

Cyngor Cyllido Addysg
Uwch Cymru
Higher Education Funding
Council for Wales

Cwrt Linden
Clos Ilex Llanisien
Caerdydd CF14 5DZ
Ffôn 029 2076 1861
Ffacs 029 2076 3163
www.hefcw.ac.uk

Linden Court
Ilex Close Llanishen
Cardiff CF14 5DZ
Tel 029 2076 1861
Fax 029 2076 3163
www.hefcw.ac.uk

hefcw

Cylchlythyr

Circular

Forecast Requests 2010

Date: 21 May 2010
Reference: W10/15HE
To: Heads of higher education institutions in Wales
Response by: 23 July 2010
Contact: Name: Dale Hall
Telephone: 029 2068 2280
Email: dale.hall@hefcw.ac.uk

This circular requests HE institutions to submit:

- financial forecasts for 2009/10 to 2013/14
- student number forecasts for 2010/11 to 2013/14
- staff number forecasts for 2009/10 to 2013/14

This document is available online, in large print, Braille, on CD and on audio CD and cassette. Should you or someone you know require this in an alternative format, please contact us on (029) 2068 2280 or email info@hefcw.ac.uk.

Noddir gan
Lywodraeth Cynulliad Cymru
Sponsored by
Welsh Assembly Government



Introduction

- 1 This Circular invites higher education institutions to submit the following forecasts:
 - financial forecasts for 2009/10 to 2013/14
 - student number forecasts for 2010/11 to 2013/14
 - staff number forecasts for 2009/10 to 2013/14

A summary of our information requirements can be found in the table overleaf. 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.

Background and institutional strategic planning

- 2 HEFCW requires institutions to submit forecasting information on an annual basis. This is to enable us to understand the past and expected future performance of institutions, and also is an important source of information for strategic dialogue between HEFCW and the institutions which it funds.
- 3 In addition to the annual forecasting information we also normally request at this time that institutions provide us with copies of their current strategic plans. This year we have decided to delay our request for institutions' strategic plans, in order to allow some additional time for institutions to take account of the many new developments in HE in Wales this year including:
 - *For Our Future*, the Welsh Assembly Government's (WAG) strategy and plan for higher education, published in November 2009
 - The Minister's remit letter to HEFCW of 10 March 2010, announcing higher education funding and priorities for 2010-11 and guidance for HEFCW's Corporate Strategy 2010 to 2013
 - HEFCW's Corporate Strategy 2010-2013, which was published in draft for consultation in March 2010 and will be submitted to WAG for approval in May 2010; and
 - The proposals for developing a regional dimension to the planning and delivery of higher education which were published for consultation in February 2010, with further guidance due to be published shortly.

The economic context within which HEFCW's Corporate Strategy and individual institutions' strategies will be delivered will be challenging. Irrespective of future decisions by the Welsh Assembly Government over higher education budgets, including the possible introduction of capping of

student numbers, pressures in other parts of the public and private sectors are likely to reduce the resources available to the sector. HEFCW will be focusing its funding more sharply on Welsh Assembly Government priorities and make more strategic use of core funding through a new Strategic Implementation Fund.

- 4 We will, however, be asking institutions to provide us, by early September, with their strategic response and approach to addressing the requirements of WAG's *For Our Future* higher education strategy and plan. The precise arrangements and requirements for this submission will be set out in a separate circular.

Feedback

- 5 Subject to timely receipt of the information we are requesting, we will aim to address any ad hoc queries relating to the forecast information with your institution before the end of September 2010. Any outstanding queries or significant issues at that date will inform the assessments that we will make as part of our Institutional Risk Review process.

