



Scottish Funding Council  
Comhairle Maoinreachaidh na h-Alba

## Financial Forecast Update for HE institutions 2019-20 to 2020-21

# SFC Call for Information

Issue Date: 9 April 2020

## Financial Forecast Update for higher education institutions 2019-20 to 2020-21

Issue date: 9 April 2020

Deadline: 24 April 2020

Reference: SFC/CI/04/2020

**Summary:** This Call for Information requests institutions to urgently complete a Financial Forecast Update for the period 2019-20 to 2020-21. The return should be sent to the Scottish Funding Council (SFC) by 24 April 2020.

**FAO:** Principals / Finance Directors / Board Secretaries of Scotland's universities

**Further information:** **Contact:** Andrew Millar / Claire Taylor  
**Job title:** Assistant Director / Senior Financial Analyst  
**Department:** Finance  
**Tel:** 0131 313 6538 / 6604  
**Email:** [amillar@sfc.ac.uk](mailto:amillar@sfc.ac.uk) / [ctaylor@sfc.ac.uk](mailto:ctaylor@sfc.ac.uk)

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## **Financial Forecast Update for higher education institutions 2019-20 to 2020-21**

### **Purpose**

1. This Call for Information requests institutions to urgently complete a Financial Forecast Update for the period 2019-20 to 2020-21. The return should be sent to the Scottish Funding Council (SFC) by 24 April 2020.

### **Financial Forecast Update**

2. The Financial Forecast Update is required to identify financial impacts arising from the COVID-19 emergency and replaces the strategic plan forecast (SPF) for this year. The forecast period covered by the return is shorter than the SPF because of ongoing uncertainties surrounding the financial impacts particularly over the medium to longer-term.
3. While it is recognised that this is a fast-moving and evolving picture, and not possible to quantify some impacts, the return will give SFC a better understanding of the extent of the financial impacts arising from the potential loss of key income streams and increases to the cost base. The return will also enable institutions to demonstrate how they are working to mitigate financial impacts, including reprioritisation of existing resources and deferral of expenditure, as well as development of additional planning scenarios.
4. The return builds on financial information already provided by institutions and will enable SFC to provide further advice on the financial impact across the university sector to both the Scottish and UK Governments.

### **Return of the Financial Forecast Update**

5. Guidance for completion of the return can be found in **Annex A** below. A blank copy of the spreadsheet is published along with this Call for Information on our website.
6. Institutions are required to complete both the 2019-20 outturn and the 2020-21 forecast figures. Please note that the guidance in **Annex A** requests a commentary on the financial forecasts which should cover the context in which the forecasts have been prepared.
7. It would be helpful if you could enter explanations for significant variances on the spreadsheet and within the commentary. As with previous forecast exercises, we may come back to institutions with queries and requests for further details following our analysis of the forecast information.

8. The final version of the Financial Forecast Update should also be presented to the institution's governing body. We recognise that the deadline of 24 April means that it is unlikely that there will be an opportunity for governing body scrutiny prior to submission to SFC.

#### **Information requested**

9. Please email both a signed copy in PDF format and an electronic copy of the return in Excel format, and the financial commentary by 24 April 2020 to [isg-returns@sfc.ac.uk](mailto:isg-returns@sfc.ac.uk).

#### **Further information**

10. Please contact Andrew Millar, Assistant Director, tel: 0131 313 6538, email: [amillar@sfc.ac.uk](mailto:amillar@sfc.ac.uk) or Claire Taylor, Senior Financial Analyst, Finance, tel: 0131 313 6604, email: [ctaylor@sfc.ac.uk](mailto:ctaylor@sfc.ac.uk) to discuss any aspect of this letter.



**Lorna MacDonald**  
Director of Finance

## Guidance for completion

### Structure of the Financial Forecast Update

1. The return takes the form of an excel spreadsheet which has eight worksheets. A copy of the spreadsheet is published along with this Call for Information at **Annex B**.
2. Seven of the sheets require input by the institution. We suggest the order of completion is:
  - (i) 'Income'.
  - (ii) 'Expenditure'.
  - (iii) 'SoCIE'.
  - (iv) Cashflow.
  - (v) 'Balance Sheet' and 'BS Additional info' (these two sheets should be completed together, as various inputs on each drive figures on the other).
  - (vi) 'Declaration'.

### Completion of the Financial Forecast Update

#### *Assumptions*

3. To enable forecasts for all institutions to be viewed on a consistent basis, the following assumptions must be used:

#### ***SFC grant***

SFC grant for 2020-21 should be in accordance with final funding allocations announced on 7 April 2020.

