
1 June 1998

CIRCULAR

**THE
FURTHER
EDUCATION
FUNDING
COUNCIL**

**STRATEGIC PLANS, INCLUDING
FINANCIAL FORECASTS**

Cheylesmore House
Quinton Road
Coventry CV1 2WT

To

Principals of colleges
Heads of external institutions
Chief education officers
Heads of higher education
institutions receiving funds from
the Council

Circular type

Request for information

Summary

Provides guidance on strategic
planning and financial forecast
information requested by
31 July 1998

Reference number: 98/16

Enquiries:
Regional directors
Finance support desk
01203 863065

98/16

STRATEGIC PLANS, INCLUDING FINANCIAL FORECASTS

INTRODUCTION

1 This circular provides guidance to institutions on the strategic planning information that the Council wishes to receive by 31 July 1998. For colleges, this request also includes the supporting financial forecast information.

BACKGROUND

2 The Council made some changes to the strategic planning information requested in institutions' funding commentaries in February 1998 (funding round 1998-99: second letter, dated 15 January) compared to that requested in previous years. The changes were made to align the information requested in the February funding commentary and July strategic plan update, thus creating scope for eliminating the need for a July update from most colleges and higher education (HE) institutions. A similar approach will be adopted for external institutions in future years. This year, however, external institutions are requested to supply the Council with a full three-year strategic plan.

FUTURE CONSULTATION

3 The alignment of the information requested in February commentaries and July strategic plan updates was the first stage in the Council's review of its request for strategic planning information. The Council is undertaking a fundamental review of the strategic planning information requested from institutions. This review is likely to cover the statistical information, financial forecasts and three-year strategic planning framework, in addition to the timing of these requests. Institutions will be consulted in 1998 on any changes that the Council might wish to introduce in 1999-2000.

INFORMATION REQUESTED IN JULY 1998

4 The information requested from institutions in July 1998 is outlined below, and a summary appears in annex A to this circular. All institutions should complete and return a signed copy of the cover sheet provided at annex B. They should

indicate on the cover sheet either a 'nil return' (where no revisions to their February return are required) or that updated information has been provided.

5 The forms on which to return revised data (student number projections and withdrawal of provision information) are provided in supplement A with guidance for their completion.

Colleges and HE Institutions

Textual information

6 Colleges and HE institutions will be reviewing their strategic plans for their own internal purposes and are welcome to share a copy with the Council. Such reviews are likely to include plans for responding to the inclusive learning quality initiative; further information will be produced shortly on the second stage of this initiative.

However, a textual update is only required if there has been a major change to an institution's plans or circumstances since they provided their February 1998 commentary. In this case, institutions are requested to provide additional information specifically related to the changes (not all elements of the framework). Major changes are those which would have an impact on the institution's strategic direction, its financial forecast and/or its accommodation strategy, or its projected student numbers. Examples of such changes would include:

- a shift in the institution's mission, which might include plans for merger or rationalisation of provision in a particular geographical area
- a significant change in the volume of provision and/or the arrangements for its delivery, including large scale conversion of collaborative to direct provision.

Where the Council wishes to request an update, regional directors will notify colleges as soon as possible in June giving an indication of the information required.

7 Colleges are reminded that the approval of the governing body should be sought for any significant changes to their strategic plans. As indicated above, this includes changes to collaborative provision, particularly in the light of the governors' responsibility for monitoring quality, volume and outcomes.

8 Colleges and HE institutions that are not providing a textual update should confirm this by indicating a 'nil return' on the cover sheet (annex B). Colleges are reminded, however, of the request to notify the Council of significant departures from their strategic plans at any other time throughout the year (details were provided in Circular 96/14, see annex C). Examples of significant departures in Circular 96/14 include significant changes in student numbers overall or within particular programme areas. The circular also referred to withdrawal of provision within the local area served by the college or new provision planned outside the college's normal recruitment area. Colleges are asked to give particular attention to these issues in the context of the government's policy that priority should be given to meeting the needs of local communities. Colleges should notify their regional director if they intend to make significant provision outside their normal recruitment area.

Statistical information

9 All colleges and HE institutions are requested to either provide revised statistical information (projected student numbers and withdrawal of provision information) or indicate a 'nil return' on the cover sheet (annex B).

