

## Annex D: Financial commentary guidance

### Financial commentary on past performance and future prospects (December 2014)

1. The questions to be addressed in the financial commentary have not always been fully answered by higher education institutions (HEIs). Although compliance has improved in more recent annual accountability returns, further improvement is necessary to ensure that all HEIs provide all the requested information. This annex provides optional templates to help HEIs to meet our requirements.
2. We recognise, that HEIs produce reports internally for management as well as for their governing body and its committees. Where the HEI already produces internal documentation that addresses all of the questions, we are happy to continue to receive this information in the institution's own format.
3. Similarly, where specific questions may be answered by reference to other parts of the annual accountability return, please reference that document, rather than providing duplicate information.

#### Template for December 2014 submission

1	Explain any material variances between the 2013-14 audited performance and position relative to the July 2014 forecast.
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4. As we intend to reduce burden where possible, the financial tables for the December return will only include the actual data for 2012-13 and 2013-14. **If there are material changes to the 2014-15 data from those submitted previously, please include the relevant information and explanation in the commentary.**
5. Where the commentary outlined above has not been provided to a satisfactory level of detail, or the information provided is not consistent with the operating and financial review, we will follow up with the relevant contacts at the HEI to obtain the required information.

### Financial commentary on past performance and future prospects (July 2015)

6. A full financial commentary must be submitted by 31 July 2015. As far as it is still relevant, we would expect the commentary to be consistent with the operating and financial review in the audited financial statements, in respect of past performance and future prospects. As well as helping us understand each HEI's specific circumstances, the commentaries (taken together) will further our understanding of the sector as a whole. To help HEIs answer all the required questions in this section, we have provided a template for completion at the end of this annex. Use of the template is optional: the commentary may instead be a document already produced by an HEI for its own planning purposes. However, it is expected that HEIs will address **all** the questions in the template below regardless of the format used for the commentary. **The governing body**

**should discuss and approve the financial tables and commentary before they are submitted to us.**

7. The questions in the financial commentary are as follows.

1	Explain how the institution is ensuring its sustainability, including through its strategy, quality of teaching and research, management of key risks including cash flow management, proposed financial commitments or material leases and investment in estates and infrastructure. Set out any conclusions from sustainability reviews as expected by the Financial Sustainability Strategy Group and any going concern reviews.
2	Explain the assumptions about student recruitment and fee income over the period of the forecasts, including how the institution is mitigating any risk and what scenario planning or sensitivity analysis has been undertaken.
3	Explain significant movements ( $\pm 10$ per cent in any one year) on the income and expenditure account and material changes on the balance sheet (including the detail on any material exceptional items). In particular, provide an explanation for material increases in staff costs or numbers.
4	Explain the key assumptions made in developing the financial forecasts.

8. Where the commentary outlined above is not provided to a satisfactory level of detail, or the information provided is not consistent with the operating and financial review, we will follow up with the relevant contacts at the HEI to obtain the required information.

## Financial commentary templates

Note that questions that are unanswered by HEIs will be followed up by reviewers of the return.

### Template for December 2014 submission

1	Explain any material variances between the 2013-14 audited performance and position relative to the July 2014 forecast.

### Template for July 2015 submission

1	Explain how the institution is ensuring its sustainability, including through its strategy, quality of teaching and research, management of key risks including cash flow management, proposed financial commitments or material leases, and investment in its estates and infrastructure. Set out any conclusions from sustainability reviews as expected by the Financial Sustainability Strategy Group and any going concern reviews.
2	Explain the assumptions about student recruitment and fee income over the period of the forecasts, including how the institution is mitigating any risk and what scenario planning or sensitivity analysis has been undertaken.
3	Explain significant movements ( $\pm 10$ per cent in any one year) on the income and expenditure account and material changes on the balance sheet (including the detail on any material exceptional items). In particular, provide an explanation for material increases in staff costs or numbers.
4	Explain the key assumptions made in developing the financial forecasts.