7: Guidance on Completing the Financial Plan Template

The purpose of this document is to provide guidance to colleges on the completion of the financial plan template. The template should be completed for the three-year financial plan, all capital projects, recovery plans, reorganisations and borrowing consent requests.

Further information

For further information, please contact the appropriate funding body

Supersedes

Financial Planning Handbook 2009 to 2012

Published: June 2010

Contents

Executive Summary

Date: June 2010

Subject: Guidance on completing the financial plan

Content: This document provides guidance to colleges on the completion of the financial plan template. The template should be completed for the three-year financial plan, all capital projects, recovery plans, reorganisations and borrowing consent requests.

The main changes are as follows:

- All assumptions updated for 2010
- Updating references to the LSC to its successor bodies in light of the Apprenticeships, Skills, Children and Learning Act 2009 effective from the 1st April 2010

  The financial planning template is available to download from the any of the following websites:

  http://skillsfundingagency.bis.gov.uk/funding/financialmanagement/financialmanagement/

  http://www.ypla.gov.uk

  http://www.aoc.co.uk/Members/funding_finance/cfrp/cfrp/

Intended recipients: Principals and chief executives of colleges, finance directors of colleges, directors of funding bodies and local authorities.

Status: For information and response as appropriate.

1: Financial Returns Spreadsheets

Financial plan template

7.1 Following discussions with representatives of the CFDG, the LSC made significant changes to the financial plan template in 2006 including the introduction of a 10-year financial plan, five new capital schedules and a help facility within the template. Whilst no significant changes have been made to either the structure or content of the template in the intervening years, the LSC's successor bodies are committed to further improving the financial plan template for subsequent years to ensure that, as far as possible, it is further simplified and more user-friendly.

7.2 This financial plan template must be completed for the following:

- capital project applications
- reorganisations, such as college mergers
- recovery plans
- borrowing consent requests
- the financial consequences of the college's strategic and development plan (submission date 31 July each year).

7.3 If colleges need to complete less than 10 years in the financial plan, then they should hide the respective columns in each worksheet. Where a college cannot hide a column, then it should amend the print area so that only the period that is being reported is printed.

7.4 **The "copy and paste" function in Excel will cause protected cells to change their formulae and may cause the "Ref!" error message to appear. Therefore, colleges should not use this function when completing their plans. Furthermore, no additional worksheets should be added into formal plan submissions. The appropriate funding body will be checking plan submissions and plans which do not comply in this regard will be rejected.**

Format

7.5 The first form is a guidance notes page, which provides guidance on certain aspects of the template.

7.6 The second form (the "cover sheet") is the Principal's Statement. This represents an executive summary of the key features of the plan and shows the self assessed financial health rating for the college for the first four years of the template.

7.7 A contents page is included after the Principal's Statement to show all the tables and schedules in the financial plan.

7.8 The next four forms, known as tables, represent a summary of the financial position of the college, and contain three primary statements and ratio analysis, i.e.:

- income and expenditure account (Table 1)

- balance sheet (Table 2)
- cash flow (Table 3)
- ratio analysis (Table 4).

7.9 If the reader of the financial plan requires further information from that shown in the tables, then the working papers to these tables are provided in the schedules, for example, the backing documents to:

- Table 1 income and expenditure account are Schedules 1a to 1f
- Table 2 balance sheet are Schedules 2a to 2g
- Table 3 cash flow is Schedule 3.

7.10 Schedule 4a shows the indicative financial health calculation.

7.11 Schedule 5 is a sensitivity analysis, which enables colleges to conduct "what if" analyses.

7.12 Schedule 6 sets out the key assumptions colleges have made in producing their plan.

7.13 Schedules 7a to 7d should only be completed when a college is submitting a capital project application.

7.14 Schedule 8 sets out the requirements for the reporting of efficiency data.

7.15 The cells containing formulae deriving data from other tables and schedules have a light blue background. This is to make the plan more user-friendly where it is being completed by the partially sighted.

7.16 On virtually every form an optional narrative box is included. This is to enable colleges to write specific notes which relate to the composition of the figures in the form. Whilst there is no requirement for this box to be completed or to be part of the submission, if colleges wish to use the narrative box to explain any variances, assumptions or risks then they may use this as part of their submission, although we recommend that this information is also included in the commentary to the plan.

7.17 The template is called "Ten Year Financial Plan.xls".

Form layout

7.18 The screen titles will differ depending on the form selected. Depending on the screen settings of the monitor only part of a form may be seen at any time. The display can be changed within the current screen settings by choosing the percentage adjuster on the standard toolbar. Click on the scroll bar or the up and down arrows on the scroll bar to move up and down within the form.

7.19 The forms contain either data entry fields or data entry and calculated fields. Calculated fields are shaded light blue and it is not possible to enter data into these fields; it is only possible to enter data into the data entry fields. All the other cells are locked and if an attempt is made to input data, an error message will inform the user that the field is locked. This means that data cannot be entered in this field.

7.20 The first year of the financial plan must be the forecast out-turn for the current year. For example, a three-year financial plan covering the period 2010 to 2013 must have 2010 as its first year in the template.

Changes from 2009–2012 financial plan

7.21 As already highlighted, there are no significant changes from the financial plan template published in Financial Planning Handbook 2009 to 2012. The main changes from the 2009–2012 financial plan are summarised below:

Changes from the 2009–2012 financial plan

Table/schedule	**Summary of change(s)**
Cover sheet	Revision of 'drop-down' boxes and associated data fields to reflect the transition to the LSC's successor bodies.
Table 4: Ratio analysis	Update to dependency ratios to separately reflect dependency on Skills Funding Agency income and YPLA income.
Sch 1a: Analysis of income	Inclusion of exam fees line.
Sch 5 a and b: Risk and sensitivity analysis	Removal of schedule 5a and inclusion of suggested main income/expenditure captions within a consolidated schedule 5.
Sch 8: Efficiency savings	Efficiency data now only required for next three forecast years.
Throughout template	Amendments to headings/terminology to reflect transition from LSC to its successor bodies.

