Skills Funding Agency

Education Funding Agency

Association of Colleges

Financial planning handbook

This financial planning handbook sets out the framework for completing financial plans for sixth form colleges and other further education colleges for 2016 to 2018.

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.

April 2016

Contents

Section 1: Introduction and funding body guidance

1. This financial planning handbook (handbook) sets out guidance on financial planning, bringing together requirements of:

    - the Secretary of State for Education as principal regulator of sixth-form colleges, acting through the Education Funding Agency (EFA)
    - the Secretary of State for Business, Innovation and Skills as principal regulator of other further education colleges, acting through the Skills Funding Agency (SFA)

2. The governing body of a college is responsible for ensuring the solvency of that college. Governing bodies should consider all the relevant data and information available to them about the college to judge if their college is financially secure and to assess the key risks to the college. This financial planning handbook sets out the requirements of the EFA and SFA and governing bodies will want to consider this as one part of fulfilling that responsibility.

3. The guidance and submission requirements for the two-year financial plan are provided in this handbook, whilst requirements on the completion of financial statements are provided in the Accounts Direction with further guidance in the Accounts Direction Handbook.

4. EFA and SFA (the funding bodies) review the handbook annually, and this publication covers the period 2016 to 2018.

5. The funding bodies periodically publish guidance on gov.uk setting out their respective key operational policies and providing updates to funding developments. The funding bodies advise that colleges should check the website regularly.

6. The EFA publishes weekly e-bulletins and colleges can subscribe by using my contact information on Information Exchange.

7. The SFA regularly produces Update, which is a roundup of business-critical information and news for the sector.

Submission of financial planning template

8. Colleges **must** submit the following documents for the period to their principal regulator by **31 July 2016**:

- two year financial plan (electronic Excel version)
- commentary (electronic Word version)
- financial plan cover sheet (Principal's Statement) signed by the accounting officer (scanned copy)

9. The funding bodies will confirm the submission arrangements closer to the deadline. Colleges **do not** need to submit hard copies of documents.

10. Where colleges are planning a fundamental structural change, for example a merger or academisation, after 31 July then all parties must still submit a copy of their two-year financial plan. If a merger is occurring before, or on 31 July, then the appropriate funding body should only receive a copy of the merged college's financial plan by the required deadline of 31 July.

11. Where a college is developing a strategic recovery plan and cannot provide a reliable two-year financial plan at 31 July, it may seek consent from the appropriate funding body to provide a one-year financial plan (showing the expected out-turn for the current year and the budget for the forthcoming year). The college must submit this shortened financial plan to the appropriate funding body by the required deadline of 31 July.

Significant deteriorations in financial position

12. Colleges should notify the appropriate funding body in writing if at any time there is a significant deterioration in its financial position.

What has changed in this edition?

13. We have changed the format of this handbook streamlining sections to make it easier to navigate and included more hyperlinks.

14. We require colleges to share the checklist with their governing body (41).

15. We require colleges to explain assumptions in the template (31 and 44).

16. We have set out how transition to SORP 2015 has been reflected (Section 5: Transition to SORP 2015).

17. We have updated the financial health ratios (Section 6: Monitoring financial health of colleges). Please refer to last year's handbook for details of the previous ratios.

18. We have updated the moderation criteria (74-82).

19. We have updated the template to reflect these changes. We have provided a separate guidance document sitting alongside the template detailing all the changes.

Section 2: Overview of financial planning

20. The funding bodies monitor the financial health of colleges to understand the degree of risk they represent to the public purse if they do not have the financial resources to continue operating.

21. The key financial documents used to seek this assurance are:

- **the audited financial statements**
- **the financial plan** showing the expected out-turn for the current year, the annual budget for the forthcoming year and the forecast for the year after. The governing body should approve an annual budget before the start of each financial year (1 August). This will form the first year of the college's two-year financial plan

22. It is important that a college's financial plan presents a realistic view of its position in order to provide an accurate picture of the financial health of the college and sector.

