



Anglo Skills College Financial Commentary

Background

Anglo Skills College (ASC) is currently operating as a medium to small training provider.

Historically till 2017, the college had access to the public funding for the students/advance learning loan from the SFA in the capacity of a subcontractor. Due to the changes within the subcontracting procedure, as of August 2017, Anglo Skills College had no access to any public funding provision.

The college is also a Tier 4 licenced institution and this is historically another key income stream, generated from the Tier 4 student's admission and English language courses fees. Due to government policy changes and related risk involved with the tier 4 admissions and courses, the college has always taken a careful approach towards recruitment of these students and did not utilise all of its 20 available CAS (Confirmation of Acceptance for Studies).

The college could not perform well in 2017/18 due to the changes and tight regulations by the government, as it has significantly impacted college's main income stream resulting into the deficit for the financial year ended 28 February 2018 and also took out the opportunity to grow in these areas.

In response to the above, the management developed alternative income stream to stabilise and grow the college. In February 2018, ASC was approved by the Ministry of Education in Saudi Arabia to provide English and IELTS B2 courses for students studying at master's level. These students are already in UK and do not require Tier 4 visa. The course focused on the general English requirement of the dependants of students and academic requirements of the students studying at masters. This contract carries a higher margin and is the key in turning around the college to profitability in the year ended 28 February 2019 and building on to this towards a higher profit the year ending 28 February 2020. This demonstrates management's ability to develop new income stream and continue the business even with changes in the regulations.

Building on its successful academic history and significantly stronger financial position, the college looks forward to qualify as a training provider with the Office for Students in order to provide HE and UG courses to the unrepresented students of our community through the provision of public funding and student funding loans for the home students.

Within the commentary, we have further explained the basis of the income and expenses.

Assumption

Accounting year applicable for Anglo College London is between March and February of a year, whereas academic year is between September and August. The forecast years have been aligned to the accounting years as it is convenient to match two sets of statistics. However, the accounting year includes student numbers of September intakes of each calendar year which fall in two different academic years.



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1. Fee Income

Table 1: Students Numbers & Fee Income Details

Geography (Home, EU or Non-EU)	Course	Course Duration (Weeks)	2018/19			2019/20			2020/21		
			FTE	Total Number of Students	Fee (£)	FTE	Total Number of Students	Fee (£)	FTE	Total Number of Students	Fee (£)
Non-EU	IELTS	12	4	13	7,360	4	12	7,565	4	12	8,640
Non-EU	Summer School	8	2	12	10,560	3	15	14,400	5	26	33,280
Non-EU	Tier 4	40	3	3	18,000	3	3	18,000	8	8	44,000
Non-EU	Academic & General English	12	4	13	43,160	7	24	90,000	14	45	168,750
Home & EU	Esol skills for life(L2)	12	1	4	3,360	5	16	17,280	4	12	12,960
Home & EU	Foundation Course	40	s-	-	-	-	-	-	10	10	60,000
Home & EU	HNC/HND	40	-	-	-	-	-	-	10	10	60,000
Non-EU			13	41	79,080	17	54	130,176	30	91	254,670
Home & EU			1	4	3,360	5	16	17,280	24	32	132,960
Grand Total			14	45	82,440	22	70	147,245	54	123	387,630

Table 1: Students Numbers & Fee Income Details (Continued)

Geography (Home, EU or Non-EU)	Course	Course Duration (Weeks)	2021/22			2022/23			2023/24		
			FTE	Total Number of Students	Fee (£)	FTE	Total Number of Students	Fee (£)	FTE	Total Number of Students	Fee (£)
Non-EU	IELTS	12	4	12	10,080	4	12	10,080	4	12	10,080
Non-EU	Summer School	8	6	30	40,800	7	35	50,400	8	40	57,600
Non-EU	Tier 4	40	9	9	51,000	11	11	69,500	13	13	81,500
Non-EU	Academic & General English	12	17	55	206,250	20	65	243,750	23	75	281,250
Home & EU	Esol skills for life(L2)	12	6	20	21,600	8	25	28,500	9	30	34,200
Home & EU	Foundation Course	40	20	20	120,000	25	25	150,000	30	30	180,000
Home & EU	HNC/HND	40	15	15	90,000	20	20	130,000	30	30	195,000
Non-EU			35	106	308,130	41	123	373,730	47	140	430,430
Home & EU			41	55	231,600	53	70	308,500	69	90	409,200
Grand Total			76	161	539,730	94	193	682,230	116	230	839,630



a. IELTS

The college has a well-established name as an English language provider and will be building on its history of successfully delivering these courses in future. The contract with the Saudi Arabian government is a proof of this success, as explained below. The management believes that it can significantly increase the revenue from this course but given the focus will be on HE courses; hence we have only forecasted an inflationary increase in the revenue from the IELTS courses.

