

# Cylchlythyr | Circular

## Request for forecasts 2016

**Date:** 20 June 2016  
**Reference:** W16/20HE  
**To:** Heads of higher education institutions in Wales  
and Directors of Finance  
**Response by:** **31 July 2016**  
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This circular requests HE institutions to submit:

- Corporate Strategy measures forecasts for 2015/16 to 2016/17
- Financial forecasts for 2014/15 (re-stated) to 2019/20
- Student numbers for the current year 2015/16 and forecasts for 2016/17 to 2019/20

If you require this document in an alternative accessible format, please telephone us on (029) 2068 2225 or 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 - Corporate Strategy measures forecasts for 2015/16 to 2016/17

Part 2 - Financial forecasts for the period to 2019/20, including, for Financial Reporting Standard (FRS102) purposes\*, re-statement of 2014/15 actuals and 2015/16 forecast as submitted last year.

Part 3 - Student numbers for the current year 2015/16 and forecasts for 2016/17 to 2019/20

\*As indicated in last year's circular (W15/11HE), the financial forecasts are required to be submitted in accordance with Financial Reporting Standard (FRS)102 and the 2015 HE/FE SORP (Statement Of Recommended Practice), and the financial forecast model has been redesigned to reflect this. In order to inform our understanding of the transition of the forecasts from UK GAAP format to the new SORP, we are requesting the re-statement of the 2014/15 actual and 2015/16 original (i.e. submitted in July 2015) forecast information.

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; these include the new financial forecast model workbook (with relevant guidance notes for completion), and a new workbook to include credibility checks linking the forecast student numbers to the forecast fee income for home and overseas students.

## **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 6 April 2016, announcing higher education funding and priorities for 2016/17.

- HEFCW's Corporate Strategy 2013/14 to 2016/17.
- HEFCW's circulars<sup>1</sup>:
  - HEFCW's Funding Allocations 2016/17 (W16/16HE)
  - 2017/18 fee and access plan guidance (W16/12HE)
  - Higher Education Students Early Statistics (HESES) survey 2015/16 (W15/25HE)
  - Research capital funding 2015-16 (W15/10HE)

### **Summary of information requirements**

4. We commenced the process of issuing to each institution separately their individualised forecast data forms during week commencing 23 May 2016. 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.

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

## Part 1 - Corporate Strategy Measures forecasts 2015/16 to 2016/17

5. Last year, the Welsh Government agreed to an extension of HEFCW's Corporate Strategy<sup>2</sup> to 2016-17, in effect providing a further year to reach the targets set out for each of the 17 sector-level measures through which the delivery of the Corporate Strategy is measured. We need to understand and monitor institutions' performance against each of these measures.
6. For the following Corporate Strategy measures we will draw on information from institutions' financial forecast returns (*due 31 July 2016*), and from other data sources as appropriate, to get a sense of anticipated performance at each institution and across the sector. Institutions therefore need submit nothing further in relation to these.
  - Quality;
  - Initial Teacher Training;
  - Growth in Research Council funding;
  - Research Excellence Framework;
  - Reconfiguration and Collaboration – annual income target;
  - Governance: no institution at 'high risk' in accordance with HEFCW's institutional risk review (IRR) process<sup>3</sup>.
7. For the remaining measures below, we ask **each institution to submit, by 31 July 2016, details of its projected performance against each target for academic years 2015/16 to 2016/17.**
  - Increase in proportion of students domiciled in the bottom quintile of Lower Super Output Areas in the Welsh Index of Multiple Deprivation or in Communities First cluster areas;
  - Increase in proportion of students domiciled in UK low participation areas;
  - Retention performance;
  - Increase in part-time students;

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<sup>2</sup> [www.hefcw.ac.uk/documents/publications/corporate\\_documents/Corporate%20Strategy%202013-14-2015-16.pdf](http://www.hefcw.ac.uk/documents/publications/corporate_documents/Corporate%20Strategy%202013-14-2015-16.pdf)

<sup>3</sup> Through our IRR process we will continue to assess institutional risk based on the outcomes of our latest institutional assurance review visits; our analysis of annual monitoring returns submitted by institutions; and the range of other issues and evidence as set out in our Strategic Engagement circular (W09/20HE) and changes to the Strategic Engagement process circular (W14/36HE).

- National Student Survey 'overall satisfaction' scores;
- Increase in Welsh medium activity;
- Growth in overseas students;
- Employment performance;
- Employability performance;
- Continuing professional development;
- Collaborative research income.

Blank copies of the above data returns are attached at **Annex A**.

Institutions have already submitted corporate strategy target forecasts for 2015/16 to HEFCW in their annual Strategic Planning and Engagement Document progress reports<sup>4</sup> (SPEDs) in December 2015.

Templates for individual institutions have been populated with forecast data for 2015/16 and 2016/17, submitted last year in response to W15/11HE: Request for forecasts 2015<sup>5</sup>. If forecast data for 2015/16 has been updated in the SPED progress report submitted in December 2015 then the template will be updated with this data. Templates will be emailed to data contacts for completion. Where relevant, forecasts for 2015/16 and 2016/17 should be updated. If any forecasts are updated then please provide a brief explanation for each update when submitting Annex A. Where the target is a percentage we also require the figures used to calculate the percentage to be completed in the columns in the template.

Guidance on how the targets are calculated is published on the HEFCW website<sup>6</sup>.