Efficiency Measurement Data

7.22 The central government three year comprehensive spending review ('CSR') in 2007 (covering the three years to March 2011) set efficiency targets for all government-funded bodies, including further education colleges. These efficiency targets originally arose from a review by Sir Peter Gershon, and are therefore commonly known as 'Gershon targets' or 'Gershon efficiencies'.

7.23 The target for Procurement is to achieve £40m of sustainable efficiency gains (i.e. savings which occur year after year rather than on a one-off basis). The submission should reflect efficiencies resulting from activities undertaken on or after 1st April 2008.

7.24 The submission requirement for 2010 calls for data to be captured for the year ending **31 March** rather than **31 July**, in order to align with DBIS and Treasury reporting requirements.

7.25 The requirements for the 2010 Financial Planning return are to report the following:

- Procurement - Cashable Efficiency gains achieved through effective procurement e.g. cost/price reduction on goods purchased.

- Procurement - Non Cashable Efficiency gains achieved for example from procurement process improvements inc. Visa cards, e-procurement, use of consortia frameworks etc.

- Non - teaching cost (NTC) / Shared Services (SS) efficiencies - Cashable savings arising from NTC and SS initiatives.

7.26 The above information is required for the year ending 31 March 2010 (**actual savings achieved**) and projected for the years ending 31 March 2011, 2012 and 2013.

7.27 Annex 1 to this chapter sets out guidance for colleges in completing the return.

2: Notes and Guidance on Completing the Financial Plan Template

Introduction

7.28 Prepare all figures on the accruals basis of accounting unless otherwise stated. Show all income and expenditure gross. Where boxes are shaded on the forms the software automatically calculates their value. Please do not include in the main part of the financial plan any income and expenditure where the college acts as a third party, for example Learner Support Funds.

Financial plan

7.29 The financial plans are used for a number of purposes. The LSC's successor bodies expect colleges to use the plan for internal planning and monitoring purposes, and reviews each plan alongside the associated data. This helps them to form an opinion on the financial health of the college and to determine whether there are issues to be raised with the college. They also considers whether it agrees with the college's self-assessment of its financial health.

7.30 The LSC's successor 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 Secretaries of State for Business, Innovation and Skills ('BIS') and the Department for Education.

7.31 It is important that a college's financial plan presents a realistic view of its position so that the appropriate funding body gets a realistic view of the financial health of the sector. Aggregate data are also used to respond to ad hoc queries from colleges and government.

Detailed guidance on completing the plan

The remaining part of this section of this guidance note provides examples for colleges to follow when completing the plan.

Examples

Example 1 – capital grant

7.32 **Please note that the primary purpose of examples 1 and 2 (and indeed the remaining examples 3 to 8) is to illustrate the accounting and financial plan entries in each case. <u>In relation to capital projects, the intervention rate may vary significantly from one project to another.</u>**

7.33 A college secures capital grant support at 35% of the total project cost of £1 million. This capital support will be paid over three years on support of evidence from the college that the expenditure has been made. The payment profile would be as follows.

Year		%	£
1	2010/11	10.0	100,000
2	2011/12	12.5	125,000
3	2012/13	12.5	125,000
Total		**35.0**	**350,000**

7.34 The capital project eventually costs the college the estimated £1 million to be built. However, the building costs are spread over two years as follows:

Year		Project Costs		Capital Grant
		£000	%	£000
1	2010/11	800	35.0	280
2	2011/12	200	35.0	70
Total			**35.0**	**350**

7.35 The transactions should be recorded as follows.

Schedule 2e: Capital grants

	2010/11 £000	2011/12 £000	2012/13 £000
Line 1b, grants due in respect of capital expenditure in the year	280	70	–
Line 1e, deferred grant balance at year end (non-input line)	280	350	350
Line 1g, grants claimed and spent but not received – debtor	180	125	-
Line 1h, grants expended in prior year received in current year (non-input line)	–	180	125
Line 1i, Grants received during the year	100	125	125

(non-input line)			

Schedule 2a: Tangible fixed assets

	2010/11 £000	2011/12 £000	2012/13 £000
Line 1c, additions	800	200	–

Schedule 2c: Summary of debtors

	2010/11 £000	2011/12 £000	2012/13 £000
Line 2, Capital grants (non-input line)	180	125	–
Line 10, due after one year	55	–	–
Line 11, due within one year (non-input line)	125	125	–

7.36 The following entries are automatically input via the schedules.

Table 2: Balance sheet

The majority of the entries on Table 2 and Table 3 are calculated automatically via the schedules.

	2010/11 £000	2011/12 £000	2012/13 £000
Line 1a, land and buildings	800	1,000	1,000
Line 2, Debtors: amounts falling due after one year	55	–	–
Line 3b, debtors	125	125	–
Line 3cii, cash	(700)	(775)	(650)
Line 11, net assets incl. pension asset/(liability)	280	350	350
Line 12, deferred capital grants	280	350	350

Table 3: Cash flow statement

	2010/11 £000	2011/12 £000	2012/13 £000
Line 4a, payments to acquire fixed assets	(800)	(200)	–
Line 4c, deferred capital grants rec'd	100	125	125
Line 4d, net cash inflow/(outflow) from capital expenditure	(700)	(75)	125
Line 7, increase/(decrease) in cash	(700)	(75)	125
Line 8e, change in net funds/(debt)	(700)	(75)	125
Line 8f, net funds/(debt) at beginning of year	0	(700)	(775)
Line 8g, net funds/(debt) at end of year	(700)	(775)	(650)

Example 2 – fixed asset creditors

7.37 At 25 July 2011 a college purchases from ABC Limited 100 computers at a cost of £1.0 million. The college's accounting policy is to capitalise in its balance sheet any computer acquired over the amount of £750. At the financial year end (31 July 2011), the college still owes ABC Limited and so will show the amount as a creditor in its accounts. The entries in the financial plan will be as follows.

