



Skills Funding
Agency

Financial Health Assessment of Non-College Organisations – Guidance for completion of the Self-Assessment Toolkit

September 2016

For organisations interested in the delivery or development of learning

Register of Training Organisations

Financial Health Self-Assessment Toolkit Guidance

Purpose

The Skills Funding Agency (SFA) assesses the financial health of:

- All non-college education providers that hold a direct contract with us for the delivery of education and training services.
- Anyone applying to the Register of Training Organisations (Register) or other SFA procurement rounds.

This is to understand the degree of risk to the SFA in contracting with them, either directly or indirectly.

This document details our requirements on all organisations in completing the self-assessment toolkit (toolkit), alongside the submission of their most recent financial statements. We have designed this to assist organisations in completing the toolkit.

This document should be used in conjunction with the following guidance:

- Financial Health Assessment of Non-college Organisations
- Additional Financial Health Assessment
- The Register of Training Organisations – Read Me First Instruction Document

The toolkit is designed to indicate a predicted grade (Outstanding / Good / Satisfactory / Inadequate), which will be checked and verified for accuracy. We will apply any relevant moderation criteria we identify from the review of your financial information.

Definition

We use financial health as a measure of an organisation's financial status, in terms of financial performance and ability to meet ongoing financial commitments. We have designed the toolkit to be completed by you in full. This will help show you how we assess your financial statements, and the information that we require in order to undertake an assessment. This process provides more information on the

assessment process and assist with any future submissions your organisation makes to the SFA.

If you fail to supply a **fully** completed toolkit and financial statements we will grade your financial health as 'Inadequate' due to insufficient information. You will also fail the process if you submit a blank toolkit. If you submit an old version of the toolkit this will not be reviewed and you will fail the process.

Financial health is graded, based on the following three elements:

- Solvency,
- Profitability, and
- Gearing

Data Source

The information you need to complete the toolkit for your organisation is taken from:

- The latest available financial statements (or accounts) which every non-college organisation has to submit to the SFA,
- The knowledge you have of your organisation,
- Information gained from any previous applications made to the SFA.

Financial statements submitted must be full accounts (not abbreviated), and audited, if appropriate. If only abbreviated accounts are required for Companies House filing, organisations must still submit their full statutory accounts to us. Please ensure that you submit every page of your financial statements in addition to completion of the toolkit.

FHA Self-Assessment

Organisational Information

We have designed the financial health self-assessment toolkit to facilitate the submission process, offering prompts and advice. Please ensure it is completed in order. We have supplied further detailed instructions within this guidance to assist in the completion.

- **Confirm your organisation is a legal entity.**

A legal entity has the legal capacity to enter into agreements, or contracts and assume obligations and be held responsible for its actions.

- **Does your organisation have a valid UK Provider Reference Number (UKPRN)**

This is the UK Provider Reference Number assigned by the UK Register of Learning Providers (UKRLP). All learning providers must have a UKPRN, including prospective new providers applying to the Register.

- **Legal Name of your Organisation**

This must be the legal name as shown on the financial statements and, if part of a Register application, must agree with the name recorded on Bravo.

- **Trading Name**

Your organisation may be known by another name, or trade under a different name. If this does not apply, then leave this section blank.

- **UKPRN**

You are required to populate this field with your unique 8 digit UKPRN number beginning with "100". The toolkit provides a link to the UKRLP website to verify your number. You must check the accuracy of the number supplied to ensure it represents the company applying and that the format is correct.

- **UPIN**

This is the Unique Provider Identification Number (UPIN) assigned to all organisations contracting with the SFA. If you are a prospective provider you may not have a UPIN, therefore leave this field blank.

- **Company Number**

This is the number with which your company is registered at Companies House.

This is a 7 or 8 digit number which may appear on the front page of your financial statements, and also on the company information page. It may also be called a Registered Number. The toolkit includes a link to the Companies House website.

An organisation will only have a Company Registration number if it is incorporated with Companies House as a company. Sole traders, partnerships and some charities will not be incorporated so this field must be left blank in those instances.

- **Charity Number**

If your organisation is a registered charity you will have a Registered Charity Number. As above, this should be shown on the front page of the financial statements, and also on the company information page. The toolkit includes a link to the Charities Commission website.

- **Organisations who hold a direct contract with the SFA for the delivery of education and training services**

If your organisation currently holds a direct contract with the SFA for the delivery of education and training services you are not required to submit your financial statements during a Register round. You must submit your financial statements to the SFA through your Central Delivery Service Adviser as soon as these become available.

Exemption

If you consider that your organisations meets one of the exemption criteria, you can apply for exemption by completing the exemption form. If you have not previously applied for exemption and consider yourself to fall under either a:

- national charity/voluntary organisation or;
- established PLC.

You must submit your financial statements with your exemption form, or supply a web address where your financial statements can be accessed by the SFA to review them. If you fail to do this we may grade your financial health as inadequate if the SFA determines that you do not meet the exemption criteria.

Once we have verified your exemption criteria you will not be required to submit further accounts at the annual refresh.

Financial Submission Data

- **Does the information you are submitting reflect the legal entity applying**

You must submit financial statements for the legal entity applying to the Register, not for any other associated companies in place of the applicant. We will not accept documentation where we are unable to confirm they relate to the legal entity.

If you do not submit the latest and full financial statements for the applying organisation, you will receive an inadequate grade from the financial health review.

- **Latest financial statements**

Your organisation is required to submit its latest financial statements. These have to be a full set without pages missing. If we identify that pages of your financial statements are missing we may grade your financial health as inadequate.