23. The college's two-year financial plan should be an integral part of its own strategic and development plans, as it expresses in financial terms the cost of implementing those plans and shows the income, expenditure and cash-flows associated with projected levels of activity. The financial plan is intended to help each college's governing body and funding body to assess the financial effect of a college's strategic and development plans. It is important to include in the financial plan the costs of implementing the college's approved property strategy for the plan period.

24. The funding bodies expect colleges to use the plan for internal planning and monitoring purposes, and to review each plan alongside the associated data. This helps the funding bodies to form an opinion on the financial health of colleges and to determine whether there are issues to be raised with them.

25. The funding bodies aggregate all financial plans to give a summarised view of the financial health of the sector. The information also provides a basis

for advice to the Secretary of State for Business, Innovation and Skills (SFA) and the Secretary of State for Education (EFA) and helps in responding to queries from colleges and government.

Benchmarking

26. The relevant funding body publishes a spreadsheet each year on gov.uk containing data from college finance records.

Principal's statement

27. The college's accounting officer should sign the Principal's Statement which confirms that:

- the college's governing body has approved the financial plans and that the plans support the college's strategic plan
- the college's governing body is satisfied that the budget and the financial plan are aligned and demonstrate the solvency of the college.

Section 3: Completing the template

28. Colleges must complete the financial plan template to allow the funding bodies to assess financial health. The plan may also be used for:

- capital project applications
- reorganisations, such as college mergers
- recovery plans
- the financial consequences of the college's strategic and development plan

29. If colleges need to complete more than three years in the financial plan, then they should 'unhide' the respective columns in each worksheet.

The template structure

30. The template is split into the following worksheets:

- a contents page showing the sheets in the financial plan template
- the "cover sheet" being the Principal's Statement representing an executive summary of the key features of the plan and shows the self-assessed financial health rating for the college for each year of the plan
- schedule 1 sets out the key assumptions colleges have made in producing their plan
- schedules 2, 2a and 2b provide the indicative financial health scores along with the underpinning ratio
- The next 3 schedules contain the primary statements:
    a. statement of comprehensive income (formerly income and expenditure account) (schedule 3)
    b. balance sheet (schedule 4)
    c. statement of cash flows (schedule 5)

- the following schedules underpin the information in the financial position statements:

  a. schedules 3a to 3e underpin the statement of comprehensive income

  b. schedules 4a to 4g underpin the balance sheet

- schedule 6 is a sensitivity analysis enabling colleges to conduct "what if" analyses

- colleges submitting a capital project application to their Local Enterprise Partnership (LEP) may wish to complete schedules 7a to 7c

Assumptions

31. The funding bodies specifically require colleges to set out certain key assumptions within the financial plan (the assumptions tab).

Data entry

32. Throughout the template all monetary balances should be entered in £000s, not pounds and pence. For example, £1,533,974 should be entered as 1,534.

33. Only the un-shaded cells require data entry. Shaded cells are automatically populated.

34. Entry of negative figures is permitted in certain lines, marked as '-ve' in red (for example within Schedule 2a Tangible fixed assets).

35. On most of the sheets there is an optional narrative box. While we do not required colleges to complete these boxes (apart from in the assumptions tab – schedule 1), colleges may wish to use them to explain any variances, assumptions or risks. We recommend that this information is also included in the commentary to the plan.

36. It is necessary to save the worksheet before exiting it and you will be prompted to do so when you try to close the template. If no amendments are made the template will close without prompting a save.

Subsidiaries

37. Information relating to income and expenditure from subsidiaries and centres of vocational excellence (COVEs) should be coded to the appropriate heading under staff costs and non-pay expenditure.

Logic validations

38. If any of the schedules are incomplete then an error message will appear in red text. These should be ignored until all schedules are complete. If there continue to be error messages after entering all of the figures then you will need to investigate the cause.