Information	Details	Response date	Why we want to know	What do we do with the information
Financial forecasts	For the period 2009/10 to 2013/14	23 July 2010	<ul style="list-style-type: none"> • Check integration and connectedness between financial, student and staff numbers planning and institutional strategies (including estates strategies) • Monitor financial health of institutions • Inform policy advice to the Assembly 	<ul style="list-style-type: none"> • Analyse the forecast financial position of individual institutions and the sector • Assess sustainability to inform the Institutional Risk Review process • Make decisions about need for dialogue/ intervention
Student & Staff number forecasts	<ul style="list-style-type: none"> • Student number forecasts for the period 2010/11 to 2013/14 • Staff number forecasts for the period 2009/10 to 2013/14 	23 July 2010		

Financial forecasts for the period 2009/10 to 2013/14

6 We recognise that financial forecasts are an integral part of an institution's strategic plan. Our objectives in requesting financial forecasts are to enable us to:

- 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.

7 Institutions are required to prepare five-year financial forecasts covering the period 2009/10 to 2013/14. In doing so, you should make reference to the planning assumptions outlined in **Annex A** and also to the following documents, as well as the strategic documents referred to in paragraph 3 above:

(i) the remit letter from the Welsh Assembly Government to HEFCW of 10 March 2010, announcing higher education funding and priorities for 2010-11

http://www.hefcw.ac.uk/about_he_in_wales/wag_priorities_and_policies/annual_remit_letter_hefcw.aspx

(ii) *Recurrent Grant 2009/10* Circular (W09/08HE) and the *Recurrent Grant 2010/11* Circular (W10/10HE)

http://www.hefcw.ac.uk/documents/publications/circulars/circulars_2009/W09%2008HE%20Recurrent%20Grant.pdf

http://www.hefcw.ac.uk/documents/publications/circulars/circulars_2010/W10%2010HE%20Recurrent%20Grant%202010_11.pdf

8 We appreciate that there is significant uncertainty about the likely levels of public funding that will be available in future years. We have already indicated in our latest recurrent grant circular that in the current circumstances we cannot be certain that there will be no adjustments to our Grant in Aid (GIA) for Financial Year (FY) 2010-11 as our remit letter states that the figures are provisional and may be subject to change. As we have not had any indication of our budget for 2011-12, the 2010/11 Academic Year (AY) budget has been established by assuming an identical position for FY 2011-12 as for FY 2010-11 (i.e. that, once ring-fenced elements are excluded, the higher education budget allocation for FY 2011-12 will be the same in cash terms as for FY 2010-11). However, in the absence of any further information, institutions will need to make contingency plans to accommodate any fluctuations in the FY budgets in 2010-11 and 2011-12.

We expect your institution's financial commentary to reflect fully the details and bases of the key assumptions supporting the numbers in the financial plan, and to this end we have included further specific requirements within Annex C.

The financial commentary on past performance and future prospects is an integral part of the overall financial return, explaining forecast financial performance in the context of recent financial results, and identifying important trends in the forecast numbers across the period, especially with respect to the key indicators such as liquidity, operating and historic surplus, etc.

The information provided within the financial commentaries will be especially important, given the uncertainty of the future financial settlements, to inform our understanding of each HEI's specific circumstances and, taking all the commentaries together, our understanding of the sector's position to assist us in helping to position the sector for future spending rounds.

Content of the financial forecasts

- 9 The form and content of the financial forecasts 2009/10 to 2013/14 is unchanged from that used in 2009/10. Please note that completion of both the five year forecasts and the commentary is compulsory, and it should reflect the requirements of the Financial Memorandum between HEFCW and the institutions. The forecasts should be based on realistic assumptions and be consistent with the accounting treatment and presentation in the financial statements.

Financial forecasts tables

- 10 The financial forecasts cover a five-year period and comprise the following tables which are reproduced at **Annex B**. Specific guidance is included below on the completion of the tables and the commentary.

Table 1 Income

Table 2A Non-Pay Expenditure

Table 2B Pay Expenditure

Table 3 Balance Sheet

Table 4 Cash Flow statement

Table 5 Comparison of original forecast for financial year 2009/10 (submitted July 2009) with latest estimate made

Table 6 Movement in pensions deficit

Table 7 Capital Financing

Table 8 Key Performance Indicators

Table 1 Income

Contributions made by the Welsh Assembly Government towards students' fees should be included as part of the 'Home and EU students' fees and grants'.

