



The University of Manchester

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Management Accounts

Period ended 31 January 2017

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January 2017	YTD Actual	YTD Budget	Variance	Prior Yr Actual	Variance	F'cast Outturn	Full Yr Budget	Variance
	£m	£m	£m	£m	£m	£m	£m	£m
Operating results								
Income								
Tuition fees and education contracts	226.2	227.5	(1.3)	206.2	20.0	449.4	452.9	(3.5)
Funding body grants	54.5	54.1	0.4	57.4	(2.9)	107.9	108.2	(0.3)
Research grants and contracts	113.4	126.8	(13.4)	110.8	2.6	237.6	257.6	(19.9)
Other income	68.0	68.0	(0.0)	67.0	1.1	135.3	135.5	(0.2)
Investment income	3.8	3.3	0.5	3.8	(0.0)	8.0	6.5	1.5
Donations and endowments	5.1	6.1	(1.0)	4.5	0.6	11.5	17.0	(5.5)
Total Income	471.0	485.8	(14.8)	449.7	21.3	949.7	977.7	(28.0)
Expenditure								
Staff Costs	(265.5)	(274.1)	8.6	(259.0)	(6.5)	(542.6)	(550.7)	8.1
Other operating expenses	(153.4)	(172.7)	19.3	(145.9)	(7.5)	(339.6)	(352.5)	13.0
Interest and other finance costs	(9.4)	(9.4)	0.0	(9.5)	0.1	(18.9)	(18.9)	(0.1)
Pension costs	-	-	-	-	-	(12.0)	-	(12.0)
Total Expenditure	(428.3)	(456.2)	27.9	(414.4)	(13.9)	(913.1)	(922.1)	9.0
UNDERLYING CONTRIBUTION	42.7	29.5	13.2	35.3	7.5	36.7	55.7	(19.0)
Capital and investing activities								
Capital Income	26.2	32.1	(6.0)	33.5	(7.4)	64.9	67.5	(2.6)
Gain/(Loss) on investments	21.0	(0.0)	21.0	(1.8)	22.8	7.1	(0.0)	7.1
Sale of Fixed Assets	0.0	0.0	(0.0)	0.0	(0.0)	0.0	0.0	0.0
Total Capital and Investing Activities	47.1	32.1	15.0	31.8	15.3	72.0	67.5	4.5
Depreciation	(34.7)	(32.3)	(2.4)	(28.1)	(6.6)	(63.6)	(65.2)	1.6
ACCOUNTING SURPLUS	55.1	29.4	25.7	39.0	16.1	45.0	57.9	(12.9)

Accounting surplus is £55.1m, £25.7m favourable to budget. This includes £21.0m unrealised gain on investments (we have historically not budgeted for this but will do going forward), offset by £6.0m lower capital income due to timing of receipts.

Underlying contribution is £7.5m higher than prior year. However PY included £7.7m overstated fee discounts - excluding this we are broadly in line with PY. Increased tuition fees, including £3.9m Home (almost all students now paying £9k) and £7.4m Overseas have been offset by pay inflation and the fall in HEFCE teaching grant.

Underlying Forecast Contribution is £36.7m, £19.0m behind budget. This includes expected pension costs of £12m (reported as part of operating results, not actuarial gains/losses). Excluding these, underlying contribution is approx. £7m behind budget.

Underlying contribution is £42.7m, £13.2m favourable to budget.

Comparison with budget:

- Tuition fee income is based on actual student numbers with fees £1.3m adverse to budget (£0.7m core fees). This is lower home UG (impact of higher intake tariff, placement students paying reduced fees and lower continuing numbers) and overseas PGR fee income, partly mitigated by increased PGT fees, both home and overseas. Fee discounts are also higher than budgeted. Non credit bearing courses are forecast to be down, mainly Executive Education and ULC (reduction in numbers taking pre-session English courses due to mix of entry requirements and increased competition), both are being monitored closely.
- Latest view on full year fee position is £2.7m adverse, being an improvement of £0.8m on the November forecast position.
- Overall we are £13.2m favourable to budget. This issue of timing of non pay has reduced, now at £3.4m favourable. This does look to be budget phasing.
- £3.9m favourable is due to unspent contingencies, and this will continue through the year. Up to £1m of this has been earmarked to fund capital (Paterson refurbishment in BMH and Circle project in FSE). Savings to date on uncommitted SRF are a further £1.1m. A number of requests for funding have been submitted which, if approved, will utilise a proportion of the funding this year.
- Core staff costs, excluding £0.9m ERVS, are £3.7m favourable (includes release of overseas tax provision £1.7m). We would expect this to remain favourable by year end as it would take a lot of recruitment to reverse this favourable trend.
- Research income continues to be of concern being £13.4m behind budget but £2.6m ahead of prior year. Underlying contribution is £1.5m adverse to budget and £0.7m lower than prior year. The forecast indicates that underlying contribution will be £1.3m adverse at year end.
- Donation income is £1.0m down on budget being primarily the timing of the Lord Alliance donation in AMBS (forecast to be received in year). The year end forecast, however, shows donation income being significantly down, primarily in relation to aspirational income.
- IT Services business as usual costs are £0.2m overspent, forecast to be £1.4m overspent at year end.

Tuition Fees – January 2017

Tuition Fee Analysis	YTD Actual £m	YTD Budget £m	Variance £m	Forecast Outturn £m	Full Year Budget £m	Variance £m
Home credit-bearing						
UG	88.3	89.7	(1.4)	175.6	179.3	(3.7)
PGT	15.2	14.3	0.9	30.0	28.6	1.4
PGR	4.7	4.7	0.0	9.1	9.3	(0.2)
TOTAL HOME CREDIT BEARING	108.1	108.7	(0.6)	214.7	217.2	(2.5)
Overseas credit-bearing						
UG	53.0	52.3	0.8	104.7	104.5	0.2
PGT	44.0	43.2	0.8	89.6	86.6	3.0
PGR	12.4	13.2	(0.8)	24.3	26.1	(1.8)
TOTAL OVERSEAS CREDIT BEARING	109.4	108.7	0.8	218.6	217.2	1.4
Load transfer	0.0	(0.0)	0.0	(0.1)	(0.1)	(0.0)
Fee discounts	(9.4)	(7.5)	(1.9)	(17.4)	(16.2)	(1.2)
TOTAL CREDIT BEARING	208.1	209.8	(1.6)	415.9	418.1	(2.3)
Other contract courses	9.3	8.0	1.2	16.2	16.1	0.1
Non-credit bearing courses	8.1	9.2	(1.1)	16.4	17.7	(1.3)
Research training support	0.0	0.0	0.0	0.0	0.0	0.0
Other fee income	0.7	0.5	0.2	1.0	1.0	0.0
TOTAL NON CREDIT BEARING	18.0	17.7	0.3	33.6	34.8	(1.2)
TOTAL TUITION FEES	226.2	227.5	(1.3)	449.4	452.9	(3.5)

Note:

- Other contract courses are within BMH, mainly Nursing contracts.
- Non-credit bearing courses are primarily in Humanities (mainly ALC – University Language Centre and AMBS - Executive Education) and BMH.

