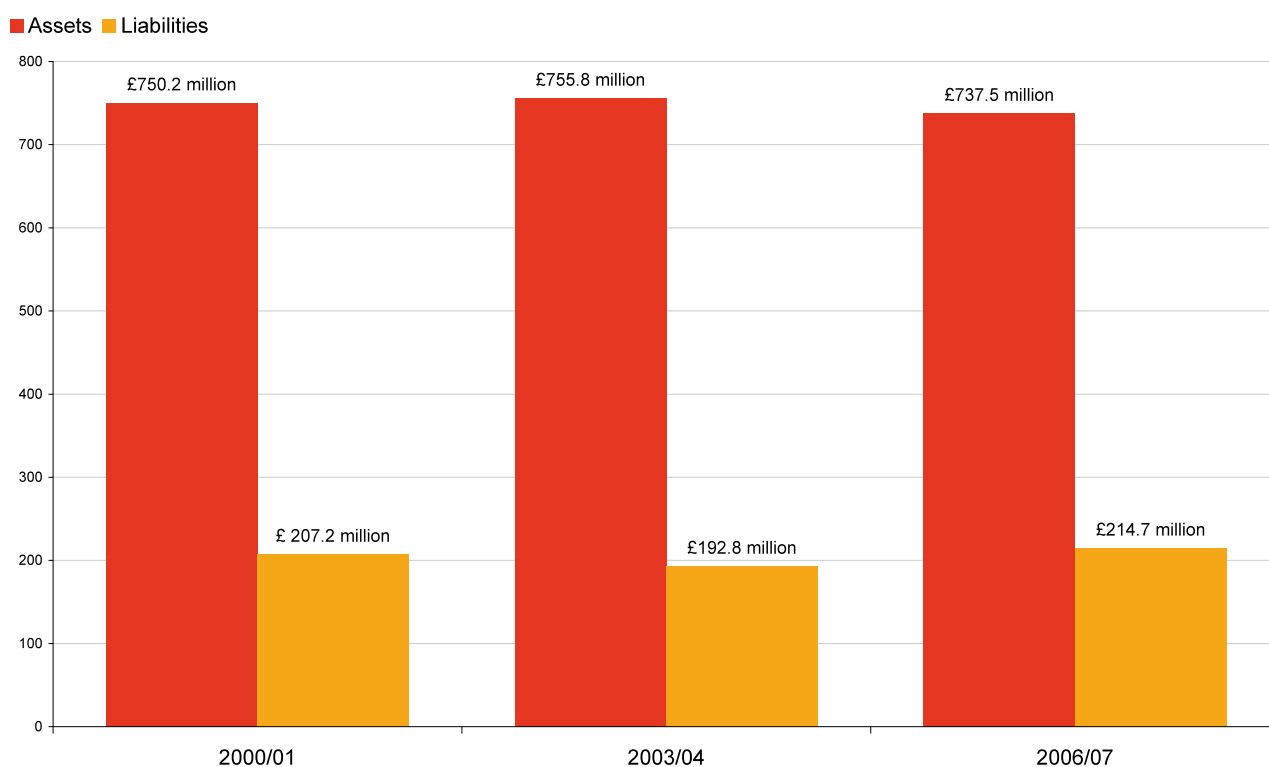
The development of an asset base, whether in the form of buildings or investments, is fundamental to the long term viability of many voluntary and community organisations. Set against a decreasing and less diverse funding base and wider economic instability, the need for a strong asset base has never been greater.

This chapter provides a summary analysis of assets and liabilities. However, as has been mentioned in Chapter 7, the application of SORP across the sector has meant there is still some variation in how accounts are presented therefore making comparison only possible at a global level.

8.1 Asset profile

The total assets of voluntary and community organisations in 2006/07 were an estimated £737.5 million, a decrease of 2.4% since 2003/04. The level of debt (liabilities) in the sector for 2006/07 was estimated to be £214.7 million, an increase of 11.3% since 2003/04.

