

## Strategic Plan and Financial Forecast Request

To: Heads of Higher Education Institutions

Summary: This circular requests that institutions submit a Strategic Plan covering the period 2003/04 to 2007/08 and Financial Forecasts for the period 2002/03 to 2006/07

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Response by: 25 July 2003

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## ■ INTRODUCTION

- 1 This Circular invites institutions to submit strategic plans for the five-year period 2003/04 to 2007/08. It also invites institutions to submit financial forecasts for the period 2002/03 to 2006/07. A request for student and staff number forecasts will be made separately.
- 2 This invitation follows a consultative seminar in March 2003, through which the Council explored, with senior representatives from the sector, ways in which it might seek alignment between its corporate planning process and those of institutions. The Council's Corporate Strategy sets out its long and medium term priorities, taking into account the Welsh Assembly Government's values, principles and priorities for higher education in Wales to 2010.

## ■ BACKGROUND

- 3 Since 1999, the Council has invited institutions to submit, annually, a summary strategic plan, in addition to detailed strategies in relation to specific areas of activity.
- 4 Feedback from consultation has led the Council to the view that it should change the arrangements for the strategic planning review. The Council recognises that circumstances have moved on since 1999. It notes the need to find ways to focus reporting better upon the key priorities of the Assembly's *Reaching Higher* Strategy, in order both to monitor progress and to be able to demonstrate the collective achievements of the sector to the Assembly. In so doing, the Council expects that institutions will already have been taking account of the priorities within *Reaching Higher* in their strategic planning since March 2002. The Council is also seeking to reduce the burden of reporting on institutions, as part of a general drive in that direction.

## ■ AIM OF THE STRATEGIC PLANNING PROCESS

- 5 An institution's strategic plan should be a document of value principally for the institution: it should provide structured

guidance for strategic development and management across all the issues with which the institution is properly concerned. Its secondary function is to inform and assure third parties, not least the Council, that the institution is properly addressing its management responsibilities, and that institutions are making adequate contributions, individually and collectively, towards the targets outlined by the Welsh Assembly Government to 2010.

- 6 The over-arching strategic plan, together with specific sub-plans and strategies, will continue to be an important source of dialogue between the Council and an institution, informing meetings between officers of the Council and the institution and providing a context for discussions about a range of emerging issues. These plans will continue to play a role in the meetings between heads of institutions and the Council each autumn. The submission of the information of expected contributions to Corporate Strategy targets (see para. 7.ii) will allow the Council to conduct a gap analysis on the likely cumulative outcomes of institutions' plans and to consider any steps that might, in consequence, require attention.

## ■ CHANGES TO THE FORMAT OF THE STRATEGIC PLAN REQUEST IN 2003

- 7 In the light of the consultative seminar, Council invites institutions to submit the following in 2003:
  - i. **A copy of the institution's latest strategic plan.**

The Council is not specifying a particular format, structure or content for the strategic plan. It recognises that institutions' plans vary in size and scope. However, the plan should include a contents page which lists, according to the institution's mission, each of the major activities in which it is engaged. While the balance of these activities may vary from institution to institution, they can be expected to contribute in different measure to student learning, research (where relevant), and service to the community in economic, social and cultural terms. Officers will be glad

to discuss the detailed interpretation of this requirement in individual cases.

ii. **A completed targets template** (example at **Annex A**) which will look for institutions to:

- ◆ note their planned contribution to particular targets deriving from *Reaching Higher* and set out in the Council's Corporate Strategy. Institutions are asked to set long-term targets to 2010, and shorter term targets over a 3-year planning period;
- ◆ cross-reference the targets they will be adopting to the sections of their strategic/specific plans which will provide the evidence for how they are taking this work forward.

**8 The Council is close to concluding discussions with the Assembly on revisions to the initial *Reaching Higher* targets, and will circulate the revised set as soon as possible. In the meantime, the Council invites institutions to begin considering their response to this request with reference to the existing set of targets and the example template at Annex A, in the expectation that, while the detail of some of the targets will change, the broad subject areas to be addressed will not.**

9 Institutions should note that the Council recognises the variations in mission across the sector and will not expect all institutions to respond in similar detail to all targets. Some, for example, would be expected to have little to say in respect of research. In order to give guidance on the degree of detail that Council is seeking in responses, **Annex A** attached is completed with illustrative data.

10 As noted in para. 7.i, institutions are invited to submit a copy of their latest strategic plan. Institutions in the process of merger may, with agreement, submit the previous year's plan, or, if they believe that their reconfiguration plans are sufficiently advanced, submit a joint strategic plan. Institutions should contact Anita Colley on 029 2068 2276 or e-mail

[Anita.Colley@HEFCW.ac.uk](mailto:Anita.Colley@HEFCW.ac.uk) to make such arrangements.

■ **DETAILED PLANS/STRATEGIES**

11 For the immediate future (but see para.14), detailed plans will still be required in certain areas, linked to the release of formula-based funding allocations.

12 Over the next year, the Council will be seeking plans and strategies in the following main areas:

- ◆ Welsh Medium Provision;
- ◆ Initial Teacher Training (subject to the outcome of consultation)
- ◆ Reaching Wider Partnerships
- ◆ Alumni Developments (subject to advice from the Welsh Assembly Government)

13 Council will also be seeking updates on the following plans and strategies:

- ◆ Learning and Teaching;
- ◆ Widening Access, incorporating Disability Provision Development Plans;
- ◆ Higher Education Economic Development (HEED)<sup>1</sup> (pending the introduction of full third mission funding in 2004/05; circular W03/33HE refers);
- ◆ Estates.