Tuition fees are £1.3m adverse to budget.

£1.4m lower home UG fees are due to:

- the impact of higher intake tariff, mainly Humanities.
- industrial placement students, in both BMH and FSE, paying reduced fees (more students than budgeted have chosen to do an industrial placement).
- a budgeting error in FSE with regards Erasmus placement students.
- lower continuing numbers than budgeted in both BMH and FSE.

Non-credit bearing fees are lower due to:

- Executive Education course income due to a shortfall in achievement of the pipeline target. The pipeline target is being closely monitored.
- a significant reduction in student numbers on the ULC short courses due to changes in entry requirement in SEED and increased competition from other institutions.

Fee discounts are higher than budgeted – an analysis by type is below, with the majority being PGR as expected, with some PGT.

Fee Discount Analysis	Not analysed £m	Core £m	Research £m	Matched £m	TOTAL £m
Home					
UG		0.0		0.0	0.0
PGT		0.9	0.0	0.1	1.0
PGR		1.7	0.4	1.5	3.5
Total Home Fee Discounts		2.6	0.4	1.6	4.6
Overseas					
UG		0.8		0.0	0.8
PGT		1.0	0.0	0.0	1.0
PGR		2.4	0.1	0.1	2.6
Total Overseas Fee Discounts		4.1	0.1	0.2	4.4
(not analysed)	0.4				0.4
TOTAL FEE DISCOUNTS	0.4	6.7	0.5	1.7	9.4
Fee Discounts Budget	0.0	7.1	0.0	0.4	7.5
Under/(Overspend)	(0.4)	0.4	(0.5)	(1.3)	(1.9)

Accounting Surplus by Faculty/Area

The University of Manchester

Accounting Surplus Reconciliation	TOTAL	FBMH	FSE	HUMS	PSS/GUO	LCI	OTHER
January 2017	£m	£m	£m	£m	£m	£m	£m
Budget YTD	29.3	31.8	49.7	50.5	(78.3)	(12.2)	(12.2)
Core Activity variances							
HEFCE	0.1	0.0	(0.0)	0.0	(0.0)	0.2	(0.1)
HEFCE Capital	(8.0)	-	-	-	-	-	(8.0)
Credit-bearing fees Home	(0.6)	0.4	(0.2)	(0.8)	-	-	0.0
Credit-bearing fees Overseas	1.0	(0.9)	0.0	1.5	0.0	-	0.3
Other non credit bearing courses	(0.0)	0.6	0.1	(0.9)	0.0	0.0	0.0
Fee discounts	0.3	(0.9)	1.0	(0.1)	0.3	0.0	(0.0)
Load transfer	0.0	(0.0)	(0.0)	0.0	0.0	0.0	0.0
Other Income	(0.1)	(0.8)	0.4	(0.9)	0.7	0.3	0.2
Staff costs	2.8	(0.1)	1.1	0.9	1.3	0.1	(0.4)
Other Operating Expenses	7.9	1.6	0.8	1.5	(2.6)	0.0	6.6
Depreciation	(2.2)	(0.1)	0.3	(0.0)	(0.0)	(0.0)	(2.3)
Interest and financing costs	0.0	-	-	-	-	-	0.0
Total core variance	1.3	(0.2)	3.6	1.2	(0.3)	0.6	(3.6)
Research Activity variances							
HEFCE	(0.0)	(0.0)	0.0	(0.0)	-	-	(0.0)
Contribution from grants	0.2	0.2	(3.0)	0.5	-	(0.0)	2.5
Capital	(8.3)	-	-	-	-	-	(8.3)
Fee discounts/non research income	(0.8)	(0.4)	(0.3)	(0.0)	-	-	(0.0)
Total research variance	(8.9)	(0.2)	(3.3)	0.5	-	(0.0)	(5.9)
Matched Activity variances							
HEFCE Income	10.9	0.0	0.1	0.1	(0.1)	(0.0)	10.8
Fee discounts	(1.5)	(0.2)	(1.3)	0.0	(0.0)	(0.0)	0.0
Other Activity	3.1	0.8	0.5	0.2	1.0	0.2	0.4
Total matched variance	12.5	0.7	(0.7)	0.3	0.9	0.2	11.2
Interest and financing costs variances							
Gains and Losses on Investment	20.9	-	-	0.0	(0.0)	0.0	20.9
Total Variance	25.8	0.3	(0.4)	1.9	0.6	0.8	22.6
Actual YTD	55.1	32.1	49.3	52.5	(77.8)	(11.4)	10.5

Consolidated Funds Flow

The University of Manchester

	YTD Actual £m	2016/17 Budget £m	Full Year Forecast £m	Variance £m
Surplus to date	55.1	58.0	45.0	(13.0)
Non cash/operating items:				
add back depreciation	34.7	65.3	63.6	(1.7)
Non cash adjustments to pension charge	0.0	0.0	12.0	12.0
Market value adjustments (investments)	0.0	0.0	(7.1)	(7.1)
less capital grant income	(26.2)	(67.5)	(64.9)	2.6
	8.6	(2.2)	3.6	5.8
Movement in working capital	(11.3)	3.3	(3.3)	(6.6)
Investing or financing activities:				
Interest paid	9.4	18.9	18.9	0.0
Investment income	(3.8)	(6.5)	(8.0)	(1.5)
	5.6	12.4	10.9	(1.5)
Net cash inflow/(outflow) from operating activities	57.9	71.5	56.2	(15.3)
Cash flows from investing activities				
Capital grants received	26.2	67.5	64.9	(2.6)
Payments made to acquire fixed assets	(56.8)	(217.1)	(185.0)	32.1
	(30.6)	(149.6)	(120.1)	29.5
Cash flows from financing activities				
Interest paid	(9.4)	(18.9)	(18.9)	0.0
Investment income	3.8	6.5	8.0	1.5
Repayments of amounts borrowed	(1.9)	(3.7)	(3.8)	(0.1)
	(7.5)	(16.1)	(14.7)	1.4
Increase in cash and cash equivalents in the year	19.8	(94.2)	(78.6)	15.6
Opening cash	428.6	404.6	428.6	24.0
Movement in cash (above)	19.8	(94.2)	(78.6)	15.6
Closing cash	448.3	310.4	350.0	39.6
Less earmarked funds	76.3	68.0	70.0	2.0
Free funds	372.0	242.4	280.0	37.6