Schedule 2a: Tangible fixed assets

	2010/11 £000	2011/12 £000	2012/13 £000
Line 1j, additions	1,000	–	–

Schedule 2d: Creditors due within and after one year

	2010/11 £000	2011/12 £000	2012/13 £000
Line 6f, fixed asset creditors	1,000	–	–

7.38 The following entries are automatically input via the schedules.

Table 2: Balance sheet.

The majority of the entries on Table 2 and Table 3 are calculated automatically via the schedules.

	2010/11 £000	2011/12 £000	2012/13 £000
Line 1b, equipment	1,000	1,000	1,000
Line 3cii, other short-term investments and cash	–	(1,000)	(1,000)
Line 4, creditors – amount falling due within one year	1,000	–	–

Table 3: Cash flow statement

	2010/11	2011/12	2012/13

	£000	£000	£000
Line 4a, payments to acquire fixed assets	–	(1,000)	–
Line 7, increase/(decrease) in cash	–	(1,000)	–
Line 8g, net funds/(debt) at end of year	–	(1,000)	–

Example 3 – disposal of fixed assets

7.39 During 20109/11, a college sells inherited land and buildings for £50,000. At 1 April 1993 these assets were valued at £45,000 and at the date of disposal were depreciated by £5,000. During 2011/12, equipment financed by capital grant is scrapped (nil sales proceeds). The equipment had initially cost £10,000 and had been depreciated by £7,000. The following entries would be required.

Schedule 2a: Tangible fixed assets

	Year ended 31 July 2011 £000	Year ended 31 July 2012 £000
Line 1b, balance bfwd (non input line)	45	-
Line 1f, disposals	(45)	-
Line 1i, balance bfwd (non input line)	-	10
Line 1l, disposals	–	(10)
Line 2a, balance bfwd (non input line)	5	-
Line 2c, eliminated in respect of disposals	(5)	–
Line 2f, balance bfwd (non input line)	-	7
Line 2h, eliminated in respect of disposals	–	(7)
Line 4a, sale proceeds	50	-

Schedule 2e: Capital grants

	2010/11 £000	2011/12 £000
Line 1a, deferred grant balance bfwd (non input line)	3	3
Line 1d, release of grants on asset disposals	–	3

Schedule 2g: Revaluation reserve

	2010/11 £000	2011/12 £000
Line 3a, net book value of disposals of inherited or revalued assets	(40)	–

7.40 The following entries are automatically input via the schedules.

Table 1: Income and expenditure account

	2009/10 £000	2010/11 £000	2011/12 £000
Line 1, Total Funding Grants	-	-	3
Line 13, profit/(loss) on disposal of fixed assets	-	10	(3)
Line 14, surplus/(deficit) after tax	-	10	-
Line 17, historical cost surplus/(deficit)	-	50	-

Table 2: Balance sheet

	2009/10 £000	2010/11 £000	2011/12 £000
Line 1a, land and buildings NBV	40	-	-
Line 1b, equipment NBV	3	3	-
Line 3cii, cash	-	50	50
Line 11, net assets	**43**	**53**	**50**
Line 12, deferred capital grants	3	3	-
Line 13, revaluation reserve	40	-	-
Line 16, income and expenditure reserve	-	50	50
Line 20, total funds	**43**	**53**	**50**

Table 3: Cash flow statement

	2009/10 £000	2010/11 £000	2011/12 £000
Line 4b, receipts from sale of fixed assets	-	50	-

Example 4 – FRS 17

7.41 Casterbridge College's financial statements for the year ending 31 July 2010 shows that the movement in FRS 17 during the year was as follows.

	Year ended 31 July 2010 £000
Movement in FRS 17 during year	
Surplus/(deficit) in scheme at 1 August	1,440
Movement in year:	
Current employer service charge	(388)
Employer contributions	178
Past service costs	(137)
Expected return on pension assets	917
Interest on pension liabilities	(664)
Actuarial gain or loss	(2,806)
Surplus/(deficit) in scheme at 31 July	**(1,460)**

7.42 The entries in Schedule 2f of the financial plan would be as follows.

	Year ended 31 July 2010 £000
3a Surplus/(deficit) in scheme at 1 August (non input line)	1,440
3b Current service charge	(388)
3c Past service costs	(137)
3d Curtailments and settlements	–
3e Expected return on pension assets	917
3f Interest on pension liabilities	(664)
3g Employer contributions	178
3h Actuarial gain or loss	(2,806)
3i Surplus/(deficit) in scheme at 31 July (non input line)	**(1,460)**

7.43 The following entries are automatically input via the schedules.

Table 1: Income and expenditure account.

	Year ended 31 Jul 2010 £000
Line 5, endowment and investment income	253
Line 7, staff costs	347
Line 10, interest payable	–

Line 5, endowment and investment income is derived from line 5c of Schedule 1a.
Line 7, staff costs is derived from lines 14a and 14b of Schedule 1d.
Line 10, interest payable is derived from line 14b of Schedule 1e.

Table 2: Balance sheet.

	Year ended 31 July 2010 £000
Line 10, net pension asset/(liability)	(1,460)
Line 17, pension reserve	(1,460)

Line 10 and line 17 of Table 2 are derived from line 14 of Schedule 2g.

Schedule 1a: Analysis of income

	Year ended 31 July 2010 £000
Line 5c, pension finance income	253

Line 5c, pension finance income is the sum of lines 3e and 3f of Schedule 2f, if the expected return on pension assets (line 3e) exceeds the interest on pension liabilities (line 3f).

Schedule 1d: Analysis of staff costs

	Year ended 31 July 2010 £000
Line 12a, total staff costs	525
Line 12b, add back of LGPS employer contributions	(178)

Line 12a, total staff costs is the sum of lines 3b, 3c and 3d of Schedule 2f.

Schedule 1e: Analysis of non pay expenditure

	Year ended 31 Jul 2010 £000
Line 12b, pension finance costs	–

Line 12b, pension finance costs is the sum of lines 3e and 3f of Schedule 2f, if the interest on pension liabilities (line 3f) exceeds the expected return on pension assets (line 3e).

