



Education & Skills
Funding Agency

College financial plan 2017

**Guidance on completing the financial
plan template for sixth-form and further
education colleges**

June 2017

Introduction

1. This document aims to support sixth-form and further education colleges to prepare their financial plan. It sets out:

- changes made to the financial plan template
- rationale for these changes
- guidance for colleges to respond to these changes

2. This version applies to financial plans due by 31 July 2017. It should be read alongside the college financial planning handbook, which sets out the Education and Skills Funding Agency's (ESFA) financial planning requirements.

3. This document is primarily for use by:

- college principals, chief executives and finance directors
- chairs of college governing bodies, finance and audit committees

Changes to the template

4. ESFA updates the college financial plan template each year to reflect:

- changes to the underlying financial accountability framework
- changes to funding streams and other common transaction types
- changes to the Department for Education's data requirements
- feedback from the sector

5. ESFA has made a limited number of changes to the template in 2017.

Cover sheet

6. ESFA has **added** a statement for the Principal to confirm that the supporting commentary has been prepared with due regard to the financial planning checklist provided in the financial planning handbook. This change draws attention to the checklist to ensure that the commentary provides the minimum information needed to assess financial health, and should reduce the volume of follow-up queries to colleges.

Contents

7. No significant changes.

Schedule 1: Assumptions

8. ESFA has **added** fields to collect:

- apprenticeship starts split by the nature of funding
- assumptions underlying the apprenticeship income recognised
- breakdown of loans including lender, loan commencement and termination date, outstanding balance and interest rate chargeable
- pensions assumptions including the latest triennial valuation, deficit recovery period, employer contribution rates and deficit repayment rates

9. These changes provide additional information to assess financial health, and should reduce the volume of follow-up queries.

Schedule 2: Financial health

10. To improve transparency, ESFA has **added** fields to flag where the financial health grade has been automatically moderated as a result of:

- college receiving exceptional financial support
- college receiving a score of zero for any of the individual ratios

11. ESFA has **deleted** the schedule that assessed college financial health on the old methodology. In the prior year, this was retained for comparative purposes in the first year of implementing the new methodology and is no longer needed.

Schedule 2b: Ratios

12. ESFA has **deleted** fields that calculated the gearing ratio. This ratio no longer forms part of the new financial health assessment methodology.

13. ESFA has **added** fields to calculate staff costs as a percentage of income, excluding adjustments to replace service costs, curtailments and settlements with employer contributions. This ratio provides additional contextual information to assess financial health.

Schedule 3: SOCI

14. ESFA has **deleted** fields that calculated the operating surplus for performance ratio. This ratio no longer forms part of the financial health assessment methodology.

15. ESFA has **deleted** fields that calculated the underlying operating position. There is no standard definition of this balance and this figure does not form part of the financial health assessment.

Schedule 4: BS

16. ESFA has **added** a field to enter the value of short-term investments. This corrects an omission in the prior year template.

Schedule 5: Cashflow

17. Based on experience of adoption of updated underlying accounting standards in the prior year, ESFA has **added** a number of fields to collect:

- adjustments for non-cash items
 - release of deferred capital grants
 - (gain)/loss on revaluation of non-current investments
 - (gain)/loss on revaluation of deposits
 - other
- adjustments for investing or financing activities
 - other
- cash flows from investing activities
 - release of restricted cash against non-current asset expenditure
 - receipt of deferred capital grants
 - other
- cash flows from financing activities
 - other

18. ESFA has **deleted** the automatic population of most of the fields in the statement of cash flows. This allows colleges to enter values to most accurately reflect their cash flows. The **Annex** sets out where a college may typically find the values for entry.

Schedule 3a: Income

19. To reflect the introduction of the apprenticeship levy, ESFA has **added** fields to collect apprenticeship **fee income** broken down by:

- starts prior to 1 May 2017
- starts on or after 1 May 2017, funded through levy contracts
- starts on or after 1 May 2017, funded through non-levy contracts

Schedule 3b: ESFA income

20. To reflect the introduction of the apprenticeship levy, ESFA has **added** fields to collect apprenticeship **grant income** broken down by:

- starts prior to 1 May 2017
- starts on or after 1 May 2017, funded through levy contracts
- starts on or after 1 May 2017, funded through non-levy contracts

21. ESFA has **deleted** fields relating to community learning and discretionary learning support. This funding forms part of the Adult Education Budget from 2016/17.

Schedule 3c: Other agency income

22. ESFA has **deleted** fields relating to OLASS funding, to reflect the transfer of responsibility for OLASS to the Ministry of Justice from 1 October 2016.
23. ESFA has **merged** fields relating to 19 to 24 and 25+ indirect apprenticeships.
24. ESFA has **added** a field to collect the value of any restructuring facility transition grant given to fund major organisational change following an area review recommendation.