b. Summer School

The college is looking to build on the summer school from 2019/20 and has forecasted to deliver this course to at least 30-35 students in 2020/21 based on the level of enquiries. Our forecast has scaled it down to 26 students for 2020/21, gradually building on to the future years, as the college will continue to build its name and connections to deliver these courses on a larger scale.

c. Tier 4

As a Highly Trusted Sponsor under the UKBA's Tier 4 regulatory framework for last 6 years (since 2013). The college has got a license to sponsor up to 20 students. The college is maintaining its compliance with UKVI and there are no shortcomings in the recruitment procedure. As noted above, the college has cautious approach towards recruitment and will continue to apply that. In the forecast for 2020/21, the college only plans to utilise 40% i.e. 8 student recruitment for (Confirmation of Acceptance for Studies). The trend continues throughout the forecast period till 2023/24, where only 13 students are forecasted to be recruitment.

d. Academic & General English

This relates to the courses offered to the tier 4 masters students at the University and their dependants. These dependant students are already in UK and are sponsored by the Saudi Arabian Government. ASC is successfully contracted and delivering these courses to the Saudi students on behalf of the Saudi government. Currently there is a contract of 50 dependant students with the government, each course lasts for a duration of 3 months. The sponsorship is usually between 3 months to 1 year. The current fee per quarter is £3,720 per student. Currently, this is the main source of income for the college, which is growing from last year as demonstrated from year on year performance above. There are 25 students who have already recruitment for the financial year 2020/21, 12 of whom have already started in January 2020, while the remaining 13 will commence in March 2020. The renewed contract from January 2020 will give the college an annual student number of 50 Students in academic & general English, which is set to increase on a yearly basis. The management is confident that it will easily achieve the 50-threshold given the past performance and current level of enquiries but a prudent approach is being used to only estimated revenue for 45 students out of which 25 are already recruited.

e. ESOL Skills For Life (L2)

The college is looking to build from its successful history of delivering ESOL courses. The management plans to increase the size of students for ESOL during 2020/21 but a prudent approach is being taken to scale it down to 12 Students as noted in the table above. Management believe, a total of 50 student could easily be recruited once the college gets approval and qualifies to be a registered institution with the OFS.

f. Foundation Course

These foundation courses which are access to the University are planned to commence later in the year once the college is registered with OFS. These courses will be offered to the Home students from under represented background and the college plans to set a fee of £6,000 per student under the funding provision. Although, currently the college is not registered with OFS, it continues to receives enquires for the foundation courses and believes a number of 15 to 20 students can be easily recruited but given the prudent basis of the whole forecast, we have forecasted a revenue for 10 Students in year one increasing gradually year on year to 30 in 2023/24.



g. HND / HNC Courses

The main aim to get registered with the OFS is to represent and provide opportunities to the underrepresented home students of the community. HND & HNC courses will provide this opportunity to these students and as a college, it will be our main focus from an academic and financial growth point of view. Similar to foundation courses, we continue to receive enquiries for these courses and believe that 15 to 20 students in the first year can be recruited. Our forecast for 2020/21, being the, year one of registration only includes 10 students, increasing gradually year on year to 30 in 2023/24.

As noted above, we understand that there is a timing difference of the academic and financial year, which will lead to slight overlapping of income and expenses but the impact is only limited to timing difference for both the income and expenditure of the foundation and HNC/HND courses. As achieved through its performance that the college do not place its reliance on any one course for its financial survival and it has a diverse income generating courses, hence this timing difference will not impact its ability to continue to operate and grow. In addition to that, we acknowledge that there is a timing difference of the cash receipts for these students, hence assumed that the approximately college would receive 80% of the forecasted income in a given year and remaining 20% as receivables at the end of the financial year.

h. Alternative Fee Generating Opportunities

For the purposes of this forecast, we have omitted and ignored, some of the programmes which the management is currently working on and will generate additional fee income for the college, once they commence. We have provided explanation for some at a high level to provide an understanding on the ongoing commitment of the college's management to improve its financial standing.