Schedule 2g: Reserves

	Year ended 31 Jul 2010 £000
Line 9, historical cost surplus/(deficit)	(94)
Line 12, FRS 17 actuarial gain/(loss)	(2,806)
Line 15, FRS 17 surplus/(deficit) in scheme at 31 July	(1,460)

Line 12, FRS 17 actuarial gain/(loss) is derived from line 3h of Schedule 2f.
Line 15, FRS 17 surplus/(deficit) in scheme at 31 July is derived from line 3i of Schedule 2f.

Schedule 3: Cash flow reconciliation

	Year ended 31 July 2010 £000
Line 7, FRS 17 adjustments	94

Line 7, FRS 17 adjustments is the sum of lines 14a and 14b of Schedule 1d, line 14b of Schedule 1e and line 5c of Schedule 1a.

Example 5 – Enhanced pension provisions

7.44 A college has completed the enhanced pension tables for the year ending 31 July 2010 as follows:

		£000
Provision at start of year	31/07/2009	1,938
Provision required at end of year	31/07/2010	2,048
Retirement cost for all retirements in year		50
Pension payments in year		107
Interest on provision at start of year		118
Actuarial gains (losses) over year		(49)

7.45 The entries in Schedule 2f of the financial plan would be as follows.

	Year ended 31 July 2010 £000
2a Balance brought forward	1,938
2b Provision made in period (to Schedule 1d)	50
2c Interest on provision in period (to Schedule 1e)	118
2d Payments made in year (to Table 2 line 3cii)	107
2e Actuarial gain or (loss) (to Schedule 2g)	(49)
2f Balance carried forward (non entry line)	**2,048**

7.46 The following entries are automatically input via the schedules.

Table 1: Income and expenditure account.

	Year ended 31 July 2010 £000
Line 7, staff costs	50
Line 10, interest payable	118

Line 7, staff costs is derived from lines 13 of Schedule 1d.
Line 10, interest payable is derived from line 12b of Schedule 1e.

Table 2: Balance sheet

	Year ended 31 July 2010 £000

Line 3cii, other short term investments and cash	(107)
Line 8, provisions for liabilities and charges	2,048
Line 9, net assets excluding pension asset/(liability)	(2,155)
Line 16, I&E account excluding pension reserve	(2,155)

Line 3cii represents the payments made in the year. Line 8 is derived from line 2f of Schedule 2f.

Schedule 2g: Reserves

	Year ended 31 July 2010 £000
Line 8, balance b/f on income and expenditure account including FRS 17	(1,938)
Line 9, historic cost surplus/(deficit)	(168)
Line 13, enhanced pensions – actuarial gain/(loss)	(49)
Line 14, balance c/f on income and expenditure account including FRS 17	(2,155)
Line 16, balance c/f on income and expenditure account excluding FRS 17	(2,155)

Line 9, historic cost surplus/(deficit) is derived from line 17 of Table 1.
Line 13, enhanced pensions – actuarial gain/(loss) is derived from line 2e of Schedule 2f.

Schedule 3: Cash flow reconciliation

	Year ended 31 July 2010 £000
Line 1, surplus/(deficit) including assets transactions before tax	(168)
Line 8, enhanced pension adjustment	(49)
Line 14, increase/(decrease) in provisions	110
Line 16, net cash inflow/(outflow) from operating activities	(107)

Line 8, enhanced pension adjustment is derived from line 2e of Schedule 2f.

Example 6 – finance leases

7.47 A college has continued obligations under finance leases and hire purchase agreements of £10,000 in 2010/11 and £12,000 in 2011/12, 2012/13 and 2013/14. Repayments of capital are £9,000 during 2010/11 and £10,000 during 2011/12, 2012/13 and 2013/14.

7.48 In addition, the college has a new three-year finance lease of £54,000, forecast to begin in 2010/11. The college has obligations of £20,000 in 2011/12, 2012/13 and 2013/14 in this respect. Repayments of capital are £18,000 in 2011/12 to 2013/14 inclusive.

7.49 The example requires manual entries in Schedule 2d creditors, lines 32, 33 and 41; and Schedule 2a tangible fixed assets, line 1j. The example also affects Table 3 cash flow (in the financing and reconciliation sections) and Table 2 balance sheet (in the fixed asset section) and line 12a of Schedule 1e. The abridged schedules below show the entries described in the example above.

7.50 For the purpose of clarity, depreciation is excluded from this example. Colleges are reminded that failure to fully complete the above schedules, where appropriate, can lead to cash flow and/or balance sheet errors.

Completion of Schedule 2d creditors

	Year ended 31 July 2011 £000	Year ended 31 July 2012 £000	Year ended 31 July 2013 £000	Year ended 31 July 2014 £000
4 Finance leases a. Finance lease balance brought forward	39	84	56	28
b. New finance leases	54	–	–	–
c. Capital element of finance lease payments	9	28	28	28
d. Total finance lease obligations	84	56	28	-
e. Lease payments falling due within 1 year	28	28	28	-
f. Lease payments falling due after 1 year	56	28	-	-
g. Capital element	9	28	28	28
h. Interest element	1	4	4	4
i. Total finance lease payment	10	32	32	32

Completion of Schedule 2a tangible fixed assets

	Year ended 31 July 2010 £000	Year ended 31 July 2011 £000	Year ended 31 July 2012 £000	Year ended 31 July 2013 £000
1j. Additions	54	–	–	–

Example 7 – revaluation reserve

7.51 An example is set out below of how to account for a revaluation of assets and subsequent disposal. A college holds the following assets that it revalues at 31 July 2011.

