

Respond by Friday 22 March 2002

February 02/06

Request

2002 Mid-year financial return

© HEFCE 2002

The copyright for this publication is held by the Higher Education Funding Council for England (HEFCE). The material may be copied or reproduced provided that the source is acknowledged and the material, wholly or in part, is not used for commercial gain. Use of the material for commercial gain requires the prior written permission of the HEFCE.



2002 Mid-year financial return

To	Heads of HEFCE-funded higher education institutions Heads of universities in Northern Ireland
Of interest to those responsible for	Finance
Reference	02/06
Publication date	February 2002
Enquiries to	HEFCE finance advisers (see paragraph 25)

Executive summary

Purpose

1. This document asks institutions to update their forecasts for the financial year 2001-02, originally submitted to the Council in July 2001, and to provide details of net liquidity and guarantees to third parties. Commentaries are also requested.
2. This information helps us to monitor the financial health of institutions and their compliance with the requirements of the Financial Memorandum.

Key points

3. The format of the mid-year financial return remains largely unchanged, but institutions should note that an additional explanation might be required for movements in discretionary reserves (see paragraph 20).
4. In Annex A, the figures for the 2001 financial forecasts are those submitted to the HEFCE in July 2001. Institutions are asked to explain any significant variances in income and expenditure compared with the July 2001 forecasts.
5. Copies of this document and disks for completion have been sent separately to institutions' directors of finance.

Action required

6. Completed returns should be sent to the institution's HEFCE finance adviser (see paragraph 25) **by Friday 22 March 2002.**

Out-turn for 2001-02

7. In July 2001, institutions submitted five-year financial forecasts and student number projections in response to HEFCE 01/23 '2001 Annual operating statements and financial forecasts'.

8. Institutions are now asked to provide the latest estimate of the actual out-turn for the academic year 2001-02 in the format set out at Annex A, which is consistent with the format of Table 1 in HEFCE 01/23.

9. In Annex A, the figures for the 2001 financial forecasts are those submitted to the HEFCE in July 2001.

10. The latest estimate of the actual out-turn should take account of any notified or forecast revisions to the 2001-02 grant allocation, as well as the impact of other known or forecast changes in income and expenditure. Examples of revisions include changes in funding council grants, holdback, maximum student number (MaSN) penalties, special funding, recruitment of students, expenditure, and provisions for bad debts.

Discretionary reserves

11. In Annex A, institutions should state the estimated level of discretionary reserves at 31 July 2002, taking account of the revised surplus or deficit for the year and the actual result as at 31 July 2001. Discretionary reserves include the balances on both the income and expenditure account reserve and general endowments.

Net liquidity

12. Annex B should be completed by all institutions. The information helps us to monitor the financial health of institutions and their compliance with paragraph 60 of the Financial Memorandum.

13. Institutions should give details of net cash, deposits and overdrafts (as defined in Financial Reporting Standard 1 [Revised 1996]: Cash Flow Statements). This should include the actual position at 31 July 2001; the forecast position as at 31 July 2002, as shown in the 2001 forecast; and the latest estimate of the actual out-turn as at 31 July 2002. If an institution had a **negative** net cash position¹ for one or more periods of more than seven days consecutively during the period 1 March 2001 to 28 February 2002, the highest level of negative net cash should be shown in the final column of Annex B.

14. Negative net cash balances in excess of the thresholds set out in paragraph 60 of the Financial Memorandum, for periods of more than seven consecutive calendar days, require prior written consent from the HEFCE.

Guarantees to third parties

15. Annex C requests information on all guarantees given to third parties as at 28 February 2002. ('Third parties' include all parties not consolidated within the group's financial statements.)

16. Returns should include guarantees given on behalf of subsidiary undertakings, and those guarantees where, because the possibility of loss is remote, disclosure is not required under FRS 12.

Commentaries

17. Commentaries should be provided, as follows.

Income and expenditure account

18. Reasons should be provided for significant variances in income and expenditure compared with the July 2001 forecasts. There is no prescribed format for the commentary, although the note numbers in the final column of Annex A should be used for reference.

¹ Where bank overdrafts exceed bank and cash balances, as defined in FRS 1.

19. The nature of any exceptional items should be explained. Where profits or losses on sale of assets or other significant costs (such as redundancy or provisions) are included in the income and expenditure account, **whether or not under exceptional items**, a note of the amounts and the heading under which they are included should also be given.

Discretionary reserves

20. An explanation should be provided if there is a significant variance, based on the 2001 forecast, that is not covered by the variance in the historical cost surplus or deficit.

Net liquidity

21. An explanation should be provided if there is a significant variance between net liquidity at 31 July 2002, as shown in the 2001 forecast, and the latest estimate of the probable out-turn.

New financial reporting standards

22. An explanation should be provided for any significant variance between the results for 2001-02 as shown in the 2001 financial forecasts and as shown in the probable out-turn, where this arises as a result of applying new financial reporting standards.

Approval and submission of return

23. Copies of this document and disks containing the tables have been sent separately to directors of finance. Annex A on the disk contains each institution's forecast data for 2001-02, extracted from the 2001 financial forecasts.

24. The return should be approved and signed at Annex D by the Designated Officer of the institution. It should be accompanied by:

- a hard copy of the tables and commentaries
- the completed disk.

Questions

25. Any questions arising from this request should be addressed to the institution's HEFCE finance adviser:

London and Northern Ireland

Jennifer Blanchard
0117 931 7353
j.blanchard@hefce.ac.uk

Sandy Hans
0117 931 7330
s.hans@hefce.ac.uk

Andrew Beazer
0117 931 7223
a.beazer@hefce.ac.uk

East and South-East

Richard Allen
0117 931 7389
r.allen@hefce.ac.uk

South-West and North-East

Siân Carby
0117 931 7327
s.carby@hefce.ac.uk

Yorkshire and the Humber, and Open University

Andrew Malin
0117 931 7332
a.malin@hefce.ac.uk

North-West

Richard Buist
0117 931 7377
r.buist@hefce.ac.uk

East and West Midlands

Nolan Smith
0117 931 7376
n.smith@hefce.ac.uk

List of abbreviations

FRS	Financial reporting standard
HEFCE	Higher Education Funding Council for England
MaSN	Maximum student number