



Skills Funding
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Financial Benchmarking Package

Operation guidance

2012 to 2013

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Financial Benchmarking Package: operational guidance

Introduction

- 1 The data used in this benchmarking package is taken from the finance record returns submitted by colleges in respect of the financial year 2012 to 2013.
- 2 The data in the finance record provides the Skills Funding Agency and Education Funding Agency with essential information about the financial health of individual colleges and the sector as a whole. The Skills Funding Agency and Education Funding Agency continue to seek to make better use of the data that colleges provide, and to this end this benchmarking package has been commissioned in partnership with the Association of Colleges (AoC) and College Finance Directors Group (CFDG) as an integral element of the College Financial Reporting Project.

Help

- 3 If you need any assistance with this package then please email:
financialreporting@aoe.co.uk.

Warnings

- 4 Obvious errors in college data have been corrected (for example, figures being entered in units as opposed to thousands). However, every item of data included by colleges in finance records cannot be quality-controlled. The functionality of this package may, therefore, be reduced in certain areas.

Updates

- 5 If colleges identify errors in their data or the formulas used by the benchmarking package, they should submit corrected data through contacts at the Skills Funding Agency and / or Education Funding Agency.

A revision to the package addressing any such issues can then be issued as necessary.

Protection

- 6 The majority of the sheets contained within the benchmarking tool are protected to ensure that the functionality of the tool is not adversely affected by any changes made by colleges.
- 7 The base data recorded on the 'all data' sheet has been left unprotected to enable colleges to make corrections in the event of errors in the records.

How to use the benchmarking package

Getting started

- 8 Open the Excel document. The file is quite large and will take a few moments to open. If the user intends to produce a number of benchmarking reports then it is advisable to save it to a hard drive and to operate it from there.
- 9 The first screen to open should be a worksheet entitled 'Start Here' (blue tab at far-left of workbook).
- 10 Before continuing the user should first ensure that their Excel settings will enable the macro contained within the package to operate.

For Excel 2007 users please use the following steps:

1. Click the **Microsoft Office Button**, and then click **Excel Options**.
2. Click **Trust Center**, click **Trust Center Settings**, and then click **Macro Settings**.
3. The following options are available.
 - **Disable all macros without notification.** Click this option if you don't trust macros. All macros in documents and security alerts about macros are disabled. If there are documents with unsigned macros that you do trust, you can put those documents into a trusted location. Documents in trusted locations are allowed to run without being checked by the Trust Center security system.
 - **Disable all macros with notification.** This is the default setting. Click

this option if you want macros to be disabled, but you want to get security alerts if there are macros present. This way, you can choose when to enable those macros on a case-by-case basis.

- **Disable all macros except digitally signed macros.** This setting is the same as the **Disable all macros with notification** option, except that if the macro is digitally signed by a trusted publisher, the macro can run if you have already 'trusted' the publisher. If you have not trusted the publisher, you are notified. That way, you can choose to enable those signed macros or trust the publisher. All unsigned macros are disabled without notification.
- **Enable all macros (not recommended, potentially dangerous code can run).** Click this option to allow all macros to run. This setting makes your computer vulnerable to potentially malicious code therefore colleges should only select this option at their own risk.

11 The next step is to select the college to be benchmarked. A drop-down menu is provided for this purpose. Please note that the drop-down list is a list of all the colleges which submitted 2012 to 2013 finance records to the Skills Funding Agency or Education Funding Agency. Therefore any colleges which have changed name (for example as a result of merger) since the production of the 2012 to 2013 accounts will not be listed in their current form.

12 In order to compensate for this, it is possible to opt to create data for a merged college and then select each predecessor college which is to be included in the merged data. Whilst ratios will be recalculated based upon merged data, it is important to note that the merged data will not reflect any synergy savings achieved.

13 Then the user should identify the family of colleges that this college is to be benchmarked against. This selection is at the choice of the user. The user is able to identify the desired family on the basis of:

Current ratio	Colleges may wish to consider excluding colleges with a current ratio of less than 1.0 from the benchmark family. The intention should be to provide a benchmark for colleges from a family that only includes colleges in reasonable or good financial health – as opposed to a simple average of all colleges. 'Current ratio' has been used as a reasonable proxy for the financial health of each
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	college.
College type	Identify yes or no to include the type in the family.
Area	Identify yes or no to include the region in the family.
Size (as reflected by turnover)	Some colleges may wish to exclude either very small or very large colleges from the benchmark family, and this functionality is provided here.

- 14 When the benchmark family is amended, the number of selected benchmark population will also change. This number is shown on the 'Start Here' page.
- 15 Once the user is satisfied with the benchmark family selected, the 'START' button can be pressed.



