

Annex D: Commentary to support the OfS Annual Financial Return 2025 workbook

Provider's name:	
UKPRN:	

The Office for Students (OfS) asks providers to submit a commentary to accompany financial tables to inform our assessment of the providers' financial viability and sustainability. We collect this information to help us understand what the forecast is based on, how providers manage their financial risks, the likelihood of the forecast being delivered and the mitigations in place should the forecast not be achieved. Where the commentary does not provide sufficient clarity on material areas, we may contact providers after the data has been signed off to seek further clarifications.

Forecast assumptions

1. To help the OfS understand the financial and student number forecasts please complete the table below. Please enter the narrative explaining the assumptions made in each of the listed areas (for ease of reference the relevant workbook table number is provided). For each area please also explain what actions you plan or may be able to take to mitigate any negative effects arising from the assumptions not crystallising, such as actual student numbers achieved in future years being lower than your forecast assumes or costs in future years being greater than what you have assumed in your forecast. For each area listed in the table please provide narrative about the measures you would implement to maintain your financial viability and sustainability and how feasible the implementation of these measures is.

AFR table	Area	Explanation for the forecast assumptions for Year 4 to Year 7	Mitigations in the event the assumption is not achieved
Assumptions	Value of UK-domiciled undergraduate fee (per student)		
7	UK-domiciled undergraduate student FTE (full-time and part-time)		
6	Average annual fee increase for a non-UK domiciled undergraduate student		
7	Non-UK domiciled undergraduate student FTE (full-time and part-time)		
6	Average annual fee increase for a UK postgraduate taught student		
6	Average annual fee increase for a non-UK postgraduate taught student		
7	Postgraduate taught student FTE (all domiciles, full-time and part-time)		
7	Postgraduate research student FTE (all domiciles, full-time and part-time)		

AFR table	Area	Explanation for the forecast assumptions for Year 4 to Year 7	Mitigations in the event the assumption is not achieved
N/A	Higher education franchised in student FTE		
N/A	Non-higher education student FTE		
9	Staff FTE		
1	Other income		
1	Donations and endowments income		
1	Interest rates on debt		
1	Other operating expenses		
Assumptions	Annual change in total OfS grants		
Assumptions	Annual percentage change in total Research England grants		
Assumptions	Changes to pension provisions and pension adjustments (all schemes)		
Assumptions	USS employers' pension contribution rate		
Assumptions	TPS employers' pension contribution rate		
Assumptions	LGPS employers' pension contribution rate		
Assumptions	Employers' pension contribution rate related to other schemes		

AFR table	Area	Explanation for the forecast assumptions for Year 4 to Year 7	Mitigations in the event the assumption is not achieved
Assumptions	Average annual inflation in salaries and wages		
Assumptions	Average annual operating cost inflation		
Assumptions	Annual building maintenance costs		
Assumptions	Value of any budget contingency included in the forecasts		

Ensuring financial viability and sustainability

2. How do you ensure your business's financial viability¹ and sustainability²? How are material risks to viability and sustainability identified and managed?

3. What do you consider to be the most significant five or more risks to the financial viability and sustainability of your provider, and how are these risks managed? Are these risks reported in your provider's risk register?

4. If the financial forecasts include assumptions about planned cost saving targets please set out, for each academic year, how much of these savings are 'identified' and how much are 'yet to be identified'.

5. What processes are in place in relation to cash management? Describe the processes for monitoring rolling cashflow forecasts. What timeframe do these forecasts cover and how are these reported to the governors?

6. If the financial forecast assumes that net liquidity days³ would fall below 30 days⁴ (including negative liquidity) at any point during Year 3 or 4, what mitigations are in place or are considered to ensure there is adequate funds available to manage financial risk scenarios? *(Note – arranged and undrawn RCF/overdraft headroom should only be included in the liquidity calculation if there are no forecast covenant breaches)*

¹ 'Financially viable' means that the OfS judges that there is no reason to suppose the provider is at material risk of insolvency within a period of three years from the date on which the judgement is made.

² 'Financially sustainable' means the OfS judges that the provider's plans and protections show that it has sufficient financial resources to fulfil conditions D(iii) and D(iv) of ongoing registration for the period of five years from the date on which the judgement is made, and that it is likely to be able to operate in accordance with these plans and projections over this period.

³ Net liquidity days are calculated as: ((cash and cash equivalents + current asset investments - overdrafts - bank loans and external borrowing falling due within one year - loans from directors falling due within one year) / (total expenditure - depreciation and amortisation - changes to pension provisions and pension adjustments))*365. The definition here reflects the terminology used for the OfS's reportable events guidance.

