



Department
for Education

Restructuring facility

Guidance for applications

October 2016

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Summary

This guidance is for further education or sixth-form colleges in England¹ impacted by a substantive area review recommendation, unable to fund the change themselves and therefore seeking funding from the Government's Restructuring Facility.

The process and principles for the Restructuring Facility and its links to the wider area review process are set out in the [Area Review guidance](#) published in March 2016 (p.32). Where relevant, colleges should also reference the [guidance on becoming an academy](#) and Implementation Guidance.

Expiry or review date

This guidance will be reviewed before December 2017.

Who is this publication for?

This guidance is for:

- Further education colleges in England
- Sixth-form colleges in England

¹ All applications that can be shown sufficiently clearly to facilitate the implementation of one or more area review recommendations will be considered against the objectives of the Restructuring Facility, as set out in the table in Annex H of the [Area Review Guidance](#). However, as the vast majority of applications are expected to come from colleges the remainder of this guidance and the application form is drafted on that assumption.

How to apply

During the area review colleges will have agreed recommendations of which any that are substantive will be eligible for Transition Grant. This will provide up to £50k or £100k to ensure you are able to access the best change management skills and have the capacity to make the changes at the pace required.

Where an area review recommendation relates to more than one college you should usually submit a single, joint application making clear which information relates to the current institutions and which to the ongoing institution(s). You can discuss the proposed approach with the Transactions Unit, by emailing restructuringfacility@sfa.bis.gov.uk.

An application for financial support for an area review recommendation should contain the four elements set out below. This applies to all sixth-form colleges converting to Academy status in recognition that the college is moving from the private to public sector and will allow a thorough evaluation of the liability transferring:

- An application form this is to allow the Transactions Unit and others to quickly access key information most relevant to them;
- An Implementation Plan. This is a document created by and for the college(s). Suggested content is set out below;
- A fully integrated financial model² for the proposed new or continuing institution(s). This should cover income and expenditure, cash flow and balance sheet, including a 36 month cash flow forecast identifying the cash flow available for debt service ('CFADS')³. A template with accompanying guide will be published shortly. If you are ready to complete a model prior to that date you can provide your own model provided it is fully integrated. You should discuss this in advance with your intervention team and Transactions Unit contacts.
- An independent due diligence report on the implementation plan and integrated financial model⁴. The scope of this due diligence should be agreed in advance with your intervention team and Transactions Unit contacts as well as (where your bank is affected by the proposals) your bank.

The model will be used to assess the college(s)' cash flow available for debt service (interest and repayment), which provides one measure of an appropriate level of debt for

² A monthly, integrated financial forecast model uses standard accounting relationships between the forecast financial statements (balance sheet, profit and loss statement and cash flow statement). Specifically, forecast business activities and events use double entry accounting principles to produce monthly, reconciled financial statements.

³ CFADS is calculated from the operating surplus / (deficit) (prior to any debt costs), adding back depreciation and amortisation, adjusting for working capital movements, necessary capex and other balance sheet items such as asset disposals.

⁴ Read in conjunction with the Due Diligence guidance for Area Review Implementation

any institution. This analysis will support discussion between you and your funders or potential funders to put in place a bespoke and sustainable funding structure. The Transactions Unit will be in contact with other SFA and EFA teams in respect of data on college financial health.

Where relevant to your application, you should also provide:

- A letter of support from your Local Enterprise Partnership (on fit with local economic need) and/or from your Local/Combined Authority (with reference to the statutory duty to secure provision for 16-19 year olds and people with Special Education Needs);
- Evidence of key factual statements, including asset valuations;
- Evidence that alternative sources of funding have been considered and are being utilised as far as possible;
- Copies of existing loan agreements; and
- Evidence (including a copy of the exemption certificate) for any one-off VAT charges associated with change of use or ownership.

You should send your application to restructuringfacility@sfa.bis.gsi.gov.uk⁵ within six months of the final area review steering group meeting. You are encouraged to contact the team (at the same address) to discuss your case in advance of your final application.