Table 2A Non-pay expenditure

Please provide details of all non-pay expenditure, and of related depreciation and interest payable, against all categories indicated.

Table 2B Pay expenditure

It is a requirement that all institutions include their assumptions about FRS 17 in the financial forecasts (within the individual pay lines).

Table 3 Balance Sheet

Institutions are expected to follow the guidance issued by the HE/FE SORP Board in October 2007 in relation to implementing FRS 17. For the purposes of the financial forecasts balance sheet, institutions are required to include the pension asset or liability for each year. It is recognised that forecasting future pension asset values is difficult, and institutions may carry forward the forecast expected pension asset or liability as at 31 July 2010 for all years. All assumptions made in the financial forecasts must be noted in the commentary.

Table 4 Cash Flow statement

This table reflects the guidance issued in the 2007 SORP.

Table 5 Comparison of 2009/10 original forecast with latest estimate

This table highlights major differences in the latest estimated outturn for 2009/10 against the original forecast made for that same year as submitted in July 2009. Appropriate explanation should be provided in the commentary.

Table 6 Movement in pensions deficit

This table is designed to track the movements in the pensions deficit across the forecast period. It is appreciated that the forecasting of actuarial gains or losses is difficult, but the other movements should reflect the appropriate impacts on Income & Expenditure and Cash Flow.

Table 7 Capital Financing

Forecast capital expenditure and the expected method of finance should be provided in Table 7. Details of major capital projects over the forecast period should also be provided, along with details of any capital projects which are expected to be funded through the Private Finance Initiative. Any other information should be detailed in the commentary, in particular details of PFI/PPP initiatives which have resulted in potential capital expenditure being taken "off Balance Sheet" by the substitution of service contracts.

Table 8 Key Performance Indicators

This table is derived from the data entered in the preceding tables and is designed to provide a trend analysis through past years' results and through to the end of the forecast period. Past years' results have been entered to calculate the KPIs shown in the model.

Financial forecasts commentary

- 11 Institutions should also provide a commentary on the financial forecasts using the pro forma at **Annex C**. The commentary serves two purposes:
 - (i) to explain how the financial forecasts are derived from and are consistent with the institution's strategic plan; and
 - (ii) to provide additional supporting information on the financial forecasts.
- 12 The following areas should be covered:

Section 1 Introduction

As highlighted above, particular attention should be paid to the issues shown under the headings of 'Financial commentary on past and future prospects', 'Financial sustainability' and 'Changing economic conditions' in the pro-forma.

This should cover the context in which the forecasts have been prepared, how the elements of the institution's strategic plan and estates strategy have been included in the forecasts, and how these developments are to be financed.

Institutions are required to provide sufficient detail in order to provide an understanding of the assumptions that lie behind their future levels of recurrent grant. All assumptions relating to the implementation of FRS 17 should be included here.

Confirmation should also be given of the adequacy of assumptions made for increases in significant areas of cost (e.g. staff costs).

Section 2 Income & Expenditure Account (Tables 1, 2A and 2B)

Major changes to costs, revenue, or significant trends in these areas should be adequately explained here. In addition, confirmation is requested of the adequacy of the revenue maintenance programme.

Sections 3 and 4 (Balance Sheet and Cash Flow statement)

These sections should be completed with any other information that would enable the reader to gain a fuller understanding of the institution's financial forecasts. All details should include a cross reference to the appropriate table.

Section 5 Comparison of last year's estimate for the current year with the latest estimate

This should give an explanation of all significant variances, and confirmation of any items which carry through the forecast period.

Section 6 Movement in pensions deficit

You should comment on any significant issues affecting the movement in the deficit (e.g. increases in employer's contributions) and relate them to income & expenditure, cash flow or reserves.

Section 7 Capital Finance

This should provide an analysis of the significant projects forming the capital spend. The level of spend shown should tie back to the sourcing of finance in the table. We also require information on any projects which are contained in your strategic plan and/or your estates strategy but which are NOT costed in this table.

Section 8 Key Performance Indicators

You should provide information to support any significant changes or trends in the indicators.