This year, the college have been successfully approved and registered on Dynamic Purchasing System for the Department of Work and Pensions (DWP). Additionally, the college has submitted an application to secure an apprenticeship and alternative provider provision contract with Nottingham city council and Nottingham County Council. This gives an opportunity for the college to bid and bring more revenue for the institution.

In 2019, the college also registered with ROTAP (registered of training organisation as an apprenticeship), as a supporting provider category to expand its financial resources and to provide its education and skills service to apprentices. There are plans in pipeline, which the management is working on to recruit at least 6 to 8 apprentices in 2020/21, each of which will generate of revenue in the region of £6,000. These are again omitted from our forecast.

In addition to above, the college has plans of offering Child care level 3 diploma and will continue to develop alternative fee generating courses to mitigate any potential challenges by any possible funding or regulation changes, as it has successfully done and proved in the current year by securing contracts with Saudi Arabia government as noted above.

The figures for the current financial year ending 28 February 2020, represents a successful turnaround journey, where it has achieved its financial goals and on track to widen its sources of funding via funding streams such as the DWP, local contracts and the Saudi Arabia government funding.

In 2020-21, once ASC is successful in qualifying as a training provider with the Office for Students within the fee capped category, the college will be eligible for public funding and student funding loans for home students enrolled on HE and UG courses.

We have set in place a strategic plan to expand the delivery of our services to the wider community to provide delivery within easy reach and accessible locations to attract additional learners.

We fully intend to maintain our growth and sustainability and continue to manage our cash flow to mitigate financial risks. To maintain financial growth, we will also apply for other sources of funding with local partners, via apprenticeship and traineeship contracts, subcontracting and Adult Education Budget to increase the funding.

Robust objectives and measures are implemented to secure the business financial sustainability as part of our financial forecasting strategy, with sufficient time frames given to reduce the risk of failing to achieve the predicted student numbers from UG, HE and DLHE students.



2. KEY FINANCIAL INDICATORS

Table 2: Key Financial Indicators:

Key Financial Indicators	Year 1	Year 2	Last audited year Year 3	Current year Year 4	Year 5	Year 6	Year 7	Year 8
	28/02/17	28/02/18	28/02/19	29/02/20	28/02/21	28/02/22	28/02/23	29/02/24
1. Staff costs as % of total income	32.6%	26.0%	20.3%	15.6%	48.0%	49.0%	49.0%	52.0%
2. Surplus / (deficit) as % of total income	7.9%	(10.3%)	13.6%	31.2%	15.0%	13.1%	15.6%	15.5%
3. Surplus / (deficit) to be transferred to reserves before dividends as % of total income	7.9%	(10.3%)	13.6%	25.3%	12.3%	10.8%	12.8%	12.7%
4. Dividends as % of total surplus	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
5. Liquidity (in days' expenditure)	37	13	33	160	77	80	124	62
6. Current ratio	1.1	0.8	2.1	2.0	2.0	2.2	2.9	2.1
7. Borrowing as % of total income (including repayable in one year)	0.0%	10.2%	4.2%	0.0%	0.0%	0.0%	0.0%	44.2%
8. Net total assets / (liabilities) as % of total income	2.2%	(7.3%)	9.0%	30.3%	23.8%	27.9%	34.9%	41.1%
9. Cash flow as % of total income	(33.0%)	(16.3%)	7.4%	35.2%	14.5%	14.6%	15.4%	17.4%

We have calculated the key financial indicators based on historic, current performance and future forecasts. It demonstrated the strong financial position college is currently in due to the performance achieved during the current year. Surplus as a percentage of total income improved significantly which was mainly due to the Academic and General English courses delivered to Saudi Arabian students. Due to the higher margin on these courses, it has significantly improved the liquidity of the college, which currently stands at 160 days, 5 times increase from the year ended 28 February 2019. As noted in the commentary above, the college will continue to build on its financial success and will be looking to invest significantly into its resources to facilitate the students from underrepresented backgrounds. The details are provided within our business plans. The above indicators, shows that the college has planned to invest more than 50% of its income in staff costs by 2024, which demonstrated its commitment to the students.



