

Annex C: Financial results and forecast tables 2015 – guidance

Financial results tables (December 2015)

1. For the December 2015 returns, institutions will be required to submit, by **Tuesday 1 December**, the financial tables showing the actual performance and position for 2013-14 (pre-filled) and 2014-15, along with a commentary explaining any material changes from the data submitted in the July 2015 forecasts (see guidance on commentary in Annex D).
2. The requirements for the July returns are set out in paragraphs 5 to 6 in this Annex. We may exceptionally request that some institutions submit full forecasts in December, but this will be discussed with any institutions affected in advance of the submission date.
3. We recognise that these returns are snapshots at a particular date. Therefore we request that if at any time anything significant changes in an institution's performance relative to budget or forecast, the institution should notify HEFCE through the material adverse change procedure outlined in the Memorandum of Assurance and Accountability (HEFCE 2014/12, paragraph 57).
4. We require the relevant elements of the December submissions of the 2015 annual accountability returns (see Table A page 5 of the guidance) to be **approved by the governing body**. If this creates difficulties for institutions, we request that they contact their HEFCE assurance consultant to discuss.

Financial results and forecast tables (July 2016)

5. The forecasts should present the higher education institution's (HEI's) strategic plan in financial terms, be based on realistic assumptions, and be consistent with the accounting treatment in the financial statements. We recognise that HEIs may produce a number of different scenarios relating to their future financial position. The forecasts submitted to us should be those that provide the most likely outcome (that is to say, the most realistic). Within the financial commentary provided alongside the financial tables, we would expect comments on the likelihood of the forecast position materialising, and presentation and discussion of other possible scenarios.
6. In developing the financial forecasts, HEIs must take account of the changing funding environment, their own plans regarding fee levels, and assumptions about the impact of these on demand. Institutions will be asked to submit, by **Friday 29 July 2016**, financial tables showing the actual results for 2013-14 and 2014-15, together with the likely result for 2015-16 and forecasts for 2016-17, 2017-18 and 2018-19, along with a full commentary that answers the questions specified in Annex D. **The format of the forecasts will change as the result of the introduction of the latest SORP.** Further guidance on our requirements will be provided in Spring 2016.

Approach to completing the financial tables

Accounting conventions

7. The main December financial tables follow the format of the 'Statement of recommended practice: accounting for further and higher education' (SORP) introduced from 1 August 2007¹. The financial information in the December tables should therefore comply with all Financial Reporting Standards (FRSs) effective as at 31 July 2015. In particular, HEIs should apply the definition of terms in the SORP when completing the return and be consistent with the accounting policies used in HEIs' 2014-15 financial statements.

Consolidation

8. The financial tables should cover the HEI and all its subsidiary undertakings. If an HEI has subsidiary undertakings, the financial tables should be consolidated in accordance with FRS 2 'Accounting for subsidiary undertakings'.

Joint venture entities and associates

9. An entity (as defined by FRS 9) in which an HEI holds an interest on a long-term basis, and which is jointly controlled by the HEI, should be accounted for using the gross equity method. FRS 9 requires the equity method to be used when consolidating associates. The income and expenditure table and balance sheet include the relevant lines that HEIs with joint venture entity and associate interests will need to complete. In case of any ambiguity, HEIs should be consistent with the way they treat joint venture entities in their audited financial statements.

Tables to be completed

10. The tables submitted in December will cover a two-year period and those in July a six-year period, each starting with the two most recent years' audited financial statements. The December return will comprise the following tables:

Financial indicators table	Key financial indicators (automated)
EBITDA table	Earnings before interest, tax depreciation and amortisation (EBITDA) (partially automated) ²
Table 1	Income and expenditure account
Table 1a	Analysis of income
Table 1b	Analysis of staff costs
Table 2	Balance sheet
Tables 3 and 4	Cash flow
Table 5	Supporting data
Table 6	HE student number forecasts

¹ The SORP (2007) is available at www.universitiesuk.ac.uk/highereducation/Pages/SORP.aspx#.VcoLZpp0yUJ.

² This is based on the definition used by the British Universities Finance Directors Group.

Table 7

Balance of outstanding financial commitments and agreed financial commitments not yet drawn down as at 31 July 2015.

11. A link to a pdf sample of the financial tables to be completed in December can be found on the webpage of this publication. We will write to heads of finance in October 2015 with details of how to access and return the tables.

Financial indicators table

12. The first table is calculated automatically from the data in the income and expenditure, balance sheet and cash flow forecasts. The financial indicators used in this table help to show a trend of financial performance for each HEI. We expect that HEIs will comment in the supporting commentary on the trends of these indicators and any significant assumptions.

EBITDA table

13. The earnings before interest, tax, depreciation and amortisation (EBITDA) table uses the British Universities Finance Directors Group definition for EBITDA. Most values are completed from data input to other tables in the return. However, institutions are asked to check the calculation and complete the lines for amortisation and FRS17 data. For the July forecasts the financial commitments threshold is then calculated automatically, but institutions are asked to include the figure for the balance of financial commitments.