	Cost of assets at 31 July 2010 £000	Total depreciation to 31 July 2010 £000	NBV of assets at 31 July 2010 £000	Depreciation charge in year to 31 July 2011 £000	Revaluation at 31 July 2011 £000	Amount of revaluation £000
Inherited land and buildings	600	200	400	20	500	120
Land and buildings financed by capital grant	300	100	200	10	250	60
Other land and buildings	400	200	200	20	250	70
Inherited equipment	100	50	50	10	30	(10)
Equipment financed by capital grant	500	300	200	10	150	(40)
Other equipment	700	100	600	100	500	-
Total	2,600	950	1,650	170	1,680	200

7.52 The revaluation will be recorded as follows.

Journals 1, 2 and 3: Opening balances

			Financial Plan	**£000**
1	Inherited land and buildings	Cost	Schedule 2a line 1b	600
		Cumulative depreciation	Schedule 2a line 2a	200
	Inherited equipment	Cost	Schedule 2a line 1i	100
		Cumulative depreciation	Schedule 2a line 2f	50
	Revaluation reserve		Table 2 line 13	450
2	Land and buildings financed by capital grant	Cost	Schedule 2a line 1b	300
		Cumulative depreciation	Schedule 2a line 2a	100
	Equipment financed by capital grant	Cost	Schedule 2a line 1i	500
		Cumulative depreciation	Schedule 2a line 2f	300

	Deferred capital grant		Schedule 2e line 1a	400
3	Other land and buildings	Cost	Schedule 2a line 1b	400
		Cumulative depreciation	Schedule 2a line 2a	200
	Other equipment	Cost	Schedule 2a line 1i	700
		Cumulative depreciation	Schedule 2a line 2f	100
	Expenditure	Bank	Table 2 line 3cii (non input)	800

Journal 4: Depreciation charge for 2010/11

		Financial Plan	**£000**
4	Depreciation (I&E account)	Schedule 1e line 11 (non input)	170
	Inherited land and buildings	Schedule 2a line 2b	20
	Inherited equipment	Schedule 2a line 2g	10
	Land and buildings financed by capital grant	Schedule 2a line 2b	10
	Equipment financed by capital grant	Schedule 2a line 2g	10
	Other land and buildings	Schedule 2a line 2b	20
	Other equipment	Schedule 2a line 2g	100

Journal 5: Matching of capital grant against depreciation charge for 2010/11

		Financial Plan	**£000**
5	Deferred capital grant	Schedule 2e line 1c	20
	Release of deferred capital grant (I&E account)	Schedule 1a line 1av (non input)	20

Journal 6: Reversal of depreciation on inherited fixed assets to obtain historical cost for 2010/11

		Financial Plan	**£000**
6	Revaluation reserve	Schedule 2g line 3b	(30)
	Transfer to/(from) revaluation reserve (I&E account)	Table 1 line 16 (non input)	30

Journal 7: Revaluation at 31 July 2011 resulting in the impairment of some fixed assets

		Financial Plan	**£000**
7	Depreciation (I&E account)	Schedule 1e line 11 (non input)	50
	Inherited equipment	Schedule 2a line 2g	10
	Equipment financed by capital grant	Schedule 2a line 2g	40

Journal 8: Reversal of depreciation on inherited fixed assets to obtain historical cost for 2010/11

		Financial Plan	**£000**
8	Revaluation reserve	Schedule 2g line 3b	(10)

	Transfer to/(from) revaluation reserve (I&E account)	Table 1 line 16 (non input)	10

Journal 9: Matching of capital grant against impairment charge

		Financial Plan	£000
9	Deferred capital grant – equipment	Schedule 2e line 1c	40
	Release of deferred capital grant (I&E account)	Schedule 1a line 1av (non input)	40

Journal 10: Revaluation of fixed assets on 31 July 2011

		Financial Plan	£000
10	Inherited land and buildings	Schedule 2a line 1d	120
	Land and buildings financed by capital grant	Schedule 2a line 1d	60
	Other land and buildings	Schedule 2a line 1d	70
	Revaluation reserve	Schedule 2g line 2 (non input)	250

Revaluation college – year ending 31 July 2011

	Accounting entries £000	Journal numbers
Extract from income and expenditure account		
Release of capital grant	60	5 & 9
Depreciation	220	4 & 7
Operating deficit	**160**	
Transfer to/(from) revaluation reserve	40	6 & 8
Historical cost deficit	**120**	
Extracts from balance sheet		
Fixed assets – NBV		
Inherited land and buildings	500	1, 4 & 10
Inherited equipment	30	1, 4 & 7
Land and buildings financed by capital grant	250	2, 4 & 10
Equipment financed by capital grant	150	2, 4 & 7
Other land and buildings	250	3, 4 & 10
Other equipment	500	3 & 4
Total fixed assets	**1,680**	
Bank	(800)	3
Net assets	**880**	
Deferred capital grant	340	2, 5 & 9
Revaluation reserve	660	1, 6, 8 & 10
Income and expenditure account reserve	(120)	

Total funds	**880**	

7.53 The college then disposes of the following assets in 2011/12:

- inherited land and buildings valued at £250,000 (that is 50 per cent of the inherited assets) in 2007 for proceeds of £150,000
- other land and buildings valued at £100,000 (that is 40 per cent of the other land and buildings) in 2007 for £250,000.

7.54 The following entries are needed.

Journal 11: Disposal of inherited land and buildings at 1 August 2011

		Financial plan	**£000**
Inherited land and buildings	Cost	Schedule 2a line 1f	(360)
	Cumulative depreciation	Schedule 2a line 2c	(110)
Disposal proceeds		Schedule 2a line 4a	150
Disposal proceeds	Bank	Table 2 line 3cii (non input)	150
Loss on disposal (I&E account)		Table 1 line 13 (non input)	(100)
Revaluation reserve		Schedule 2g line 3a	(250)
Transfer to/(from) revaluation reserve (I&E account)		Table 1 line 16 (non input)	250

Journal 12: Disposal of other land and buildings at 1 August 2011

		Financial plan	**£000**
Other land and buildings	Cost	Schedule 2a line 1f	(188)
	Cumulative depreciation	Schedule 2a line 2c	(88)
Disposal proceeds		Schedule 2a line 4a	250
Disposal proceeds	Bank	Table 2 line 3cii (non input)	250
Profit on disposal (I&E account)		Table 1 line 13 (non input)	150
Revaluation reserve		Schedule 2g line 3a	(28)
Transfer to/(from) revaluation reserve (I&E account)		Table 1 line 16 (non input)	28