Tips for applicants

- Keep it short and to the point, and focus on content over style;
- Ensure the proposal is clearly set out and shows how the change will help you move towards financial resilience and higher quality and more responsive provision. This should include reference to the indicators and benchmarks set out in Annex F of the area review guidance;
- Consider and directly address in the implementation plan the key stakeholder requirements, including the college(s)' governing bodies, lenders, the Funding Agencies, Local Enterprise Partnership and Combined/Local Authority, learners and the managers and teams within the college who will implement and monitor the changes. In the case of the Restructuring Facility the key requirements are the criteria, which are set out below;
- Engage the right skills, including accessing temporary support where required, but ensure that there is buy-in from those stakeholders who will implement (and support implementation of) the plan in the medium to long term;

⁵ There is currently a 30MB limit on email size into this inbox.

- Differentiate between and provide evidence for facts, assumptions and aspirations. It is prudent and coherent to strive for the best, plan for the most likely and ensure there is contingency for the worst;
- Applications will need a clear, well evidenced and well thought through 3 year monthly forecast of the financial position of the college(s). It is not the case that over or under stating performance will result in a better outcome. All forecasts will be robustly tested and effective planning will be looked upon favourably.

Implementation Plan content guide⁶

The Implementation Plan should be produced by and for you and your stakeholders and used in the medium term. To the extent that your preference is to adopt a different approach to the documentation that can be accommodated if the necessary content is provided.

Strategic business case for the change including:

- What the changes are and their fit with the area review recommendation;
- Why the changes are proposed and what outcomes will be delivered, including the expected benefits and the timeframe for their achievement; and
- A governance and management plan for the institution in the long term, including any proposed changes to the Board, the roles of the executive team and detail of the processes available to the Corporation to hold management to account for financial performance, quality of provision and other purposes.

An integrated plan including:

- **A documented and thorough market assessment** – including 16-19 demographics and competition, the local apprenticeship market, adult education, and other relevant markets;
- **A curriculum plan** (the college's offer to the market) – setting out at a high level the current offer and the planned changes in the curriculum offer to meet the educational and economic needs (reflecting the area review recommendations and needs as articulated by the LEP, as well as other changes, such as the effects of the apprenticeship levy, [the Post 16 Skills Plan](#) and Lord Sainsbury's work on technical education) of the market(s) following your market assessment. The curriculum plan should include details of your planned learner numbers by market segment (i.e. 16-18, adult, apprenticeships etc);

⁶ This builds on, and supersedes, the summary of information required for applications published in Annex H of the [Area Review guidance](#)

- **A teaching plan** to deliver that curriculum, including a workforce and staff development plan. The plan should show how you will provide good quality teaching for the areas identified in the curriculum plan, for the current and expanded offer;
- **An estates plan**, detailing the estate needed to deliver the curriculum plan;
- **A quality improvement plan** including timescales and matters to be addressed prior to the next Ofsted inspection; and
- **A marketing and recruitment plan**, including a business engagement team if relevant, to deliver the learner numbers set out in the curriculum plan.

Financial plan linked directly to the integrated plan including:

- **An income plan**, with all assumptions set out derived from the curriculum plan
- **A cost plan**, including efficiencies and synergies;
- Expected **transitional costs** associated with the change, including description, timing and evidence that all costs have been accurately costed and minimised;
- Detail of proposed and potential **sources of funding** being sought, including the proposed amount and terms of funding sought from the Restructuring Facility, asset sales, other key balance sheet events and the position of existing lenders, prior and proposed engagement with them relating to the restructuring and their likely position on provision of funding; and
- Detail of all **assumptions** underpinning the financial model, including evidence for their values and how they will be achieved. A proposed format to document your assumptions will be provided along with the financial model.

Transition and Delivery plan including:

- How and when the change will be implemented.
- The proposed management and governance of the change, including an assessment of the requirement for specialist expertise and additional resource over and above the day to day management of the business;
- A full appraisal of risks and how these have been taken into account in the financial modelling;
- A clear plan for all existing learners and employers; and
- An Equalities Impact Assessment where relevant.