	As at 31 January 2016 £m
Earmarked Funds	
Third party funds:	
Non-University Funds (including Challenge Fu	2.2
Green loan	1.2
SIFT	0.5
Research Co-ordinator accounts	6.6
	10.5
Internally committed funds:	
Capital income	6.5
Working capital movements:	
Earmarked grants in advance	34.7
Research deferred income	109.6
	144.3
Total Earmarked Funds	161.3
Invested in long term deposits	(85.0)
Total Earmarked Funds	76.3

Overview

YTD cash inflow of £19.8m includes:

- £57.9m inflow from operating activities
- £26.2m capital receipts

Offset by:

- £56.8m capital expenditure

Closing cash of £448.3m includes earmarked funds of £76.3m as shown above.

Full year closing cash is expected to be around £350m compared to £310m budgeted. The increase is mainly due to the delay of capital expenditure and a higher opening cash position.

Research Summary – Income and Awards

The University of Manchester

	YTD Actual £m	YTD Budget £m	Variance £m	Prior Yr Actual £m	Variance £m	F'cast Outturn £m	Full Yr Budget £m
Underlying Revenue Research							
RGC Income	113.4	126.8	(13.4)	110.8	2.6	237.6	257.6
Staff	(56.1)	(60.2)	4.2	(54.0)	(2.1)	(114.4)	(123.3)
Non Pay	(33.8)	(41.5)	7.7	(32.6)	(1.2)	(73.8)	(83.5)
Underlying Contribution	23.5	25.0	(1.5)	24.2	(0.7)	49.5	50.8
	20.8%	19.7%		21.9%		20.8%	19.7%
Capital Research							
Capital RGC income	6.9	15.1	(8.2)	13.7	(6.8)	33.4	21.6
Depreciation	(7.2)	(7.1)	(0.1)	(5.5)	(1.7)	(11.9)	(12.9)
Capital Contribution	(0.3)	8.0	(8.3)	8.1	(8.4)	21.5	8.7
Total research							
HEFCE QR Mainstream and RDP	27.1	27.1	0.0	26.8	0.4	54.2	54.2
HEFCE QR (business and charity)	6.7	6.7	(0.0)	7.0	(0.3)	13.5	13.5
RGC Income	120.3	141.9	(21.5)	124.5	(4.1)	271.1	279.2
Research Related Income	154.2	175.7	(21.5)	158.2	(4.1)	338.7	346.8
Total Expenditure (staff, non pay, depn)	(97.1)	(108.8)	11.8	(92.1)	(5.0)	(200.0)	(219.7)
Contribution	57.1	66.8	(9.8)	66.1	(9.1)	138.7	127.1

Underlying position (excluding capital and RDEC income):

- Revenue income at £113.4m is £13.4m below budget, and £2.6m ahead of prior year (PY). This shows growth of 2.3%. Based on the last 2 years, we would expect growth of between 3-6%, so this is still a concern.
- Over the prior two financial years, income to January has averaged 49% of the total year's income. On this basis, the total full year revenue income would be estimated at £231.1m i.e. £26.5m behind budget and £6m ahead of prior year.
- Forecasts predict full year revenue income to be £237.6m, which is £20m lower than budget and £12.5m higher than PY. Given current performance, achievement of the forecast will require a significant increase in the level of activity.

Contribution:

- Underlying contribution at £23.5m is £1.5m adverse to budget and £0.7m lower than PY.
- Underlying contribution rate is 20.8%, being higher than budget but behind PY. The reduction in recovery rate, compared to PY, is being driven by reduced recovery across a range of funders including RCUK and Industry.

Revenue Awards (excluding major capital):

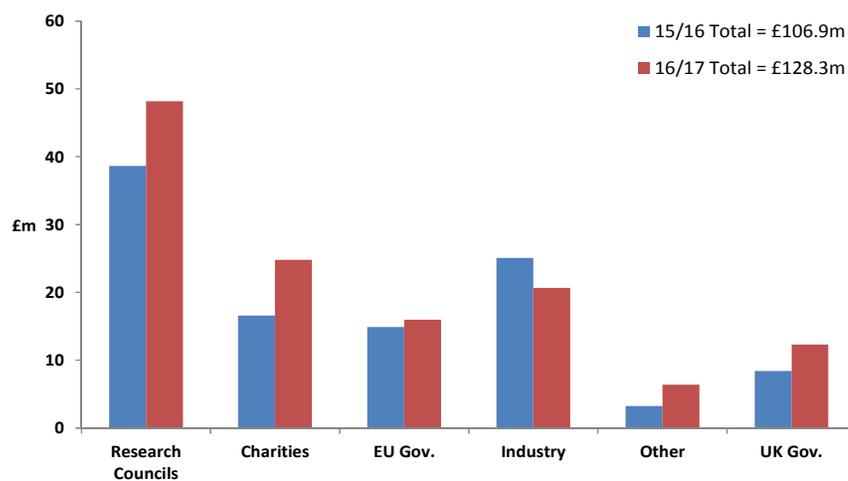
Awards at £128.3m are £21.5m higher than PY. Assuming a recovery rate of 20% and an average project life of 3yrs, this would contribute an additional £1.4m towards the University's overheads each year for the next three years. It is worth noting that the increase in awards is being driven by Charity funders for which we receive QR as opposed to overhead contribution. Awards received in 16/17 will not impact our QR allocation until 2018/19.

Higher awards include:

- Research Councils £9.5m – due to higher awards across a range of research councils, particularly the Science and Technology Faculties Council (£3.7m).
- Charities £8.2m – due to a higher value of Wellcome Trust awards £8.5m and 'To Find a Better Way' awards £2.7m, offset by lower awards from a range of funders.
- UK Gov £3.9m – due to a £3m DfID award in Humanities, together with higher NiHR awards
- Other £3m - due to an award from the Beijing Institute for Aeronautical Materials (Graphene).
- EU Gov – due to a higher number of H2020 grants received in 2016/17

These are offset by lower awards from Industry £4.4m, mainly due to the AstraZeneca 'Northstar' award of £11.5m and the Tesco sustainable consumption institute award £5m, both received in 2015/16.

