



Skills Funding
Agency



Education
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Financial planning template guidance

This financial planning template guidance is an adjunct to the financial planning handbook 2016 to 2018 explaining the changes to the template

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Of interest to principals and chief executives, finance directors, chairs of finance and audit committees, financial statements auditors, internal auditors, directors of funding bodies, and other key organisations in the further education and skills sector.

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Section 1: Introduction

1. You should read this financial planning template guidance document together with the [financial planning handbook 2016-18](#)[Financial planning handbook 2016 to 2018](#). It does not seek to repeat the information within it.
2. This document details changes made to the financial planning template (also referred to as the financial plan), allowing colleges to understand the requirements of the new template.
3. Throughout this document we reference schedules by their number and title in the financial planning template for example, 1 Assumptions.

Why have we made changes?

4. The financial planning template is updated to reflect the requirements of the 2015 Statement of Recommended Practice: Accounting for Further and Higher Education (SORP 2015).
5. The template also takes into account the new methodology for calculating financial health ratios.

Accounting for the SFA's restructuring facility

6. The [national framework for area reviews](#) gives detail of the restructuring facility for colleges. If you expect to draw on the facility, please include the loan amount and expected repayments within 'other loans'. The framework notes that only in a limited number of cases will colleges be able to draw on the facility on a non-repayable basis.
7. We will communicate the process for applying to the restructuring facility, and the supporting information needed (for example, 36-month forecasts for cash flow, income and expenditure and balance sheet reports along with implementation plans), in due course.

Reordering schedules

8. Annex 1 shows a comparison of the template structure from the Financial Plan Template 2015 to 2017 to the Financial Plan Template 2016 to 2018.

New schedules

9. There is a new schedule [2 Financial Health (new)] for the updated financial health ratios.

Deleted schedules

10. The following schedules have been fully deleted.
 - Guidance: the information is now included within section 3 of the handbook.
 - 7d – Graphs: feedback indicated the schedule was of little benefit so we have deleted it
 - 7e – Notes to Schedules 7c to 7d: we now include the information with the handbook

Combined schedules

11. The following schedules have been combined elsewhere:
 - 1f – Exp. Rec: reconciliations are included within [1 Assumptions]
 - 3 – Cash Rec: the reconciliation is now performed on the face of the [5 Cashflow]

Data validations

12. The previous template used a series of comment boxes to give guidance and explain calculations. We have removed these in favour of data validations which we have colour-coded as follows:

Key:

Click on cell for further guidance
Click on cell for detail on the underlying calculation
Figures drawn from elsewhere in the financial plan
Subtotal/total calculation

13. Where there is a +ve or -ve defined in column e on schedules there are data validations that only allow the college to put in a positive or negative figure. If you do not have a value, please leave the cell blank as it does not accept '0'.
14. We have removed the lock, unlock and reset functions from this year's template.

Cross reference

15. There is a new column on the schedules titled 'cross reference'. The column allows colleges to identify, where applicable, the source figure.

Section 2: Changes to individual schedules

16. This section details the changes to each of the individual schedules, with applicable references.

Cover sheet

17. The college's self-assessment scores are now shown next to the automated grades [lines 5a, 5b and 5c].
18. We have removed supplementary boxes explaining returns colleges need to submit as they are included in the handbook.

Contents

19. There is now a key which explains coloured cells.

1 Assumptions

20. Colleges must fill in each text box, inputting N/A where there is no relevant information.
21. The following assumptions have been transferred from other tabs meaning there is now one place to complete the information.
- 1 Learner numbers:
 - Funded learners table [previously 1-b SFA&EFA income]
 - 5 Staff costs:
 - Staff numbers [previously 1d staff costs]
 - Year-on-year % increase [previously 1f exp rec]
 - 8 Non-pay expenditure:
 - Non-pay inflation [previously 1f exp rec]
 - 10 Fixed assets:
 - Premises area [previously 1e-non pay]

22. The following assumptions are new.
- 1 Learner numbers:
 - Estimated learners
23. [2 Funding body grants] has been extended to include assumptions that were previously split out separately.
- Further education – 16 to 19 education and training [previously 1]
 - HEFCE recurrent grants [previously 3]
 - Fee income [previously 4]
24. In line with handbook expectations there are new assumptions to be set out by colleges.
- 2 Funding body grants
 - Adult education budget (from 2016 to 2017 onwards) and recovery
 - Apprenticeships and Adult Skills Budget recovery
 - Assumptions for growth
 - 3 Other material income
 - Student loan income
 - 4 Overseas income
 - Risks around income from overseas' ventures
 - 10 Fixed assets
 - Capital build/receipts timing
 - 12 Other material assumptions
 - Subcontractor failure/activity
 - Transfers to and from restricted reserves
 - Significant franchising arrangements

2 Financial Health (new)

25. This schedule is entirely new and includes the validations for the updated financial health criteria.
26. Where the college is self-assessing at a different grade to the automated score, they should provide as much information as possible in the free text box to aid moderation.

2a Financial Health (old)

27. The ratios have been updated for changes due to SORP 2015 (see 2-b changes below).

2b Ratios

28. We have adjusted the following ratios following revisions under SORP 2015.
 - Adjusted current ratio [2d] removes deferred capital grants and holiday pay accruals from the formula.
 - Adjusted gearing ratio [4g] removes deferred capital grants from the formula.
29. New ratio.:
 - EBITDA as a % of income (standard) [5j] following revision to financial health grades.
 - EBITDA as a % of income (education specific) [5l] which adjusts for a number of items as shown on Schedule 3: Statement of Comprehensive Income (SOCl).
 - Contribution from crèche [7c] allows colleges to see the overall results from the crèche income stream.
 - Restructuring costs as a % of total staff costs [9b] which allows colleges to review the amount against the moderation criteria.
30. Staff costs as a % of income [9a] now includes the pension adjustments that were previously omitted.