14 The Council is considering how, in future years, it might reduce the burden of reporting by drawing these specific detailed requests for information into a single request for an annual monitoring statement. The sector will be consulted in Autumn 2003 on proposals for developing such future requests. The introduction of such a statement will necessarily have to be phased in, since the methods for reporting progress on existing initiatives were not designed with this format in mind. As future initiatives are rolled out, so, progressively, Council aims to seek reports within this simplified format, subject to the outcome of consultation.

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<sup>1</sup> HEED Plans continue to include KEF strategies

## ■ RACE EQUALITY

- 15 The Council has a statutory role, within the Race Relations (Amendment) Act 2000, to monitor the performance of higher education institutions in relation to their role as employers. Institutions are themselves required by law to report annually on the outcomes of their own monitoring, in terms of both staff and students. The Council plans to fulfil its monitoring role this year by inviting institutions to submit, with their strategic plans, copies of the annual reports which they have already prepared in line with the Act. Where relevant, institutions will also be expected to address race equality issues and changes to relevant policies within the over-arching strategic plan. This will aid institutions in the 'mainstreaming' of race equality issues within their normal planning processes.
- 16 Following the recent feedback from the Equality Challenge Unit, we will also this year be inviting relevant institutions to revise and resubmit their race equality policies in full. The date for such resubmission is 31 October 2003. In future years, institutions will only be expected to submit copies to the Council as and when they are further amended.

## ■ HUMAN RESOURCE STRATEGIES

- 17 The Council has made monies available in 2003 to provide consultancy advice to institutions in the development of their human resource strategies. The consultants, OPM, will also be undertaking a review of HR strategies to assist institutions in their further development. This circular therefore invites institutions to submit their human resource strategies, at the current stage of development, with their strategic plans. Further feedback will be provided to institutions later in the year. Institutions unable to meet this July deadline because of reconfiguration activity are invited to discuss this with Council officers.

## ■ ESTATES

- 18 Institutions are requested to provide a short summary of progress to date, highlighting any significant changes, as well

as checking that the rationale for the strategy remains valid. In reviewing estate strategies, institutions will find it helpful to refer to the self-assessment questions contained in HEFCE circular 00/04: *Estate Strategies – A Guide to Good Practice*, sent to institutions in May 2001 (HEFCW reference W01/44HE). In particular institutions should identify and provide assurance that:

- ◆ there is clear correlation between the institutional strategy and the strategy for the estate;
  - ◆ the responsibilities and resources to deliver the estate strategy are clearly defined;
  - ◆ the estate strategy promotes the effective management of the institution's estate and contains clear standards and targets (such as reducing sub-standard building stock or increasing the functionality of accommodation, and increasing access according to the requirements of the *Disability Discrimination Act 1995*, updated by the *Special Educational Needs and Disability Act 2001*).
- 19 Please also refer to the Estate Management Manual, Chapter 2, which is available at [www.wfc.ac.uk/estates/intro](http://www.wfc.ac.uk/estates/intro).

## ■ STUDENT AND STAFF NUMBER FORECASTS

- 20 Institutions are also asked to provide forecasts of their student (both fundable and non-fundable Home and EC, island and overseas) and staff numbers for the period 2003/04 to 2006/07. In addition to completing the proforma (see paragraph 31), the plan itself should show how the student and staff number forecasts relate to the institution's plans.

## ■ FINANCIAL FORECASTS

- 21 We continue to require financial forecasts as part of the strategic plan exercise. These should make reference to the planning assumptions outlined in **Annex B** and circular W03/18HE: Recurrent Grant 2003/04.

- 22 All institutions are required to submit individual 2003 five year financial forecasts. However, if any HEIs believe that their reconfiguration plans are sufficiently advanced to enable them to provide robust five year financial forecasts on a joint basis, please contact Michelle Morris, no later than Friday 13 June, to discuss this year's submission.

#### ■ CONTENT OF THE FINANCIAL FORECASTS

- 23 The form and content of the 2003 financial forecasts remain unchanged from 2002. The commentary on the forecasts provides an opportunity for institutions to set out the actions that they have taken or expect to take to ensure that expenditure does not exceed income, taking one year with another, as required in the Financial Memorandum between the Council and the institution. All institutions should note that completion of the commentary is compulsory and not optional.

#### ■ FINANCIAL FORECASTS TABLES

- 24 The financial forecasts cover a five year period and comprise the following tables which are reproduced as **Annex C**.

Table 1A Income

Table 1B Analysis of Surplus/(Deficit)

Table 2A Non-Pay Expenditure

Table 2B Pay Expenditure

Table 3 Balance Sheet

Table 4 Sensitivity Analysis

Table 5 Cash Flow statement

Table 6 Planning Assumptions

Table 7A Comparison of 2001/02 audited accounts with the latest estimate for 2002/03 as submitted in these forecasts

Tables 7B, 7C and 7D are no longer required

Table 7E Capital Financing.

- 25 The following guidance should be followed in the completion of the tables and the commentary.

- i) Table 7A Comparison of 2001/02 audited accounts with the latest estimate for 2002/03 as submitted in these forecasts.

The major changes between the actual audited results for 2001/02 and the estimated out-turn for 2002/03 should be explained on Table 7A. Such changes will arise through changes in levels of activity or other underlying assumptions, such as pay and non-pay inflation or levels of funding. The reasons for these changes should be explained in the commentary, Section 3.