Revaluation college – as at 1 August 2011

	Accounting entries 000	Journal numbers
Extract from income and expenditure account		
Profit on disposal	50	11 & 12
Surplus after tax	**50**	
Transfer to/(from) revaluation reserve	278	11 & 12
Historical cost surplus	**328**	
Extracts from balance sheet		
Fixed assets – NBV		
Inherited land and buildings	250	11 & 12
Inherited equipment	30	11 & 12
Land and buildings financed by capital grant	250	11 & 12
Equipment financed by capital grant	150	11 & 12
Other land and buildings	150	11 & 12
Other equipment	500	11 & 12
Total fixed assets	**1,330**	
Bank	(400)	11 & 12
Net assets	**930**	
Deferred capital grant	340	11 & 12
Revaluation reserve	382	11 & 12
Income and expenditure account reserve	208	11 & 12
Total funds	**930**	

3: Miscellaneous

Error messages

7.55 If any of the tables or schedules are incomplete an error message will appear in blue text. **Ignore them until all tables and schedules are completed.** If error messages continue to be displayed after all figures are entered then investigate the cause. **Please ensure all error messages are cleared before the financial plan is returned to the appropriate funding body.**

Negative figures

7.56 Within the financial plan application, entry of negative figures is only permitted in certain lines. These are marked as '-ve' in red next to the relevant lines (for example within schedule 2a Tangible fixed assets).

Potential problems

7.57 A number of issues caused colleges problems completing past years' financial plans. The most common problems were:

- "Ref!" error message – see paragraph 7.4 above
- copying data
- printing forms.

Saving and exiting tables and schedules

7.58 To save information that you have entered or amended, select Save from the File menu or select Close from the File menu. If amendments are made to the template, the program will prompt you to save the changes before closing it. You can use your own appropriate file names at this stage. Make sure you keep copies of this file.

7.59 Error messages will be shown on the individual forms if all schedules are not completed. These messages are explained above. It is necessary to save a table or schedule before exiting and the application will prompt you to do so when you try to close the template from a table or schedule. If no amendments are made the form will close without prompting a save. Amendments made to the table or schedule will be lost if the table or schedule is not saved.

Printing forms

7.60 To print the details of an individual form or to print details of all forms:

a select Print from the File menu options

b the print option is set up to print sheets individually. If you wish to print all of the worksheets, select "entire workbook" from the "print what" option

c click on the OK button.

7.61 The printout will be sent to the current Windows default destination printer. If you wish to confirm or amend the destination printer, select Print from the File menu options. Check which printer is selected in the name box.

7.62 To select a different printer, press the arrow to the right of the Name box. This will provide you with a drop-down list of all available printers. Select the printer you require.

7.63 The page set-up defaults for each form is A4 paper size with landscape orientation.

Annex 1

<u>Guidance for College Financial Planning return – Procurement Efficiencies Questions</u>

Q.1 Cashable (or Cash Releasing) Efficiency Gains achieved through effective procurement e.g. cost/price reduction on goods purchased:
Where there is a 'genuine' saving in the purchase price for goods and services.
This measure is self-explanatory, although certain conditions for determining the amount of saving/efficiency achieved may be relatively difficult. The primary test is *"were funds released that could be spent on something else"?*

Example1: College A negotiated a discount with BT for agreeing to pay by Direct Debit rather than by invoice – this saved them £190 per quarter. This is a genuine saving and would be entered into EMM as a ***'price reduction / cashable saving'.***

Example2: College B aggregated their requirement for PCs across the College, this resulted in a bulk order being placed with their supplier and as a result they could take advantage of a price break saving the College £130,000 that they would have paid with smaller / ad hoc orders for the same number of PCs. This is a genuine saving and would be entered into EMM as a ***'price reduction / cashable saving'.***

College B were also able to negotiate a free 1 year warranty on their PCs, that they would otherwise have paid £500 for as a result of their bulk order. This is a genuine saving and would be entered into EMM as ***'added value / cashable saving'.***
N.b If the added value received is for something that the College would not otherwise have purchased (e.g. in the example above they would not have paid for the warranty if not given it free) then this is <u>not</u> a cashable / cash releasing saving – and would be entered into EMM as 'added value / non cashable'.
Full guidance can be found in the EMM User Guide on www.felp.ac.uk >> from the Home page >> Efficiency Measurement Model >> scroll to bottom of the page >> select Chapter 3 of the User Guide.

Q.2 Non Cashable Efficiency Gains achieved e.g. from procurement process improvements including VISA cards, e-procurement, use of consortia frameworks etc:
Benefits from changes to procedures and working practices.
Process re-engineering will have a direct impact on college productivity often improving services to end-users. Efficiencies here are most likely to generate uncashable rather than cashable benefits i.e. staff are released to do other work, however, if the impact was great enough, there may be scope for a reduction in the number of staff.
Examples:

- Setting up call-off agreements/contracts where fragmented purchasing is currently taking place or joining an arrangement managed by another college or consortia.

- Procurement cards - Simplify procedures for low value orders

- Consolidated invoices - Simplify procedures for low value orders

- Introduction of electronic trading – Purchase to Pay P2P process

- Introduction of electronic tendering – electronic issue, receipt and/or adjudication of tenders

- Introduction of electronic auctions

- Use of innovative software to manage the use of resources e.g. print management software (not procurement systems)

- Improved service levels due to resource re-structuring e.g. through the use of central contracts, single source, distribution methods

- Introducing and encouraging new suppliers, thereby increasing competition in the market place

*Example1: College C actively reduced the number of cheques issued to their suppliers by moving to BACS payments. During April-Sept 2009 500 were issued, by actively changing their payment method, during Oct.-Mar. 2010 only 300 were issued. A reduction of 200. This change in the way in which the college pays its suppliers frees up time for the Payment Clerk (PC) who would normally raise the cheques and the Finance Director (FD) who would authorise payment of the cheques. This is not a genuine cash saving in that there are no additional funds available to spend on other goods or services, but the time of the PC and FM has been released, time that they can then spend on doing other work within the College. This is a non cashable saving and would be entered into EMM as '**process re-engineering / non cashable'.***