TEC approval of college plans

10 TEC approval of college strategic plans is currently under review. Correspondence between the Council and the TEC National Council was circulated to colleges on 16 April 1998. The TEC National Council indicated that 'TECs are of the view that the right and responsibility of TECs to approve college plans is no longer a necessary pre-requisite to effective planning relationships.' This was welcomed by the Council in its response, emphasising that 'removal of the approval of college plans by TECs could be an important symbol of the changing relationship'. The issue was discussed further at the joint meeting of the Council, local government association (LGA) and TEC National Council on 13 May and will be taken forward as part of the developing framework for co-ordinating post-16 education and training.

11 Pending the review, current arrangements remain in place. Where colleges are providing a textual update as a result of major changes to their plans or circumstances (paragraph 6), the Council would expect the local TEC to have been consulted. Consequently, evidence of the TEC's agreement to

the changes should be provided. The Council would also expect colleges to exchange appropriate information with their local education authority (LEA).

College financial forecasts

12 The financial forecast is an integral part of a college's strategic plan as it expresses in financial terms the cost of implementing the college plan and shows the income and expenditure associated with the projected levels of activity. The financial forecast is intended to help each college's governing body, and the Council, assess the financial effect of a college's strategic plan.

13 All colleges are requested to provide a three-year financial forecast. The format of the forecast for 1998 is essentially the same as that provided to the Council in previous years. The level of detail requested has been reviewed and where possible reduced. Full details of the information requested, including changes from the 1997 forecast, are provided in supplement B. In the past, colleges have asked how the Council uses this information and an indication of this is also provided in supplement B. Details of the planning assumptions that colleges should use in compiling their forecasts are provided in annex D to this circular.

14 The computer-based application for returning the forecast on disk is enclosed for colleges only. A completed disk, a complete hardcopy of the printout, the principal's certificate and a commentary should be returned to Louise Butcher at the Council's Coventry office, with the cover sheet and associated strategic planning information. Information to assist colleges in preparing the financial forecast is included in supplement B.

External Institutions

15 Guidance was provided to external institutions in the letter from the director of education and institutions dated 9 April 1998 on the information the Council expects to receive in July. The framework for external institutions' three-year strategic plans which accompanied the letter is repeated for ease of reference at annex E.

16 By 31 July 1998, external institutions are asked to forward to the Council two copies of a full strategic plan for the period 1998-99 to 2000-2001. This should be accompanied by a signed copy of the cover sheet (annex B), indicating which elements of the statistical information have been updated.

RETURNS

17 Institutions which require further clarification, or for whatever reason cannot provide the information requested by 31 July 1998 should contact their regional office at the earliest possible opportunity. Telephone numbers for regional offices are:

Eastern Region	01223 454500
East Midlands	01203 863000
Greater London	0171 312 4100
Northern Region	0191 211 2200
North West	0161 877 3811
South East	0118 955 4200
South West	01823 444404
West Midlands	01203 863000
Yorkshire and Humberside	0113 245 2644

Regional offices can also provide advice on how to complete the strategic planning statistical returns (supplement A). Further advice, for colleges, on the completion of financial forecast returns (supplement B) can be obtained from the finance support desk on 01203 863065.

18 The financial forecast information is analysed by the regional finance support team based in Coventry. The strategic plan student number information is also processed in Coventry. Therefore, for ease of administration, the strategic planning and financial forecast information requested should be sent by 31 July 1998 to:

Louise Butcher
Further Education Funding Council
Cheylesmore House
Quinton Road
Coventry
CV1 2WT.

INFORMATION REQUESTED BEYOND JULY 1998

College Accommodation Strategies

19 Colleges will be asked to supply key statistical data in relation to their accommodation strategy each year, and fuller information only where substantial changes have occurred. The format of the information requested and the date of the return will be outlined in a summer circular.

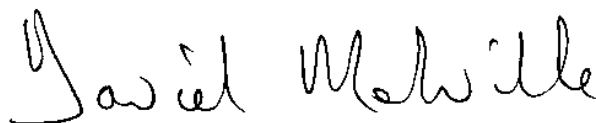
College Financial Mid-year Update

20 The mid-year update has previously been requested in February of each year. This will no longer be requested for all colleges. Where the Council wishes to receive this information it will be requested by the relevant Council's regional finance director. This will generally be for those colleges falling into financial health group C (as assessed by the Council). In any event, those colleges where a return is required will be notified by 8 January 1999. The software application for returning this information has been included on the financial forecast disk.

College Finance Record

21 The finance record shows actual figures for income and expenditure, cashflow and the balance sheet. These data will be in a format similar to the three-year financial forecast. The financial position shown in the finance record should be the same as in the audited accounts. Colleges are advised to complete the finance record before sending in their accounts to the Council. If there are any material differences between the actual figures for the financial year and the estimate of the figures provided at the end of the year in the three-year financial forecast, colleges are asked to provide a brief commentary explaining the difference.