Section 9 Risk / Opportunity Analysis

This section gives the opportunity to estimate the impact of any risk or opportunity factors (e.g. an increase in employer's pensions costs; a movement in overseas fee levels) which are NOT contained in the tables of the forecast model.

Student and staff number forecasts

- 13 There is an integral relationship between an institution's assumptions about future changes to its student and staff population and its financial forecasts. Therefore the student and staff forecasts are important features underpinning an institution's strategic plan and financial forecasts.
- 14 You are required to provide forecasts of all HE student numbers (both fundable and non-fundable home and EC, Island and overseas) for the period 2010/11 to 2013/14, and staff numbers for the period 2009/10 to 2013/14. **Annex D** contains guidelines to assist the accurate completion of the returns; copies of the returns themselves are attached at **Annexes E** and **F**.
- 15 The definitions contained in Circular *W09/33HE, Higher Education Students Early Statistics Survey 2009/10* should be used in compiling the student forecast information required by this Circular.
- 16 Assumptions should be consistent with those presented in **Annex A** to this Circular, and any other relevant assumptions used in the preparation of the financial forecasts.

Student number forecasts for the period 2010/11 to 2013/14 (Annex E)

Forms SPF1 and 2

- 17 These forms should be completed to show the full-time, sandwich year out and part-time registrations split by mode of study, level of study and funding category (SPF1), and for home and EC fundable registrations, by mode of study, level of study and Academic Subject Category (ASC) (SPF2).
- 18 All student registrations should be shown as the forecast number of registrations, not full-time equivalents (FTEs). Sandwich year out registrations should be counted as 1.
- 19 For ASC 11a (Education: Initial Teacher Training leading to QTS), if appropriate, students should be recorded separately under the Primary and Secondary sub-headings within ITT as defined in HESES09.
- 20 Forecasts of franchised students should be counted at the franchisor institution. However, students in the UK, forecast to be registered at institutions outside Wales, with a Welsh institution providing quality assurance, are not included within the definition of franchised students and should not be included in this return. Institutions may only count students forecast to be franchised to institutions outside Wales if HEFCW has been notified of these courses and has agreed to their being funded.
- 21 Note that students franchised out to overseas institutions should not be included in this return. For institutions that have such an arrangement, we would ask you to include, separately, a note to show forecasts for these students covering the period 2010/11 to 2013/14.
- 22 HEFCW funds PGR selectively. Only home and EC students in Units of Assessment (UoAs) included in the QR funding model for 2010/11, i.e. those UoAs with greater than the threshold of 3 classified FTE Category A staff, should be recorded as fundable.

Form SPF3

- 23 This form should be completed to show the number of credit values associated with full-time, sandwich year out and part-time home and EC fundable registrations (as returned in SPF2) by mode of study, level of study and ASC.

Staff number forecasts for the period 2009/10 to 2013/14 (Annex F)

Form SPF4

- 24 You should return all staff numbers in terms of FTE. In form SPF4 (Staff Numbers Forecast by Employment Function), both full-time and part-time staff numbers should be recorded in one of three sub-headings: academic departments / schools; academic support services (including central libraries and information services, central computing and computer networks and other academic services); and other services (central administration and services and student and staff facilities - including residences and catering and other staff).
- 25 Full-time staff are those with a contract coded as 1 or 2 in Field 007: Mode of Employment on the HESA Staff Record contract table. All other contracts should be shown as part-time.
- 26 The staff FTE should reflect that to be shown in Field 009: FTE during reporting period. Staff FTE should be returned in the category that the dominant function of the contract falls into. Staff FTE of all contracts relating to a member of staff should be returned, including FTE relating to atypical contracts (see HESA Staff Record 2009/10 coding guidance, C09025 Coverage of the record).
- 27 Assumptions should be consistent with definitions used in the coding of the HESA Staff Record for 2009/10.