Awards by HESA Category - YTD



Research Performance by School – Revenue RGC Income

The University of Manchester

Faculty	School	Actuals £m	Budget £m	Variance £m	O'head Var £m
FSE	Earth, Atmospheric and Environmental Sciences	4.5	4.9	(0.4)	(0.2)
	Chemistry	9.7	10.7	(1.0)	(0.4)
	Dalton Research Institute	0.2	0.2	(0.0)	0.0
	Electrical and Electronic Engineering	4.7	5.1	(0.4)	(0.1)
	Mechanical, Aerospace and Civil Engineering	2.6	2.9	(0.3)	0.0
	Materials	5.4	6.1	(0.7)	0.0
	Mathematics	1.8	2.1	(0.3)	(0.0)
	Physics and Astronomy	9.2	11.5	(2.3)	(0.5)
	Computer Science	3.5	3.5	(0.1)	(0.0)
	Chemical Engineering and Analytical Sciences	2.3	3.2	(0.9)	(0.3)
	International Centre for Advanced Materials	0.2	0.2	0.0	0.0
Faculty Office	-	0.1	(0.1)	-	
		44.0	50.5	(6.5)	(1.4)
HUM	Arts, Languages and Cultures	1.7	1.5	0.2	0.0
	Environment and Development	2.0	1.8	0.2	0.2
	Alliance Manchester Business School	2.5	1.9	0.5	0.1
	Social Sciences	3.0	2.5	0.4	0.1
	Law	0.3	0.3	(0.0)	0.0
		9.4	8.2	1.3	0.4
BMH	Biological Sciences	20.3	24.5	(4.1)	(0.6)
	Medical Sciences	13.0	15.3	(2.3)	(0.2)
	Health Sciences	13.5	14.9	(1.4)	0.4
	CRUK MI	12.4	12.7	(0.3)	(0.1)
	Faculty Office - FBMH	0.0	-	0.0	-
		59.2	67.4	(8.2)	(0.5)
Shared Services		0.7	0.8	(0.1)	0.0
Total University		113.4	126.8	(13.4)	(1.5)

Key Variances in Research Income by Faculty and School:

Faculty of Science & Engineering

- £1.0m adverse in Chemistry - relating to both lower than expected activity in relation to aspirational income and delays relating to applications £0.9m, together with delays across the portfolio of remaining projects.
- £0.7m adverse in Materials - lower than expected activity across the portfolio of existing projects particularly in relation to non pay items £0.6m.
- £2.3m adverse in Physics - lower than expected activity on existing awards £1.6m, with the largest variance relating to delays on the SKA £0.7m, together with delays in recruitment of PDRA's on the Hetero2D project £0.3m and LHCB project £0.2m. Lower than expected activity in relation to both applications and aspirational income £0.7m.
- £0.9m adverse in CEAS - lower than expected activity across the portfolio of existing awards £0.7m, together with lower than expected aspirational income £0.2m.

Faculty of Biology, Medicine & Health

- £4.1m adverse in Biological Sciences – existing projects £3.1m, together with lower than anticipated success on a number of applications £1.1m, offset by £0.1m aspirational income.
- £2.3m adverse in Medical Sciences – existing projects £1.7m, due to delays in recruitment on the Northstar project £0.7m (discussions with the PI suggest new appointments are being made), and lower than anticipated income from applications £0.9m, offset by £0.3m aspirational income.
- £1.4m adverse in Health Sciences - existing projects £0.4m, largely due to contractual delays on the Well North project (this project has relatively little impact on contribution as UoM salaries are relatively low); together with lower than expected income from applications, of which £1.0m relates to rejected applications and £1.0m to lower than expected activity on awarded applications. This is offset by £1.0m favourable aspirational income.

Staff Costs and Operating Expenses Reconciliations

The University of Manchester

Staff Costs Contribution Reconciliation	TOTAL	FBMH	FSE	HUMS	PSS/GUO	LCI	OTHER
<u>January 2017</u>	£m	£m	£m	£m	£m	£m	£m
Staff Costs Budget YTD	(274.1)	(89.5)	(66.0)	(54.8)	(49.2)	(9.3)	(5.3)
Research Funded variance	4.2	3.8	1.5	(1.1)	-	0.0	(0.0)
Matched funded variance	1.7	1.0	0.1	0.5	0.1	(0.1)	0.0
Total Externally funded variance	5.8	4.8	1.6	(0.6)	0.1	(0.1)	0.0
CORE STAFF COSTS VARIANCES							
Inflation and increments	(0.1)	-	0.1	0.2	-	-	(0.5)
Unbudgeted new posts	(1.2)	(0.5)	-	(0.2)	(0.4)	-	(0.1)
Unbudgeted leavers	0.9	0.6	-	0.3	-	-	-
Vacancy management	1.4	(0.4)	0.2	(0.2)	1.6	-	0.2
Transfer between departments	(0.3)	(0.2)	-	0.2	(0.3)	-	-
Change in FTE	0.1	-	-	0.1	-	-	-
Funding movements	1.3	0.2	1.0	0.1	-	-	-
ERVS	(0.9)	-	(0.1)	-	(0.8)	-	-
Other variances	1.7	0.2	(0.1)	0.4	1.2	0.1	0.0
Total CORE Staff Costs variance	2.8	(0.1)	1.1	0.9	1.3	0.1	(0.4)
Total Staff Costs variance	8.6	4.7	2.6	0.2	1.4	(0.1)	(0.3)
Staff Costs Actual YTD	(265.5)	(84.7)	(63.3)	(54.6)	(47.8)	(9.3)	(5.6)

Core staff costs are £2.8m favourable to budget:

- Excluding ERVS costs of £0.9m, core staff costs are £3.7m favourable. This includes £1.7m release of the overseas tax provision – excluding this we are £2.0m favourable.
- This is largely vacancy management at £1.4m higher than budgeted (mainly central PSS) and the transfer of staff to research projects at £1.3m (mainly within FSE). This funding transfer has a direct and immediate positive bottom line impact, and we are looking to do this wherever possible.
- The £0.9m ERVS costs relate primarily to the key schemes for FBMH, ITS and UMC, however, there are also some costs associated with separately agreed, individual cases. For ERVS agreements made within 2016/17 we would expect to see the corresponding saving within the relevant area of the University. This is being monitored.
- The November forecast showed that core staff costs would be significantly higher than budget. We expect the next forecast due this month to show a more favourable position.