- ii) Table 7B is no longer required.  
iii) Table 7C is no longer required.  
iv) Table 7D Reserves and Provisions is no longer required.  
v) Table 7E Capital Financing

Forecast capital expenditure and the expected method of finance should be provided on Table 7E. 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 at Section 7, 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.

#### ■ FINANCIAL FORECASTS COMMENTARY

- 26 Institutions should also provide a commentary on the financial forecasts and a pro forma is attached as **Annex D**. The commentary serves two purposes:

- i) to explain how the financial forecasts are derived from and represent the institution's strategic plan, and,  
ii) to provide additional supporting information on the financial forecasts.

The following areas should be covered:

##### *Section 1 Introduction*

This should cover the context in which the forecasts have been prepared. It should include how the elements of the institution's strategic plan and estate strategy have been included in the

forecasts, and how these developments are to be financed.

#### *Section 2 Planning Assumptions*

Whilst most assumptions are detailed on Table 6, other assumptions will have been made in completing the forecasts. Any significant assumptions should be disclosed. The recovery rates included on the table should be the value of the contribution from the activity expressed as a percentage of the total direct costs of that activity. The contribution will be the difference between the income receivable and the direct costs (additional direct staff and non-staff costs) relating to the activity.

#### *Sections 3 and 4*

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 Specific actions taken to ensure continued financial viability*

This provides an opportunity for institutions to set out the actions that they have taken or expect to take to ensure that expenditure does not exceed income, taking one year with another, as required in the Financial Memorandum between the HEFCW and the institution. These should cover not only the impact on the figures, but the consequences for staff, students and the impact on the provision of teaching and research and the institution's estate.

#### *Section 6 Details of significant increases or decreases over the forecast period*

These should link back to the assumptions made in preparing the forecasts, and would cover significant changes in income, expenditure, assets and liabilities. These could, for example, relate to changes in activities; major developments or initiatives.

#### *Section 7 Sensitivity analysis*

This should detail the actions which the institution expects to take should any, or a combination, of the scenarios on Table 4 come about.

## ■ AUTHORISATION OF FINANCIAL FORECASTS

27 The tables should be signed by the Head of the institution.

## ■ PRESENTATION OF THE PLANS AND FORECASTS

28 The Council does not wish to be prescriptive regarding the overall length of the strategic plans.

29 A completed, illustrated proforma for the Corporate strategy targets template is attached as **Annex A**. A blank proforma will be dispatched in electronic form on a separate disk, as soon as the revised targets are agreed with the Welsh Assembly Government.

30 A proforma for the financial forecast tables and commentary will be sent out under separate cover directly to the Director of Finance via e-mail by 6 June 2003. If you have any problems with the files, please contact Michelle Morris on 01443 663945 or email MorrisM@ELWa.org.uk

31 A proforma and separate disk on which the student number forecasts and complementary information on staff numbers are to be returned will be forwarded at a later date directly to the institution's statistics contact.

## ■ RESPONSE DATE

32 Four hard copies of the strategic plan (which should include a hard copy of the financial forecasts and student number forecasts), together with an electronic copy of the plan and the three disks, should be returned to Anita Colley at the Council's offices by **25 July 2003**. One copy of the plan should be paper clipped rather than bound to facilitate photocopying.

33 All responses should be submitted by 25 July. In view of the changes proposed this year, discussion of the details of individual responses may be required. The Council invites early contact with officers, to discuss individual cases.

- 34 Further guidance will be circulated in the near future regarding the completion of the targets template, together with finalised information on the targets themselves.

## ANNEX A

REACHING WIDER: *delivering wider participation and access in support of social inclusion and economic upskilling.*

<b>REACHING HIGHER TARGETS to 2010</b>	<b>BASELINE DATA for institution XXXX 2000/01</b>	<b>2003/04 TARGETS (inc. cross-ref. to strategic plan/specific plan)</b>	<b>2004/05 TARGETS (inc. cross-ref. to strategic plan/specific plan)</b>	<b>2005/06 TARGETS (inc. cross-ref. to strategic plan/specific plan)</b>	<b>LONG-TERM TARGETS TO 2010 (inc. cross-ref. to strategic plan/specific plan)</b>
The proportion of <b>young people accessing HE from low participation neighbourhoods</b> to increase from around 25-30% to 40-50% by 2010	No. of young <sup>1</sup> students from low participation neighbourhoods in AY 2000/01 = XX,  being Y% of students in this age range at the institution	Aim to increase of young students from low participation neighbourhoods to XX, being Y% of students at the institution  Ref: <ul style="list-style-type: none"> <li>◆ Strategic Plan: Section XX (pp x- y)</li> <li>◆ <i>Reaching Higher-Reaching Wider Partnership Plan: Section XX (pp x- y)</i></li> </ul>	Similar format to column 3	Similar format to column 3	Similar format to column 3
<b>Links between HE and other providers</b> in innovative ways to ensure that seamless and progressive routes to continuous learning are available to <b>everyone</b> in Wales by 2010	Not a quantitative target	Evidence of partnership with other providers is at:  <ul style="list-style-type: none"> <li>◆ Strategic Plan: Section XX (pp x- y)</li> <li>◆ <i>Reaching Higher-Reaching Wider Partnership Plan: Section XX (pp x- y)</i></li> </ul>	Similar format to column 3	Similar format to column 3	Similar format to column 3
<b>The proportion of young people with a disability</b> attending HE to match the proportion of those in Wales with a disability by 2010	No. of young <sup>1</sup> students with a disability in AY 2000/01 = XX,  being Y% of students in this age range at the institution	Aim to increase number of young students with a disability to XX, being Y% of students at the institution  Ref: <ul style="list-style-type: none"> <li>◆ Strategic Plan: Section XX (pp x- y)</li> </ul>	Similar format to column 3	Similar format to column 3	Similar format to column 3