39. You should clear error messages before returning the financial plan to the appropriate funding body.

Section 4: Commentary

40. The funding bodies require colleges to provide a commentary supporting the financial plan and it should include the following:

- a summary of the college's key strategic objectives
- description of how the financial plan is consistent with the college's strategic objectives
- major movements between plan periods for statement of comprehensive income and balance sheet headings
- major variances between the latest out-turn estimate for the current year and the original budget
- the contribution made by different areas of activity
- the college's self-assessment of its financial health and an explanation of any variance from the computed financial health grade.

41. The funding bodies have provided a checklist at Annex 1 on issues colleges should consider when completing the financial plan and commentary, and colleges should share this with the governing body to provide assurance that all matters have been considered.

42. Where appropriate colleges should include commentary within the financial plan narrative boxes to support assumptions.

Financial objectives

43. Colleges should set clear financial objectives that support the achievement of their strategic objectives, and to establish limits within which they should operate. Colleges should monitor and report progress periodically through a series of performance indicators. Examples are provided at Annex 2.

Assumptions

44. It is not mandatory for the supporting commentary to contain a statement of key assumptions, but we require colleges use the assumptions tab or the commentary to clarify assumptions used including:

- Apprenticeship forecasts
- Adult Skills Budget recovery and performance
- Risks around income from overseas ventures
- Subcontractor failure/activity
- Capital build/receipts timing
- Transfers to and from restricted reserves
- An account of significant franchising arrangements

45. Neither of the funding bodies is in a position to provide guidance on assumptions used in the financial plans. The Association of Colleges may separately suggest possible approaches, but colleges should make their own decisions as to the most realistic assumptions.

46. The Bank of England provides guidance on inflation rates on their website.

Sensitivity analysis

47. The financial plan should reflect the financial effect of the planned levels of activity described in a college's strategic plans. Due to the continued pressure on public funding colleges should adopt an even more rigorous approach to the preparation of their plans, risk assessment and sensitivity analysis, and for those sensitivities to be costed.

48. Colleges may wish to consider their financial plans on a worst-case scenario basis as part of a sensitivity analysis or a separate financial plan. The sensitivity analysis may also address more favourable outcomes than those included in the financial plan, where appropriate. The college's sensitivity analysis is expected to form an integral part of the college's risk management plan.

49. The sensitivity analysis schedule is available to colleges to demonstrate the financial implications if more unfavourable conditions apply. Colleges should critically examine the underlying assumptions and realistically assess the effect of adverse circumstances and failure to meet their plans. Colleges should also use the commentary to highlight results of their analysis.

50. Some planning assumptions have critical implications for a college's strategic plan and consequences of alternative outcomes can be complex. For example, a major project that would not proceed without third party support could affect a college's growth or the number of staff employed, leading to a very different outcome from the original financial plan.

51. Where a financial plan contains critical assumptions of this nature, colleges are advised to complete a second plan based on the alternative scenario and to share it with the appropriate funding body. Where a college considers that different outcomes will have an impact on its financial viability, it is essential that an alternative financial plan is produced that reflects the impact of those changes.

52. Colleges should identify contingency actions to mitigate the consequences of the identified sensitivities and discuss with the relevant funding body where these actions lead to a rationalisation of provision in any programme area or locality.

Risk management plans

53. The College Finance Directors' Group (CFDG) published a good practice guide to risk management which helps colleges to demonstrate compliance with the UK Corporate Governance Code or the Code of Good Governance for English Colleges.

54. Colleges are expected to update their risk management plans regularly and also include in their plans any risks it is exposed to as a result of group structure including joint venture arrangements and investments in associates.

55. Colleges are not required to submit copies of their risk management plans but where a college is submitting a capital project, recovery plan or

undertaking a reorganisation, the appropriate funding body reserves the right to request a copy.

