

Cylchlythyr | Circular

Request for forecasts 2017

Date: 15 June 2017
Reference: W17/13HE
To: Heads of higher education institutions in Wales
and Directors of Finance
Response by: **31 July 2017**
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This circular requests HE institutions to submit:

- Corporate Strategy measures forecasts for 2016/17 and 2017/18
- Financial forecasts for 2016/17 to 2020/21
- Student numbers for the current year 2016/17 and forecasts for 2017/18 to 2020/21

If you require this document in an alternative accessible format, please email 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 2016/17 and 2017/18

Part 2 - Financial forecasts for the period to 2020/21

Part 3 - Student numbers for the current year 2016/17 and forecasts for 2017/18 to 2020/21

More detailed notes of guidance are set out below. Copies of the returns to be submitted are attached at the annexes to this circular, along with further technical information. Electronic copies of some of the annexes have already been sent to the relevant contacts at institutions in order to commence the forecast submission process. This year an updated financial forecast model workbook (with relevant guidance notes for completion) is attached to this circular at Annex C, in addition to a new workbook to include credibility checks linking the forecast student numbers to the forecast fee income for home, EU and other overseas students (Annexes D1a-c and D2).

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 27 March 2017, announcing higher education funding and priorities for 2017/18.
 - HEFCW's Corporate Strategy 2013/14 to 2016/17.
 - HEFCW's circulars¹:
 - HEFCW's Funding Allocations 2017/18 (W17/11HE)
 - 2018/19 fee and access plan guidance (W17/06HE)

¹ www.hefcw.ac.uk/publications/circulars/circulars.aspx

- Higher Education Students Early Statistics (HESES) survey 2016/17 (W16/40HE)
- Research capital funding 2016-17 (W16/24HE)

Summary of information requirements

4. We commenced the process of issuing to each institution separately their individualised financial forecast data forms in the week commencing 15 May 2017. 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. In addition to the specific purposes outlined above, all of the information requested through this circular will provide evidence to inform our Institutional Risk Review process.

Part 1 - Corporate Strategy Measures forecasts 2016/17 to 2017/18

5. For the following Corporate Strategy measures we will draw on information from institutions' financial forecast returns (*due 31 July 2017*), 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) process².
6. For the remaining measures below, we ask **each institution to submit, by 31 July 2017, details of its projected performance against each target for academic years 2016/17 and 2017/18.**
- 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;
 - National Student Survey 'overall satisfaction' scores;
 - Increase in Welsh medium activity;
 - Growth in overseas students;
 - Employment performance;

² 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](#)).

- Employability performance;
- Continuing professional development;
- Collaborative research income.

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

Templates for individual institutions have been populated with forecast data for 2016/17, submitted to HEFCW in July 2016 in response to W16/20HE: Request for forecasts 2016³. Institutions may have submitted corporate strategy target forecasts for 2016/17 subsequently in their annual Strategic Planning and Engagement Document progress reports⁴ (SPEDs) in December 2016.

If forecast data for 2016/17 has been updated in the SPED progress report then the template will be updated with this data. Templates will be emailed to data contacts for completion. Where relevant, forecasts for 2016/17 should be updated. Forecasts for 2017/18 should be provided. 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 website⁵.

We will be sharing the actual performance data for the period 2011/12 to 2015/16 and the forecast data for 2016/17 to 2017/18 for the Welsh Medium activity with the Coleg Cymraeg Cenedlaethol.