Figure 8.1 - Assets and liabilities between 2000/01 and 2006/07



As can be seen in Figure 8.1 there has been relatively little variation in the asset base of the voluntary and community sector since 2000/01. However, these headline figures do not show the full picture in terms of the types of assets held by organisations, the nature of the debt and total funds available to organisations.

Table 8.1 below shows in more detail the overall figures for assets and liabilities for the voluntary and community sector.

Table 8.1 - Breakdown of assets (2006/07 and 2003/04)

	2006/07 £ million	%	2003/04 £ million	%	% change
Fixed assets ^[*]	382.3	51.8	388.1	51.3	-1.4
Cash	183.1	24.8	198.1	26.2	-7.5
Investments	80.4	10.9	82.4	10.9	-2.4
Debtors	80.9	11.0	77.8	10.3	3.9
Stock	2.9	0.4	7.3	1.0	-60.2
Other	7.9	1.1	2.1	0.3	276.1
Total current assets ^[\$]	355.3		367.7		-3.3
Total assets	737.5		755.8		-2.4
Creditors (within 1 year)	121.9		90.2		35.1
Net current assets	233.4		277.5		-15.8
Total assets less current liabilities	615.7		665.6		-7.4
Creditors (outside 1 year)	92.8		102.6		-9.5
Net total assets	522.8		563.0		-7.1

As can be seen in Table 8.1 there has been a 2.4% decrease in the total assets of the voluntary and community sector between 2003/04 and 2006/07. Underpinning this decrease are some developments that could have future implications for the sector. For instance, the amount of cash held in a bank or in hand by voluntary and community organisations decreased by 7.5% between 2003/04 and 2006/07. Such decreases in the sector's current asset base could affect future liquidity^[16] if the trend of a shrinking and more competitive funding environment coupled with rising levels of debt continues.

16 Money, or cash in hand, is the most liquid asset.

[*] Fixed assets are assets which continue to be of value to the organisation year after year. They are made up of tangible fixed assets (such as office furniture and equipment, including computers and cars), buildings and investments.

[\$] Current assets are available to organisations to be spent in the near future. They include short-term deposits, cash at the bank and in hand and debtors.

Table 8.2 - Breakdown of assets by income band (2006/07)

	Fixed assets £ million	%	Current assets £ million	%	Total assets £ million	%
<£1,000	0.0	0.0	0.1	100	0.1	0.0
£1,001-£10,000	2.6	90.7	0.3	9.3	2.9	0.4
£10,001-£100,000	42.5	61.4	26.8	38.6	69.3	9.4
£100,001-£250,000	47.0	48.2	50.6	51.8	97.6	13.2
£250,001-£500,000	112.7	63.7	64.2	36.3	176.9	24.0
£500,001-£1 million	25.1	49.3	25.8	50.7	50.9	6.9
> £1 million	152.4	44.9	187.4	55.1	339.8	46.1
Total	382.3	51.8	355.2	48.2	737.5	100

As can be seen in Table 8.2 the sector's assets are held by a relatively small number of organisations, predominantly organisations with an income of £1 million per annum (46.1% of all assets are held by just 3.9% of all organisations – see Chapter 5).

8.2 Liabilities

A liability is a financial claim on an organisation's assets. For the purposes of this report liabilities have been sub-divided into two categories: short-term liabilities (payments due within one year) and long-term liabilities (payment due after one year). Liabilities can be further broken down into creditors and accruals (loans, prepayments, income tax and other paid expenses), deferred income (monies received in the current financial year) and other liabilities (loans on secured assets, trade creditors, bank overdrafts and accrued changes). The estimated level of liabilities in the

voluntary and community sector in 2006/07 was £214.7 million. This compares to £192.8 million in 2003/04. As the value of assets held by organisations falls, the level of debt accrued by organisations has increased. However as can be seen in Table 8.3, there has been a shift in the levels of short-term and long-term debt with short term debt increasing and long term debt decreasing. For instance in 2006/07, 56.8% of creditors were due payment within one year, compared with 46.8% in 2003/04 (NICVA, 2005).