Disaster management plans

56. Colleges may wish to integrate disaster management planning with their risk management plan. However, colleges may consider it appropriate to have a separate section that deals with more extreme risks. Responses to disasters, though less likely to occur, will require more far-reaching actions that, in turn, have an impact on other aspects of the college including resources and funding.

Section 5: Transition to SORP 2015

57. Financial statements for the year ended 31 July 2016 are the first to be prepared under ‘Statement of recommended practice: Accounting for further and higher education (SORP 2015)’. We have taken into account the requirements of SORP 2015 in amendments to the template.

58. The changes in SORP 2015 also have an impact on the financial ratios used to assess financial health. This handbook and the template have taken those changes into account alongside changes to the financial ratios as follows:

- Financial performance will be measured using a sector EBITDA (earnings before interest, tax, depreciation and amortisation) as a percentage of adjusted income instead of the previous performance ratio
- Solvency will continue to be measured using an adjusted current ratio. Changes to the adjusted current ratio are set out below
- Borrowing as a percentage of income will replace gearing as one of the measures of financial health
- Capital grants – income from capital grants or releases of deferred capital grants are included in the statement of comprehensive income but excluded from the sector EBITDA for colleges adopting the performance or accruals method, respectively, of accounting for capital grants
- Deferred capital grants – the grant is now included within creditors due within one year and those due after one year and the adjusted current ratio has excluded this
- Movements in pension provisions (formerly FRS17 adjustments) – these are included in the statement of comprehensive income but continue to be excluded from the financial performance measure (sector EBITDA)
- Investment property annual revaluation – the gain or loss is reflected in the statement of comprehensive income but is excluded from the financial performance measure (sector EBITDA)

- Holiday pay and sabbatical leave – the liability has been identified separately within the template and is excluded in the adjusted current ratio

Section 6: Monitoring financial health of colleges

59. When a college ceases to operate, or there is a significant deterioration in its financial position, the funding bodies face the risks of:

- learners suffering when their learning provision is disrupted or terminated
- being unable to recover any funds owed to them by the college (for example, funds paid on profile in excess of learning provided at the time learning ceases)

60. Both risks, which may be present simultaneously, could compromise the appropriate funding body's statutory responsibility to ensure proper and reasonable provision of facilities for post-16 learning. To reduce these risks, the appropriate funding body gathers assurance that the college has the necessary financial resources to:

- remain able to operate throughout the life of its funding agreements
- fully discharge its obligations under those funding agreements

Financial health assessment

61. The funding bodies' approach to grading the financial health of colleges is incorporated into financial returns.

62. The funding bodies have made changes to the assessment of financial health this year to reflect changes within the college environment arising from commercial finance requirements, the introduction of capital loan schemes and the adoption of SORP 2015.

63. The funding bodies assess a college's financial health according to one of the following 4 grades: outstanding, good, satisfactory or inadequate, and the automatically calculated health grade (autoscore) should require moderation in relatively few instances.

64. Where the funding bodies grade a college's financial health as 'inadequate' for the previous year (forecast or actual out-turn) or the current year (budget), this will form the basis for the funding bodies to issue a Financial Notice of Concern or a Financial Notice to Improve.

65. The moderation and validation process in relation to financial health assessments requires the appropriate funding body to review and confirm colleges' financial health grades based on each financial return.

Grade definitions and scoring

66. The grade definitions under the methodology are summarised below:

Grade	Definition	Indicators
1 Outstanding	A provider that has very robust finances to fulfil its contractual obligations and to respond successfully to opportunities or adverse circumstances.	Normally, a provider with excellent / good indicators for solvency (current ratio), performance (sector specific earnings before interest tax depreciation and amortisation to income ratio), and borrowing (borrowing to income ratio).
2 Good	A provider that has sufficiently robust finances to fulfil its contractual obligations, and to respond successfully to most opportunities or adverse circumstances.	Normally, a provider with at least two good indicators for solvency, performance and borrowing.
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.	Normally, a provider with at least two satisfactory indicators for solvency, performance and borrowing.
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.	Normally, a provider with at least two inadequate indicators for solvency, performance and borrowing.