3. BREAKDOWN OF THE COSTS

Table3:Breakdown of costs

<i>(Audited)</i>						
	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8
	28/02/2019	29/02/2020	28/02/2021	28/02/2022	28/02/2023	29/02/2024
	£	£	£	£	£	£
Fee Income	82,146	147,245	387,630	539,730	682,230	839,630
<i>Visiting Lecturer's Fee</i>	11,320	17,909	77,526	113,343	143,268	184,719
<i>Student Recruitment Costs</i>	11,732	23,339	33,750	41,250	48,750	56,250
<i>Direct Costs</i>	23,052	41,249	111,276	154,593	192,018	240,969
Gross Profit	59,094	105,997	276,354	385,137	490,212	598,661
Gross Profit %	72%	72%	71%	71%	72%	71%
<i>Wages and salaries</i>	5,347	5,069	108,536	151,124	191,024	251,889
<i>Directors' salaries</i>	8,100	11,673	20,165	26,699	35,490	41,982
Total Wages & Salaries	13,447	16,742	128,701	177,823	226,515	293,871
<i>Administrative Expenses</i>						
<i>Rent</i>	18,272	18,272	31,200	52,920	55,566	23,731
<i>Other Operating Costs</i>	15,127	20,803	49,192	68,494	86,578	106,553
<i>Depreciation of fixtures and fittings</i>	600	379	5,375	11,625	11,625	24,125
<i>Depreciation of computer equipment</i>	-	3,582	3,582	3,409	3,300	11,550
<i>Finance Costs</i>						
<i>Bank loan interest</i>	504	226	-	-	-	-
<i>Property loan Interest</i>	-	-	-	-	-	8,399
Total expenses	47,950	60,005	218,050	314,271	383,584	468,229
Surplus before taxation	11,144	45,992	58,304	70,866	106,628	130,433

The above table shows a breakdown of the main components of income and expenses. We have commented on the basis of fee income above and the commentary for the basis of expense are noted below.

a. Staff Costs

Table 4: Breakdown of Staff Costs

	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8
	28/02/2019	29/02/2020	28/02/2021	28/02/2022	28/02/2023	29/02/2024
	£	£	£	£	£	£
<i>Visiting Lecturers</i>	11,320	17,909	77,526	113,343	143,268	184,719
<i>Wages & Salaries</i>	5,347	5,069	108,536	151,124	191,024	251,889
<i>Directors Remuneration</i>	8,100	11,673	20,165	26,699	35,490	41,982
Total	24,767	34,651	206,227	291,166	369,783	478,589
<i>Average Salary Overall</i>	12,384	11,550	22,914	24,264	26,413	28,152
<i>Average Salary Without Director - FTE</i>	16,667	11,489	23,258	24,043	25,715	27,288

Table 4: Breakdown of Staff roles and numbers

Roles	2019/20	2020/21	2021/22	2022/23	2023/24	Contract Terms
<i>Academic (Role: Subject tutors, Sessional Lecturers, Admission Staff, Assessment Staff)</i>	3	8	11	15	17	Full Time & Part Time Roles
<i>Administration (Role: Business Development Officer, Student Mentor & Career Advisors, Office Administrator, Receptionist, Marketing and Event Organisor)</i>	2	8	11	13	14	Full Time & Part Time Roles
<i>Administration (Role: Board of Governance)</i>	1	1	2	2	3	Full Time & Part Time Roles
Total Number of Part-time Staff including lecturers	4	13	17	20	23	
Total Number of Full time Staff including lecturers	2	4	7	10	11	
Total FTE	3	9	12	14	17	<i>Calculated based on full time hours of 37.5 per week for a full financial year</i>



Visiting Lecturer Fee

It is the amount paid to visiting lecturers for their services mainly for lectures or workshops delivered. The visiting lectures are on a contractual basis and are paid hourly for the services they have delivered.

Salaries & wages

This amount includes the salaries payable to academic, admin, marketing staff and the external members of the boards of governors.

Currently there are 9 FTE (Fulltime equivalent) staff members with an average salary of £11,550. In the year 2021, 7 new staff on part time and full-time contracts will be inducted for the effective management of the operation and there will be 12 FTE (Fulltime equivalent) staff with an average salary of £ 22,914. The staff numbers will continue to increase together with the inflationary rise in salary. As demonstrated by the key financial indicators above, the staff costs are set to increase from the current level to 52% of the income. This is in line with the college's long-term strategic goals, its committed to facilitate the underrepresented students through mentoring, advising and career planning.

