

# Cylchlythyr | Circular

## Request for forecasts 2018

**Date:** 25 June 2018  
**Reference:** W18/12HE  
**To:** Heads of higher education institutions in Wales  
and Directors of Finance  
**Response by:** **31 July 2018**  
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This circular requests HE institutions to submit:

- Financial forecasts for 2017/18 to 2021/22
- Student numbers for the current year 2017/18 and forecasts for 2018/19 to 2021/22

If you require this document in an alternative accessible format, please email [info@hefcw.ac.uk](mailto:info@hefcw.ac.uk).



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## Introduction

1. This circular requests higher education institutions to submit the following information:

Part 1 - Financial forecasts for the period to 2021/22

Part 2 - Student numbers for the current year 2017/18 and forecasts for 2018/19 to 2021/22

More detailed notes of guidance are set out below. Copies of the returns to be submitted are attached at the annexes to this circular, along with further technical information. Electronic copies of some of the annexes have already been sent to the relevant contacts at institutions in order to commence the forecast submission process. This year an updated financial forecast model workbook (with relevant guidance notes for completion) is attached to this circular at Annex B, in addition to a workbook to include credibility checks linking the forecast student numbers to the forecast fee income for home, EU and other overseas students (Annexes C1a-c and C2).

## Background and institutional strategic planning

2. We require institutions to submit financial and student number forecast information on an annual basis. This is to enable us to understand the past and expected future financial performance of institutions, and is also an important source of information to support Fee and Access Plan submissions and strategic dialogue between HEFCW and the institutions.

## Strategic context

3. In responding to this circular, institutions should take account of the various key circulars and other publications relating to higher education policy, strategy and funding developments in Wales. These include:
  - The Minister's remit letter to HEFCW of 28 March 2018, announcing higher education funding and priorities for 2018/19.
  - HEFCW's circulars<sup>1</sup>:
    - HEFCW's Funding Allocations 2018/19 (W18/10HE)
    - 2019/20 fee and access plan guidance (W18/03HE)

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<sup>1</sup> [www.hefcw.ac.uk/publications/circulars/circulars.aspx](http://www.hefcw.ac.uk/publications/circulars/circulars.aspx)

- Higher Education Students Early Statistics (HESES) survey 2017/18 (W17/31HE)
- Interim Postgraduate Taught (PGT) Masters support package for AY 2018/19 (W18/01HE)

### **Summary of information requirements**

4. We commenced the process of issuing to each institution separately their individualised financial forecast data forms in the week commencing 4 June 2018. These were sent, as appropriate, to directors of finance and data contacts as nominated by the head of the institution. All institutions should submit their completed returns by the dates indicated to [forecasts@hefcw.ac.uk](mailto:forecasts@hefcw.ac.uk). In addition to the specific purposes outlined above, all of the information requested through this circular will provide evidence to inform our Institutional Risk Review process.

## Part 1 - Financial forecasts for the period 2017/18 to 2021/22

5. Our objectives in requesting financial forecasts are to enable us to:
  - gain assurance that effective financial planning arrangements are in place;
  - check that institutions' strategic and financial planning are integrated;
  - monitor the financial health of institutions;
  - produce information at summary level on the overall trends and financial health of the HE sector in Wales; and
  - monitor whether institutions' forecasts take account of the prevailing higher education environment.
6. For the current submission we ask institutions to prepare five-year financial forecasts, covering the period to 2021/22. Where possible, we have pre-populated the 2015/16 and 2016/17 actuals columns in the models to assist with identification of any trends in performance. We have also pre-populated the original forecasts for 2017/18 (as submitted to us in July 2017). We will expect financial forecasts to be based on the latest fee plan submissions and relevant circulars on funding and student number allocations. Financial forecast information should be submitted to us at [forecasts@hefcw.ac.uk](mailto:forecasts@hefcw.ac.uk) by **31 July 2018**.
7. In preparing the forecasts institutions should make reference to the planning assumptions outlined in **Annex A** and to the documents listed in paragraph 5 above.

### Content of the financial forecasts

8. The form and content of the financial forecast models 2017/18 to 2021/22 is the same as that submitted by institutions in July 2017. As last year it includes a split-out of EU student fee income lines from those for Welsh domiciled students. Again, we have requested the same split for the student number forecasts. This is to enable further analysis of the impact of Brexit on EU student numbers. Please note that completion of both the five-year forecasts and the commentary is compulsory and should reflect the requirements of the Memorandum of Assurance and Accountability (MAA) (see circular W15/32HE) between HEFCW and the institutions. The forecasts should be based on realistic assumptions and be consistent with the changes to accounting treatment and presentation in the last financial statements.
9. **Pension Scheme costs** – we have requested in **Annex C** an analysis of the forecast pension charges to the Statement of Comprehensive Income,

as well as forecast pension payments and the estimated liability. The implementation of FRS 102 has brought additional pension scheme liabilities onto the balance sheet, the Universities' Superannuation Scheme (USS) being the most significant of these.