As is shown in Table 8.3 there is very little variation in the nature of the debt held by organisations. Across all income bands organisations are more likely to have short-term debt (with the exception of organisations in the £10,001-£100,000 income band). Despite the higher levels of debt, organisations are generally not exposed to as much long-term

Table 8.3 - Liabilities by income band (2006/07)

	Creditors due within one year £ million	%	Creditors due after one year £ million	%	Total liabilities £ million	%
<£1,000	-		-		-	-
£1,001-£10,000	-	-	0.7	100	0.7	0.3
£10,001-£100,000	2.7	31.5	6.0	68.5	8.7	4.1
£100,001-£250,000	12.5	59.2	8.5	40.8	21.0	9.8
£250,001-£500,000	25.9	71.0	10.6	29.0	36.5	17.0
£500,001-£1 million	13.2	68.1	6.2	31.9	19.4	9.0
> £1 million	67.6	52.7	60.8	47.3	128.4	59.8
Total	121.9	56.8	92.8	43.2	214.7	100.0

risk. However as the value of assets falls and liquidity within organisations is compromised, this positive outlook associated with the sector's debt profile may be negated. It is too early to speculate on the risks organisations may be exposed to in terms of debt but set against the wider financial environment in the sector, there is perhaps some cause for concern. For instance, organisations which lack the financial knowledge or the funds to pay for financial advice, could face difficult times in trying to service any debts they may have. Organisations may also be at greater risk as they do not have the income (which is reducing as discussed in Chapter 5) that enables them to service any debt that they may accrue.

8.3 Funds

This section looks at the total estimated funds available to voluntary and community sector organisations in 2006/07. There is no comparison with 2003/04 as this analysis was not carried out for that period. There are two types of funds that have been analysed in Table 8.4:

Unrestricted – these are funds which are available for the organisation to use to further its objects as set out in its governing document. The organisation may allocate part of its unrestricted funds to be used for specific projects in the future; such sums are described as 'designated funds'.

Restricted – these funds are subject to specific stipulations as laid down by the donor or funder. An organisation has no authority to expend these monies for any other purpose. These funds usually relate to

Table 8.4 - Breakdown of funds by income band (2006/07)

	Unrestricted funds £ million	%	Restricted funds £ million	%	Total funds £ million	%
<£1,000	-	-	-	-	-	-
£1,001-£10,000	0.4	100	-	-	0.4	0.1
£10,001-£100,000	17.1	72.1	6.6	27.9	23.7	3.6
£100,001-£250,000	32.4	73.6	11.6	26.4	44.0	6.7
£250,001-£500,000	36.6	41.4	51.8	58.6	88.4	13.4
£500,001-£1 million	24.1	54.2	20.4	45.8	44.5	6.8
> £1 million	332.3	72.7	124.8	27.3	457.1	69.5
Total	442.9	67.3	215.2	32.7	658.1	100