67. The table below sets out the scoring for each of the three ratios:

Score	Adjusted current ratio	Sector EBITDA as a % of income	Borrowing as a % of income
0	< 0.5	< 1%	>/= 60%
10	>/= 0.5	>/= 1%	< 60%
20	>/= 0.6	>/= 2%	< 55%
30	>/= 0.7	>/= 3%	< 50%
40	>/= 0.8	>/= 4%	< 45%
50	>/= 1.0	>/= 5%	< 40%
60	>/= 1.2	>/= 6%	< 35%
70	>/= 1.4	>/= 7%	< 30%
80	>/= 1.6	>/= 8%	< 20%
90	>/= 1.8	>/= 9%	< 10%
100	>/= 2.0	>/= 10%	=0

68. The adjusted current ratio excludes:

- cash from disposal of fixed assets held for reinvestment
- assets held for resale
- deferred capital grants
- holiday pay accruals

69. The sector EBITDA is earnings before interest, tax, depreciation and amortisation and excludes:

- profit / loss on disposal of assets
- income from the release of deferred capital grants which have been accounted for under the accrual method
- income from capital grants which have been accounted for under the performance method
- pension provision movements included within the statement of consolidated income
- the gain or loss from investment property annual revaluations included in the statement of comprehensive income

70. ‘Interest’ within EBITDA includes:

- investment income
- interest and other finance costs

71. ‘Tax’ within EBITDA represents only the taxation charge included on the statement of comprehensive income and does not include irrecoverable VAT.

72. The three ratio scores above are then totalled and the financial health grade is calculated as follows:

Points	Grade
240 - 300	Outstanding
180 - 230	Good
120 - 170	Satisfactory
</= 110	Inadequate

Underlying financial health

73. For the financial plan, the financial health grade for each year is initially calculated and subject to moderation where appropriate. The funding bodies then assess an underlying financial health grade based on the points scored and the grades for the immediate past and current years. The funding bodies may subsequently update this underlying grade based on the audited financial statements or other new information, until the next financial plan return.

Moderation criteria

74. The financial health grades based on auto scores in colleges' financial plan and finance record returns can only be moderated in accordance with the criteria set out below.

75. Where a college scores zero points for one of the three ratios it can be graded no better than satisfactory. This moderation is automatically included in the calculations within the financial plan template.

76. Capital projects

The financial health grade may be uplifted to 'satisfactory' rather than using the autoscore of 'inadequate', where a college is undertaking a significant capital project (which is greater than the lower of £5 million or 25% of total income) provided that:

- The project has started its capital life cycle (being the date the project is approved by the governing body)
- The college is graded outstanding, good, or satisfactory at the time of the detailed project approval
- It will return to a grade of at least satisfactory by the year following either project completion or the final grant payment by the relevant funding body
- It performs at least as well (in the opinion of the relevant funding body) as forecast during the intervening years. If a college performs less well

than it forecast at the start of the year then the funding body will reflect this in its assessment

This ensures that colleges undertaking a significant capital project but which are otherwise financially sound do not fall into scope for a Notice of Concern for Financial Health or Financial Notice to Improve.

77. Professional fees associated with capital projects

Where a college has incurred significant professional fees (defined as a minimum value of £250,000) in relation to a capital project development which could not be capitalised, then it may make a case seeking moderation (to one grade higher or one grade lower).

78. Staff restructuring

Where a college incurs significant staff restructuring costs (defined as more than 5 per cent of staff costs) in a single year it may make a case seeking moderation (to one grade higher or one grade lower).

