Guidance for completion of the financial forecast model workbook

Main features of the 2025 model for academic years 2024/25-2028/29

Please note: New items and template changes are highlighted.

Overview of basis of preparation

- In the financial forecasts spreadsheets sent to finance directors and data contacts, we pre-populate the data for 2022/23 and 2023/24 actual and 2024/25 forecast columns. Actual data has been populated using data returned on the HESA finance record, adjusted where applicable *in primary statements only* to agree to the published financial statements. The supporting figures in Table 5 use the estimated figures provided in the 2024 forecast as the basis for the AY 2023/24 breakdown. Future forecast years have been left blank for input.
- 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. For further ease of identification manually input text or numbers are blue, and those generated by formulae are black. The facility to insert additional rows where required is indicated by unshaded rows.
- The workbook contains a number of worksheets:
    - KFI, which is an entirely formulaic tab, using the figures input in Tables 1_3 to calculate key financial indicators and other indicative ratios and percentages;
    - ANOC borrowing, which is also an entirely formulaic tab. This calculates ANOC (adjusted net operating cash flow) and indicative borrowing thresholds. This forms the basis for our annual borrowing monitoring, and includes the approved borrowing multiple and monetary threshold of each institution. Any breaches or notifiable events are flagged via the validations tab for appropriate action. We will communicate the outcomes of our borrowing monitoring annually by exception only. We undertake a triennial review of all approved borrowing levels. Revised borrowing thresholds will be communicated to all institutions following this review.
    - ‘Tables 1_3’, 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 to be broadly equivalent to the HESA finance record;
    - ‘Table 5, which provides numerical breakdowns where further analysis is required;
    - ‘Table 6’, which requests details of all loan and other financial borrowing commitments, drawn and undrawn, secured and unsecured;
    - ‘Tables 1_3 ‘Down-side’, which pulls data from ‘Tables 1_3’ to model base line down-side scenarios for 2025/26, with a facility to adjust each income line as required. These down-sides flow into indicators of net operating cash, cash at bank and operating surplus / (deficit).

- 'Validations' – this worksheet is write-protected other than a comments facility to be used exceptionally where validation errors cannot be resolved. It 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 Medr.

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_3: 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, exceptional expenses and 'below the line' items), this table is populated automatically from supporting tables 1a to 1d. An input line for exceptional expenses is included, primarily in order to facilitate identification of exceptional pension costs, but also to identify other exceptional items that would otherwise affect KFI calculations.

Input cells are highlighted white, with blue text. All other cells are read only.

Note at line heading 16 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 17 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.

Tuition fee income (Table 1a_1) splits out the fee income relating to Home and overseas at all levels of study.

For guidance on the split of EU students between home and overseas, please refer to the student number forecast guidance on **Annex D**.

Student numbers forecasts are set out in **Annex C and E**. 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 C and E**. However, we do undertake reconciliations of these. The totals of fee income for home students should agree to head Table 1a_1a, as analysed for each level of study and the total fee income for overseas domiciled students should agree to Table1a_1d in. Please refer to separate guidance on input of student numbers in **Annex D.**

Funding body income (Table 1a_2) - Note that only monies receivable from Medr should be included within Table 1a_2 Funding body grants. These should be analysed between recurrent, non-recurrent and capital as specified. All monies receivable from Medr should be included within this heading, including monies received via Medr which should be included under non-formula funding. Funding in respect of further education provision should be allocated to WG / FE recurrent grants (Table 1a_2i).

Research income (Table 1a_3) has been analysed to provide some indicator of geographical as well as sector source.

Other income (Table 1a_4). Note also that the ‘other services rendered income’ (Table 1a_4a) has been split into several lines to further analyse the income geographically. 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.

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. Pension costs are analysed between cash cost and technical adjustments (Table 1b_1d). Technical adjustments should include all defined benefit schemes. This is in line with rest of UK (and HESA finance record) and will assist us to estimate the cash impact of contribution changes where required.

