

Guidance for completion of the financial forecast model workbook, financial years 2019-2023

Main Features of the 2019 model

- We have pre-populated the data for 2016/17 and 2017/18 actual and 2018/19 forecast columns. Actual data has been populated using data returned on the HESA finance record, as adjusted *in primary statements only* to agree to the published financial statements. We would expect your forecasts to have been updated from those submitted in July 2018 and have therefore left all future years blank.
- The workbook contains a number of worksheets:-
 - 'Tables 1_4', which hold the main statement of comprehensive income, the balance sheet and the cash flow information, together with supplemental breakdowns. The numbering within this work sheet is designed where possible to be broadly equivalent to the HESA finance record;
 - 'Tables 1_4 – nil growth', which duplicates 'Tables 1_4', should be prepared on the basis of nil growth in Home and EU student numbers, other than roll forward of courses introduced in 2017/18. HEFCW funding should be based on HEFCW published and indicative levels only, and growth in other areas should be evidenced in the accompanying narrative;
 - 'Table 5, which provides numerical breakdowns previously requested within the forecast commentary in Annex C;
 - 'Table 6', which requests details of all loan and other financial borrowing commitments, drawn and undrawn;
 - KFI and ANOC, which removes the formula based from Tables 1_4 in order to declutter the data input tab. We have also included a calculation of ANOC (adjusted net operating cash flow) and indicative borrowing thresholds. All data on this tab is derived from data entered elsewhere;
 - 'Validations' – this worksheet is write-protected and will indicate those areas for which further data entry is required or will highlight where certain numerical validation checks may have failed and need to be resolved prior to submission to HEFCW.
- All worksheets are write-protected where possible. Cells are also shaded to prevent data from being entered into the wrong areas and to protect sub-totalling and formula calculations; data entry is permitted only into the unshaded cells. Table 5 and Table 6 have the facility to insert additional rows where required.

Detailed Guidance on the worksheets

The following notes provide a more detailed guidance on the features and data entry requirements of each of the main worksheets in the workbook:-

Tables 1_4: General comments

This worksheet contains the main tables (statement of comprehensive income, the consolidated balance sheet and the consolidated statement of cash flow), plus supporting data input schedules (which analyse areas of income and expenditure).

Table 1 – Consolidated statement of comprehensive income and expenditure

With a small number of exceptions (fundamental staff restructuring costs, depreciation, and 'below the line' items), this table is populated automatically from tables 1a (analysis of income), 1b (analysis of staff costs), 1c (analysis of other operating expenses) and 1d (analysis of interest and other finance costs). Formulaic, non-input cells are highlighted in grey. Note at line heading 15 the requirement to analyse the comprehensive income as represented by the endowment income and the restricted and unrestricted comprehensive income for the year; also at line heading 16 the analysis of the surplus and the comprehensive income between non-controlling interest(s) and the university (where applicable). Note that the 'university' figure will be deduced automatically from what is entered on the 'non-controlling interest' lines.

Table 1a – Analysis of income

This table feeds the income lines in Table 1. The analysis is tailored to provide briefing information requested of us. It splits out the fee income relating to Welsh, other Home and EU students at all levels of study. Note that only capital grants from the funding body should be included within Table 1a_2 Funding body grants. Research grants have been analysed to provide some indicator of geographical as well as sector source. Note also that the 'other services rendered income' has been split into several lines to further analyse the income from Europe (WEFO, etc) and TNE fee income. Where other operating income and other services rendered income comprise material balances, we would expect some explanation of the composition of these within the narrative commentary to inform our understanding of income streams.

This year we have replicated the analysis of home and EU student fees for overseas students. Note also that, as in previous years, the fees relating to overseas students who study abroad or under franchise (i.e. not at the home university) should be included in head 4f.iv of Table 1a if they are based at EU locations, or head 4f.v if they are based at other overseas locations. Any TNE income included in these heads for consistency with financial statements disclosure should be separately disclosed on head 2 of Table 5.