Other Operating Expenses Contribution Reconciliation	TOTAL	FBMH	FSE	HUMS	PSS/GUO	LCI	OTHER
<u>January 2017</u>	£m	£m	£m	£m	£m	£m	£m
Other Operating Expenses (OOE) Budget YTD	(172.7)	(42.2)	(31.3)	(17.8)	(60.9)	(8.7)	(11.8)
Research Funded variance	9.3	4.7	4.3	0.4	-	(0.0)	0.0
Matched funded variance	2.1	1.3	0.3	0.3	(0.2)	0.0	0.4
Total Externally funded OOE variance	11.4	6.0	4.6	0.6	(0.2)	(0.0)	0.4
Permanent Overspends	(4.9)	(0.2)	(0.1)	(0.5)	(2.7)	(0.1)	(1.3)
Permanent Savings	3.2	0.7	0.3	0.4	0.3	-	1.5
Timing	3.4	1.0	0.9	1.2	(0.2)	0.1	0.4
Contingency/unallocated funds	5.0	-	-	-	-	-	5.0
Currency and Exchange rate gain/loss	0.9	-	-	-	-	-	0.9
Other variances	0.3	0.1	(0.3)	0.4	(0.0)	0.0	0.1
Total CORE Other Operating Expenses variance	7.9	1.6	0.8	1.5	(2.6)	0.0	6.6
Total Other Operating Expenses variance	19.3	7.5	5.5	2.1	(2.8)	(0.0)	7.0
Other Operating Expenses Actual YTD	(153.4)	(34.7)	(25.8)	(15.7)	(63.7)	(8.7)	(4.8)

Core Other Operating Expenses (OOE) are £7.9m favourable to budget:

- The favourable position includes £3.4m timing, which appears to be due to budget phasing.
- Unspent contingencies are £3.9m (includes up to £1m earmarked to fund capital – Paterson Refurbishment in BMH and Circle project in FSE) with £1.1m uncommitted SIRF.
- Permanent overspends at £4.9m are primarily within GUO/PSS with £1.1m over a number of areas (including increased water charges due to meter errors/leaks, higher tax advice costs and higher gas consumption). £1.3m additional cost (£0.7m of which is approved spend on IT projects) is within IT Services (contractors used to cover BAU roles, modernisation project costs not budgeted and additional energy costs from prior year due to late invoicing and higher VAT charges). A further £1.2m relates to building costs (£0.8m revenue costs budgeted as capital and £0.4m due to increased demolition costs on GEIC/AMBS).

Investment Performance (based on December 2016)

Analysis of investment portfolio		Blackrock £m	Investec £m	Harris £m	Ruffer £m	Total £m
Market value as at 31 July 2016		66.4	60.7	58.5	26.8	212.4
Dividends earned for the period to 31 December 2016						
<i>Total:</i>		0.5	0.4	0.3	0.1	1.3
<i>Remitted:</i>		0.0	0.0	0.0	0.0	0.0
		0.5	0.4	0.3	0.1	1.3
Management fees		0.0	(0.1)	(0.1)	-0.1	(0.3)
New money added to the fund		0.0	0.0	0.0	0.0	0.0
Appreciation/(depreciation)	August	2.9	0.7	2.6	0.8	7.0
	September	(0.3)	1.1	1.2	(0.1)	1.9
	October	(0.2)	2.3	5.6	0.6	8.3
	November	(1.8)	0.0	0.3	(0.4)	(1.9)
	December	1.1	1.1	2.6	0.6	5.4
		1.7	5.2	12.3	1.5	20.7
Market value as at 31 December 2016		68.6	66.2	71.0	28.3	234.1
Percentage increase / (decrease) in total value*		3.3%	9.1%	21.4%	5.6%	10.2%
Percentage increase / (decrease) in market value		2.6%	8.6%	21.0%	5.6%	9.7%
Split of investments:		£m	%			
University		34.1	14.58%			
Endowments		200.0	85.42%			
		234.1	100.00%			

*From 31 July 2016

There has been a turnaround of performance with regards Harris, with investment manager performance overall (excluding Blackrock), improving over the last quarter in line with the growth strategy.

A review of investment strategy is currently ongoing.

Overall, the value of the investment portfolio has increased by 10.2% or £21.7m from July 2016 to December 2016 of which 9.7% is attributable to an increase in market value, with the remainder relating to investment income.

During December 2016, there was an increase of £5.4m in the market value of investments. The market is still considered to be volatile which has been exacerbated by Brexit.

The four investment managers provide calendar quarterly summaries of their performance against agreed benchmarks/performance criteria. The latest reports are for the quarter ended 31 December 2016. Performance against the agreed criteria for the last calendar quarter and rolling 12 months is as follows:

- **Blackrock (pooled index linked and property funds and cash instruments):** Index linked investments performed in line with benchmark over the quarter to December 2016 (-2.98%) and property funds performed below benchmark over the quarter (1.9% compared to benchmark of 2.3%).
- **Harris (Global equities):** outperform MSCI world index. Last 3 months: 8.1% (gross) versus 1.9% index. Last 12 months: 13.4% (gross) versus 7.5% index.
- **Investec (Global equities):** outperform MSCI all country world index by 3% - 5% on rolling three year basis. Last 3 months: 5.5% (gross) versus 6.0% index. Last 12 months: 20.1% (gross) versus 25.9% index. Performance was lower than index partly due to a lack of exposure to US banks and overexposure to the information technology sector.
- **Ruffer (diversified growth fund - multi asset):** performance criteria is to preserve and grow capital at a higher rate than depositing with a UK bank. Last 3 months: 3.1% growth. Since inception (Oct 15): 13.7% growth. Investment in Japanese equities and 'swaptions' (options that protect against rising yields) provided protection against BREXIT impact.

The analysis excludes an AMBS endowment investment held separately in a portfolio managed by Coutts valued at £1.8m at 31 July 2016.

