



Scottish Funding Council
Comhairle Maoineachaidh na h-Alba

**Strategic plan forecast (SPF) for higher
education institutions
2019-20 to 2020-21**

SFC Call for Information

Issue Date: 25 June 2020

Strategic plan forecast (SPF) for higher education institutions (HEIs) 2019-20 to 2020-21

Issue date: 25 June 2020

Deadline: 31 July 2020

Reference: SFC/CI/06/2020

Summary: This Call for Information requests institutions to complete a strategic plan forecast for the period 2019-20 to 2020-21.

FAO: Principals, Finance Directors and Board Secretaries of Scotland's universities

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Strategic plan forecast (SPF) for higher education institutions 2019-20 to 2020-21

Purpose

1. This Call for Information requests institutions to complete a financial forecast for the period 2019-20 to 2020-21. The return should be sent to the Scottish Funding Council (SFC) by 31 July 2020.

Strategic plan forecast

2. The strategic plan forecast (SPF) is an established part of SFC's financial health monitoring framework. The forecast period covered by this return is shorter than that usually provided in the SPF because of uncertainties surrounding the financial impacts of COVID-19, particularly over the medium to longer-term. It is envisaged that a further Call for Information covering the period to 2022-23 will be issued in the autumn once the position on 2020-21 student recruitment becomes clearer.
3. While it is recognised that this continues to be an evolving picture, and it is 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. 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, including the Financial Forecast Update, 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 SPF

5. Institutions are required to complete both the actual figures for 2018-19 and forecast figures for the two remaining years.
6. 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. The main change to the spreadsheet concerns the requirement to provide additional details on loan/bond covenants.
7. 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. The commentary should also capture your additional scenario

planning, working through a range of assumptions and options that help you and us understand the trade-offs involved, and choices you could make, to reach an optimal position for your institution. Please provide copies of recent papers presented to your institution's Governing Body which capture the scenario planning undertaken along with mitigating actions and key milestones in the decision making process for addressing adverse variances.

8. It would also be helpful if you could enter explanations for significant variances on the spreadsheet. 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.

Information requested

9. Please email an electronic copy of the return in Excel format, and the financial commentary, along with recent papers presented to your Governing Body, which should include details of any additional planning scenarios that have been considered by the institution's governing body, to SFC by 31 July 2020. If the schedule of governing body meetings makes it difficult to achieve this deadline, please provide a draft return by that date with the final approved version to be provided as soon as possible thereafter.
10. Electronic copies of the return and supporting documents should be sent to isg-returns@sfc.ac.uk.

Further information

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



Lorna MacDonald
Director of Finance

Guidance for completion

Structure of the SPF

1. The SPF takes the form of an excel spreadsheet which has eleven sheets. A copy of the spreadsheet is published on our website along with this Call for Information.
2. Ten 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) 'Assumptions'.
 - (vii) 'Pensions'.
 - (viii) 'Borrowing covenants'.
 - (ix) 'Declaration'.

Completion of the SPF

Assumptions

3. To enable forecasts for all HEIs to be viewed on a consistent basis, SFC grant for 2020-21 should be in accordance with [final funding allocations](#) confirmed on 9 June 2020, and also reflect the additional research funding allocation announced on 12 June 2020.
4. Assumptions for international fee income in 2020-21 should take account of local circumstances and be based on the latest available information regarding recruitment levels. As well as this 'realistic' scenario, if planning is also continuing on an alternative scenario, it would be helpful if institutions could present the financial impact of the alternative scenario in the commentary accompanying the forecasts. Assumptions underlying both scenarios, along with potential mitigating actions and key milestones in the decision making process for addressing adverse variances, should also be clearly set out in the financial commentary.

Input of financial forecast figures and comparatives

5. In the 'Assumptions' sheet you are required to enter your assumptions for specific areas of income and expenditure, including those specified by SFC.
6. The sheets in the spreadsheet contain yellow highlighted boxes for the input of the actual and forecast figures.
7. 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.
8. Please enter explanations for any significant variances where appropriate.

Scottish Funding Council grants

9. SFC grants should be analysed in accordance with the headings in the final funding allocations confirmed on 9 June ([SFC/AN/07/2020](#)) and also reflect the additional research funding allocation announced on 12 June 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

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

Commentary

11. Institutions should also provide a commentary on the financial forecasts. The commentary serves four purposes:
 - To explain how the financial forecasts represent the institution's strategic plan.
 - To enable a proper understanding of key aspects of the financial forecast.
 - To explain the actions taken by the institution to remain sustainable and financially viable.
 - To explain any potential alternative options and trade-offs you could make to reach a more optimal position for your institution including details of key milestones in the decision making process.
12. Please provide a commentary which should follow a similar format to that provided with the Financial Forecast Update return. The areas listed below should be covered by the commentary. Please note that there is no need to

provide a separate commentary if the required content is covered in recent papers presented to your institution's Governing Body.

Introduction

This should cover the context in which the forecasts have been prepared. It should include an explanation of how the elements of the institution's strategic plan, human resource management strategy and estates strategy are reflected in the forecasts, and how these developments are to be financed.

COVID-19 immediate pressures – Academic Year 2019-20

The commentary should set out details of financial pressures in 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 Coronavirus Job Retention Scheme (CJRS). Please highlight positive and negative variances from the Financial Forecast Update 2020.

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 the potential loss of overseas fee income will represent the greatest risk. As stated in paragraph 4 of **Annex A**, institutions should present the financial impact of 'realistic' (as set out in the SPF return) and alternative scenarios in terms of international fee income projections. Narrative should also 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 CJRS. Please highlight positive and negative variances from the Financial Forecast Update 2020.

SFC recurrent grant

You should confirm your assumptions regarding SFC grant income which should be in accordance with the final funding allocations confirmed on 9 June 2020 and also reflect the additional research funding allocation announced on 12 June 2020.

Changes in 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. Institutions should set out the assumptions underlying both the 'realistic' and alternative scenarios for projected international fee income in Academic Year 2020-21.

Changes in 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 refer to the borrowing covenants worksheet within the SPF template and cover 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 as well as use of revolving credit facilities.

The commentary should also highlight details of negotiated loan repayment holidays.

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 as well as potential mitigating actions that would be undertaken in the event of adverse movements on income and expenditure, particularly movements on key income headings. It would be helpful if institutions could set out details of all potential actions, including the pros and cons of each action, in addressing adverse variances and key milestones in the decision making process. Institutions should also set out details of the extent to which support mechanisms have been utilised to date including accessing the CJRS.

It would also be helpful if institutions could outline mitigating actions in the event of the alternative scenario for 2020-21 international fee income as referred to in paragraph 4 of **Annex A**.

Any other information

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