Form SPF5

- 28 In order to enable HEFCW to monitor the employment terms and conditions of staff, you are asked to complete form SPF5. You should return the forecast staff FTEs, recorded in SPF4, by terms of employment. For full-time and part-time staff, FTEs should be recorded in one of three sub-headings: open ended/permanent; fixed-term contract; and atypical. The terms of employment should reflect that to be shown in Field 006: Terms of Employment on the HESA Staff Record contract table.
- 29 You are also asked to show forecast pay expenditure against each of the three terms of employment sub-headings, and by dominant function of contract. The information in these columns must be consistent with the corresponding data shown in the Financial Forecasts return, Table 2B Pay Expenditure (Head 9 Total pay expenditure less Head 8 Total staff restructuring).
- 30 In SPF 4 the total staff FTEs for each of the four sub-headings should correspond to those figures in SPF 5.

Authorisation of financial forecasts

- 31 All forecast tables (financial, staff and student numbers) must be signed by the Head of Institution. The financial forecast tables include confirmation that the tables and commentary have been discussed with, and approved by, the governing body of your institution.

Presentation of the forecasts

- 32 We will provide separately by e-mail individualised electronic copies of the following for completion and return:
- pro forma for the financial forecast tables (Annex B) and commentary (Annex C), dispatched to Directors of Finance.
 - pro forma for student and staff number forecasts (Annexes E and F), dispatched to institutions' data contacts.

Returns and response dates

- 33 All institutions should submit the following by the dates indicated:

(i) One copy **signed by the Head of Institution** of:

- financial forecasts and commentary, including confirmation of the date of approval of the forecasts by the governing body;
- student and staff number forecasts.

You may scan the signed forecast returns and email these to forecasts2010@hefcw.ac.uk, or else send by post to Neil Hempstead at the HEFCW office. Please submit by **23 July 2010**.

(ii) One **electronic copy** of each of the above completed forecast returns, emailed to forecasts2010@hefcw.ac.uk by **23 July 2010**.

Freedom of information

- 34 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 exceptional circumstances, such as where disclosure of information would prejudice commercial interests (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 under Freedom of Information Act.

2010 strategic plans and financial forecasts: assumptions

- 1 At this stage we are able to confirm only that the funding for academic year 2010/11 remains in line with the information provided in the WAG remit letter for 2010-11, and in the Recurrent Grant circular W10/10HE. Beyond 2010/11 institutions should include their own assumptions and document clearly the rationale for adopting these assumptions. The assumptions should take account of the strategies and circulars described in paragraphs 3 and 6 of this circular

Funding for teaching

Formula based funding for additional funded numbers

- 2 For the purposes of the forecasts, institutions should assume **no growth** in the following areas:-
 - funded numbers in undergraduate full-time and sandwich **degree** provision;
 - funded numbers in part-time undergraduate and postgraduate taught provision, or in full-time postgraduate taught provision.

Institutions will be aware that postgraduate research training is subject to separate funding arrangements.

- 3 Funding assumptions for undergraduate full-time and sandwich recruitment in **quota controlled** provision in medicine and dentistry, initial teacher training and PGCE should accord with the advice given in HEFCW communications specific to those areas.
- 4 Assumptions should be consistent with those used in the preparation of the student number forecast tables.

Strategic investment funding

- 5 Note that ALL sources of HEFCW formula and non-formula based funding should be included in your forecasts on the appropriate income lines.

Funding for research

- 6 For planning purposes, the 2010/11 allocations for QR announced in the Recurrent Grant 2010/11 Circular (W10/10HE) should be rolled forward to future years.

Capital

- 7 The forecast should take account of the capital allocations for 2009-10 and the provisional capital allocations for 2010-11 announced in Circular W08/08HE, and should be consistent with the latest capital investment or estates strategy for your institution. In putting together the forecasts institutions should bear in mind the statements on capital funding in HEFCW's remit letter 2010-11, which include a commitment by WAG to establish a single capital pool from 2011-12 to support the implementation of the new HE strategy *For Our Future*, and also the requirement for HEFCW to assess during 2010-11 all existing capital commitments to ensure they are aligned with the strategy (paragraphs six and seven of the remit letter 2010-11 refer).

- 8 The forecast should include reference to any plans for long-term maintenance.