Faculty Headlines - Biology, Medicine & Health

Jan-17	YTD Actual	YTD Budget	Variance	Prior Yr Actual	Variance	F'cast Outturn	Full Yr Budget	Variance
Operating results	£m	£m	£m	£m	£m	£m	£m	£m
Income								
Tuition fees and education contracts	50.2	51.1	(0.9)	46.1	4.1	100.5	102.1	(1.6)
Funding body grants	26.0	25.9	0.1	29.0	(3.1)	51.9	51.8	0.0
Research grants and contracts	59.2	67.4	(8.2)	58.8	0.4	123.5	137.5	(14.0)
Other income	16.8	18.3	(1.5)	17.6	(0.8)	35.4	36.5	(1.1)
Investment income	0.2	0.1	0.1	0.3	(0.2)	0.1	0.1	0.0
Donations and endowments	0.5	1.8	(1.3)	0.9	(0.5)	1.4	3.6	(2.3)
Total Income	152.8	164.5	(11.7)	152.8	(0.0)	312.7	331.7	(19.0)
Expenditure								
Staff Costs	(84.7)	(89.5)	4.7	(83.1)	(1.6)	(175.1)	(181.0)	6.0
Other operating expenses	(34.7)	(42.2)	7.5	(34.0)	(0.6)	(75.7)	(85.6)	9.9
Interest and other finance costs	-	-	-	-	-	-	-	-
Total Expenditure	(119.4)	(131.7)	12.3	(117.1)	(2.2)	(250.8)	(266.7)	15.9
UNDERLYING CONTRIBUTION	33.4	32.8	0.6	35.7	(2.3)	61.9	65.0	(3.1)
Capital and investing activities								
Capital Income	5.9	6.2	(0.3)	2.4	3.5	8.1	8.1	-
Total Capital and Investing Activities	5.9	6.2	(0.3)	2.4	3.5	8.1	8.1	-
Depreciation	(7.2)	(7.2)	(0.0)	(3.7)	(3.5)	(14.9)	(14.7)	(0.2)
ACCOUNTING SURPLUS	32.1	31.8	0.3	34.4	(2.3)	55.1	58.4	(3.3)

Core pay is £0.1m adverse variance YTD.

- A target of £1.6m was set for ERVS savings under the restructure. While the annualised pay savings of redundancies have been achieved, the 2016/17 saving is going to be £0.3m adverse due to exit delays around key staff to enable a successful handover.
- In order to get closer to the Faculty's contribution target, all new and replacement posts require sign-off by the Faculty Leadership Team, to ensure that only mission-critical posts are allowed to be recruited.
- In Sept 2016 FSC approved the set-up of a 'satellite CTU' and transfer of a number of clinical trials from the Christie Hospital to the University. It is anticipated that in 2016/17 this will exhibit a circa. £0.4m adverse variance. A SIRF request is being prepared, but is currently outstanding.

Underlying contribution is £33.4m, £0.6m favourable to budget.

The main reasons for the underlying contribution variances are as follows:

- Tuition fees are £0.9m down against budget, and, by year end, we expect to be £1.6m down. £0.4m is against matched income. Within core fees the UG forecast is £0.9m down against budget, due to 55 additional industrial placement students in SBS, who pay a reduced fee, generating a £0.4m shortfall in 2016/17 (benefit in 2017/18). Also, £0.3m resulting from 17 fewer Kuwaiti medical students. PGT is £0.5m down, driven by lower student numbers due to difficulties in embedding the new Admissions team. This has been offset by higher PGR recruitment across the Faculty.
- Research contribution is in line with budget. The Q1 forecast showed an adverse variance to budget for the year of £0.9m. We continue to review this forecast, given that the YTD result is in line with budget.
- Core other income is £0.8m down against budget, driven by lower than expected donations (£0.7m). Aspirational donation income has been identified as a key risk, with a forecast outturn contribution of £0.3m down against budget. This is due to an overall reduction in aspirational donation income. The forecast still contains £0.5m of aspirational donation income which is considered a high risk.
- Core non-pay is £1.6m favourable to budget, of which £0.6m is believed to be due to the net of permanent savings/overspends and £1.0m due to timing. Of this £1.0m, £0.3m relates to Estates costs that are delayed until February. Given shortfalls in income elsewhere, core non-pay is being tightly controlled to enable the Faculty to come back nearer to its contribution target.

Accounting surplus is £0.3m up against budget.

Faculty Headlines – Science and Engineering

The University of Manchester

January 2017	YTD Actual	YTD Budget	YTD Variance	Prior Yr Actual	Prior Yr Variance	F'cast Outturn	Full Yr Budget	Full Yr Variance
Operating results	£m	£m	£m	£m	£m	£m	£m	£m
Income								
Tuition fees and education contracts	70.3	71.2	(0.9)	61.3	9.0	140.2	142.0	(1.7)
Funding body grants	16.1	16.0	0.1	15.3	0.8	32.0	32.0	(0.1)
Research grants and contracts	44.0	50.5	(6.5)	43.7	0.3	93.8	101.3	(7.5)
Other income	9.9	9.2	0.7	10.6	(0.7)	18.7	17.6	1.1
Investment income	0.1	-	0.1	0.2	(0.1)	0.0	-	0.0
Donations and endowments	0.3	0.2	0.1	0.3	0.0	0.3	0.3	0.1
Total Income	140.7	147.2	(6.5)	131.4	9.3	285.1	293.2	(8.2)
Expenditure								
Staff Costs	(63.3)	(66.0)	2.6	(59.2)	(4.1)	(128.3)	(132.4)	4.1
Other operating expenses (OOE)	(25.8)	(31.3)	5.5	(26.6)	0.8	(60.1)	(62.8)	2.7
Total Expenditure	(89.1)	(97.3)	8.1	(85.8)	(3.3)	(188.5)	(195.3)	6.8
UNDERLYING CONTRIBUTION	51.5	49.9	1.6	45.5	6.0	96.6	98.0	(1.4)
Capital and investing activities								
Capital Income	1.0	4.2	(3.2)	4.3	(3.3)	7.4	4.2	3.2
Total Capital and Investing Activities	1.0	4.2	(3.2)	4.3	(3.3)	7.4	4.2	3.2
Depreciation	(3.2)	(4.4)	1.2	(4.9)	1.7	(5.8)	(7.2)	1.4
ACCOUNTING SURPLUS	49.3	49.7	(0.4)	44.9	4.4	98.1	95.0	3.2

Accounting surplus is £49.3m, £0.4m adverse to budget

• Lower Research capital income of £3.2m, which has been impacted by the acceleration of the Materials award (£0.5m) into prior year (the Electron Probe on the EPSRC Equipment grant was budgeted to be commissioned in September 16, but was actually commissioned in July 16), and the delays in both Chemistry (£1.3m) and Physics (£0.7m) capital activity. Expected forecast research capital in the last quarter enables the FSE accounting surplus to be above target.

Prior year (PY) underlying contribution variance - £4.4m higher than prior year

• The tuition fee income variance relates in main to an increase in levels on intake and increased fee levels (PY excludes FLS element). Core staff costs have increased due to inflation/incremental rises alongside appointment of staff during 15-16. Research capital activity reflects spikes in capital income upon commissioning of assets.

Underlying Forecast contribution for Q1 is £96.6m, £1.4m behind budget.