Directors/Trustees remuneration

This forecast represents salaries for one executive directors, increasing to two during the year 2023. It is anticipated that their salaries will increase to adjust for market rate and will adjust for the inflationary rate per annum over the forecast period.

b. Other operating costs

Operating costs include all elements excluding elements of staff costs, directors' salaries, maintenance costs, and interest and other finance costs. Notes on the major elements of operating costs are given below:

Table 5: Rent & Rates

	28/02/2019	29/02/2020	28/02/2021	28/02/2022	28/02/2023	29/02/2024*
	£	£	£	£	£	£
<i>Rent (Inc Services Charges) - Annual Charges</i>	18,272	18,272	31,200	51,660	54,243	26,047
<i>Current Space Occupancy (Sq Ft)</i>	1,600	1,600	2,600	4,100	4,100	4,500
<i>Additional Space (Sq Ft)</i>			1,000	1,500		
<i>Cost Per Sq Ft</i>	11.42	11.42	12.00	12.60	13.23	13.89
<i>Current Student Capacity</i>	100	100	150	200	200	250
<i>Currently Students Engaged</i>	45	70	123	161	193	230

The capacity of our occupied space will be increase by 1,000 Square ft in year 1 to another 1,500 year 2, to meet the expansion. The additional space is readily available with the same venue and will be sufficient to facilitate the expected increase in student numbers every year. We have also forecasted an increase of 5% year on year as demonstrated by the cost per square foot to take into account the inflation.

Our future plans include the college investing in its own building during the year 2024. It will provide a capacity of 4,500 sq ft at a cost of £500,000. As per our plan, the college will have sufficient financial resources to purchase a building with a help of a bank loan at a 75% LTV, which is an attractive proposition for the banks for a commercial property. We have included the in year 2024 for a period of 5 months. This space will be sufficient to provide studies for up to 250 Students as the fitout will be planned accordingly to meet the requirements of the college. There will be facilities for the students including IT lab, student activities etc.

In the event that the college could not buy the building due to a significant property prices increase to current level or any other economic situation, the college will continue to rent the space. This will be assessed closer to the time but the management strongly believes that this achievable even before 2024.



Student recruitment costs

It is the sales costs associated with recruitment of new students. A variable cost of upto £250 per student would be incurred.

Other costs

This includes costs associated with maintaining physical infrastructure including maintenance of IT systems, furnitures, fixtures and audio visual equipments. The maintenance costs is also known as repairs and renewal costs.

Depreciation costs

This includes depreciation of property, plant and equipments (e.g.-IT systems), furnitures and fixtures and audio visual equipments.

Taxation

Corporation tax has been calculated as per HMRC directive.

For small enterprises the rates are:

Year 4	19%
Year 5	18%
Year 6	18%
Year 7	18%
Year 8	18%

Dividends

The shareholders of the college have a policy of not taking any dividends as they are aware of the need to have an higher amount of reserves to facilitate more investments on physical infrastructure.



Balance Sheet

Table 6: Fixed Assets Additions

<i>(Audited)</i>						
	28/02/2019	29/02/2020	28/02/2021	28/02/2022	28/02/2023	29/02/2024
	£	£	£	£	£	£
<i>Freehold Land & Building</i>	-	-	-	-	-	500,000
<i>Fixtures & Fittings - Additions</i>	-	-	21,500	25,000	-	50,000
<i>Computer equipment - Additions</i>	-	10,855	-	10,000	-	25,000

Tangible assets include furnitures and fixtures, college building, IT hardware.

The above table provides an information on the investment plan and reconfirms its comitted to reinvest its resources to facilitate the provision of learning for the students. We have provided information on the plans of purchasing its own building previously. In addition to that, an amount of £75,000 will be invested in the fit out, furniture and fittings and computer equipments.

Current assets

Current debtors include students whose tuition fees are outstanding and the suppliers who the college owes payments to.

The college has a cash holding policy of keeping a cash reserve of a minimum of 2 months operating costs, any reserves bellow that threshold is considered by the SMT and borrowings are arranged to maintain that minimum balance. Currently our forecasts shows the cash reserves to be significantly more than 2 months of operating costs, even with the investment into a building by 2024.

Principal and Director
Anglo Skills College