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 1d – Analysis of interest and other finance costs

We request an analysis of interest and other finance costs. This enables us to identify the split of actual cost and accounting adjustments, such as net pension charges.

Table 2 – Consolidated balance sheet

All lines need to be entered on this table – there are no automated feeds. 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.

In line with the rest of UK we have expanded disclosure to separately identify deferred and accrued income. As teaching models expand outside the traditional academic year, this becomes a more material item, which differs in nature from general accruals and prepayments.

Table 3 – 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 the additional reconciliations included in Table 5 have been retained.

Table 3a reports both the forecast quarterly cash position each year and the amount and timing of the lowest cash position in that year.

Table 5: Supporting data

In this table we request further numerical breakdown of certain headings on Tables 1_3. I also includes a number of additional reconciliations in order to assist validation, particularly of the cash flow statement.

Tables have been provided with drop down menus both to assist validation where the heading is not applicable to your institution and to drive consistent reporting of detail and categorisation.

Additional lines can be inserted into each of the tables without unlocking the tab as a whole, as indicated by non-shaded cells.

Table 5_1a recognises that whilst TNE is now required to be reported within tuition fee income (Tables1_3_1a), this is not being consistently applied. As TNE is a growth area, we do require complete figures for monitoring purposes. We are also collecting high level quantification of partnership income for monitoring purposes.

Table 5_1c is required to assist our identification and understanding of large grants where recognition criteria may distort underlying institutional performance. As the main distortions are caused by capital funding, we are only requesting this detail on larger capital grants, unless other grants are of a sufficient size to require disclosure to promote understanding of movements within the financial statements. Small capital grants may be included in aggregate. This is more likely to be the case where the performance measure is used.

Table 5_1f requests a high level quantification of shorter courses such as foundation and CertHE that have been included within the traditionally 3 year heading of FTUG where these are not an integral part of a longer course. This is in recognition that whilst these courses may lead to progression, they are not of themselves 3 year income streams. This is supported by a high level narrative in Annex B2.

Table 5_2a requests information regarding specific annual commitments.

Table 5_3 provides high level oversight of subsidiaries, joint ventures and associates that may not be visible within the group figures.

Table 5_4ci requires the analysis of assets purchased in the year (as per cash flow statement, table 3_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. This includes tangible and intangible capital purchases. Categorisation of source of finance needs to consider the timing of funds. For example a capital asset may be financed by a loan taken out, or an asset sold in a prior year. These should still be indicated as the source of finance. Smaller items may be included in aggregate.

Table 5_4cii whilst acknowledged to be very broad brush, seeks to obtain some level of understanding around significant longer term projects.

Table 5_5 recognises that allocated funds are included within cash balances which can only be used on a very short term basis. It also seeks to quantify the internal target cash requirement of institutions to manage their fluctuating income profiles.

Table 5_6 a-c provide a summary of key assumptions enabling improved understanding of the comparability between forecasts of different HEIs.

Table 5_6d collects a summary of provisions and contingencies, including centrally held savings, included within the forecasts. This is supported by a narrative in Annex B2.

Table 5_7 validates reconciliation of the cash flow statement

Table 1_3: 'Down-side'

In order to examine the potential impact of down-side scenarios we require institutions to produce down-side modelling for 2025/26. We recognise the diversity within the sector, and fully expect that individual institutions will have undertaken their own modelling on down-side risks which will involve differing assumptions.

We require some modelling that is consistent over the sector in order to inform our assessment of funding requirements, and to provide base scenarios that meet the requirements of our Council that institutions and their governing bodies demonstrate modelling and full consideration of down-side scenarios. We expect details and impact assessment of further modelling undertaken by individual institutions to be included within the main commentary. Therefore we do not expect any growth to be shown in this model.