If you are submitting financial statements, we ask you to confirm whether you have submitted these financial statements to Companies House and/or the Charities Commission. If your financial statements are overdue to either of these organisations this may result in you being awarded an inadequate grade.

You may not be required to submit financial statements to either Companies House or the Charities Commission, we will identify this during our review.

- **Submission of documents other than statutory financial statements**

If you are a sole trader or a partnership you are required to confirm this on the toolkit and to submit as a minimum, full accounts including:

- Profit and Loss/Income and Expenditure account
- Balance Sheet
- Relevant notes to the accounts

If your organisation is yet to trade for a period where financial statements have been produced, you are required to submit management accounts which support actual

activity undertaken to date; this must include the items listed above. In addition you must supply us with the following forecast information listed below. The information listed below will also be required in full if your organisation is yet to commence trading.

- 12 month forecast Profit and Loss account
- End of period forecast Balance Sheet
- 12 month rolling cash flow forecast
- Narrative supporting assumptions made

Parent Companies

Is your organisation part of a wider group of companies or is it classed as a subsidiary? If yes, then you are required to submit your latest financial statements along with those of your ultimate UK parent company.

Is your ultimate parent company registered outside of the UK? If yes, you are required to provide the financial statements for your UK parent company. These must be full and not abbreviated accounts.

If your parent company does not produce consolidated accounts, you are required to supply the financial statements for their non-dormant subsidiaries.

If you fail to submit parental accounts when either:

- you have stated you have a parent company or;
- we identify you have a parent company during our review;

this will result in you being awarded an inadequate grade.

Parental or Directors Guarantee

You can elect to support your financial statements with either a parental or directors guarantee. You may consider a guarantee a suitable way to provide us with additional assurance.

We will only consider a guarantee if it is submitted alongside your full financial statements. The guarantee form is held within the same document as the self-assessment toolkit or can be located separately online. The guarantee form must be physically signed, we are unable to accept an electronically 'typed' signature. All

sections of the guarantee must be completed. If all sections are not completed the guarantee will not be accepted.

Financial Information

To complete this section of the toolkit you are required to input figures from your latest financial statements. These may contain two years of figures, current and prior years. Please enter the current year's information. If you are submitting a business plan and financial forecasts instead of financial statements; this would only be if you are yet to commence trading or have not yet produced your first year's accounts. You must populate with the current years information held within these. You will be awarded an inadequate grade if you fail to submit financial statements when these are available.

Care must be taken and the guidance followed when inputting information to ensure that your projected grade is realistic. We will review all the figures you for accuracy against your financial statements submitted, and those figures are subject to correction by us. Any subsequent changes made by us may affect your projected grade.

Further explanation of the ratios, scoring process and grading definitions can be found within the Financial Health Assessment of Non-College Organisations guidance.

The Financial Statements example section within the toolkit will provide you with additional guidance on identifying the correct figures to record in the toolkit. These are highlighted to correspond with the profitability, solvency and gearing ratio figures required and are to be used in conjunction with the narrative below.

For any field within the profitability, solvency or gearing section of the toolkit where you have no figure to enter, please record a zero in that cell.

Profitability

Total Turnover

This is usually the first line in the Profit and Loss account (P&L), Income and Expenditure account (I&E) or the Statement of Financial Activities (SoFA).

Depreciation/Amortisation charge

This figure may be made up of multiple items which are normally found within the Operating profit note to the accounts (usually note 2). For a partnership/sole trader this figure may be listed under expenditure. You are required to add all the figures together relating to depreciation or amortisation and enter this total.

Profit or Loss after Tax

This can be found near the bottom of the P&L or equivalent. The figure required is the profit or loss on ordinary activity after taxation. This figure may also be called the Net Profit within sole traders' accounts, or Net Movement in Funds in some charities.

The figure should be entered as a negative if you are recording a loss.

Dividends

Organisations with a share capital may elect to pay a dividend during the year. The amount paid in dividends should be disclosed against this.

Solvency

Total Current Assets

This figure can normally be located within the top half of the Balance Sheet and is usually titled total current assets. Do not include any figures relating to fixed assets or non-current debtors.

Total Current Liabilities

This figure is located within the Balance Sheet, usually shown as one line, it can also be referred to as 'Creditors: amounts falling due within one year'.

Do not confuse the figure required with the net current assets figure.

Gearing

Total Borrowings

This figure may come from multiple sources within the notes to the accounts, normally within the creditor's notes; those falling within one year and those falling after more than one year. Any of the following are classed as borrowings, please ensure you include all those applicable:

- Bank Overdraft
- Loans
- Amounts owed to directors, this can include directors loans or directors accounts
- Amounts owed to group or subsidiary undertakings, or any related or associated businesses
- Invoice factoring
- Amounts due under finance leases or hire purchase contracts

Shareholders' Funds

This figure is disclosed on the Balance Sheet. It usually equates to the Balance Sheet total (sum of all assets and liabilities). For partnership and sole traders this is the partners' current/capital account balances.

The figure must be entered as a negative figure if this is showing as negative.

Intangible Assets

For most organisations this will not be applicable. The figure can usually be found at the top of your Balance Sheet within the Fixed Asset section if applicable.

Financial Health Grade

This is automatically populated from the information you have submitted within the Profitability, Solvency and Gearings sections. Further details of the scoring and grading system can be found within the financial health assessment for non-colleges guidance.

The score shown may be moderated from the automatic scoring if it meets one of our moderation criteria specified within our guidance. The score and grade will also be amended if we identify errors within the information you have recorded. Use the comments area at the base of this section to record any reason why your organisations score should differ from the automated score. Please note that moderation can be up or down.