79. Exceptional financial support

The funding bodies or the Department for Business, Innovation and Skills may provide exceptional financial support to protect the continuity of provision for learners in cases of financial distress. Where a loan (or grant) is requested financial health will be moderated as ‘inadequate’ and will trigger a referral to the FE Commissioner.

80. If exceptional financial support (either a loan or grant, or a combination of these) is provided as part of an agreed merger support package then the grade may be moderated to Satisfactory, rather than Inadequate. However, if a college performs less well than it forecast at the time the merger support package was agreed then the funding body will reflect this in its assessment.

81. Cash generation

Where the cash being generated year-on-year is more than sufficient to enable a college to meet its net current liabilities, then this may lead to an autoscore of ‘inadequate’ being moderated to ‘satisfactory’.

Where the cash being generated year-on-year is insufficient to meet debt service obligations (repayment of capital plus interest and similar charges), then this may lead to an autoscore being moderated to ‘inadequate’.

82. Other

Other information may be available and evidenced that indicate financial health is significantly different from the autoscore. ‘Significantly’ is defined as sufficiently different to generate an autoscore at least one grade lower. Examples may include (but are not limited to):

- a court ruling which has financial consequences
- the loss or significant reduction of a material contract or area of provision
- a significant recovery of funds following a funding audit or investigation
- a contingent liability crystallising
- one or more bank loan covenants are breached for the year and long-term loan obligations are being restated as current liabilities

Self-assessment of financial health

83. Colleges are asked to provide a self-assessment of their financial health. The guidance on financial health self-assessment is based upon the principles that:

- the prime responsibility for a college’s financial health rests with the college
- self-assessment provides the impetus to improve a college’s financial health and is most effective when it is structured, rigorous and continual
- both the college’s self-assessment and the appropriate funding body’s assessment of the college’s financial health should be based on the same published guidance, including any moderation criteria
- the college’s board of governors should confirm the self-assessment

Annex 1: Checklist

This checklist for the Financial Plan Commentary is for colleges' own use. It does not need to be returned.

	Checklist points	Yes / No / N/A
1. Financial Objectives		
	Has the college set detailed financial objectives? Are they set out in the commentary?	
	Has an assessment been included in the commentary of the extent to which they have been achieved?	
2. Strategic plan		
	Is there a clear link between the projected learner numbers included in the college's strategic plan and the movement in funding? If not, please explain any changes in the commentary.	
	Do staff costs included in Schedule 1d of the plan reflect future staffing plans?	
	Does the financial plan reflect the financial implications of the college's property strategy?	
	Does the financial plan demonstrate that the college's financial objectives are being achieved? If they are not, is this addressed in the commentary?	
	Has a comprehensive sensitivity analysis been completed?	
3. Approval – has the governing body approved the plan?		
4. Key Assumptions		
	Does the commentary include assumptions about:	
	movements in funding and learner funding rate	
	income from the funding bodies other than the main funding streams	
	income from other sources, in particular education contracts, tuition fees, European funds, commercial activities and so on	
	implementation of property strategy, in terms of capital investment, long-term maintenance and routine maintenance	
	increases in staffing costs arising from the effects of pay awards made	

	Checklist points	Yes / No / N/A
	changes in national insurance contributions	
	changes in pension fund contributions	
	incremental drift: where incremental scales exist, estimate the gain resulting from staff losses at the high end of the scale being offset by new staff at the lower end	
	Does the commentary include the general level of pay awards assumed in the plan?	
	Does the commentary state any variation in the general inflation rate for specific items of income or expenditure?	
	Does the commentary state the interest rates assumed?	
	Does the commentary state the assumptions underlying income from all sources and all expenditure cuts?	
	Does the commentary give details of the college's planned maintenance programme, if applicable?	
5. Self-assessment of financial health		
	Has the governing body made regular assessments of the college's financial health?	
	Has a review of the strategic plan and financial plan taken place in order to assess whether the college is able to support its plan with the resources identified?	
	Have the underlying strengths and weaknesses of the college's financial position been examined in order to assess the extent to which the college is likely to be vulnerable to adverse variances?	
	Does the commentary explain the college's rationale for its financial health self-assessment?	
	Does the commentary give reasons for any moderation from the automated health grade assessment, if applicable, and are the grounds for moderation appropriate?	
6. Principal's Statement		
	Has the financial health self-assessment been completed?	
	Has the budget statement been completed?	
	Has the Principal signed the form?	

