



FE Funding, Financial Planning and
Financial Management

Peter Merry – Director of Finance, Walsall College

Ofsted
Outstanding
College
2012|2013

Bringing talent to life...



The College's mission statement is:

Walsall College is uniquely and proudly vocational. Our greatest passion is unleashing the potential of individuals, communities and businesses; our greatest legacy is the talent of our students: *skilled, professional and enterprising.*

Bringing talent to life...



How Colleges Are Funded

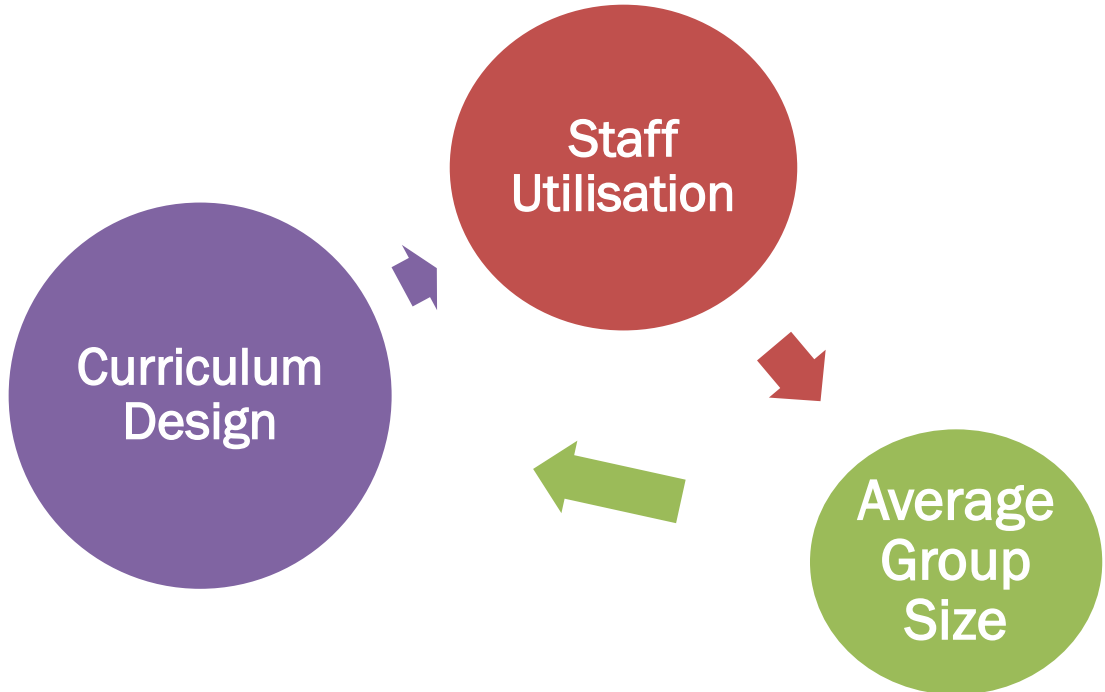




Ofsted
Outstanding
College

2012|2013

The Key to An Efficient College



Bringing talent to life...



Ofsted
Outstanding
College

2012|2013

Education Funding Agency

- 16-18 Year Old Learners
- Up to 23 if EHCP
- Study Programme – Funding Per Learner
- English and maths requirements – “Condition of Funding”
- “Lagged” funding approach





Education Funding Agency - Efficiency

- ✓ Curriculum design – 540 hours (Age 16/17)
- ✓ Condition of funding compliance
- ✓ Retention of students
- ✓ Average group size
- ✓ Financial forecasting for future years





Education Funding Agency

- ✓ Curriculum design – 540 hours
- ✓ Condition of funding compliance
- ✓ Retention of students
- ✓ Average group size
- ✓ Financial forecasting for funding



Education Funding Agency
 16-19 Further Education Allocation Calculation Toolkit (ACT)
 For Academic Year 2017 to 2018
 Date of Issue: January 2017

Name: Walsall College
 EFA Reference: 105110
 Local Authority: Walsall
 EFA Territory: Midlands and East of England
 UKPRN: 10007318

Table 1: Distribution of Students by Funding Band

Funding Band	Student Number in 2015/16	Proportion for 2017/18 Allocation
Band 5		
Band 4a		
Band 4b		
Band 3		
Band 2		
Band 1		
Total	Students	
	FTE	

Table 2: Funding Factors

Factor	Value for 2017/18 Allocation
Retention Factor	
Programme Cost Weighting	
Disadvantage Block 1: Economic Deprivation Factor	
Disadvantage Block 2:	
Area Cost Factor	