14. Financial commitments include:

- all financial commitments, whether self-financing or not, drawn or undrawn
- finance leases
- Private Finance Initiative arrangements which are accounted for as loans or finance leases in accordance with the requirements of statement of Standard Accounting Practice 21 or FRS 5
- repayable grants, such as from the HEFCE Catalyst Fund.

15. In calculating the threshold for financial commitments, pension fund liabilities and all provisions should be excluded.

Guidance on Tables 1, 2, 3 and 4

16. Tables 1, 2, 3 and 4 are standard financial tables that should be completed in accordance with the SORP and with the accounting policies adopted in HEIs' 2014-15 financial statements. The actual outturn for 2013-14 and 2014-15 entered in the tables should be consistent with the audited financial statements (restated if appropriate). Headings 1 to 6 and head 9 in Table 1 are automatically completed from Tables 1a and 1b and do not require input.

17. As well as returning information to HEFCE, all institutions must submit financial information for 2014-15 to the Higher Education Statistics Agency (HESA). This Finance Statistics Return is based on the annual audited financial statements and, as such,

should be consistent with both the audited statements and the data returned to HEFCE in December 2015.

Guidance on Table 1a

18. This section provides guidance for some of the headings and sub-headings on Table 1a. The information returned should be consistent with the HEI's audited financial statements and the HESA Finance Statistics Return.

Sub-heading 1a: HEFCE teaching grant

19. This heading should contain the actual or expected total recurrent teaching funding from HEFCE. This should include the elements of funding shown in Table A of the 2014-15 grant tables.

Sub-heading 1b: HEFCE research grant

20. This heading should contain the actual or expected total recurrent research funding from HEFCE.

Sub-heading 1c: HEFCE other grants

21. Amounts under this sub-heading should be any other HEFCE grants that have not been dealt with under Sub-headings 1a and 1b. Release of deferred capital grant from HEFCE should be included in Sub-heading 1f.

Sub-heading 1d: National College for Teaching and Leadership funding

22. This should include all funding provided by the National College for Teaching and Leadership, apart from the release of any deferred capital grant.

Sub-heading 1e: Skills Funding Agency funding

23. This should include all funding provided by the Skills Funding Agency apart from the release of any deferred capital grant.

Sub-heading 1f: Release of deferred capital grants

24. Amounts under this sub-heading should relate to a specific capital grant that has been used to purchase a capitalised asset. The release will be over the life of the asset and will offset the depreciation charge on those assets. This should include the release of deferred capital grants from HEFCE, the National College for Teaching and Leadership and Skills Funding Agency.

Heading 2: Tuition fees and education contracts

25. This should include all fee income, including short courses, self-financing full-cost courses funded by private and non-private sources and support grants in respect of those students on courses for which fees are charged. It should include income arising from courses provided for other bodies where the HEI charges either a block fee to cover a specified number of students or a fee per individual student.

26. Sub-headings 2a to 2e should cover fee income from Home and European Union (EU) domiciled students on higher education courses. The fee income should be split by mode and level.

Sub-heading 2d: Home and EU domicile fees paid by the Department of Health

27. This should include income relating to teaching contracts from the NHS.

Sub-heading 2e: NCTL fees

28. The aim here is to replace the NCTL grant line (which will now be at or almost zero), in order to obtain the scale of NCTL provision and any material changes to the level of provision. Therefore please include all fee income from NCTL students.

Sub-heading 2f: Non-EU domicile students

29. This heading should include higher education course fee income from those students whose permanent or home address prior to entry is outside the UK and the EU.

Sub-heading 2g: Other fees and support grants

30. This heading should include fee income in respect of non-credit bearing courses, further education courses and research training support grants.

Sub-heading 3a: BIS Research Councils

31. This should include all research grants and contracts income (including tuition fees for studentships associated with the contract) from Research Councils under the Department for Business, Innovation and Skills (BIS). Research income from the British Academy and the Royal Society should also be included here.

Sub-heading 3b: UK-based charities

32. This should include all research grants and contracts income from charitable foundations, charitable trusts and the like, based in the UK, which are registered with the Charity Commission.

Sub-heading 3c: Other research grants and contracts

33. This should include all research grants and contracts that are not covered by Sub-headings 3a and 3b.

Sub-heading 4a: Other services rendered

34. This should include income in respect of services rendered to outside bodies, including the supply of goods and consultancies.

Sub-heading 4b: Residences and catering operations (including conferences)

35. This should include the income from residences, catering and conference operations.

Sub-heading 4c: Income from health and hospital authorities (excluding teaching contracts for student provision)

36. This should include income received from UK health and hospital authorities for the funding of any employees of the institution, including posts in academic teaching, except for those relating to the provision of services rendered, which should be recorded under Sub-heading 4a, and research, which should be included under Heading 3. Income for teaching contracts should be returned as fee income under Heading 2.

Sub-heading 4d: Other operating income

37. This should include all other operating income not covered by Headings 4a-c.

Heading 5: Endowment and investment income

38. This should include: income from specific endowment asset investment; general endowment asset investments; other investment income and other interest receivable.