<sup>1</sup> "Young" refers to students aged 21 and under on 31 August 2000

## THE 'DEAL FOR STUDENTS': delivering the highest quality learning and related support.

<b>REACHING HIGHER TARGETS to 2010</b>	<b>BASELINE DATA for institution XXXX 2000/01</b>	<b>2003/04 TARGETS (inc. cross-ref. to strategic plan/specific plan)</b>	<b>2004/05 TARGETS (inc. cross-ref. to strategic plan/specific plan)</b>	<b>2005/06 TARGETS (inc. cross-ref. to strategic plan/specific plan)</b>	<b>LONG-TERM TARGETS TO 2010 (inc. cross-ref. to strategic plan/specific plan).</b>
The proportion of students in Welsh HEIs <b>undertaking some element of their course through the medium of Welsh</b> to increase to 7% by 2010.	No. of students undertaking some element of their course through the medium of Welsh in AY 2000/01 = XX,  being Y% of students at the institution	Aim to increase to XX, being Y% of students at the institution  Ref: ◆ Strategic Plan Section XX (pp x-y)	Similar format to column 3	Similar format to column 3	Similar format to column 3
HE in Wales to be regarded as the <b>destination of first choice</b> by a majority of learners in Wales by 2010	No. of Welsh-domiciled students in institution in AY 2000/01 = XX,  being Y% of students at the institution	Aim to increase to XX, being Y% of students at the institution  Ref: ◆ Strategic Plan Section XX (pp x-y)	Similar format to column 3	Similar format to column 3	Similar format to column 3
The number of <b>overseas students</b> attending HE courses in Wales to increase by the same percentage as those attending HE courses in the UK as a whole by 2010	No. of overseas students attending the institution in AY 2000/01 = XX,  being Y% of students at the institution  UK average= ?% in 2000/01	Aim to increase to XX, being Y% of students at the institution  Ref: ◆ Strategic Plan Section XX (pp x-y)  <i>UK average 2003/04 not yet known</i>	Similar format to column 3	Similar format to column 3	Similar format to column 3

## RESEARCH EXCELLENCE: delivering improved research performance to underpin the knowledge economy and cultural and social renewal.

<b>REACHING HIGHER TARGETS to 2010</b>	<b>BASELINE DATA for institution XXXX 2000/01</b>	<b>2003/04 TARGETS (inc. cross-ref. to strategic plan/specific plan)</b>	<b>2004/05 TARGETS (inc. cross-ref. to strategic plan/specific plan)</b>	<b>2005/06 TARGETS (inc. cross-ref. to strategic plan/specific plan)</b>	<b>LONG-TERM TARGETS TO 2010 (inc. cross-ref. to strategic plan/specific plan)</b>
<p>The income foregone by the sector annually, and identified in this document, to be garnered year by year between 2007 and 2010, and in particular:</p> <p>(a) the existing gap in funding attracted by HE to Wales from the Research Councils to be closed by 2010; and</p> <p>(b) the income from charities to increase by 60% by 2007, and by 100% by 2010</p>	<p>(a) Income from Research Councils at the institution in AY 2000/01 = £XX</p> <p>(b) Income from charities at the institution in AY 2000/01 = £XX</p>	<p>(a) To increase income from Research Councils to £XX</p> <p>(b) To increase income from charities to £XX</p> <p>Ref:</p> <ul style="list-style-type: none"> <li>◆ Strategic Plan Section XX, pp x-y</li> </ul>	<p>Similar format to column 3</p>	<p>Similar format to column 3</p>	<p>Similar format to column 3</p>
<p><b>Top-level research ratings</b> achieved by HEIs in Wales to increase by at least a third by 2007</p>		<p><b>Development of this target awaits outcome of RA Review Process</b></p> <p><i>Entries might read, eg:</i></p> <p>Plans to improve research performance are at:</p> <ul style="list-style-type: none"> <li>◆ Strategic Plan Section XX, pp x-y</li> </ul> <p><i>Or</i></p> <p>Research is not a significant part of the institution's mission</p>	<p>Similar format to column 3</p>	<p>Similar format to column 3</p>	<p>Similar format to column 3</p>

**BENEFITTING THE ECONOMY AND SOCIETY: delivering more productive relationships between higher education institutions and the public and private sectors, other agencies and local communities.**