Table 3: Condition of Funding (CoF)

Funding Band	Student numbers in 2015/16	Students not meeting CoF
Band 5		
Band 4 (total of 4a and 4b)		
Band 3		
Band 2		
Band 1		
Total	Students	
	FTE	

Total students do not include full time equivalent (FTE)
 Data Source: EFA 2015/16
 Guidance to complete this Allocation Toolkit can be found on GOV.UK
http://www.gov.uk/government/uploads/system/uploads/attachment_data/file/201276/2017-18-16-19-Further-Education-Allocation-Calculation-Toolkit-16-funding-allocation-vaas-part-a-january-2017.pdf

Bringing talent to life...



Skills Funding Agency

- 19+ Learners - Adult Education Budget
- Apprenticeships
- Funding Per Eligible Qualification
- Fully funded or co-funded (expected learner fee)
- 20% funding on achievement
- Paid on profile and reconciled (AEB)
- Paid as earned (Apprenticeships), management points





Skills Funding Agency - Efficiency

- ✓ Curriculum design –size and duration
- ✓ Retention of students
- ✓ Average group size
- ✓ Discrete or infill
- ✓ Financial forecasting for year end (new enrolments and achievements)





EFA and SFA as Regulators

- Financial Health Score
- Financial Plan – 31 July
- Finance Record – 31 December
 - EBITDA
 - Borrowing as a % of income
 - Adjusted current ratio



EFA and SFA as Regulators

- Financial Health Scoring

Points	Grade	Definition
240 - 300	1 Outstanding	A provider that has very robust finances to fulfil its contractual obligations and to respond successfully to opportunities or adverse circumstances
180- 230	2 Good	A provider that has sufficiently robust finances to fulfil its contractual obligations, and to respond successfully to most opportunities or adverse circumstances
120 - 170	3 Satisfactory	A provider that appears to have sufficient resources to fulfil its contractual obligations, but also appears likely to have limited capacity to respond successfully to opportunities or adverse circumstances
<=110	4 Inadequate	A provider that is in financial difficulty and very likely to be dependent on the goodwill of others. There is a significant risk of providers in this group not being able to fulfil contractual obligations because of weak financial health