⁴ Important note: 30 days is a reporting trigger only. The OfS does not set financial targets for providers. As autonomous organisations, providers should set their own liquidity rules that ensure their viability and sustainability.

7. Where the financial and student number forecasts include any significant year on year changes which are significant in relation to your overall finances, i.e. worth over 10 per cent of the total income or expenditure or of a large absolute value on the statement of income and expenditure (Table 1 of the workbook), please comment on the reasons for these movements? The explanation must include details about any material exceptional income or expenditure items.

8. Where the financial and student number forecasts include significant year on year changes which are significant in relation to your overall finances, i.e. worth over 10 per cent of the total assets or liabilities or of a large absolute value on the statement of financial position (Table 2 of the workbook), please comment on the reasons for these movements? The explanation must include details about any material exceptional items.

9. Where the financial and student number forecasts include any significant year on year changes which are significant in relation to your overall finances, i.e. worth over 10 per cent of the total cash inflow or outflow or of a large absolute value on the statement of cash flows (Table 3 of the workbook), please comment on the reasons for these movements? The explanation must include details about any material exceptional cash items (you may cross-refer to other questions if appropriate).

Subcontracting, validation arrangements and non-HE provision

10. If you teach or plan to teach any subcontracted in higher education provision, please provide details of these arrangements. This should include the names of the partner providers, the student FTE in these relationships and the value of income received by your provider. How is this area of activity forecast to change in the forecast period?

11. If you subcontract out or plan to subcontract out any higher education provision to other providers, please provide details of these arrangements. This should include the names of the partner providers, the student FTE in these relationships and the value of income retained by your provider. How is this area of activity forecast to change in the forecast period?

12. If you deliver or plan to deliver any non-higher education provision, please provide details of these arrangements, including the value of income generated from it. How is this area of activity forecast to change in the forecast period?

13. If you deliver higher education courses validated by another provider(s) please advise who the validators are and if any changes of validators are expected in the period covered by the forecast.

Scenario planning – sensitivity to risk

14. Describe any recent scenario planning/ sensitivity analysis/stress testing that has been undertaken to understand and mitigate risks to financial viability and sustainability? Describe the scenarios that you have tested your financial resilience against and how this has been reported to the governors. What is the impact on income, expenditure, liquidity and covenant compliance (if applicable)?

15. Describe the actions you would take to manage a 10% shortfall in forecast income in the next two years.

Borrowing and covenants

16. If relevant, please set out the debt covenants in place for the existing borrowing and describe how you manage your compliance with them? Do your forecasts show that you will continue to meet these covenants for the full forecast period?

17. Have there been any covenant breaches, or have you agreed covenant waivers or amendments in the most recent financial year for which audited financial statements are available, or since? What happened as a result? Please provide details.

18. If, after the Year 2 financial year end date, an overdraft, revolving credit facility or any other short-term credit facilities have been arranged or are being arranged at present, please provide details below, including facility type, size, availability dates and stage of approval by the lender.

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19. If new borrowing is forecast or refinancing of the existing borrowing will be required in the forecast period, please provide the details of the assumptions made: including facility type, size, timing and stage of approval by the lender (if already being arranged). If debt refinancing is required, please advise what actions are being considered should it not be possible to secure new debt.

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Relationships with other entities (for providers that are part of a group, additional information requests may be made)

20. If your provider is a member of a corporate group, please provide a group structure diagram (this can be supplied in a separate document if you wish) and advise if any changes to the group structure are foreseen in the period covered by the forecast.

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21. If your provider is a member of a corporate group, please comment on the financial standing of the group.

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22. If your provider relies on a financial support of a third party or benefactor, or a financial guarantee is in place, please provide further details on this.

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Estates

23. Please provide any details or narrative to explain estimates you have provided in the Assumptions table - Backlog maintenance section (2a and 2b) on the total value of any capital investments needed to bring your infrastructure, facilities and equipment up to a 'good' standard of condition that is suitable for delivering high quality higher education and student experience. This question only applies where the provider is responsible for the cost of repairs and maintenance – it may not apply to leased/rental properties or equipment.

Other

24. If you have forecast any provisions in your statement of financial position, what do these relate to and what underpins the forecast? Please provide here any additional commentary regarding assumptions underpinning the forecast. This is to supplement the information recorded in the workbook, if necessary.

25. Where there is a balance shown in any year for 'Other Reserves' in Table 2 of the workbook, what comprises this balance?

26. If you have separately disclosed material items in your audited financial statement of comprehensive income and expenditure, please give details of what these relate to.

27. If there is any other information that would help the OfS in understanding your provider's financial viability and longer-term sustainability, please provide this below.