### **Financial forecasts tables**

10. The new financial forecast template is attached at **Annex B**. The financial forecast commentary (**Annex C**) requests further memorandum analysis of the tables in the forecast model, although the information for student number and student fee income forecasts is required separately under Annexes C1-C2 and SPF1-3. Annexes C3 and C4 collect analysis of loans and covenants and subsidiaries' activities respectively. A detailed schedule of borrowings has been included in table 6 of the main financial forecast model and there are validation checks to ensure that it agrees in a number of key aspects to the borrowings on the balance sheet, etc.

### **Financial forecasts commentary**

11. Institutions should provide a commentary on the financial forecasts using the pro forma at **Annex C** as its basis. The proforma lists detailed requirements for information on a number of key aspects of the financial forecast, but the overall aim is for institutions to provide:-
  - (i) assurance that the financial forecasts are derived from and are consistent with the institution's current strategic plan and financial strategy and that there is connectivity to recent financial performance;
  - (ii) additional supporting information on the key assumptions in the financial forecasts; and
  - (iii) an explanation of important trends in the forecast numbers across the period, especially with respect to the key indicators such as liquidity, operating surplus, cash generation etc.
  - (iv) Some tangible evidence of contingency planning for events such as under-recruitment of student numbers at FTUG and PTUG level for 2017/18 and 2018/19 and the financial consequences for income and surplus (see the 'Risk/Opportunity analysis at Annex C).

Tables are included in the annexes to the forecast request to aid the reconciliation of student fees (distinguishing between new and returning Welsh, EU and UK domiciled students) to student number forecasts (**Annexes C1a to C1c**). Similarly, overseas students' fees (distinguishing between those studying at the 'home' institution and those with franchise organisations or studying at an overseas campus, split between undergraduate and postgraduate) should also be reconciled to forecast

student numbers. Please note that we expect TNE student numbers to be included in the SPF annexes and the related fees income to be included in **Annex C2**.

Institutions that currently deliver Initial Teacher Training (ITT) should include reference in the commentary regarding the financial impact of this provision in the financial forecast, to assist our understanding of the potential financial impact of future proposals for ITT.

## **Part 2 - Student numbers for the current year 2017/18 and forecasts for 2018/19 to 2021/22**

12. There is an integral relationship between an institution's assumptions about future changes to its student population and its financial forecasts. Therefore the student forecasts are important features underpinning an institution's strategic plan and financial forecasts.
13. Institutions are asked to submit, to [forecasts@hefcw.ac.uk](mailto:forecasts@hefcw.ac.uk), by **31 July 2018** forecasts of all HE student numbers (both fundable and non-fundable home, EU, Island and overseas) for the four years 2018/19 to 2021/22. This includes forecasts of student numbers at overseas campuses, **Annex D** contains information on the tables and guidelines to assist the accurate completion of the returns. Copies of the tables to be completed are attached for information at **Annex E**, and we will email institution specific tables to data contacts which contain validation and summary information. Tables in **Annexes C1 and C2** are included in the same workbook as Annex E, and credibility checks have been introduced to help check student number returns alongside fee income data. It is these tables that need to be completed and returned.
14. In addition to the forecasts, we are requesting information on student numbers for the current year 2017/18. This is to ensure that we can make comparisons of the most recent student population against the student fee income data returned in Annexes C1 and C2. We recognise that it will still include an element of estimation as the academic year will not have ended but will provide us with more accurate numbers to make a comparison with assumptions made in preparing the forecast fee income figures.
15. The definitions contained in circular W17/31HE, *Higher Education Students Early Statistics (HESES) survey 2017/18* and in the HESA Aggregate Offshore record [guidance](#), should be used in compiling the student forecast information required by this circular.
16. Assumptions should be consistent with those presented in **Annex A**, and any other relevant assumptions used in the preparation of the financial forecasts.
17. Further notes on completion of the tables can be found in **Annex D**.

## **Freedom of information**

18. As a public authority HEFCW is subject to the Freedom of Information Act 2000. The Act gives a public right of access to any information held by a public authority. Information submitted to HEFCW may be disclosed on request under the terms of the Act. We have a responsibility to decide whether any responses should be made public or treated as confidential. We may refuse to disclose information in circumstances where disclosure of information would prejudice commercial interests or where information has been provided in confidence (for example, future financial projections). Further information about the Act, including the particular circumstances when information may be withheld, can be found at [www.ico.gov.uk](http://www.ico.gov.uk) under Freedom of Information Act.