22 The application for the finance record has been included on the disk accompanying this circular. If the proposed changes to the financial memorandum (which colleges are to be consulted on) are accepted, then the Council will be extending the deadline for the return of audited accounts to 31 December 1998. The finance record is processed by the Council's central finance team and should therefore be sent together with the audited accounts to the finance team at the Council's Coventry office.



SUMMARY OF INFORMATION REQUESTED

	<i>Colleges</i>	<i>HE institutions</i>	<i>External institutions</i>
By 31 July 1998*			
Strategic plan textual update	<i>only</i> if significant changes or notified by regional director	<i>only</i> if significant changes or notified by regional director	full plan required
Projected student numbers	<i>only</i> if revised from February 1998 return	<i>only</i> if revised from February 1998 return	<i>only</i> if revised from February 1998 return
Withdrawal of provision information	<i>only</i> if revised from February 1998 return	<i>only</i> if revised from February 1998 return	<i>only</i> if revised from February 1998 return
TEC approval	<i>only</i> if textual update provided as a result of significant changes	n/a	n/a
Financial forecast	required	n/a	n/a
Beyond July 1998			
Finance mid-year update	required by February 1999, but <i>only</i> if notified by regional finance director	n/a	n/a
Finance record and audited accounts	required by 31 December 1998 [†] to be sent to the Council's central finance team	n/a	n/a
Accommodation strategy information	further details to be provided in a summer circular	n/a	n/a

* *information requested by 31 July 1998 should be sent to Louise Butcher at the Council's Coventry office*

[†] *provided proposed changes to financial memorandum (which colleges will be consulted on) are agreed*

COVER SHEET FOR RETURN OF STRATEGIC PLANNING AND FINANCIAL FORECAST INFORMATION: JULY 1998

THE FURTHER EDUCATION FUNDING COUNCIL

(Reference Circular 98/16)

This cover sheet must be completed by all institutions. Please photocopy, complete and return to Louise Butcher at the Council's Coventry office by 31 July 1998.

Cheylesmore House
Quinton Road
Coventry CV1 2WT

Telephone 01203 863000
Fax 01203 863100

Name of institution (*please print*)

Sponsoring college (*external institutions only*)

FEFC code

Contact for strategic plan queries

Telephone

Returns Enclosed (*please tick*)

All institutions

1	Strategic plan	full plan (external institutions – 2 copies)	<input type="checkbox"/>
		update (colleges/HE institutions – 3 copies)	<input type="checkbox"/>
		nil return	<input type="checkbox"/>
2	Projected student numbers (2 copies from external institutions; 3 copies from other institutions)	SP98 NUM (JUL): FE paper <input type="checkbox"/>	or nil return <input type="checkbox"/>
		SP98 NUM (JUL): HE paper <input type="checkbox"/>	or nil return <input type="checkbox"/>
3	Collaborative provision (2 copies from external institutions; 3 copies from other institutions)	SP98 CP (JUL) paper <input type="checkbox"/>	or nil return <input type="checkbox"/>
4	Planned withdrawals (2 copies from external institutions; 3 copies from other institutions)	SP98 CHG (JUL) paper <input type="checkbox"/>	or nil return <input type="checkbox"/>

Colleges only

5	Evidence of TEC approval of strategic plan update (3 copies)		<input type="checkbox"/>
6	Financial forecasts (1 copy of each)	three-year forecast <input type="checkbox"/>	disk <input type="checkbox"/>
		principal's certificate <input type="checkbox"/>	commentary <input type="checkbox"/>

DECLARATION

I confirm that the figures provided on the accompanying SP forms are correct.

Signature

Principal/head of institution

Name (*please print*)

Date

SIGNIFICANT DEPARTURE FROM STRATEGIC PLAN

(EXTRACT FROM CIRCULAR 96/14)

21 The Council indicated in annex B of Circular 96/06 that it would define a significant departure from the strategic plan such as would require approval by the governing body and the chief executive of the appropriate training and enterprise council (TEC). The Council also wished to be informed of such changes.

22 The Council expects that in the majority of cases, the biannual returns of strategic planning information will allow institutions to inform the Council of planned changes so that the implications for sufficiency and adequacy of provision can be considered before their implementation.