#### ***International fee income***

For Academic Year 2020-21, institutions should assume a mid-range reduction of 50% on original fee income projections for 'new intake' international students, and a reduction of 30% for students continuing studies. The spreadsheet return breaks down international fee income into these categories which will enable both SFC and institutions to develop additional planning scenarios. It is not expected that refunds on international fees will be provided to students in Academic Year 2019-20.

#### ***Residences, catering and conference income***

Institutions' recent returns to Universities Scotland concerning loss of income / refunds for student accommodation and loss of summer income from

accommodation and conferencing in Academic Year 2019-20 should form the basis of these projections, updated where relevant to reflect the latest position.

### ***Input of financial forecast figures and comparatives***

4. The sheets in the spreadsheet contain yellow highlighted boxes for the input of the forecast figures.
5. Please note that only whole numbers can be input into the return. Please do not link the spreadsheet to another document or change the formatting in the spreadsheet.
6. Please enter explanations for any significant variances where appropriate.

### ***Scottish Funding Council grants***

7. SFC grants should be analysed in accordance with the headings in the final grant letter issued on 7 April 2020. The grants for small specialist institutions, widening access and retention funds and accelerated provision should be shown as General fund teaching.

### ***Sheets not requiring completion***

8. The Summary sheet does not require to be completed. This summarises various key figures from the spreadsheet and is calculated automatically.

### **Commentary**

9. Institutions should provide a commentary on the financial forecasts in order to enable a proper understanding of key aspects of the financial forecast. . The commentary should clearly set out the expected financial impact of COVID-19 in Academic Years 2019-20 and 2020-21 and mitigating actions being taken to address its financial effect.

10. The following areas should be covered by the commentary.

***Introduction***

This should cover the context in which the forecasts have been prepared.

***COVID-19 immediate pressures – Academic Year 2019-20***

The commentary should set out details of immediate financial pressures in the remainder of the current Academic Year including loss of accommodation and conference income, impacts on other income streams and additional costs being incurred e.g. additional costs from online provision, upgrading remote access capability and halting capital projects. It would also be helpful if the narrative could set out the extent to which the financial impacts affecting your institution have been covered by mitigating actions including reprioritisation of operations and deferral of expenditure, as well as use of the job retention/furloughing scheme and insurance policies.

***COVID-19 expected impacts – Academic Year 2020-21***

This should provide details of projected financial impacts in Academic Year 2020-21. It is expected that loss of overseas fee income will represent the greatest risk. Again, narrative should be provided around the COVID-19 impact on other sources of income and the institution's cost base including any expected savings, and mitigating actions including reprioritisation of operations and deferral of expenditure, as well as the use of the job retention/furloughing scheme.

***Tuition fee income and other income***

This should include details of the assumptions made concerning international fee income for 'new intake' students and those continuing studies and consequential impacts on residences and catering income. The commentary should also provide details regarding student numbers and the reasons for movements in other sources of income including research and development contract and consultancy income.

***Staff and non-staff costs***

The commentary should cover the reasons for movements in staff and non-staff costs and the impact of changes in the level of activity. Assumptions regarding staff numbers, pay awards and future pension employer contribution costs should be confirmed.

***Underlying operating position***

The impact of any significant one-off and non-controllable items on the operating position should be explained.



***Cash position***

Please provide detailed commentary about the institution's operating cash position and whether your institution anticipates any liquidity challenges during the forecast period and the timing thereof. This should cover potential liquidation of investment funds in addressing cash flow challenges and associated transaction costs.

***Borrowing***

The commentary should set out details of any expected breach of covenants and the consequences thereof including the prospect of any immediate loan repayment. Recent discussions with lenders in addressing short-term liquidity challenges and concerning securing long-term finance should also be covered including approaches to the COVID Corporate Financing Facility and Coronavirus Large Business Interruption Loan Scheme.

***Risk Management***

This should provide details of the key risks identified when preparing the forecast.

***Mitigating actions***

This section should provide details of risk management strategies devised to deal with the above risks including reprioritisation of operations and deferral of expenditure. Institutions should also set out details of the extent to which support mechanisms have been utilised to date including accessing the job retention / furloughing scheme.

***Scenario planning***

Institutions are encouraged to develop additional planning scenarios if they believe they are more appropriate for their circumstances. It would be helpful if you could provide details of scenario planning undertaken by your institution and copies of any recent papers presented to your institution's governing body.

***Any other information***

This should provide any other information which you feel should be brought to our attention.

***Declaration***

The 'Declaration' sheet should be signed and dated by the Principal.