This table draws income and expenditure from Table 1_3 to produce base models for 2025/26. Results are shown at the level of operating surplus / (deficit), net operating cash flow and cash at bank. The scenarios use bases as follows:

Model 1 – nil growth

- 2025/26 income is held at 2024/25 levels

Model 2 – standard down-side

This model applies the following standard down-sides:

- UK FTUG tuition income is a 5% reduction on the estimated 2024/25 student fee income;
- Other UK tuition income is the lower of audited 2023/24 and estimated 2024/25 student fee income;

- International FTPG tuition fee income is 20% below estimated 2024/25 student fee income;
- Other international tuition fee income is the lower of audited 2023/24 and estimated 2024/25 student fee income;

Model 3 – HEI own worst case

We recognise that the Welsh sector is diverse. This model requests a headline view of the institution's own worst case income scenario modelling for 2024/25 as presented to executive and governing body.

Tuition fee income is not extracted from the main tables, but requires input.

All models

All base figures, other than model 3 tuition income, are automatically extracted from Table 1_3. There is a facility to amend each income stream.

Amendments should be in line with the following:

- Tuition fee adjustments for course changes, including roll-forward of cohorts on new courses established in 2024/25 or earlier. No growth in cohort sizes should be reflected in this adjustment. Courses commencing or planned to commence after 2024/25 should not be included. Cohort progression of courses established in 2023/24 or 2024/25 may be recognised, but this should not assume growth in cohort size.
- Adjustment may be made for increases to the fee cap of existing students where appropriate. These should be based on an approximation of the student numbers of the year pulled through by each down-side model and should not include any growth assumptions.
- International fees may be adjusted for published fee increases. These should be based on an approximation of the student numbers of the year pulled through by each down-side model and should not include any growth assumptions.
- Other income streams are assumed to remain equivalent to the main forecast. However there is facility to include appropriate adjustments to other income streams that would be impacted by such a scenario, for example as accommodation, facilities and other footfall, based incomes to be included based on the student number reductions;

Additional lines can be input into the scenario tables where indicated as unshaded cells.

Expenditure in each model is assumed to remain unchanged from the main forecast.

Mitigations including cost savings and other cost mitigations that would be required based on the institution's modelling of income adjustments of these magnitudes should be included within the narrative commentary. Please indicate the timeframe required for each of the mitigating actions including the dates by which the decisions for each mitigation would need to be made.

In order to minimise workload we have limited the scenario(s) to illustrate the impact on operating surplus / (deficit), net cash flow from operating activities and cash balances.

No supporting Table 5 data or student FTE data (Annex C and E) is required for these scenarios.

Table 6: Balance of outstanding commitments and agreed financial commitments not yet drawn down at the balance sheet date

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 is also used within our annual monitoring processes for institutional borrowing, as calculated on the ANOC borrowing tab. 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.

The table should include details of all relevant financial commitments as specified by Annex B of the HEFCW Financial Management Code (HEFCW W17/16HE).

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.

The exception to this is the borrowing monitoring validations, which may highlight actions required by the governing body.

KFI worksheet

This tab 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. The table has now been split to provide our main monitoring indicators and other indicators. The main indicators include a comparison, based partly on UK sector averages, to indicate broad performance measurement for medium term sustainability. These are broad average indicators and do not represent targets as we recognise that the requirements of individual institutions vary significantly.

Sector averages are derived from HESA opendata for institutions with a 31 July year end. This is a point of time extraction only.

ANOC borrowing worksheet

This tab is fully formula based.

Please note that approved thresholds of each institution have been built into the populated templates which form the basis of our annual borrowing monitoring review, with communication only by exception.

This tab should therefore be reviewed for indicators of notifiable or reportable events. Any such events will be highlighted on the validations tab together with governing body required actions. This is in order to facilitate compliance with the HEFCW Financial Management Code requirement for governing bodies to formally notify Medr where the approved multiple has been exceeded.

We will continue to undertake triennial reviews of all authorised borrowing levels. All institutions will be informed of confirmed authorised borrowing thresholds, regardless of whether these have been updated.

We would further reiterate that formal approval is required for all borrowing by institutions assessed by Medr as high risk, and for any new borrowing where either an institution's authorised monetary threshold OR multiple have been exceeded.