*N.b If College C were to transfer all 500 cheque payments to BACS and this meant that the PC was no longer required in the College and the position was redundant then this would be a genuine saving – the wage saved from employing the PC would be 'cash releasing' and this would then be entered into EMM as **'process re-engineering / cashable'**.*

Risk reduction, for example, changes to payment terms, such as staged payments or retentions will result in a reduction in both cost and risk. Contracts entered into under College Terms & Conditions rather than the suppliers.
Examples:

- Payment with order reduced/deferred, calculated on pro rata basis: [delivery lead time x interest on advance payment]

- Retention of final payment until satisfactory acceptance, calculated on pro rata basis [(installation period + period of non acceptance) x interest on retention sum]

- Title and risk with supplier until final acceptance, based on the value of insurance premiums, security, double handling, off-loading costs, etc

- Liquidated damages i.e. costs recovered for non-performance etc.

- Reduce risk of losing stage payments should the supplier default on contract

Sustainability encompasses environmental, economic and social issues. While it is often thought of as reducing consumption and waste or recycling, it is also about ensuring people are treated fairly when harvesting or manufacturing goods for our consumption. Thus, it relates to how we do things and how it affects the quality of our lives. Where a change in a process, or the goods or services we use, improves our working environment, reducing workloads and stress levels – this too is a sustainability matter.

- Reduction in waste – packaging, residue from processes etc
- Reduction in consumption - use of raw materials (consumables, utilities etc)
- Recycling and/or reuse of products
- Enhanced Reputation and/or marketing opportunities

How are Risk reduction and Sustainability recorded – this guidance doesn't make it clear?

Q.3 Non Teaching Cost (NTC) / Shared Services (SS) Efficiencies – Cashable savings arising from NTC & SS initiatives:

Colleges are expected to regularly review the way in which their staff operate in support of front line learning and their students. There are 3 main ways in which **non teaching** efficiencies might be generated that can be recorded within EMM;

- An increase in workload for non teaching staff which is not met by a proportional increase in staff time and roles
- Internal systems have been improved in efficiency so that time can be spent on other initiatives
- Costs have been reduced or removed, releasing budget to be directed to front line services

It is important that consideration is always given to whether any efficiency being generated is enabling an increase in resources to be directed towards front line teaching. This is a matter for each college to consider depending on their own particular circumstances.

Example1: College A has increased student numbers from 1100 to 1250 but has not made a proportional increase in support staff hours (e.g. Payroll, Library, student Records staff etc.). An efficiency has been realised where the workload of the 150 extra students is absorbed into the workload of existing staff or the increase in non teaching staff hours is proportionally lower than the increase in the 150 additional students. In these circumstances it is reasonable to calculate efficiency achieved in relation to the increase in costs that would have resulted had the number or hours of non teaching staff roles been increased in the same proportion as the growth in student numbers.

N.B The most appropriate calculation for your own college and circumstances should be determined and the basis of the calculation recorded.

Colleges also need to include here efficiencies gained through the sharing of back office functions **(Shared Services)** – e.g. HR Department/Function, Finance, Procurement Function, ICT.
Full guidance can be found on www.felp.ac.uk >> from the Home page >> Efficiency Measurement Model >> under Matching Resources (right hand column) >> document called 'Non Teaching Efficiency Gains – Guidance'.

Q.4 Was the data entered above captured with the Efficiency Measurement Model

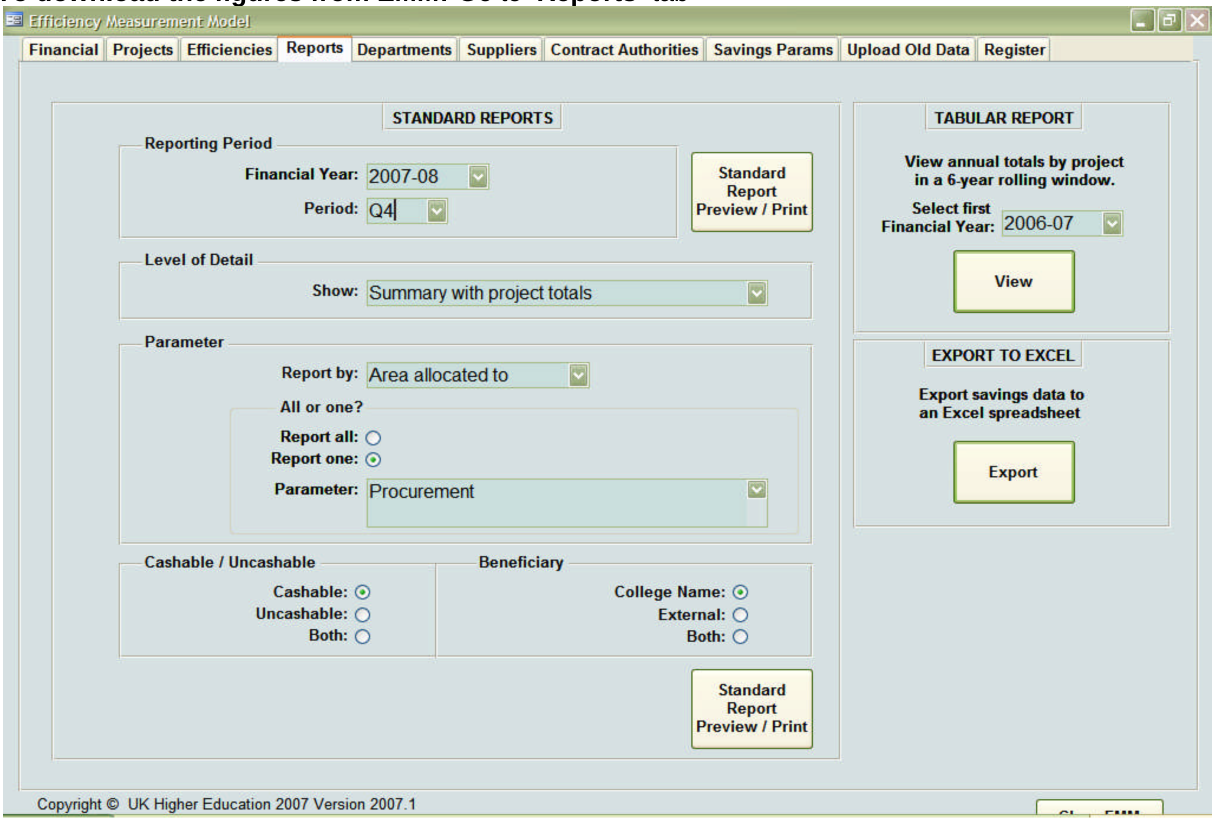
The Efficiency Measurement Model (EMM) is a simple Microsoft Access database that has been developed to help organisations capture savings or efficiency data in a methodical way.