Student numbers forecasts are set out in **Annex CandE**. The fee income totals should reconcile to the student numbers returned, and there are validations reflecting this. There is no direct linkage of input between the financial forecasts in **Annex B1** and the student number forecasts returned in **Annex CandE**. However, we will be undertaking reconciliations of these. The totals of fee income for Welsh domiciled students should

agree to head 1a_1a in Table 1a, those for other UK home students should agree to head 1a_1b, and EU students should agree to head 1a_1c, as analysed for each level of study. Please refer to separate guidance on input of student numbers in **Annex D**.

Table 1b – Analysis of staff costs

The staff cost analysis this year again includes analysis by cost type (salaries & wages, NI, pensions, etc.) as well as by activity. We are also requesting average FTE staff numbers, split by academic, administrative, technical and other.

Table 1c – Analysis of other operating expenses

We request an analysis of other non-pay expenditure that mirrors the cost type analysis of staff costs.

Table 2 - Statement of changes in reserves

There is no table 2 as we do not require a separate detailed statement of changes in reserves.

Table 3 – Consolidated balance sheet

Note that all lines need to be entered on this table – there are no other automated feeds to it. Note that negative goodwill must be entered as a negative amount. Note also that the balance sheet disclosure of financial commitments should be in agreement with that disclosed in Table 6.

Table 3a – Fixed assets purchase analysis

This table requires the analysis of assets purchased in the year (as per cash flow statement, table 4_5_5g to be entered of the split by asset type (L&B, equipment) as well as the sources of finance for each year of spend. Please ensure that the sources balance to the expenditure for each year of the forecast.

Table 4 – Consolidated statement of cash flow

This table is given higher prominence in our assessment of financial sustainability under the new GAAP reporting environment. Please ensure that the movements and cash and cash equivalents reconcile to the balance sheet. To this end additional reconciliations have been included in Table 5, together with new validations, which include reconciliation of balance sheet movements to extract net operating cash flow and verification of cash and cash equivalents to balance sheet.

Table 5: Supporting data

In this table we request further numerical breakdown of heading on the statement of comprehensive income which were previously requested to be returned within the commentary on **Annex B2**. We have also added a number of additional reconciliations in order to assist validation, particularly of the cash flow statement.

Tables have been provided with a drop down to confirm if they are not applicable to your institution in order to assist validation.

Additional lines can be inserted into each of the tables without unlocking the tab as a whole.

Table 1_4: Nil growth

This table replicates Table 1_4 above, but is provided in recognition of the Institutions wish to include aspirational targets within their forecasts. We have therefore provided a 'Nil growth' version in order to provide a base scenario that meets the requirements of our Council that institutions demonstrate modelling and full consideration of nil growth scenario. We would expect this table to include no growth in Home (Wales and UK) and EU students. Growth relating to new courses should only be included where the new course was established in 2018/19 and is being rolled out. Growth in other tuition fee areas, including TNE, should be fully supported by evidence within the narrative document. HEFCW funding should only be included to the level indicated by publications such as remit letters, headline steers etc. No supporting Table 5 data is required for this forecast.

Table 6: Balance of outstanding commitments and agreed financial commitments not yet drawn down at 31 July 2019

This table is intended to capture in a much more comprehensive way the current position of borrowings and financial commitments for your institution. Information returned on Table 6 will also be used within our annual monitoring processes for institutional borrowing. Note that the 'validations' worksheet contains several validation checks to ensure, *inter alia*, that the totality of borrowings in Table 6 agrees with the forecast balance sheet, and that all loans are accounted for in terms of totals committed, drawn down and undrawn sums.

Validations worksheet

This sheet provides a comprehensive set of validation checks.

These are ordered to process systematically through the tables. The validations are designed to confirm that all tables have been completed, that sub-analysis has been completed where required and that the financial data is consistent and agrees between the various tables and statements.

Given the nature of the validations included, we do not envisage many scenarios where these cannot be resolved, and every effort must be made to enter the data correctly, but if an issue cannot be resolved it can be reported in the narrative column to the right of each validation.

KFI and ANOC worksheet

This sheet is fully formula based. It should be reviewed as part of the narrative completion in order to ensure that any variances and anomalies are satisfactorily explained.