• The Q2 prediction is that FSE will meet the additional savings required and are continuing to work on this and currently imposing a pay freeze on appointments in some areas alongside monitoring spend. Movements from Q1 forecast are primarily relating to fee discounts and identification of additional core pay savings.

Overall the forecast is a challenge which we hope to achieve with management of spend.

Underlying contribution is £51.5m, £1.6m favourable to budget

- Tuition fee income reflects current invoiced income less fee discounts. Fee income is £0.9m behind budget, primarily due to higher matched fee discounts (the current forecast indicates fee discounts will be in line with budget). The tuition fee forecast is being reviewed and indications currently show an improvement from Q1.
- The current forecast (January) indicates that FSE are now slightly ahead of target which is also reflected within the current YTD position. We expect UG home to be behind budget due to an increased number of industrial placements, alongside prior year fees being charged in some areas. Indications show a slight increase in drop outs, especially within the School of Earth. Overseas PGR forecast activity is based on school and prior year knowledge on expected mid year starters. We believe fee discounts, based on current activity, to be lower than budget and we expect this saving to mask the credit bearing movements alongside the increase in the overseas PGT activity. We anticipate being slightly ahead of budget, improving on the current forecast detailed in the table.
- Core Other Income increase of £0.3m is mainly within the Science Schools, relating to donated income and conference activity. These income streams incur costs but generate surplus in year.
- Core pay savings of £1.1m reflect the delays in appointments and a freeze on automatic appointments within the faculty. £1.0m relates to baseline transfer to research grants. The forecast has a slight reduction in vacancy savings as expected posts commence, this is being reviewed for the next forecast as there is more knowledge on appointment starts
- Core OOE of £0.9m is timing on expenditure, mainly relating to expected lab spend. In the next few months, we anticipate accelerated spend, especially in the areas of Materials, where support is required for school set up for MECD, alongside CEAS which is undergoing an internal review on spend. The FO strategic contingency spend is also expected. We have identified a revenue saving in year with the Dalton Fuel rod now being classed as capital spend.
- Research Income is £6.5m behind budget with revenue activity contribution behind by £0.8m. High aspirational targets, especially within CEAS which has been impacted by the delays in appointment of key academic staff, with the award activity from these academics included within the aspirational budget target. The change in research finance staff is still a problem due to knowledge. There is a risk on the overhead recovery due to delays in grants commencing which reflects the current trend and is a risk for the faculty. This has been reflected in the forecast, with the contribution being behind target by £1.1m, which includes the current run rate on existing awards and the new activity due to start.

Faculty Headlines - Humanities

January 2017	YTD Actual	YTD Budget	Variance	Prior Yr Actual	Variance	F'cast Outturn	Full Yr Budget	Variance
	£m	£m	£m	£m	£m	£m	£m	£m
Operating results								
Income								
Tuition fees and education contracts	97.4	97.7	(0.3)	89.6	7.8	194.2	194.8	(0.7)
Funding body grants	8.3	8.2	0.1	8.3	0.0	16.4	16.4	0.0
Research grants and contracts	9.4	8.2	1.3	7.6	1.8	19.0	17.3	1.6
Other income	7.1	7.3	(0.2)	7.7	(0.6)	14.0	14.2	(0.2)
Investment income	0.1	0.1	(0.0)	0.2	(0.1)	0.2	0.2	-
Donations and endowments	0.7	2.0	(1.3)	1.4	(0.7)	6.3	8.6	(2.3)
Total Income	123.1	123.4	(0.4)	114.8	8.3	250.0	251.5	(1.5)
Expenditure								
Staff Costs	(54.6)	(54.8)	0.2	(50.8)	(3.8)	(109.6)	(109.7)	0.1
Other operating expenses	(15.7)	(17.8)	2.1	(13.4)	(2.3)	(33.9)	(35.3)	1.4
Interest and other finance costs	-	-	-	-	-	-	-	-
Total Expenditure	(70.3)	(72.6)	2.3	(64.2)	(6.1)	(143.5)	(145.0)	1.5
UNDERLYING CONTRIBUTION	52.7	50.8	2.0	50.6	2.1	106.5	106.5	0.0
Depreciation	(0.3)	(0.3)	(0.0)	(0.1)	(0.2)	(0.6)	(0.5)	(0.1)
ACCOUNTING SURPLUS	52.5	50.5	1.9	50.5	1.9	105.9	106.0	(0.1)

Forecast commentary

- The Faculty is on track to deliver in line with the budget for the full year. SEED have seen a huge un-planned increase in overseas PGT numbers, leading to an additional £3.4m of tuition fee income. This is being offset by a shortfall in other areas of the Faculty. In SALC, the strategy to increase student quality via a higher intake tariff has seen a drop in home UG income (£1.0m – agreed at University level during the post-budget conversations) and there has been under-recruitment in Law, especially in overseas PGT (£0.9m).
- We are also expecting a significant gap in income from our non-credit-bearing courses in Executive Education and ULC (£1.4m).
- The Faculty will be investing in temporary teaching resources to support the additional student numbers in SEED and this has been included in the forecast. In order to mitigate these downsides, Law and AMBS will bring their contribution back in line with budget via challenging savings targets.

Underlying contribution is £52.7m, £2.0m favourable to budget.

Comparison:

- Standard tuition fees are £0.4m up compared to budget. The upside due to additional overseas PGT students in the Global Development Institute in SEED is offset by a shortfall in SALC Home UG intake due to the strategic move towards a higher quality intake, and under-recruitment in Law. There is a £0.8m adverse variance on non-credit bearing courses mainly due to a shortfall against the Exec Ed pipeline target (£0.6m) and reduced demand for ULC pre-session English courses, due to increased English language entry requirements in SEED and increased competition (£0.2m). ULC finances are being reviewed under the new Director and Exec Ed continues to be closely managed by the School and will be making savings to mitigate the shortfall in income.
- Core staff costs are £0.9m favourable to budget, with permanent savings due to a reduced number of temporary teaching staff, a number of leavers not replaced in ALC and savings on professorial promotions in AMBS. £0.3m of this variance is due to timing of the apprenticeship levy and staff fees. The vacancy savings target is challenging for all Schools this year, however, the savings from delays in recruitment and management of vacancies are likely to make this achievable.
- Core other operating expenses are £1.5m favourable to budget, of which £1.2m is due to the timing of expenditure across all schools. Targeted savings in AMBS and Law are being planned and may identify timing variances that can be made permanent following the Q2 forecast.