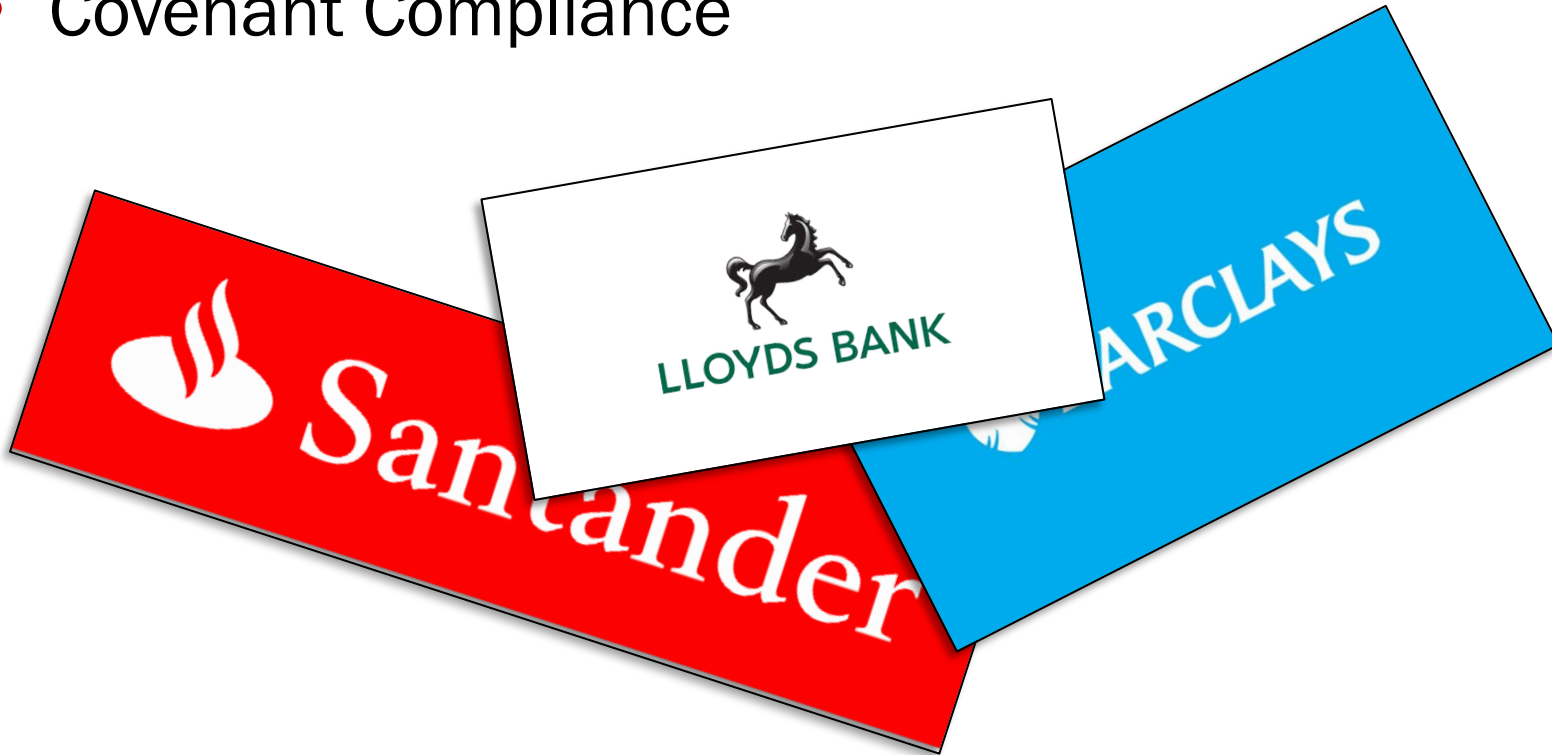
The FE Commissioner

Indicator	Definition	Target range
Operating Surplus/deficit (as a % of income)	Surplus/(deficit) on continuing operations after depreciation and before exceptional items, tax, pension finance income and FRS 17 adjustments, divided by Adjusted income	The aim would be to deliver colleges in strong financial health e.g. to have the potential to make an annual surplus of 3%-5% which enables reinvestment in delivery but not limited to including capital
From colleges' 2015/16 financial year the SFA and EFA will move to use of a measure of Earnings Before Interest Tax Depreciation and Amortisation (EBITDA) for the purposes of monitoring financial health. As this change progresses the use of this surplus measure for this process will be reviewed.		
Borrowings (as a % of income)	Total borrowing, i.e. overdrafts, loans (including exceptional financial support loans and the capital element of finance leases)	<40%
Adjusted current ratio	Current assets (excluding restricted cash from disposal of fixed assets held for future reinvestment and assets held for resale) divided by current liabilities (excluding deferred capital grants and holiday pay accruals)	>1
Staff costs (as a % of income)	Total Staff costs (teaching and support, including contract tuition services but excluding restructuring) as a percentage of Adjusted income (excluding franchised provision income)	<65%



Managing Bank Relationships

- Covenant Compliance



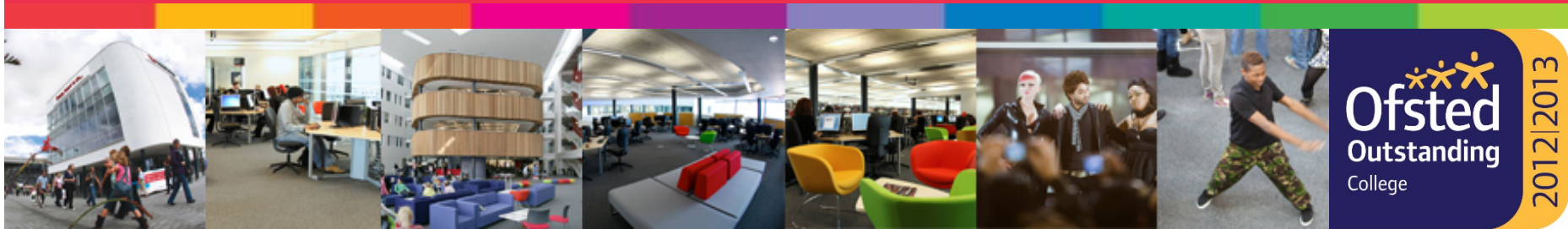


Financial Management - Key Questions for Governors

- Consistent and timely Financial Reporting?
- Simplicity for Board, detail for Finance Committee?
- Financial Health modelling?
- Covenant Compliance?
- Efficiency measures?
- Timely forecasting for good decision making?

Thank you

Please contact: Peter Merry
Walsall College
Wisemore Campus
Littleton Street
Walsall
West Midlands
WS2 8ES
01922 657000



Bringing talent to life...