We will be sharing the actual performance data for the period 2011/12 to 2014/15 and the forecast data for 2015/16 to 2016/17 for the Welsh Medium activity with the Coleg Cymraeg Cenedlaethol.

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<sup>4</sup>[www.hefcw.ac.uk/documents/publications/circulars/circulars\\_2014/W14%2036HE%20Changes%20to%20the%20Strategic%20Engagement%20process%20from%202014\\_15.pdf](http://www.hefcw.ac.uk/documents/publications/circulars/circulars_2014/W14%2036HE%20Changes%20to%20the%20Strategic%20Engagement%20process%20from%202014_15.pdf)

<sup>5</sup>[www.hefcw.ac.uk/documents/publications/circulars/circulars\\_2015/W15%2011HE%20Request%20for%20forecasts%202015.pdf](http://www.hefcw.ac.uk/documents/publications/circulars/circulars_2015/W15%2011HE%20Request%20for%20forecasts%202015.pdf)

<sup>6</sup>[www.hefcw.ac.uk/documents/publications/circulars/circulars\\_2015/W15%2021HE%20Higher%20Education%20Data%20Requirements%202015\\_16.pdf](http://www.hefcw.ac.uk/documents/publications/circulars/circulars_2015/W15%2021HE%20Higher%20Education%20Data%20Requirements%202015_16.pdf)

## Part 2 - Financial forecasts for the period 2014/15 to 2019/20

8. 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.
9. For the current submission we ask institutions to prepare five-year financial forecasts, covering the period to 2019/20. In order to assist the transition from the previous financial reporting standards (i.e. UK GAAP) to the 2015 HE/FE SORP and FRS102 we have also requested a re-statement of the 2014/15 actuals and the original 2015/16 forecasts (submitted in July 2015). 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 2016**.
10. In preparing the forecasts institutions should make reference to the planning assumptions outlined in **Annex B** and to the documents listed in paragraph 5 above.

### Content of the financial forecasts

11. The form and content of the financial forecast models 2015/16 to 2019/20 is significantly different from previous years due to the required changes to the accounting policies and formats. Please note that completion of both the five-year forecasts and the commentary is compulsory and should reflect the requirements of the new 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 new financial statements.
12. **Financial Reporting Standard 102 and the new Higher Education SORP** – In last year's forecast request circular we provided a proposed timetable for reporting in accordance with FRS 102, and the remaining ('to be done') lines are as follows:-

<b>Due date</b>	<b>Reporting principle</b>	<b>Content of financial tables</b>
31 July 2016	Financial forecasts based on new SORP	31 July 2014 audited balance sheet 1 August 2014 restated, <b>unaudited</b> balance sheet 2014-15 restated, <b>unaudited</b> financial statements 2015-16 original forecast in FRS102 format 2015-16 estimated financial outturn 2017-20 financial forecasts
31 December 2016	Audited 2015-16 financial statements based on new SORP	1 August 2014 audited restated balance sheet 2014-15 audited restated financial statements 2015-16 audited financial statements

13. **Pension Scheme costs** – we have requested in **Annex D** an analysis of the forecast pension charges to the Income and Expenditure Account, as well as forecast pension payments and the estimated liability. The implementation of FRS 102 will bring additional pension scheme liabilities onto the balance sheet, the Universities' Superannuation Scheme (USS) being the most significant of these.

#### **Financial forecasts tables**

14. The new financial forecast template is attached at **Annex C**. The layout and format of the tables is considerably different from previous years. The financial forecast commentary (**Annex D**) requests some further memorandum analysis of the tables in the forecast model, although some of them e.g. fee income and student numbers in Annexes D1-D3 and forms SPF1-3 are being collected elsewhere. 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**

15. Institutions should provide a commentary on the financial forecasts using the pro forma at **Annex D** 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.

New tables are included in the forecast request to aid the reconciliation of student fees (distinguishing between new and returning Welsh and EU students, and UK domiciled students under the prior and new tuition fee systems) to student number forecasts. 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 students numbers to be included in the SPF annexes and the related fees income to be included in **Annex D(3)**.

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 3 - Student numbers for the current year 2015/16 and forecasts for 2016/17 to 2019/20**

- 16. 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.
- 17. Institutions are asked to submit, to [forecasts@hefcw.ac.uk](mailto:forecasts@hefcw.ac.uk), by **31 July 2016** forecasts of all HE student numbers (both fundable and non-fundable home and EU, Island and overseas) for the four years 2016/17 to 2019/20. This includes forecasts of student numbers that have previously been excluded from the tables (e.g. students at overseas campuses). **Annex E** 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 F**, however we have already emailed institution specific tables to HE contacts which contain additional validation and summary information. In addition for this year's request, also included are Annex D1 to D3 tables, and credibility checks have been introduced to

aim to help check student number returns alongside fee income data. It is these tables that need to be completed and returned.

18. Additionally for the 2016 forecast return we are requesting information on student numbers for the current year 2015/16. This is to ensure that we can make comparisons of the most recent student population against the student fee income data returned in Annex D. 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.
19. The definitions contained in circular W15/25HE, *Higher Education Students Early Statistics Survey 2015/16* (HESES15) and in the HESA Aggregate Offshore record guidance, should be used in compiling the student forecast information required by this circular.
20. Assumptions should be consistent with those presented in **Annex B**, and any other relevant assumptions used in the preparation of the financial forecasts.
21. Further notes on completion of the tables can be found in **Annex E**.

### **Freedom of information**

22. 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.