<b>REACHING HIGHER TARGETS to 2010</b>	<b>BASELINE DATA for institution XXXX 2000/01</b>	<b>2003/04 TARGETS (inc. cross-ref. to strategic plan/specific plan)</b>	<b>2004/05 TARGETS (inc. cross-ref. to strategic plan/specific plan)</b>	<b>2005/06 TARGETS (inc. cross-ref. to strategic plan/specific plan)</b>	<b>LONG-TERM TARGETS TO 2010 (inc. cross-ref. to strategic plan/specific plan)</b>
<p>The income foregone by the sector annually, and identified in this document, to be garnered year by year between 2007 and 2010, and the income from (a) research contracts, (b) industry, (c) endowments and (d) knowledge exploitation to increase by 60% by 2007, and by 100% by 2010</p>	<p>(a) Income from research contracts in AY 2000/01 = £XX            (b) Income from industry in AY 2000/01 = £XX            (c) Income from endowments in AY 2000/01 = £XX            (d) Income from knowledge exploitation in AY 2000/01 = £XX</p>	<p>(a) To increase income from research contracts to £XX            (b) To increase income from industry to £XX            (c) To increase income from endowments to £XX            (d) To increase income from knowledge exploitation to £XX</p> <p>Ref:</p> <ul style="list-style-type: none"> <li>◆ Strategic Plan Section XX, pp x-y</li> <li>◆ HEED Plan Section XX, pp x-y</li> </ul>	<p>Similar format to column 3</p>	<p>Similar format to column 3</p>	<p>Similar format to column 3</p>
<p>The number of <b>profitable spin out companies</b> produced annually from HEIs to double by 2010</p>	<p>The number of profitable spin out companies produced annually from the institution in AY 2000/01 = XX</p>	<p>Aim to produce XX profitable spin out companies</p> <p>Ref:</p> <ul style="list-style-type: none"> <li>◆ Strategic Plan Section XX, pp x-y</li> <li>◆ HEED Plan Section XX, pp x-y</li> </ul>	<p>Similar format to column 3</p>	<p>Similar format to column 3</p>	<p>Similar format to column 3</p>

ANNEX A

INITIAL TEACHER TRAINING: delivering newly qualified teachers of high quality

REACHING HIGHER TARGETS to 2010	BASELINE DATA for institution XXXX 2000/01	2003/04 TARGETS (inc. cross-ref. to strategic plan/specific plan)	2004/05 TARGETS (inc. cross-ref. to strategic plan/specific plan)	2005/06 TARGETS (inc. cross-ref. to strategic plan/specific plan)	LONG-TERM TARGETS TO 2010 (inc. cross-ref. to strategic plan/specific plan)
ITT targets not included in <i>Reaching Higher</i> /remit letter		(For ITT institutions)  Discussion of ITT plans is found at:  ♦ Strategic Plan: Section XX, pp x-y	Similar format to column 3	Similar format to column 3	Similar format to column 3

## ANNEX A

**MAKING IT WORK:** a strong emphasis on reconfiguration, collaboration and other measures to sustain improved performance of individual institutions and the HE system as a whole

<b>REACHING HIGHER TARGETS to 2010</b>	<b>BASELINE DATA for institution XXXX 2000/01</b>	<b>2003/04 TARGETS (inc. cross-ref. to strategic plan/specific plan)</b>	<b>2004/05 TARGETS (inc. cross-ref. to strategic plan/specific plan)</b>	<b>2005/06 TARGETS (inc. cross-ref. to strategic plan/specific plan)</b>	<b>LONG-TERM TARGETS TO 2010 (inc. cross-ref. to strategic plan/specific plan)</b>
<p><b>Reconfiguration</b> to reduce the median<sup>2</sup> administrative costs per FTE student in Welsh HEIs to the level of the 40<sup>th</sup> percentile for administrative costs per FTE student in UK HEIs by 2007/08 and to the 25<sup>th</sup> percentile by 2010/11</p>	<p>Median administration cost per FTE student = £XX</p>	<p>Aim to reduce median administration cost per FTE student to = £XX</p> <p>Ref:</p> <ul style="list-style-type: none"> <li>◆ Strategic Plan: Section XX, pp x-y</li> </ul>	<p>Similar format to column 3</p>	<p>Similar format to column 3</p>	<p>Similar format to column 3</p>
<p>No HEIs in Wales to be assessed as being in a marginal or unsatisfactory <b>financial position</b>, and all achieving high standards of governance by 2007</p>	<p>Institution rated 'XXX' risk in HEFCW financial health ratings August 2001</p>	<p>Aim to be in financial health category XXX in AY 2003/04</p> <p>Ref:</p> <ul style="list-style-type: none"> <li>◆ Strategic Plan: Section XX, pp x-y</li> </ul>	<p>Similar format to column 3</p>	<p>Similar format to column 3</p>	<p>Similar format to column 3</p>

<sup>2</sup> Administrative costs include academic departmental costs (excluding academic staff costs), academic services expenditure and expenditure in administration of central services. Expenditure on premises are excluded.

## 2003 STRATEGIC PLANS AND FINANCIAL FORECASTS: ASSUMPTIONS

■ **GDP DEFLATOR (PERCENTAGE)**

1 The forecast GDP deflators, are shown below as a guide to future inflation levels.

GDP	Financial Year	Academic Year
2002 to 2003		2.92
2003 to 2004	2.69	2.66
2004 to 2005	2.59	2.56
2005 to 2006	2.50	2.50
2006 to 2007	2.50	2.50

■ **EFFICIENCY GAIN**

2 For the purposes of the financial forecasts, it is recommended that a zero efficiency gain is applied.

■ **FUNDING FOR TEACHING**

**Formula Based Funding for Additional Numbers**

3 For the purposes of the forecast alone, institutions should assume:

- i) no growth in funded numbers in undergraduate full-time and sandwich **degree** provision.
- ii) Funding for their own forecast recruitment in undergraduate full-time and sandwich non-degree provision
- iii) Funding for undergraduate full-time and sandwich recruitment in **quota controlled** provision in medicine and dentistry and initial teacher training according to the advice given in Council communications specific to those areas.
- iv) No growth in funded numbers in part-time undergraduate and postgraduate taught provision. Institutions will be aware that postgraduate research training is subject to separate funding arrangements.

Assumptions should be consistent with those used in the preparation of the student number forecast tables which are the subject of a separate circular.