This action will initiate a macro that will take a number of seconds to run. During this period, the user will see no changes to the screen as all operations are run in the background. Once the process is complete, all benchmark schedules will be visible.

- 16 Please note the following additional buttons that are available:



This will change all of the parameters used to define the benchmark population back to the default values. It will also result in the benchmark schedules being hidden until a new benchmark population has been run.



Using this button will print the 'Start Here' tab (and therefore the parameters selected for the analysis) through to the 'Trend Analysis' tab. The print areas in relation to each of these has already been set for A4-sized paper.

Colleges are advised to define custom print areas as necessary before printing data reports or the source data due to the likely large document size.

Benchmark reports

17 There are 8 benchmark reports within the package, as follows.

- Financial Statements and Ratios
- Miscellaneous
- Income
- Pay Expenditure
- Non-Pay Expenditure
- Bmark: Financial charts
- Bmark: Outsourcing
- Trend Analysis

There is also a 'Guidance' tab which explains the key features of the tool, including the purpose of the 'Flexed', or benchmark 'Family Average' and includes references to this document.

In addition to the benchmark reports, there are also the 'All data' and 'Source data' sheets. The former of these contains the finance record data for all responding colleges (see paragraphs 34 to 36 below), whilst the latter provides the benchmark data used to populate the above reports (see paragraphs 32 to 33 below).

Financial Statements and Ratios

18 This report again takes the college's finance record data and compares it against a benchmark. In this report the data concerned is:

- the income and expenditure account (I and E)
- the balance sheet
- financial ratios

19 The data in this report is 100% complete for those colleges included in the benchmark family and who have submitted a finance record.

20 The benchmark data in this report has been flexed to make it directly comparable to the college being benchmarked against. The benchmark I and E account and balance sheet are therefore an alternative I and E account and balance sheet for the college concerned (how the college's own reports would appear if the college's financial position reflected the pattern of income and

expenditure, assets and liabilities of the benchmark family).

- 21 For this reason the benchmark turnover will always equal the turnover of the college being benchmarked against. This is intentional. It does not indicate an error in the package.
- 22 This approach means that the college is always being assessed against a comparable set of data. The package could provide benchmark data calculated by taking the simple average of the benchmark family. However, the usefulness of the comparison would be significantly reduced by this approach as the 'size' of the average benchmark family would not reflect the size of the college being benchmarked.
- 23 For additional analysis, there is an additional column of 'simple average' data which demonstrates the average balances in the benchmark population before flexing.

Data statistics

- 24 The data completion information refers to the number of colleges in the benchmark family who returned data in their finance record for each row. Some colleges did not fully complete the finance record and this column provides a health warning concerning this. Where the level of data completion is low, less reliance can be placed on the benchmark.
- 25 In many instances a £nil response may be an accurate entry for a college. However, it is not possible to determine whether a £nil entry represents a positive return or is simply an omission on the part of the college.
- 26 If a user wishes to investigate individual entries for the colleges in the benchmark family, then they can go to the 'All data' sheet to see the actual entries for the colleges concerned.
- 27 The other columns show the college's own data as included in the finance record, compared to the benchmark data. The benchmark data is calculated by taking the simple average of the data included in the benchmark family, and will be understated where colleges have not fully completed their finance records. The most useful benchmarks are those that show unit rates, as any distortion due to colleges being different sizes should be substantially reduced.
- 28 The lowest and highest entry included in the benchmark family are also included due to the number of £nil returns, no 'low value' entry is shown where the value would have been £nil.

Financial charts and outsourcing

- 29 These charts translate the data contained within the financial statements and ratios into simple pie charts, with further analysis on the outsourcing of payroll and catering.

Trend analysis

- 30 Unlike the other data reports, this analysis does not reflect the benchmark family that was created on the 'Start Here' tab. Rather, it reflects the whole population of colleges from whom data has been received.
- 31 The figures for prior years have been entered as values and are taken directly from the analysis previously contained in the Financial Planning Handbook (prior to 2010 to 2011) and the Benchmarking Tool. The current year figures are populated by formulas based upon the data provided in the 'All Data' tab.

Source data

- 32 This is where all of the data for the college selected and benchmark population is stored. The data stored here drives the reports listed above which represent only a subset of the total data available.
- 33 Colleges are advised to review the data in this tab to produce more detailed and bespoke analysis, as necessary.

Data reports

- 34 In a change to prior years, there is now only one visible data report titled 'All data'. This contains the finance record data for all responding colleges.
- 35 Based upon the criteria set on the 'Start Here' tab, the tool extracts the relevant data to generate the benchmark population which is output to the 'Source Data' sheet.
- 36 This report is not designed to be printed. However, if the user wishes to print the report, we recommend colleges do so on A3-sized paper.