



FE Commissioner Benchmarks: definitions

Summary

This schedule sets out the methodology used to calculate the FE Commissioner (FEC) benchmarks. The definitions use the references in the sector finance record for 2023-24.

- Table 1 gives an overview of each benchmark.
- Tables 2 to 6 detail how each benchmark is calculated.
- For two of the ratios, an adjusted income total is used. Table 7 sets out how this adjusted income total is calculated.

Table 1: Revised FEC Benchmarks

Benchmark	Definition	Purpose	Measure
Sector EBITDA as a % of income	Surplus before Interest, Tax, Depreciation and Amortisation, adjusted for sector specific non-operational items (total funding support, FRS102 pension current service costs, release of capital grants, total gifts and donated assets, restructuring facility related expenditure, movement in holiday pay accrual), divided by adjusted income	Measures the size of annual cash-generating profit compared with income	>6%
Debt Service Cover Ratio	Net cashflow from operating activities divided by the total of interest paid, interest element of finance leases, repayment of amount borrowed and capital element of finance leases	Measures how far annual cash generated covers both debt and interest repayments and then gives additional cash for capital investment or liquidity	>2
Adjusted Cash Days in Hand	Cash and investments divided by annual operating costs (adjusted for FRS102 pension charge and bad debt provision) and interest charges, then multiplied by 365 days	Effectively a measure of how many days it would take to exhaust cash reserves if all income were to stop	>40 (all months)

Benchmark	Definition	Purpose	Measure
Adjusted Current Ratio	Current assets (excluding restricted cash from disposal of fixed assets held for future reinvestment and assets held for resale) divided by current liabilities (excluding deferred capital grants and holiday pay accruals)	Measures how far cash and liquid assets cover immediate liabilities – ability to repay short-term debts	>1.4
Pay Costs (as a % of income)	Total staff costs (teaching and support, including contract tuition services but excluding restructuring and FRS102 pensions adjustments) as a percentage of adjusted income (excluding franchised provision income)	Gives an indication of overall organisational cost structure and pay cost control	<65% (GFE) <70% (SFC)
Financial Health Grade	Financial grade as defined by Department for Education (to note this is subject to periodic review)	A marker of expected performance for governors and other stakeholders	Good or Outstanding

Table 2: Sector EBITDA (as a % of income)

Formula Element	Finance Record Line Name	Finance Record Line Reference
Sector EBITDA	<p>Surplus/(deficit) before ITDA</p> <p>Adjusted for:</p> <p>Total funding support</p> <p>FRS102 adj. - LGPS current service costs</p> <p>Release of capital grants</p> <p>Total gifts and donated assets</p> <p>Restructuring Facility related expenditure</p> <p>Movement in holiday pay accrual</p> <p>Education Specific EBITDA</p>	<p>I&E IE-4</p> <p>I&E IE-1i</p> <p>I&E IE-2a-9</p> <p>I&E IE-4a</p> <p>I&E IE-1j</p> <p>I&E IE-8a</p> <p>I&E IE-8b</p> <p>I&E IE-8</p>
Divided by	Income used in ratio analysis (adjusted income)	Ratios R-1a
Equals	EBITDA as a % of adjusted income - education specific	Ratio R-5g

Table 3: Debt Service Cover Ratio

Formula Element	Finance Record Line Name	Finance Record Line Reference
Net cashflow from operating activities		Cashflow IC-1
Divided by	Interest and finance fee payments (loans) Interest element of finance lease rental payments Loan capital repayment (as per loan agreement) Capital element of finance lease rental payments	Cashflow IC-3a Cashflow IC-3b Cashflow IC-3d-1 Cashflow IC-3e
Equals	Debt Service Cover Ratio	Ratios R-4a

Table 4: Adjusted Cash Days in Hand

Formula Element	Finance Record Line Name	Finance Record Line Reference
Cash and investments	Cash and cash equivalents Short term investments	BS IC-5 BS B-2h-CB
Divided by	Total staff costs excluding restructuring excl. FRS102 adj. LGPS current service costs Other operating expenses excluding bad debt provision costs Interest and other finance costs	I&E IE 2a I&E IE-2a-9 SOCI FS-SOCI-2b I&E IE-2b-9 I&E IE-5a-3
Multiplied by 365 days		
Equals	Adjusted cash days in hand (Expenditure Basis)	Ratios R-2a

Table 5: Adjusted Current Ratio

Formula Element	Finance Record Line Name	Finance Record Line Reference
Current assets	Total current assets	BS FS-B-2-CB
Adjustments – Less	Restricted cash Assets held for sale	BS B-2j-CB BS B-2a-CB
Divided by		

Formula Element	Finance Record Line Name	Finance Record Line Reference
Current liabilities	Total creditors: amounts falling due within one year	BS FS-B-3-CB
Adjustments – Less	Deferred income – capital grant liability Holiday and sabbatical pay accrual	BS B-3f-CB BS B-3o-CB
Equals	Adjusted current ratio	Ratios R-2c

Table 6: Staff Costs as a % of Income

Formula Element	Finance Record Line Name	Finance Record Line Reference
Staff Costs	Total staff costs excluding restructuring	I&E IE-2a
Adjustments – Less	FRS102 adj. LGPS current service costs	I&E IE-2a-9
Divided by	Income used in ratio analysis (adjusted income)	Ratios R-1a
Adjustments - Less	Subcontracted out income	CFFR SOCI FS-IE-1SO
Equals	Staff costs (incl. contract tuition services/excl. restructuring and FRS102) as % of adjusted income (excl. income subcontracted out)	Ratios R-9a

Table 7: Income used in ratio analysis

Formula Element	Finance Record Line Name	Finance Record Line Reference
Income	Total income	SOCI FS-SOCI-1
Adjustments – Less	Release of capital grants Total funding support Total gifts and donated assets	I&E IE-4a I&E IE-1i I&E IE-1j
Equals	Income used in ratio analysis (adjusted income)	Ratios R-1a