## Special Initiatives

- 4 The following Special Initiative funding should be included where appropriate:
  - i) Teacher Training Recruitment Scheme (TTRS)
  - ii) ITT Strategic Funding \* (encompassing ITT ICT; Welsh as Second Language; Marketing and Hardship strands of TTRS)
  - iii) Graduate Wales
  - iv) Cymru Prosper Wales
  - v) Higher Education Economic Development (HEED) Fund
  - vi) Disability Provision Development Fund
  - vii) Widening Access Fund
  - viii) Learning and Teaching Fund
  - ix) Welsh Medium Provision Fund.

\* subject to outcome of consultation.

## ■ FUNDING FOR RESEARCH

- 5 The 2003/2004 allocations for QR announced in Table 3 of Circular W03/18HE should be rolled forward to future years, updated by the appropriate GDP deflator.

## ■ NON-FORMULA FUNDING

- 6 Non-formula funding allocations for 2003/04: ITT New Innovative Provision: Phase Two.

## ■ CAPITAL

- 7 The forecasts should take account of the following capital allocations where appropriate:
  - i) Capital Funding for Learning and Teaching and IT Infrastructure. Allocations announced in circular W01/71HE (August 2001) for 2003-04 and indicative allocations for 2004-05 and 2005-06, shortly to be announced.
  - ii) Science Research Investment Fund allocations, announced in Circular W01/18HE (February 2001) for 2003-04 and in circular W03/07HE (February 2003) for 2004-05 and 2005-06.
- 8 The forecast should include reference to any plans for long-term maintenance.
- 9 Joint Information Systems Committee (JISC) allocations should only be included if institutions have been advised that they will receive them.

■ **COMMENTARY**

- 10 As in previous years, institutions are required to provide a commentary on their financial forecasts. The Council expect this commentary to be linked to and derived from, the entry the institution makes under the financial strategy heading in its response to the strategic plan update request.

■ **TIMETABLE FOR RETURNS**

- 11 Institutions should return their forecasts by 25 July 2002 to Anita Colley, at HEFCW.
- 12 Please provide the name of the person to contact in the event of queries.

	A	B	C	D	E	F	G	H
1	<b>HIGHER EDUCATION FINANCIAL FORECASTS 2002/03 TO 2006/07</b>							
2								page1 of 5
3								
4	<b>Institution:</b>							
5				£'000	£'000	£'000	£'000	£'000
6	<b>TABLE 1A INCOME</b>			Estimate	Forecast	Forecast	Forecast	Forecast
7	inst	head		year ended	year ended	year ended	year ended	year ended
8	code	code	description	31/07/03	31/07/04	31/07/05	31/07/06	31/07/07
9	0		<b>1 HEFCW grant</b>					
10	0	1a	Teaching grant	0	0	0	0	0
11	0	1b	Research grant	0	0	0	0	0
12	0	1c	Non Formula funding grant	0	0	0	0	0
13	0	1d	Capital Grants Equipment grant	0	0	0	0	0
14	0	1e	Capital Grants Estates grant	0	0	0	0	0
15	0	1f	NCEW Recurrent Grants	0	0	0	0	0
16	0	1g	RFM Adjustment relating to previous year	0	0	0	0	0
17	0	1h	Council and European grants	0	0	0	0	0
18	0	1	Total Council grant	0	0	0	0	0
19	0		<b>2 Academic fees and support grants</b>					
20	0	2a	Home and EC students fees and grants	0	0	0	0	0
21	0	2b	Overseas students and other FT fees	0	0	0	0	0
22	0	2c	Other fees and support grants	0	0	0	0	0
23	0	2d	Part-time fees	0	0	0	0	0
24	0	2	Total academic fees and support grants	0	0	0	0	0
25	0		<b>3 Research grants and contracts</b>					
26	0	3a	Research councils Income	0	0	0	0	0
27	0	3b	Other Research grants and contracts Income	0	0	0	0	0
28	0	3c	UK based charities Income	0	0	0	0	0
29	0	3	Total research grants and contracts Income	0	0	0	0	0
30	0		<b>4 Other operating income</b>					
31	0	4a	Other services rendered course Validation Fees only	0	0	0	0	0
32	0	4b	Residences and Catering operations income	0	0	0	0	0
33	0	4c	Other operating income	0	0	0	0	0
34	0	4d	Other services rendered income EU only	0	0	0	0	0
35	0	4e	Other services rendered income other only	0	0	0	0	0
36	0	4	Total other operating income	0	0	0	0	0
37	0		<b>5 Endowment income and interest receivable</b>					
38	0	5a	Released from specific endowment	0	0	0	0	0
39	0	5b	Income from general endowment	0	0	0	0	0
40	0	5c	Other investment income and interest	0	0	0	0	0
41	0	5	Total endowment income and interest	0	0	0	0	0
42	0	6	<b>Total income</b>	0	0	0	0	0
43	0	7	<b>Less total expenditure from Table 2B, head 11</b>	0	0	0	0	0
44	0	8	Surplus/(deficit) on continuing operations	0	0	0	0	0
45	0	9	Profit/(Loss) on disposal of assets	0	0	0	0	0
46	0	10	Surplus/(deficit) on continuing operations Taxation	0	0	0	0	0
47	0	11		0	0	0	0	0
48	0	12	Surplus/(deficit) on continuing operations after depreciation of fixed assets at valuation disposal of assets and tax	0	0	0	0	0
49	0	13	Difference between a historic cost depreciation charge & the actual charge for Realisation of Property Revaluation Gain of	0	0	0	0	0
50	0	14	Historic Cost Surplus/(Deficit) after tax	0	0	0	0	0
51	0	15		0	0	0	0	0
52								
53								
54								
55								
56	<b>Institution:</b>							
57				£'000	£'000	£'000	£'000	£'000
58	<b>TABLE 1B ANALYSIS OF SURPLUS/(DEFICIT)</b>			Estimate	Forecast	Forecast	Forecast	Forecast
59	inst	head		year ended	year ended	year ended	year ended	year ended
60	code	code	description	31/07/03	31/07/04	31/07/05	31/07/06	31/07/07
61	0		<b>1 Research councils</b>					
62	0	1a	Research councils Income	0	0	0	0	0
63	0	1b	Research councils Expenditure	0	0	0	0	0
64	0	1	Research councils Contribution	0	0	0	0	0
65	0		<b>2 Other Research grants and contracts</b>					
66	0	2a	Other Research grants and contracts Income	0	0	0	0	0
67	0	2b	Other Research grants and contracts Expenditure	0	0	0	0	0
68	0	2	Other Research grants and contracts Contribution	0	0	0	0	0
69	0		<b>3 Other Services rendered</b>					
70	0	3a	Other Services rendered Income	0	0	0	0	0
71	0	3b	Other Services rendered Expenditure	0	0	0	0	0
72	0	3	Other Services rendered Contribution	0	0	0	0	0
73	0		<b>4 Residences and Catering Operations</b>					
74	0	4a	Residences and Catering Operations Income	0	0	0	0	0
75	0	4b	Residences and Catering Operations Expenditure	0	0	0	0	0
76	0	4	Residences and Catering Operations Contribution	0	0	0	0	0
77	0		<b>5 UK Based Charities</b>					
78	0	5a	UK based charities income	0	0	0	0	0
79	0	5b	UK based charities expenditure	0	0	0	0	0
80	0	5	UK based charities Contribution	0	0	0	0	0
81	0	6	Total Contribution towards Teaching and Research	0	0	0	0	0
82	0	7	Surplus/(Deficit) from Teaching and Research	0	0	0	0	0
83	0	8	Surplus/(deficit) after depreciation of assets at valuation & tax Table 1A head 8	0	0	0	0	0