Schedule 3d: Staff costs

25. No significant changes.

Schedule 3e: Non-pay costs

26. ESFA has **added** a field to collect non-pay costs relating to the apprenticeship levy.

Schedule 4a: FA

27. No significant changes.

Schedule 4b: Investments

28. No significant changes.

Schedule 4c: Debtors

29. No significant changes.

Schedule 4d: Creditors

30. No significant changes.

Schedule 4e: Grants

31. No significant changes.

Schedule 4f: Provisions

32. ESFA has updated the naming of line items 3f and 3g. Colleges should enter the net interest on pension scheme assets/liabilities in 3f if positive and 3g if negative. This change reflects the revised accounting treatment of employee benefits set out in the updated accounting standards adopted in the prior year.

Schedule 4g: Reserves

33. No significant changes.

Schedule 6: Sensitivities

34. No significant changes.

Schedule 7a: Capital project

35. No significant changes.

Schedule 7b: Affordability

36. No significant changes.

Schedule 7c: Affordability statement

37. No significant changes.

Annex: Completing the statement of cash flows

A number of balances in the statement of cash flows can typically be calculated from other fields within the financial plan. However, we are aware that broad assumptions can restrict colleges' ability to reflect the nature of their transactions and balances.

The table below suggests where colleges can obtain values for entry in the statement of cash flows. Each college is responsible for assessing whether these assumptions hold true for the specific circumstances.

	Ref	Description	Guidance
Adjs for non-cash items	1a	Surplus/(deficit) for the year	Auto-populated
	1b	Depreciation	Auto-populated
	1c	Taxation	3-SOCI #4c
	1d	(Increase)/decrease in stocks	4-BS #3b (current vs prior year)
	1e	Pension costs less contributions payable	4f-Provisions #3b + 4f-Provisions #3d + 4f-Provisions #3e + 4f-Provisions #3f + 4f-Provisions #3g - 4f-Provisions #3c
	1f	Lump sum pension settlement payments	4f-Provisions #3i
	1g	Enhanced pension adjustment	4f-Provisions #2e
	1h	(Increase)/decrease in debtors	4-BS #3b (current vs prior year)
	1i	Increase/(decrease) in creditors due within one year	4-BS #4k - 4-BS #4a - 4-BS #4b - 4-BS #4c - 4-BS #4d - 4-BS #4h (current vs prior year)
	1j	Increase/(decrease) in creditors due after one year	4-BS #7f - 4-BS #7a - 4-BS #7b - 4-BS #7c (current vs prior year)
	1k	Increase/(decrease) in provisions	4f-Provisions #1e + 4f-Provisions #2g (current vs prior year)
	1l	Release of deferred capital grants	3a-Income #1aiv + 3a-Income #1biii + 3a-Income #4e
	1m	(Gain)/loss on revaluation of non-current investments	Manual entry
	1n	(Gain)/loss on revaluation of deposits	Manual entry
	1o	Other	Manual entry

	Ref	Description	Guidance
Adjs for investing or financing activities	1p	Investment income	3a-Income #5a + 3a-Income #5b
	1q	Interest payable and other finance costs	3e-Non-pay costs #2a + 3e-Non-pay costs #2d
	1r	Taxation paid	3-SOCI #4c <i>Note: if fully paid in cash</i>
	1s	(Gain)/loss on disposal of non-current assets	4a-FA #4d + 4b-Investments #4c <i>Note: if proceeds received in cash</i>
	1t	Other	Manual entry
Cash flows from investing activities	2a	Receipts from sale of non-current assets	4a-FA #4a
	2b	Receipts of non-current asset investments	4b-Investments #4a
	2c	Investment income	3a-Income #5a + 3a-Income #5b
	2d	Withdrawal of deposits	Manual entry
	2e	Payments made to acquire non-current assets	4a-FA #1b + 4a-FA #1j + 4d-Creditors #3b + current vs prior year movement on 4d-Creditors #5f <i>Note: if payments made in cash</i>
	2f	Payments made to acquire non-current assets investments	4b-Investments #1b + 4b-Investments #1g <i>Note: if payments made in cash</i>
	2g	Release of restricted cash against non-current asset expenditure	4-BS #3ei (current vs prior year)
	2h	New deposits	Manual entry
	2i	Receipt of deferred capital grants	4e-Grants #1k + 4e-Grants #2k + 4e-Grants #3k
	2j	Other	Manual entry

	Ref	Description	Guidance
Cash flows from financing activities	3a	Interest paid	3e-Non-pay costs #2d <i>Note: if fully paid in cash</i>
	3b	Interest element of finance lease rental payments	3e-Non-pay costs #2a <i>Note: if fully paid in cash</i>
	3c	New long term loans	4d-Creditors #1.1b + 4d-Creditors #1.2b
	3d	Repayment of amounts borrowed	4d-Creditors #1.1c + 4d-Creditors #1.2c
	3e	Capital element of finance lease rental payments	4d-Creditors #3c
	3f	Other	Manual entry
Analysis of cash and cash equivalents	5a	Cash and cash equivalents at beginning of the year	4-BS #3eii – 4-BS #4a (prior year) <i>Note: Overdrafts may be considered financing activities similar to borrowings. However, if repayable on demand and an integral part of a college's cash management, overdrafts are a component of cash and cash equivalents.</i>
	5b	Cash and cash equivalents at end of the year	4-BS #3eii – 4-BS #4a (current year) <i>Note: as above</i>



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