

Financial Benchmarking

Package Operational Guidance 2008/09

June 2010

In partnership with



FINANCIAL BENCHMARKING PACKAGE – OPERATIONAL GUIDANCE

Introduction

- 1 The data used in this benchmarking package is taken from the Finance Record returns submitted by colleges in respect of the financial year 2008/09
- 2 The data in the Finance Record provides the Learning and Skills Council (LSC) and its successor bodies with essential information about the financial health of individual colleges and the sector as a whole. The Skills Funding Agency and Young People's Learning Agency continue to seek to make better use of the data that colleges provide, and to this end this benchmarking package has been commissioned in partnership with the Association of Colleges (AoC) and College Finance Directors Group (CFDG) as an integral element of the College Financial Reporting Project.

Help

- 3 If any assistance is needed with this package then please use the following e-mail address: financialreporting@aoe.co.uk.

Warnings

- 4 Obvious errors in college data have been corrected (for example, figures being entered in units as opposed to thousands). However, every item of data included by colleges in Finance Records cannot be quality-controlled. In many cases the mandatory benchmarking schedules in the Finance Record have not been fully completed by colleges. The functionality of this package is therefore reduced in certain areas.

Updates

- 5 If colleges identify errors in their data or the formulae used by the benchmarking package, they should submit corrected data through contacts at the Skills Funding Agency and / or Young People's Learning Agency. A revision to the package addressing any such issues can then be issued as necessary.

Protection

- 6 As for the 2007/08 benchmarking package, the spreadsheet has been left unprotected to enable colleagues to correct any errors in data and amend it to their needs. This may be reconsidered in future versions.

HOW TO USE THE BENCHMARKING PACKAGE

Getting Started

- 7 Open the Excel document that is applicable to the version of Excel available (either Excel 97-2003 or Excel 2007). The document is quite large and will take a few moments to open. If the user intends to produce a number of benchmarking reports then it is probably advisable to save it to a hard drive and to operate it from there.
- 8 The first screen to open should be a worksheet entitled “Start Here” (blue tab at far left of workbook).
- 9 Before continuing the user should first ensure that their Excel settings will enable the macro contained within the package to operate.

Excel 97-2003 users please go to:

Tools / Options / Security / Macro Security (this last button should be in the bottom right of the window)

and set the level of security to “Medium” or “Low”. Unless you do this the package will not run. Once this has been done, Excel will remember this setting for future use – unless the user changes the setting back to the setting recommended by Microsoft.

For excel 2007 users please use the following steps:

1. Click the **Microsoft Office Button**, and then click **Excel Options**.
2. Click **Trust Center**, click **Trust Center Settings**, and then click **Macro Settings**.
3. The following options are available:
 - **Disable all macros without notification** Click this option if you don't trust macros. All macros in documents and security alerts about macros are disabled. If there are documents with unsigned macros that you do trust, you can put those documents into a trusted location. Documents in trusted locations are allowed to run without being checked by the Trust Center security system.
 - **Disable all macros with notification** This is the default setting. Click this option if you want macros to be disabled, but you want to get security alerts if there are macros present. This way, you can choose when to enable those macros on a case by case basis.
 - **Disable all macros except digitally signed macros** This setting is the same as the **Disable all macros with notification** option, except that if the macro is digitally signed by a trusted publisher, the macro can run if you have already trusted the publisher. If you

have not trusted the publisher, you are notified. That way, you can choose to enable those signed macros or trust the publisher. All unsigned macros are disabled without notification.

- **Enable all macros (not recommended, potentially dangerous code can run)** Click this option to allow all macros to run. This setting makes your computer vulnerable to potentially malicious code therefore colleges should only select this option at their own risk.

- 10 The next step is to select the college to be benchmarked. A drop-down menu is provided for this purpose. Please note that the drop down list is a list of all the colleges which submitted 2008/09 finance records to the LSC. Therefore any colleges which have changed name (for example as a result of merger) since the production of the 2008/09 accounts will not be listed.
- 11 Then the user should identify the family of colleges that this college is to be benchmarked against. This selection is at the choice of the user. The user is able to identify the desired family on the basis of:

| | |
|---------------------------------|--|
| College type | Identify yes or no to include the type in the family |
| Region | Identify yes or no to include the region in the family |
| Financial health | Colleges may wish to consider excluding colleges with a current ratio of less than 1.0 from the benchmark family. The intention should be to provide a benchmark for colleges from a family that only includes colleges in reasonable or good financial health – as opposed to a simple average of all colleges. “Current ratio” has been used as a reasonable proxy for the financial health of each college. |
| Size (as reflected by turnover) | Some colleges may wish to exclude either very small or very large colleges from the benchmark family, and this functionality is provided here |

- 12 When the benchmark family is amended the number of colleges benchmarked against will also change. This number is shown on the “Start Here” page.
- 13 Once the user is satisfied with the benchmark family selected, the “START” button can be pressed.