	Checklist points	Yes / No / N/A
	Does the Principal's Statement give the name and telephone number of the contact person for all enquiries?	
7. Income and expenditure (Table 1)		
	Does the commentary explain significant year-on-year movements?	
	Does the commentary explain any variances between the latest out-turn estimate for the current year and the original budget?	
8. Balance sheet and Cash flow statement (Tables 2 and 3)		
	Does the commentary identify significant asset purchases and disposals, including consents and purposes?	
	Does the commentary give the details of any loans, including consents and background?	
	Does the commentary explain significant year-on-year movements in debtors and creditors?	
9. Income schedules (1a, 1b and 1c)		
	Does the commentary include the sources of grant income?	
	Does the commentary include the nature of any repayment of ESF funding?	
	Does the commentary include the sources of income from franchising provision?	
	Does the commentary include the main income-generating activities?	
10. Expense schedules (1d and 1e)		
	Does the commentary give details of any provisions included in expenditure?	
	Does the commentary explain large year-on-year movements?	
11. Movement reconciliation (1f)		
	Has the reconciliation of movements between years been completed?	
12. Financial health grade (schedule 4)		
	Have the self-assessment boxes been completed, including the narrative box (where appropriate)?	

Annex 2: Financial objectives

Example indicators may include:

1. Maintaining a sound financial base (solvency and liquidity) based on the following:

    a. We will have a general reserve of XX per cent of income by 31 July 20XX and YY per cent by 31 July 20XX.

    b. We will maintain cash days of XX or more at all times.

    c. We will achieve break-even by 31 July 20XX and have an operating surplus by 31 July 20XX.

    d. We will generate a cash inflow from operating activities by 31 July 20XX.

    e. We will reduce borrowing to XX per cent of general reserves by 31 July 20XX, and YY per cent by 31 July 20XX.

    f. We will have a current ratio of more than XX: 1 by 31 July 20XX).

2. Improving financial management by producing management accounts each month, incorporating an income and expenditure account, balance sheet, 12-month rolling cash-flow forecast, capital expenditure, financial performance indicators, staffing information and funding information (including plans).

3. Strengthening procedures for testing the desirability and affordability of any proposals which have a financial implication by 31 July 20XX.

4. Introducing post-implementation review procedures to assess the success or otherwise of major investments (building, information technology, staffing, marketing and so on) exceeding £X by 31 July 20XX).

5. Maintaining the confidence of funding bodies, suppliers and professional advisers by:

a. Providing financial and non-financial returns on time and in the agreed format.

b. Ensuring all returns requiring certification by auditors are unqualified and submitted on time.

c. Adhering to the college’s policy to pay all suppliers within XX days of receipt of an invoice.

6. Raising awareness of financial issues by:

a. Providing advice, guidance and training to staff, management and governors on funding, funding methodologies, budgeting and the college’s financial procedures.

b. Providing adequate information to ensure that staff, management and governors are kept up-to-date with the financial position of the college.

7. Improving the college estate and equipment by:

a. Generating sufficient funds to ensure that the college can undertake its specified programme of planned maintenance.

b. Generating sufficient funds to ensure that the college can invest in the new technology and equipment required to support learning programmes and college administration.

c. Ensuring adequate procedures are in place to protect assets from loss, theft and neglect.

This document is also available from our website: www.gov.uk/sfa.

If you have any enquiries regarding this publication or require an alternative format, please contact us: info@sfa.bis.gov.uk.