Guidance on Table 1b

39. Staff costs should cover all staff for whom the institution is liable to pay Class 1 National Insurance contributions or who have a contract of employment with the institution. This should include any severance costs (where these are not treated as exceptional items under Table 1 Heading 18), and these costs should be returned under Table 1b Heading 5, Other staff related costs. This table should be consistent with how information is disclosed in the notes of the audited financial statements. Full-time equivalent staff numbers should be returned (including academic and other staff).

Guidance on Table 5: Supporting data

40. This table asks for data on miscellaneous items to support the information supplied in the other tables. The data requested should also be included in other operating expenses (Table 1 Heading 10). The data to be returned are:

Subheading 1a: Operating leases and other long-term operating expense commitments

41. This should include the expenditure incurred in the year on operating leases and other long-term operating commitments.

Subheading 1b: Annual contract cost of PFI deals

42. This should include the annual contract cost of Private Finance Initiative (PFI) deals.

Subheading 1c: Maintenance expenditure

43. This should include all expenditure incurred in the year on the maintenance of premises (excluding the pay of staff involved, whose costs will be returned in Table 1b). It should cover expenditure to keep premises in good repair, and to replace and maintain existing systems.

Guidance on Table 6: Student number forecasts

44. Full-time equivalent student numbers should be returned for both full-time and part-time students. The population of students returned in the table should be consistent with the population returned in 'Student record' data collection to the Higher Education Statistics Agency (www.hesa.ac.uk)³. This means that the student numbers should include those who do not complete their studies, should include franchised-out students, but they should not include FE students and students returned to HESA in the 'Aggregate

³ For a description of the HESA student population, see

https://www.hesa.ac.uk/index.php?option=com_studrec&task=show_file&mnl=14051&href=coverage.html.

offshore record'. Please note, this student population is different from the student population returned to HEFCE through the Higher Education Students Early Statistics Survey (HESES). This data will be used to provide context for the other financial tables and will not be used for funding purposes.

45. For the definition of old-regime and new-regime students please see Annex Q of 'HESES11: Higher Education Students Early Statistics survey' (HEFCE 2011/27) or as subsequently revised in 'Early notification of planned changes to HESES and HEIFES and implications for 2012-13 student number control' (HEFCE Circular letter 15/2012)⁴.

46. Postgraduate research students do not need to be categorised into old and new regimes. All postgraduate research students should be returned under the 'old-regime' column.

47. Student numbers should be returned by mode (full-time, sandwich year-out and part-time) and level (undergraduate, postgraduate taught and postgraduate research). Sandwich year-out students should be included within the full-time numbers. Undergraduate numbers should include foundation degree students.

48. Student numbers relating to franchised-out provision, National College for Teaching and Leadership and NHS students should all be included within the totals. Please return students to whom the terms 'old-regime' and 'new-regime' do not apply under the 'old-regime' column. Where these are material elements of provision, please include further details of significant changes in the commentary.

Guidance on Table 7: Balance of outstanding financial commitments and agreed financial commitments not yet drawn down

49. Table 7 is used to review compliance with the Memorandum of Assurance and Accountability in relation to the level of financial commitments. The table should provide information on any financial commitments (long-term and short-term) in place at the year end (31 July 2015). The total commitments outstanding as at that date should agree with the audited balance sheet. Institutions should also complete the additional column 'Undrawn sum' for agreed financial commitments.

50. If you have any queries about how to complete this table, contact your HEFCE assurance consultant or assurance adviser (see www.hefce.ac.uk/contact/search/).

51. The table has been pre-filled with the information input by HEIs from the forecasts return (July 2015 submission). However, financial commitments with nil outstanding, or listed as 'repaid' or 'expired', have been deleted. Where any information is incorrect, please overwrite with the correct information, giving the reason in the far right-hand column (column N in the spreadsheet) using the drop-down menu. If the reason is not available in the drop-down menu, select 'Other' and provide an explanation in the commentary.

52. Where financial commitments have terminated, delete the commitment and select the reason (for example 'repaid' or 'expired') using the drop-down menu (and providing

⁴ Available online at www.hefce.ac.uk/pubs/year/2011/201127/ and www.hefce.ac.uk/pubs/year/2012/cl.152012/ respectively.

further explanation in the commentary if necessary). Any new financial commitments should be added by selecting 'New' in the far right-hand column (column N).

Public funding assumptions

53. In the financial tables HEIs are expected to include any HEFCE or other public funding that has already been announced. In relation to future revenue and capital funding, HEIs will need to make assumptions about the level of funding that might be available. We appreciate that there is uncertainty about the levels of public funding likely to be available in future years.

54. HEFCE's grant letter to HEIs in July 2015 announced the level of funding for the academic year 2015-16, and HEIs have also received correspondence about the level of capital funding available during this year. For future years HEIs should include their own assumptions, and be clear about these in the commentary.

55. Paragraphs 18 to 19 of the main document provide the context that HEIs themselves should use in their future financial plans. We expect HEIs' financial forecasts to be realistic about available levels of public funding, and their underlying assumptions to be explained in the financial commentary.