This action will initiate a macro that will take a number of seconds to run. This macro will finish on the "Start Here" page.

- 14 The user will then be able to go to the report pages to see the benchmark reports.
- 15 Please note the following additional buttons that are available:

"RESET"

This will change all of the parameters used to define the benchmark population back to the default values.



"PRINT"



Using this button will print the "Start Here" tab (and therefore the parameters selected for the analysis) through to the "Bmark – Outsourcing" tab. Colleges are advised to define print areas as necessary to print data reports or the source data due to the potential volume of data involved.

Benchmark Reports

- 16 There are six benchmark reports within the package, as follows:
- Bmark Sch 2 - Miscellaneous
 - Bmark Sch 3 – Income data
 - Bmark Sch 4 – Expenditure data
 - Bmark – Primary Statements
 - Bmark – Financial charts
 - Bmark – Outsourcing

Schedule 2, 3 and 4 reports

- 17 The schedule number refers to the schedule in the Finance Record.
- 18 The Data Completion column refers to the number of colleges in the benchmark family who returned data in their Finance Record for each row. Some colleges did not fully complete the sections in schedules 2, 3 and 4 and this column provides a health warning concerning this. Where the level of data completion is low, less reliance can be placed on the benchmark.
- 19 In many instances a £nil response may be an accurate entry for a college. However, it is not possible to determine whether a £nil entry represents a positive return or is simply an omission on the part of the college.
- 20 If a user wishes to investigate individual entries for the colleges in the benchmark family, then they can go to the Bmark Data tabs (1, 1b and 2) to see the actual entries for the colleges concerned.
- 21 The other columns show the college's own data – as included in the Finance Record, compared to the benchmark data. The benchmark data is calculated by taking the simple average of the data included in the benchmark family, and will be understated where colleges have not fully completed their Finance Records. The most useful benchmarks are those that show unit rates, as any distortion due to colleges being different sizes should be substantially reduced.
- 22 There are also two columns that show the lowest entry included in the benchmark family, and the highest entry. Due to the number of £nil returns, no "low value" entry is shown where the value would have been £nil.

Financial Reports

- 23 This report again takes the college's Finance Record data and compares it against a benchmark. In this report the data concerned is:
- The income & expenditure account

- The balance sheet
 - Financial ratios
- 24 The data in this report is 100% complete for those colleges included in the benchmark family and who have submitted a Finance Record.
- 25 The benchmark data in this report has been flexed in order to make it directly comparable to the college being benchmarked against. The benchmark I&E account and balance sheet are therefore an alternative I&E account and balance sheet for the college concerned (how the college's own reports would appear if the college's financial position reflected the pattern of income and expenditure, assets and liabilities of the benchmark family).
- 26 For this reason the benchmark turnover will always equal the turnover of the college being benchmarked against. This is intentional. It does not indicate an error in the package.
- 27 This approach means that the college is always being assessed against a comparable set of data. The package could provide benchmark data calculated by taking the simple average of the benchmark family. However, the usefulness of the comparison would be significantly reduced by this approach – as the “size” of the average benchmark family would not reflect the size of the college being benchmarked.
- 28 For additional analysis, there is an additional column of ‘simple average’ data which demonstrates the average balances in the benchmark population before flexing.

Financial Charts and outsourcing

- 29 These charts translate the data contained within the financial report into simple pie charts.

Data Reports

- 30 There are two categories of data reports, as follows:
- Bmark data (1, 1b and 2)
 - All data (1, 1b and 2).
- 31 These two reports contain all of the data included within colleges' Finance Records. Due to the size of the Finance Record the data has had to be spread across three worksheets.

- 32 The two reports are mirror images of each other, with the exception that the benchmark data report only includes data for the colleges included within the benchmark family.
- 33 These two reports are not intended to be printed. However, if the user wishes to print either of these reports, it is recommended that colleges do so on A3 paper.

Source Data

- 34 This is where all of the data for the college selected and benchmark population is stored. The data stored here drives the reports listed above which represent only a subset of the total data available. Colleges are advised to review the data in this tab to produce more detailed and bespoke analysis as necessary.

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