23 In a small number of cases, changes to further education provision planned by an institution may have significant implications for sufficiency and adequacy. Such changes would require the Council to consider them formally as it would have done in accordance with the procedures following the February and July returns which can influence the funding arrangements for the following financial year. Such changes would be regarded by the Council as significant departures from the strategic plan of which it would need to be informed. Examples of such changes which include arrangements for off-site collaborative provision include:

- a shift in the institution's mission
- a significant change (10 per cent or more) in the planned number of either 16 to 19 year-old full-time students or activity involving adult students
- a significant change (20 per cent or more) in activity in any one programme area
- complete withdrawal of further education provision from a part of the geographical area normally served by the institution
- withdrawal of facilities for a client group or for a programme area previously provided for in the area or part of it
- new provision planned outside the area normally served by the institution.

24 In these circumstances, the Council asks institutions to discuss their proposals with the head of the appropriate regional office first. Following discussions, if it is deemed appropriate to notify the Council of changes, institutions should send the following information to Louise Butcher at the Council's Coventry office if possible at least one month before the proposed date of implementation:

- a description of and justification for the proposed change
- the minute of the governing body (or equivalent) approving the change
- a letter setting out the views of the appropriate TEC chief executive (colleges only).

25 The request to institutions to inform the Council of proposed significant departures from their strategic plans replaces the request included in Circular 95/39 to update the Council on detailed changes in course provision by completing form SP CHG for provision withdrawn after 1 August 1996 in advance of the February 1997 update.

FORECASTING ASSUMPTIONS 1998-2001

Overview

1 Supplement C to Circular 97/21 *Financial Returns 1996-2000*, provided information to assist colleges to complete three-year financial forecasts.

2 At this stage, the only authoritative source from which to derive forecasting assumptions remains the 1996 public expenditure settlement, details of which were set out in Circular 96/30 *Public Expenditure Survey Settlement 1997-98 to 1999-2000*. For the third year of the forecasting period (2000-2001), the Department for Education and Employment previously indicated that the Council should assume the same cash settlement as for 1999-2000.

3 The new government made clear that it did not intend to revise the announced public expenditure settlements for 1997-98 and 1998-99. Although this meant that the government operated within the public expenditure plans set by the previous government, changes were implemented regarding the way in which resources might be distributed within government departments. This resulted in the additional revised allocations for 1998-99. The government has undertaken a comprehensive review of spending priorities before announcing future public expenditure settlements anticipated in summer 1998.

4 The following broad assumptions may be helpful.

Main Allocation 1999-2001

5 Units

- same level as in 1998-99.

6 Rate of funding

- at rate to achieve convergence to £16.20 per unit by 2000-01.

Sensitivity Analysis

7 The following changes are likely to be considered over the period and colleges may wish to produce models taking account of them. It must be emphasised that no decisions have been taken and consultation would precede formal consideration. Nonetheless, these items are likely to be discussed:

- tariff values to be reduced by one-third for all (not just dedicated) provision for employers
- tariff value for under 21-hour duration courses to be 3 units (1.5 entry, 1.5 basic on-programme units) rather than 4 (2 entry, 2 basic on-programme units)
- tariff values for collaborative provision to be discounted by up to one-third.

EXTERNAL INSTITUTIONS' STRATEGIC PLANS 1998-99 TO 2000-01: FRAMEWORK

1 The strategic plan forwarded to the Council in July 1998 should take account of each of the elements set out below.

Status

2 All plans should include a statement describing the status of the organisation responsible for the provision by making it clear (i) whether or not the organisation is a local education authority (LEA) maintained service and (ii) the type of organisation, for example, grant maintained school, company limited by guarantee, registered charity, and so on.

3 It would be helpful if institutions could make it clear if their status is not straightforward (for example, LEA-maintained provision taking place in a grant-maintained school). Where the external institution is a consortium of smaller providers the constituent organisations should be listed and the date of joining the consortium shown. This information will be used to assess changes to the types of external institution which the Council has funded since 1993.

Mission

4 The mission should be a concise statement of the purposes and particular nature of the external institution. Institutions are asked to describe their distinctive features, for example, in terms of the nature of the provision, its location or client groups served.

Needs Analysis

5 The needs analysis should include an assessment of the demographic data and labour market information which have been considered in deciding which provision the institution plans to make. It is essential that institutions share their strategic planning information with their sponsoring college as early as possible. The Council would also expect external institutions to consult major bodies within their locality to gain an appreciation of the local training market. Such bodies may include other further education providers, employer bodies, chambers of commerce, training and enterprise councils, local authority departments and others. External institutions are asked to identify how far

their student profile matches the population of their locality as a whole.