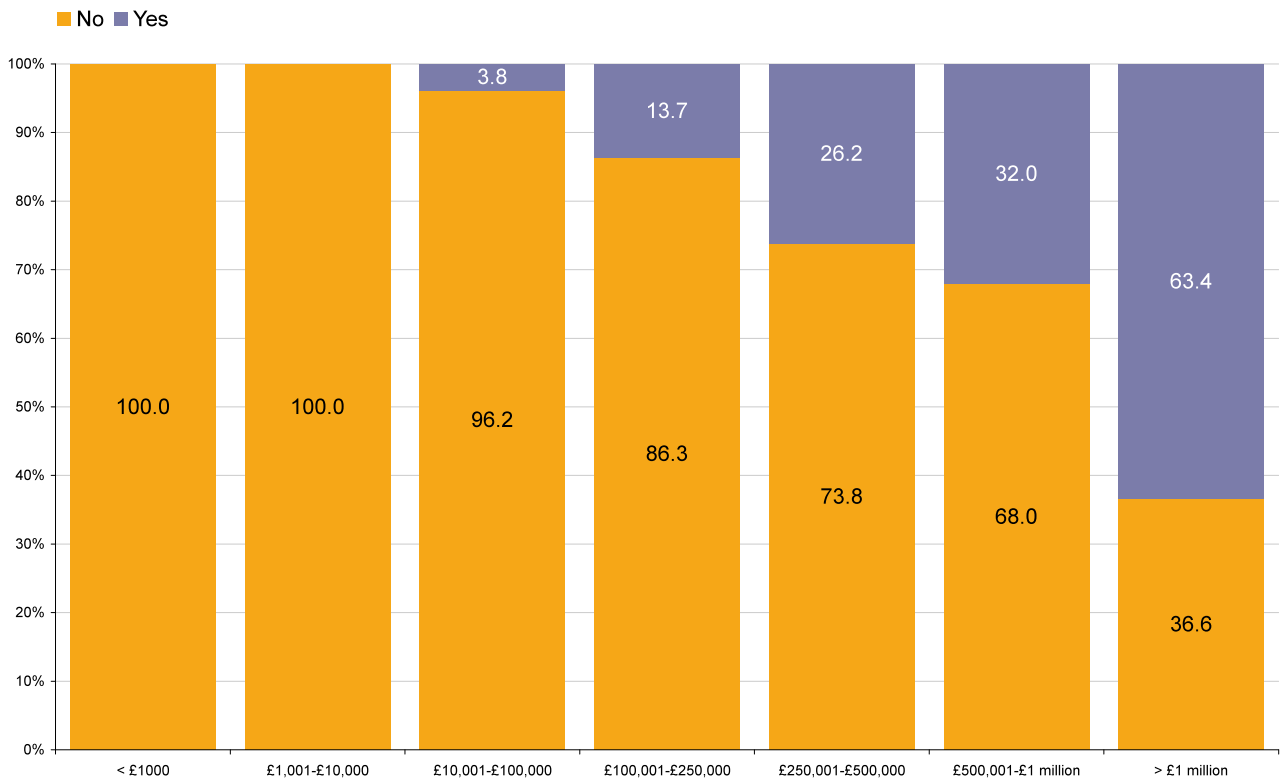
specific grant funding received in advance or gifts with restrictions attached.

As can be seen in Table 8.4 the majority of funds held by organisations are unrestricted in nature (67.3%) which means that organisations in times of financial difficulty can use these funds to cover any shortfalls and continue to operate for a specified period of time. Organisations with an income of over £1 million per annum hold the bulk of the funds in the voluntary and community sector, with 69.5% of all funds being held by just 3.9% of all organisations.

However, the organisations may have the funds but based on the analysis of the accounts of voluntary and community organisations, very few have a clearly articulated reserves policy which stipulates the level of funds required to maintain the operations of the organisation for a specified length of time.

It can be clearly seen in Figure 8.2 that as the size of the organisation increases the likelihood also increases that the organisation will have a reserves policy clearly set out in its accounts. However, based on the analysis of the accounts of organisations with an income of more than £1 million per annum, 36.6% do not appear to have a reserves policy. Given the sums of money and staff involved in organisations of this size, the absence of a clearly defined reserves policy is the source of some concern and would point to the need for better risk management and financial planning structures to be put in place. A reserves policy is important to show donors, funders etc that the level of reserves held is justified and based on a realistic assessment of the organisation's needs. Although Figure 8.2 shows the percentage of organisations which have a reserves policy, it does not show whether the organisation has sufficient levels of reserves, regardless of the existence or otherwise of a reserves policy.

Figure 8.2 - Reserves policy by income band (2006/07)



State of the Sector V is the latest edition in the *State of the Sector* research programme. The previous *State of the Sector* reports have developed the only comprehensive picture of the scale and scope of the economic activities of the Northern Ireland voluntary and community sector. The publication of each *State of the Sector* report represents another step in the evolution of this type of statistical analysis and as such adds to the already broad and in depth knowledge of the sector, by examining many of the key issues currently affecting and shaping it.

State of the Sector V provides high level statistics on the various types of resources available to the sector and the relationship between voluntary and community organisations, government, funders and the general public.

State of the Sector V is invaluable to all those who need an up-to-date and reliable source of statistics and commentary on the voluntary and community sector in Northern Ireland. People working in the sector — academics, decision-makers, social science students and journalists — will all find this publication useful.



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