Framework for Excellence

Financial Health and Financial Control

This briefing document provides an overview of the development of the financial key performance indicators within the Framework for Excellence.

The aim of the financial health and financial control indicators

The finance dimension of the Framework for Excellence comprises key performance indicators for financial health and financial control. The aim of the financial health and financial control key performance indicators is for providers to be able to self-assess the quality of their institution’s financial health and financial control. The LSC will validate the self assessment.

Financial health assesses a provider’s financial viability and performance and will be largely evidence based. Financial control assesses the quality of financial management and will be evidence and judgement based.

Importance of the new indicators for local LSCs and learning providers

The LSC and learning providers are familiar with the current system of assessing college financial health. The existing three point scale is being examined as to how it can be translated into the four point scale proposed under Framework for Excellence. The financial health indicator is intended to be sufficiently robust to ensure that well-planned capital investment does not have an inappropriate impact on the overall judgement.

Another development is that financial health assessment will be based on three key ratios rather than the current six ratios. These will be:

- Solvency (current ratio)
- Sustainability (margin)
- Status (a gearing / borrowing ratio)

For Financial Control there is a wealth of audit and assurance evidence to support a financial control assessment, some of it already based on the LSC’s existing self-assessment framework. Work is in progress to identify and test how this evidence can be harnessed to support provider self-assessment of financial control under Framework for Excellence.

The impact on local LSCs and learning providers

The financial key performance indicators are intended for use by:

- learners and employers, to inform their choice of provider
- providers, to help assess and improve their performance
- the LSC, to help plan provider funding and monitor financial health and financial control across the sector
- the Department for Education and Skills.