6 Institutions are requested to include within their needs analysis consideration where applicable of:

- provision for those with learning difficulties and/or disabilities, including the identification of organisations consulted, such as social services and voluntary organisations. This should include plans to address the recommendations made in the Tomlinson report *Inclusive Learning*
- plans to address the recommendations made in the Kennedy report *Learning Works*
- a response to the National Advisory Group for Continuing Education and Lifelong Learning's report *Learning for the Twenty-first Century*
- comments on the likely impact of the issues raised in *The Learning Age* green paper.

Review of the 1995-96 to 1997-98 Plan

7 External institutions are asked to include an assessment of the progress made towards their objectives set out in the July 1995 strategic plan. The Council is interested to receive information on significant variations from planned to actual student numbers and on particular areas of growth or decline over the three years. It would be helpful if this section could include a review of any partnership arrangements which the institution has established in that period.

Three-year Strategic Overview

8 The three-year strategic overview should include the following:

- a. corporate objectives
 - a statement of the main corporate objectives of the external institution, deriving from the mission and including timescales and the indicators that will be used to assess progress. The Council expects that particular attention will be given to the way in which activities will reflect government priorities; specifically external institutions are asked to set out their targets for widening participation and improving rates of retention and achievement;

- b. provision
- external institutions are requested to provide an outline of the provision they intend to make in each of the Council's 10 programme areas with specific reference to any planned changes to the range or balance of courses over the life of the plan. They should also set out details of any contracted collaborative provision with other organisations and planned changes to these arrangements. Colleagues may wish to revisit Circular 96/06 *Franchising* and Circular 96/32 *Supplementary Guidance on Collaborative Provision* when preparing this section. External institutions are also invited to include information about provision to be discontinued;
- c. collaboration and rationalisation
- external institutions are asked to set out any arrangements or plans for co-operative working with sector colleges and other local providers. The DfEE publication *The Further Education Collaboration Fund 1998-99* sets out the criteria for eligibility for the funds, and Circular 98/08 *The Further Education Collaboration Fund: Rationalisation element* describes the process for applying for support from that element of the fund. Projects involving external institutions may be eligible for funding under category (c) (paragraph 13); full details are given in annex A of Circular 98/08;
- d. staff planning and development
- the Council does not require a detailed plan of the human resources management of the external institution. Each institution is requested, however, to provide a short statement including the number and levels of its staff;
- e. location of provision
- each institution is asked to provide information about the location of the provision funded by the Council, including a brief description of the site(s) where provision is made (for example, is the centre in a school(s), location of the main site, specialist facilities available, and so on). It would be helpful if the institution could provide a map showing the location of provision. A detailed plan of the accommodation resources of the external institution is not required.

Risk Analysis

9 Each external institution will need to assess the impact on its plans of variations in external factors and their possible combinations. The Council recognises that the planning assumptions made will be affected by the local environment. The Council is seeking information perceived as having a possible impact on an external institution's ability to deliver its funding agreement. These issues may include changing patterns of local provision, adaptations to local authority policy on adult education or on access to buildings or equipment.

10 The external institution may wish to include information on the relative year-on-year security of each proportion of their total funding. This could include reference to short-term contracts or ongoing bids for funds from other sources. Institutions are not obliged to share this information with the Council but may find it useful in assessing potential risks to achieving their plans.

11 The risk analysis should outline the key assumptions in the external institution's plan, identify the likely consequences should these assumptions not be realised, and indicate what action might be taken in such circumstances. Where possible, the consequences should be quantified in terms of student numbers and/or funding units and financial cost.

Quality

12 The external institution is asked to describe its arrangements for quality assurance. This should include any arrangements for inspection operated by the LEA, OFSTED, the development of quality assurance systems, or plans for achieving the Investors in People award. Where an institution has been inspected by the Council's inspectorate it should include a brief outline of how it intends to respond to any recommendations made during the visit. Where an institution will be inspected by the Council during the life of the plan, it should also outline its approach to self-assessment. Institutions which are not subject to the Council's quality assurance procedures may also wish to share their own systems for self-assessment where these are in place.

Audit Arrangements

13 The plan should include a statement of the external institution's arrangements for returning the required audit evidence to the Council (for example, the type of audit service used).

Projected Student Numbers and Planned Withdrawals of Provision

14 The forms for returning projected student numbers and planned withdrawals of provision are of a similar format to those returned by institutions in February 1998 and are provided in supplement A to this circular.