Objectives and criteria

Objective	Criteria
Provision which meets each area's educational and economic needs	
Sufficient access to relevant training for all	The application follows, and takes account of, an assessment of local economic needs
	Resulting provision will meet (or is consistent with broader plans to move towards meeting) the local economic needs on an area wide basis
Sufficient access to high quality education for all	The application follows, and takes account of, an assessment of local educational needs
	Resulting provision will meet (or is consistent with broader plans to move towards meeting) area wide needs including: 16-19 provision; Apprenticeship; English and maths; Digital; Technical and Professional Education and higher level skills; and support into work
	Following the change quality will be at least as good as previously, and plans are in place for maintenance of, or continuous improvement towards, an Ofsted rating of at least "Good"
	Assessment of the impact on equality, diversity, provision and service for students with special needs (mainstream and specialist) and safeguarding arrangements should provide assurance that there is no reduction in such provision or service without appropriate mitigation
	Disruption to existing learners and employers is minimised, proportionate and mitigated
	The governing body is able to demonstrate that they have a credible, deliverable and time-bound staff development plan in place, including specific reference to how they will ensure a professional teaching workforce capable of ensuring all

	learners benefit from high quality teaching.
All FEC and SFC institutions being financially viable, sustainable, resilient and efficient by 2020	
Remaining FEC and SFCs are financially viable, sustainable and resilient	A high quality, robust financial assessment and forecast has been undertaken
	Any remaining institutions will be financially viable in the medium term (without additional public funding)
	Any remaining institutions have effective governance and management
Remaining FEC and SFCs are efficient and deliver maximum value for public investment	All reasonable steps are being taken to maximise efficiency
Value for money	
Protection of the taxpayer from excessive or unnecessary expenditure or liabilities	Scale of expenditure is justified and proportionate, with an appropriate level of assurance and audit
	Funding is made available as a loan wherever possible, with terms which are commercial or as close as possible to commercial for government
	Other sources of finance have been exploited and therefore the ask of (all sources of) government funding is minimised. This includes, but is not limited to, asset sales and contributions from colleges, lenders and LEPS
	Funding is not provided in advance of need
All expenditure is on a	Cost is lower than benefits compared to a robust

value for money basis	counterfactual
Proposed changes are deliverable	Risks are identified, planned for and managed
	Institutions involved in structural changes are putting in place appropriate specialist expertise, over and above resources for day to day management of the business, to take forward implementation of such changes.

Table 1: Objectives and criteria

VAT on charge on change of ownership

Where you hold a VAT exemption certificate for a building that will change ownership directly as a result of an area review recommendation (notably becoming an academy or merger) and this will require the repayment of VAT a compensatory payment will (subject to an assessment of the information) be provided from the Restructuring Facility.

Where you are applying for other funding from the Restructuring Facility or a SFC becoming an Academy you should apply through that route. For GFEs Where you are only applying for this VAT compensation the relevant section of the application form will need to be completed, asking you to set out:

- How the proposal is linked to an area review recommendation;
- Evidence for the cost;
- Evidence that the building will continue to be used in the same way;
- Evidence of payment or a proposed payment scheduled (to be subsequently confirmed); and
- Clear downsides of any alternative structural changes which could avoid or minimise this charge.

A copy of the exemption certificate will also be required. Provision of this funding will be subject to an assessment of the information provided. This funding will be subject to an agreement which will include provision that if there is a future change of use or other relevant change which would have resulted in a charge under the VAT legislation, the compensatory payment from the Restructuring Facility, or part thereof, could become repayable.

Publicity and Freedom of Information requests

Colleges and Government are subject to the Freedom of Information Act 2000. Where a Freedom of Information request is received it will be given full consideration and any

affected parties contacted. Some information, such as commercially confidential information, may be subject to an exemption from disclosure under the Freedom of Information Act 2000.

At a minimum, the name of each successful applicant will be published.



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