EMM captures data on a project by project basis. This is then analysed and presented in tabular format, which can be incorporated into institutional annual reviews as well as forwarded for aggregation and the generation of sector-wide reports.

The model can be downloaded from www.felp.ac.uk – follow the link to Efficiency Measurement Model from the Home Page. If you have not already accessed this website you will need to register first and this can take a few days to set up.

Contact: emmfe@aoc.co.uk

To download the figures from EMM: Go to **'Reports'** tab



Reporting Period:

for the correct figure to be submitted in the 2009 Financial Planning return you need to run 3 separate reports for each of the following periods[1],

1. **Financial Year:** 2008/9
   - **Period:** Q4 (May – July)
2. **Financial Year:** 2009/10
   - **Period:** Q1 (Aug – Oct)
3. **Financial Year:** 2009/10
   - **Period:** Q2 (Nov-Jan)
4. **Financial Year:** 2009/10
   - **Period:** Q3 (Feb-Apr)

Level of Detail:

- **Show:** Summary **with project totals**

Parameter:

- **Report by:** Area allocated to
- **All or one?:** Report One

[1] The period for the 2009 Financial planning return is the fiscal year, where as EMM captures data using the academic year. Due to this discrepancy the 4 reports stated above capture the 'best fit' data using EMM.

- **Parameter:** Procurement (Question 1 & Question 2) / Non Teaching (Question 3)

Cashable/Uncashable:

- **Cashable (Question 1 & Question 3) and Uncashable (Question 2)**

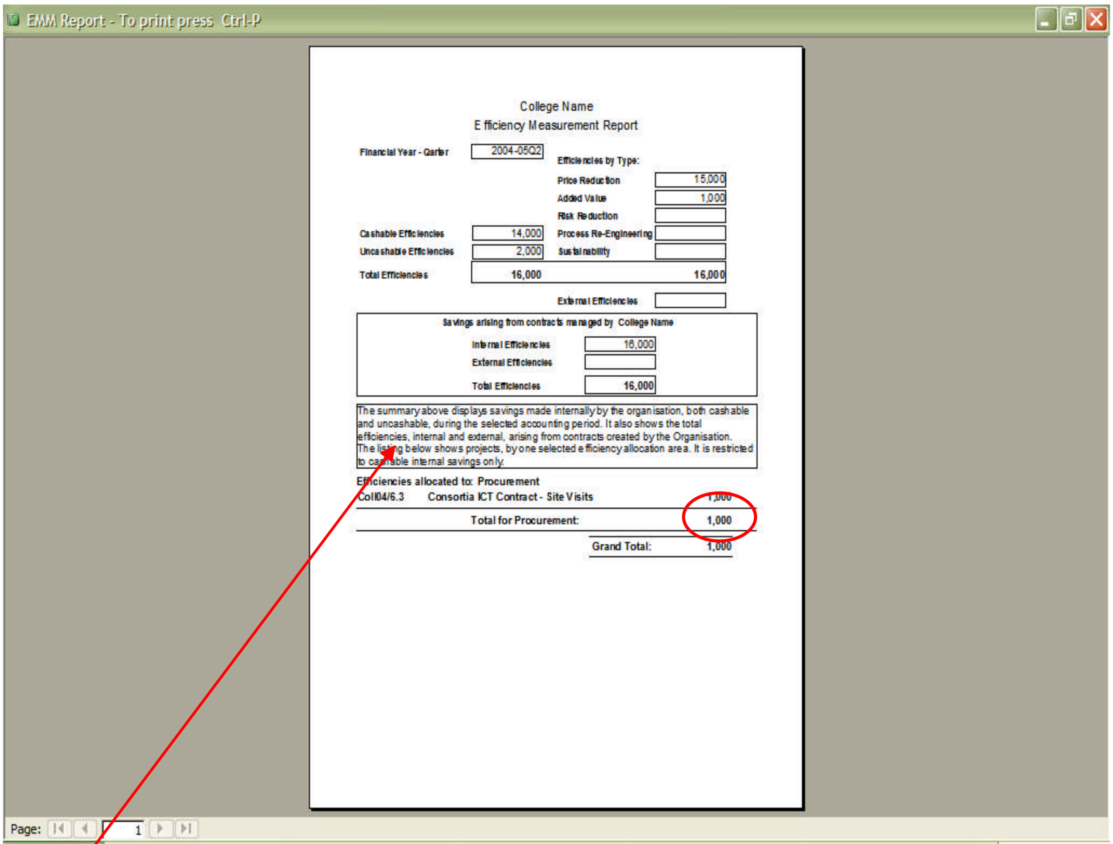
Beneficiary:

- College Name

Click 'Standard Report Preview / Print' button

From the report take the figure at the bottom of the report 'Total for . . . ':

Question 1 = Cashable / Cash Releasing – **Procurement only**
Question 2 = Non Cashable / Uncashable – **Procurement only**
Question 3 = Cashable / Cash Releasing - **Non Teaching**



Tip: Check the report description to ensure you have run the correct report – Paragraph starting "The listing below shows . . . "!
Now add together the <u>total 'quarterly' values from all 4 reports</u> to enter a single figure for each question.