



Education
Funding
Agency



Skills Funding
Agency

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For the attention of Chairs and Principals

Date: Tuesday 14 June 2016

By Email

Dear Colleague,

College Financial Plans – Improvements to the process for 2016

The Education Funding Agency (EFA) and the Skills Funding Agency (SFA), in partnership with the Association of Colleges (AoC)/Finance Directors' Group, have worked together to consider ways in which the financial planning information that colleges are required to submit to the EFA and the SFA, by 31 July each year, can be strengthened and improved. In particular we have tried to put in place requirements that will help you ensure that the college's plan is as accurate as possible.

Each year, at a national level, there is a significant movement in financial health grades based on colleges' forecast outturns from their financial plans in July compared to the grades based on the actual position in the financial statements and finance record in December. This movement includes both improving and weakening financial health grades at individual college level. For the latest return, despite a two month extension for GFE financial plan submissions, 20% of all colleges still saw a change in grade between the financial plan and financial statements returns for 2014/15.

My purpose in writing to you is to explain the steps that we have taken, including strengthening the role of the Governing Body in the process. As you will appreciate, a key responsibility of the Governing Body is ensuring solvency of the college. To assist you in this, we have provided a checklist in the Financial Planning Handbook that we require colleges to share with their Governing Body.

We will also require more detailed explanations of assumptions underpinning the financial plan and have provided you with dashboards covering your financial, quality and delivery performance so that you can take a view about the reasonableness of forecasts.

As you know, the college's accounting officer must sign the Principal's Statement and we have made it clear that in doing this s/he is confirming that the Governing

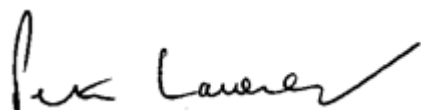
Body has approved the financial plans, that the plans support the college's strategic plan, and that the Governing Body is satisfied that the budget and the financial plan are aligned and demonstrate the solvency of the college.

I should be grateful if you could ensure that the Governing Body has a full discussion about the Plan, tests any assumptions it contains and holds it up against the checklist (Annex 1 in the Handbook). If you would like to see the detail of the Financial Planning Handbook it can be viewed online at:

<https://www.gov.uk/government/publications/financial-planning-handbook>

I am grateful for your support in moving the sector to become as financially robust as possible.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Peter Lauener', with a long, sweeping flourish at the end.

Peter Lauener
Chief Executive