	A	B	C	D	E	F	G	H
84								Page 2 of 5
85								
86								
87								
88								
89			Institution:					
90				£'000	£'000	£'000	£'000	£'000
91			<b>TABLE 2A NON PAY EXPENDITURE</b>	Estimate	Forecast	Forecast	Forecast	Forecast
92	inst	head		year ended	year ended	year ended	year ended	year ended
93	code	code	description	31/07/03	31/07/04	31/07/05	31/07/06	31/07/07
94	0	1	<b>Academic departments non pay</b>	0	0	0	0	0
95	0	2	<b>Academic services non pay</b>	0	0	0	0	0
96	0	3	<b>Administration and Central Services non pay</b>	0	0	0	0	0
97	0		<b>4 Premises</b>					
98	0	4a	Premises running costs	0	0	0	0	0
99	0	4b	Premises routine maintenance	0	0	0	0	0
100	0	4c	Premises Long term maintenance provision charge	n/a	n/a	n/a	n/a	n/a
101	0	4d	Premises Long term maintenance charge	0	0	0	0	0
102	0	4	<b>Total premises non pay</b>	0	0	0	0	0
103	0	5	<b>Residences and Catering operations non pay</b>	0	0	0	0	0
104	0		<b>6 Research grants and Contracts</b>					
105	0	6a	Research councils non pay	0	0	0	0	0
106	0	6b	Other Research grants and contracts non	0	0	0	0	0
107	0	6c	UK based charities non pay	0	0	0	0	0
108	0	6	<b>Total research grants and contracts non pay</b>	0	0	0	0	0
109	0		<b>7 Other Expenditure</b>					
110	0	7a	Other expenditure Other services rendered non pay	0	0	0	0	0
111	0	7b	Other expenditure Other non pay	0	0	0	0	0
112	0	7	<b>Total other expenditure non pay</b>	0	0	0	0	0
113	0		<b>8 Depreciation</b>					
114	0	8a	Equipment Research grants and contracts depreciation	0	0	0	0	0
115	0	8b	Equipment other depreciation	0	0	0	0	0
116	0	8c	Premises Research grants and contracts depreciation	0	0	0	0	0
117	0	8d	Premises Residences and Catering operations depreciation	0	0	0	0	0
118	0	8e	Premises Other depreciation	0	0	0	0	0
119	0	8	<b>Total depreciation non pay</b>	0	0	0	0	0
120	0		<b>9 Interest payable</b>					
121	0	9a	Interest Payable Premises	0	0	0	0	0
122	0	9b	Interest Payable Residences and Catering operations	0	0	0	0	0
123	0	9c	Interest Payable Other expenditure	0	0	0	0	0
124	0	9d	Other services rendered	0	0	0	0	0
125	0	9	<b>Total interest payable non pay</b>	0	0	0	0	0
126	0	10	<b>Total Non Pay Expenditure to Pay Table, Head 10</b>	0	0	0	0	0
127								
128								
129								
130								
131								
132			Institution:					
133				£'000	£'000	£'000	£'000	£'000
134			<b>TABLE 2B PAY EXPENDITURE</b>	Estimate	Forecast	Forecast	Forecast	Forecast
135	inst	head		year ended	year ended	year ended	year ended	year ended
136	code	code	description	31/07/03	31/07/04	31/07/05	31/07/06	31/07/07
137	0	1	<b>Academic departments pay</b>	0	0	0	0	0
138	0	2	<b>Academic services pay</b>	0	0	0	0	0
139	0	3	<b>Administration and Central Services pay</b>	0	0	0	0	0
140	0	4	<b>Premises pay</b>	0	0	0	0	0
141	0	5	<b>Residences and Catering operations pay</b>	0	0	0	0	0
142	0		<b>6 Research grants and Contracts</b>					
143	0	6a	Research councils pay	0	0	0	0	0
144	0	6b	Other Research grants and contracts pay	0	0	0	0	0
145	0	6c	UK based charities pay	0	0	0	0	0
146	0	6	<b>Total research grants and contracts pay</b>	0	0	0	0	0
147	0		<b>7 Other Expenditure</b>					
148	0	7a	Other Expenditure Other services rendered	0	0	0	0	0
149	0	7b	Other Expenditure Other pay	0	0	0	0	0
150	0	7	<b>Total other expenditure pay</b>	0	0	0	0	0
151	0		<b>8 Staff Restructuring</b>					
152	0	8a	Initial Cost	0	0	0	0	0
153	0	8b	SSAP 24 provision	0	0	0	0	0
154	0	8	<b>Total Staff restructuring</b>	0	0	0	0	0
155	0	9	<b>Total Pay Expenditure</b>	0	0	0	0	0
156	0	10	<b>Total Non Pay Expenditure from the pay Table, Head 10</b>	0	0	0	0	0
157	0	11	<b>Total Expenditure to Income table, Head</b>	0	0	0	0	0