Part 2 - Financial forecasts for the period 2016/17 to 2020/21

7. 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;

³www.hefcw.ac.uk/documents/publications/circulars/circulars_2016/W16%2020HE%20Request%20for%20forecasts%202016.pdf

⁴www.hefcw.ac.uk/documents/publications/circulars/circulars_2014/W14%2036HE%20Changes%20to%20the%20Strategic%20Engagement%20process%20from%202014_15.pdf

⁵www.hefcw.ac.uk/documents/publications/circulars/circulars_2016/W16%2027HE%20Higher%20Education%20Data%20Requirements%202016_17.pdf

- 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.
8. For the current submission we ask institutions to prepare five-year financial forecasts, covering the period to 2020/21. We have pre-populated the 2014/15 and 2015/16 actuals columns in the models to assist with identification of any trends in performance. We have also pre-populated the original forecasts for 2016/17 (as submitted to us in July 2016). 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 by **31 July 2017**.
9. 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

10. The form and content of the financial forecast models 2016/17 to 2020/21 is largely the same as that submitted by institutions in July 2016 with the key difference being a split-out of EU student fee income lines from those for Welsh domiciled students. We have requested the same split for the student number forecasts. This is to enable further analysis of the impact of Brexit on EU student numbers. We have also altered the running order of certain lines on the balance sheets (table 2 in the Annex) to provide a more logical presentation. 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 last financial statements.
11. **Pension Scheme costs** – we have requested in **Annex D** an analysis of the forecast pension charges to the Statement of Comprehensive Income, as well as forecast pension payments and the estimated liability. The implementation of FRS 102 has brought additional pension scheme liabilities onto the balance sheet, the Universities' Superannuation Scheme (USS) being the most significant of these.

Financial forecasts tables

12. The new financial forecast template is attached at **Annex C**. The financial forecast commentary (**Annex D**) requests further memorandum analysis of the tables in the forecast model, although the information for student number and student fee income forecasts is required separately under Annexes D1-D2 and SPF1-3. Annexes D3 and D collect analysis of loans and covenants and subsidiaries' activities respectively. A detailed schedule of borrowings has been included in table 6 of the main financial forecast model and there are validation checks to ensure that it agrees in a number of key aspects to the borrowings on the balance sheet, etc.

Financial forecasts commentary

13. 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.
 - (iv) Some tangible evidence of contingency planning for events such as under-recruitment of student numbers at FTUG and PTUG level for 2016/17 and 2017/18 and the financial consequences for income and surplus (see the 'Risk/Opportunity analysis at Annex D).

Tables are included in the annexes to the forecast request to aid the reconciliation of student fees (distinguishing between new and returning Welsh, EU and UK domiciled students under the prior and new tuition fee systems) to student number forecasts (**Annexes D1a to D1c**). Similarly, overseas students' fees (distinguishing between those studying at the 'home' institution and those with franchise organisations or studying at an overseas campus, split between undergraduate and postgraduate) should also be reconciled to forecast student numbers. Please note that we expect TNE student numbers to be included in the SPF annexes and the related fees income to be included in **Annex D2**.

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 2016/17 and forecasts for 2017/18 to 2020/21

14. 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.
15. Institutions are asked to submit, to forecasts@hefcw.ac.uk, by **31 July 2017** forecasts of all HE student numbers (both fundable and non-fundable home, EU, Island and overseas) for the four years 2017/18 to 2020/21. This includes forecasts of student numbers 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**, and we will email institution specific tables to data contacts which contain validation and summary information. Tables in **Annexes D1 and D2** are included in the same workbook as Annex F, and credibility checks have been introduced to help check student number returns alongside fee income data. It is these tables that need to be completed and returned.
16. In addition to the forecasts, we are requesting information on student numbers for the current year 2016/17. This is to ensure that we can make comparisons of the most recent student population against the student fee income data returned in Annexes D1 and D2. 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.
17. The definitions contained in circular W16/40HE, *Higher Education Students Early Statistics (HESES) survey 2016/17* and in the HESA Aggregate Offshore record guidance, should be used in compiling the student forecast information required by this circular.
18. Assumptions should be consistent with those presented in **Annex B**, and any other relevant assumptions used in the preparation of the financial forecasts.
19. Further notes on completion of the tables can be found in **Annex E**.

Freedom of information

20. 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 under Freedom of Information Act.