3 SOCI

31. The schedule is updated for SORP 2015, including changes in terminology and ordering of income and expenditure.
32. Colleges are to enter taxation figure on the face of the SOCI [4c] as this is no longer shown on the non-pay costs schedule.
33. [9] Memorandum reconciles both the formula for the EBITDA ratio and the operating surplus for the previous performance ratios.

4 BS

34. The schedule is updated for SORP 2015, including changes in terminology and deferred capital grants now shown in creditors under and over one year.
35. Cash at bank [3eii] is no longer a balancing figure, so colleges are to input this figure separately.
36. There is a reconciliation line to confirm whether the balance sheet balances.

5 Cashflow

37. We have updated the schedule for SORP 2015, including changes in terminology and reconciliation to cash and cash equivalents (which has removed the analysis of net debt requirement).
38. We now include the cash flow from operating activities schedule [previously 3 cash rec] within the statement of cash flows and the analysis of creditors has reduced to show movement under and over one year.
39. We now include movements in respect of capital grants within the movement on creditors under and over one year.

3a Income

40. The schedule is updated for changes to terminology of funding streams, for example, [1bi] Higher education recurrent grant.

3b SFA and EFA Income

41. We have updated the schedule for changes to terminology of funding streams, for example, [2b] Adult (19+) apprenticeships

3c Other agency Income

42. There are no significant changes.

3d Staff costs

43. We have changed the ordering of line items to help the flow and to ensure consistency between schedules.
44. We provide a line for crèche staff [1i] to allow colleges to see the overall contribution from the income stream.
45. We provide a line for charges due to the [apprenticeship levy](#), which comes into effect in April 2017 [1l].
46. Following changes within the [College Accounts Direction 2015 to 2016](#) it is now necessary to split restructuring costs between contractual and non-contractual [2a and 2b].

3e Non-pay

47. We have changed the ordering of line items to help with flow and to ensure consistence between schedules.
48. We have provided a line for crèche costs [1j] to allow colleges to see the overall contribution from the income stream.
49. We have split other costs as follows.
- Bad debt provision [1m].
 - Research expenditure [1n].
 - Other costs [1o].
50. We have deleted the following costs from the tab, and we now show them on the face of Schedule 3: Statement of Comprehensive Income:
- Depreciation

- Tax

51. We now class 'other non-pay expenditure' as 'Interest and other finance costs'.

4a FA

52. There are new lines for net additions following merger [1g and 1m].

4b Investments

53. There are new lines for net additions following merger [1e and 1j].

4c Debtors

54. We have updated the schedule for SORP 2015, for example trade debtors are now called trade receivables.

55. We have swapped debtors falling under and over one year [8 and 9] so colleges will need to input the balance due within one year in [8].

4d Creditors

56. We have updated the schedule for SORP 2015, for example trade creditors are now called trade payables.

57. We show accrual for holiday pay and sabbatical leave separately to allow for ratio adjustments [4c].

58. We now just show reconciliation of creditors over one year on the balance sheet [4 BS].

4e Grants

59. We have split grants between under one year and over one year following updates to SORP 2015 [1gi, 1gii, 2gi, 2gii, 3gi, 3gii], so colleges will need to input the balance due under one year.

60. There are new lines for 'grants due in respect of capital expenditure in-year from dissolved college(s) following merger' [1c, 2c, 3c].

4f Provisions

- 61. Pension information previously called FRS17 is now called FRS102 (28).
- 62. There is a new line for 'movements due to mergers' [3j].

4g Reserves

- 63. There is a new line for 'balance addition/reduction due to merger' [2f].

6 Sensitivities

- 64. The schedule reflects the changes to the financial health methodology.

7a Capital project

- 65. There are no significant changes.

7b Affordability

- 66. There are no significant changes.

7c Affordability statement

- 67. The schedule reflects the changes to the financial health methodology.

Annex 1: Schedules

Financial plan template 2015 to 2017	Financial plan template 2016 2018
Guidance	Cover sheet
Cover sheet	Contents page
Contents page	1-Assumptions
1-I&E	2-Financial health (new)
2-BS (Balance sheet)	2a-Financial health (old)
3-Cashflow	2b-Ratios
4-Ratios	3-SOCI [Statement of Comprehensive Income]
1a-Income	4-BS [Balance sheet]
1b-SFA&EFA income	5-Cashflow
1c-Other agency income	3a-Income
1d-Staff costs	3b-SFA and EFA income
1e-Non-pay	3c-Other agency income
1f-Exp. Rec	3d-Staff costs
2a-FA	3e-Non-pay
2b-Investments	4a-FA [Fixed assets]
2c-Debtors	4b-Investments
2d-Creditors	4c-Debtors
2e-Grants	4d-Creditors
2f-Provisions	4e-Grants
2g-Reserves	4f-Provisions
3-Cash rec	4g-Reserves
4-Financial health	6-Sensitivities
5-Sensitivities	7a-Capital project
6-Assumptions	7b-Affordability
7a-Capital project	7c-Affordability statement
7b-Affordability	
7c-Affordability statement	
7d-Graphs	
7e-Notes to schedules 7c to 7d	