	A	B	C	D	E	F	G	H
320								Page 5 of 5
321								
322			Tables 7b, 7c and 7d have been deleted.					
323								
324								
325								
326								
327								
328			Institution:					
329				£'000	£'000	£'000	£'000	£'000
330			<b>TABLE 7E CAPITAL FINANCING</b>	Estimate	Forecast	Forecast	Forecast	Forecast
331	inst	head		year ended	year ended	year ended	year ended	year ended
332	code	code	description	31/07/03	31/07/04	31/07/05	31/07/06	31/07/07
333	0		<b>1 Forecast Capital expenditure</b>					
334	0	1a	Land and Buildings	0	0	0	0	0
335	0	1b	Equipment	0	0	0	0	0
336	0	1c	Revaluations in the year	0	0	0	0	0
337	0	1	Total Tangible Assets	0	0	0	0	0
338	0		<b>2 Method of Financing</b>					
339	0	2a	Method of Financing Reserves/Internal funds	0	0	0	0	0
340	0	2b	Method of Financing Loans	0	0	0	0	0
341	0	2c	Method of Financing Leasing	0	0	0	0	0
342	0	2d	Method of Financing Other	0	0	0	0	0
343	0	2	Sub total Method of Financing	0	0	0	0	0
344	0		<b>3 Capital projects expected to be</b>					
345	0	3a	Capital projects expected to be financed through PFI No 1	0	0	0	0	0
346	0	3b	Capital projects expected to be financed through PFI No 2	0	0	0	0	0
347	0	3c	Capital projects expected to be financed through PFI No 3	0	0	0	0	0
348	0	3d	Capital projects expected to be financed through PFI No 4	0	0	0	0	0
349	0	3	<b>Sub total Capital projects expected to be financed through PFI</b>	0	0	0	0	0
350				0	0	0	0	0
351								
352			<b>FINANCIAL FORECASTS CERTIFICATE</b>					
353								
354			The Financial forecast Table's 1 to 7e and the associated commentary represent the financial consequences for the					
355			2002/03 to 2006/07 which has been submitted to HEFCW as requested in this Circular.					
356			The tables and the commentary have been submitted to, and approved by the Chair of Governor's.					
357								
358			<b>HEAD OF HIGHER EDUCATION INSTITUTIONS SIGNATURE:</b>		<b>Date:</b>			
359								
360			<b>CHAIR OF COUNCIL'S SIGNATURE:</b>		<b>Date:</b>			

**COMMENTARY TO ACCOMPANY FINANCIAL FORECASTS 2002/03 TO 2006/07**  
(Please attach additional numbered pages, if necessary)

INSTITUTION NAME: \_\_\_\_\_

**SECTION 1 INTRODUCTION**

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

**SECTION 2 PLANNING ASSUMPTIONS**

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Whilst most assumptions are detailed on Table 6, other assumptions will have been made in completing the forecasts. Any significant assumptions should be disclosed.

**SECTIONS 3 AND 4**

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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 3 TABLE 7A Comparison of 2001/02 audited financial statements with the latest estimate for 2002/03 as submitted with these forecasts.**

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#### SECTION 4 TABLE 7E CAPITAL FINANCING

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#### SECTION 5 SPECIFIC ACTIONS TAKEN TO ENSURE CONTINUED FINANCIAL VIABILITY

This provides an opportunity for institutions to set out the actions that they have taken or expect to take to ensure that expenditure does not exceed income, taking one year with another, as required in the Financial Memorandum between the HEFCW and Institutions. These should cover not only the impact on the figures, but the consequences for staff, students and the impact on the provision of teaching and research and the institution's estate.

#### SECTION 6 DETAIL SIGNIFICANT INCREASES/DECREASES IN THE FORECAST PERIOD

These should link back to the assumptions made in preparing the forecasts, and would cover significant changes in income, expenditure, assets and liabilities. These could, for example, relate to changes in activities; major developments or initiatives.

#### SECTION 7 SENSITIVITY ANALYSIS

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The actions which the institution expects to take should any, or a combination, of the scenarios on Table 4 occur.