Underlying contribution is £2.1m higher than prior year

- This upside is mainly driven by higher tuition fees. Staff costs are mainly increased due to inflation, increments and statutory increases.

PSS and GUO Headlines

The University of Manchester

January 2017	YTD Actual	YTD Budget	Variance	Prior Yr Actual	Variance	F'cast Outturn	Full Yr Budget	Variance
Operating results	£m	£m	£m	£m	£m	£m	£m	£m
Income								
Tuition fees and education contracts	0.1	(0.2)	0.3	(1.2)	1.3	(1.7)	(1.7)	0.0
Funding body grants	1.7	1.7	(0.1)	2.5	(0.9)	3.2	3.4	(0.2)
Other income	30.6	30.0	0.5	28.9	1.7	61.0	60.8	0.2
Investment income	0.1	-	0.1	0.1	(0.1)	0.2	-	0.2
Donations and endowments	1.4	0.2	1.2	1.2	0.2	1.4	0.8	0.7
Total Income	33.8	31.8	2.0	31.5	2.3	64.2	63.3	0.8
Expenditure								
Staff Costs	(47.8)	(49.2)	1.4	(51.7)	3.8	(100.0)	(98.4)	(1.6)
Other operating expenses	(63.7)	(60.9)	(2.8)	(58.6)	(5.2)	(134.0)	(128.3)	(5.6)
Total Expenditure	(111.6)	(110.2)	(1.4)	(110.2)	(1.3)	(233.9)	(226.7)	(7.2)
UNDERLYING CONTRIBUTION	(77.8)	(78.3)	0.6	(78.7)	1.0	(169.7)	(163.3)	(6.4)

Full year forecast costs of £169.7m are higher than budget by £6.4m:

£5.0m in ITS:

- £2.1m relates to contractor costs (helpdesk and field support) and CITP approved project costs that were not included in the budget, and were highlighted as a risk in the budget pack.
- £1.3m relates to costs that were budgeted as capital but will be reported as revenue.
- £1.6m is due to a change in the profile of projects; the student life cycle expenditure has been accelerated and Cyber expenditure which was budgeted in 15/16 is taking place in 16/17.

The forecast also includes £1m of ERVS costs, this is not budgeted so is an overspend but this should be partly offset with savings across the University.

The Q2 forecast is currently being prepared and will be included in the next set of management accounts – the Q2 forecast is expected to change from the forecast above as the £1.7m release of the overseas tax provision was not known about when undertaking the Q1 forecast

Actual year to date PSS/GUO costs of £77.8m are lower than budget by £0.6m.

- Included within this is a £0.8m of unbudgeted annual fund donations income (net of costs) which is expected to be either spent or transferred to another part of the University by year end.
- There has now been a £1.7m release of the overseas tax provision which was not included in the Q1 forecast and is expected to remain through the year.
- DSE is currently £1.6m favourable to budget, £0.5m is due to additional residences income which is included in the Q1 forecast. £0.5m is related to pay vacancy savings which is currently forecast to be in line with budget by year end. This is being reviewed to determine the level of saving expected by year end.
- Within IT Services there is currently a £0.2m permanent overspend in business as usual (BAU) activity which is forecast to be £1.4m by year end. Actions to mitigate these costs and the impact of the new Programme Management Office are being reviewed as part of the Q2 forecast.

The table below details the underlying variance after the impact of approved, unbudgeted activities are removed.

Net Cost Variance to Budget (Underlying)	Actual £m	Budget £m	Variance £m	ERVS	ITS Projects approved spend	Underlying variance
DSE	4.1	2.5	1.6			1.6
Estates & Facilities	(19.6)	(19.5)	(0.1)			(0.1)
IT Services	(16.1)	(15.1)	(0.9)		0.7	(0.2)
Other PSS	(14.2)	(15.4)	1.1			1.1
Total PSS	(45.8)	(47.5)	1.7	-	0.7	2.4
GUO DSE	(13.7)	(13.0)	(0.6)			(0.6)
GUO Estates	(14.7)	(13.8)	(0.9)			(0.9)
GUO Other	(3.6)	(4.0)	0.3	0.8		1.2
Total GUO	(32.0)	(30.9)	(1.1)	0.8	-	(0.3)
Total PSS / GUO	(77.8)	(78.3)	0.6	0.8	0.7	2.1

- There has been £0.8m of ERVS costs. The majority relates to the key schemes for FBMH, ITS and UMC however there are also significant costs associated with separately agreed individual cases. There is no budget for the ERVS schemes and so all costs will be an overspend within GUO.

Headlines - as reported externally

The University of Manchester

January 2017	YTD Actual	YTD Budget	Variance	Prior Yr Actual	Variance	F'cast Outturn	Full Yr Budget	Variance
	£m	£m	£m	£m	£m	£m	£m	£m
Income								
Tuition fees and education contracts	226.2	227.5	(1.3)	206.2	20.0	449.4	452.9	(3.5)
Funding body grants	72.0	69.1	2.9	75.1	(3.2)	129.9	136.1	(6.2)
Research grants and contracts	120.3	141.9	(21.5)	124.5	(4.1)	271.1	279.2	(8.1)
Other income	69.8	70.1	(0.3)	69.1	0.7	144.8	153.5	(8.7)
Investment income	3.8	3.3	0.5	3.8	(0.0)	8.0	6.5	1.5
Donations and endowments	5.1	6.1	(1.0)	4.5	0.6	11.5	17.0	(5.5)
Total Income	497.2	517.9	(20.7)	483.2	14.0	1,014.6	1,045.2	(30.6)
Expenditure								
Staff Costs	(265.5)	(274.1)	8.6	(259.0)	(6.5)	(547.9)	(550.7)	2.8
Other operating expenses	(153.4)	(172.7)	19.3	(145.9)	(7.5)	(340.7)	(352.5)	11.9
Depreciation	(34.7)	(32.3)	(2.4)	(28.1)	(6.6)	(63.6)	(65.2)	1.6
Interest and other finance costs	(9.4)	(9.4)	0.0	(9.5)	0.1	(24.5)	(18.9)	(5.7)
Total expenditure	(463.0)	(488.5)	25.6	(442.4)	(20.5)	(976.7)	(987.3)	10.6
Gains/Loss on investments	21.0	(0.0)	21.0	(1.8)	22.8	7.1	(0.0)	7.1
Pensions and Taxation	(0.1)	(0.0)	(0.1)	(0.0)	(0.1)	(0.0)	(0.0)	(0.0)
Sale of Fixed Assets	0.0	0.0	(0.0)	0.0	(0.0)	(0.0)	(0.0)	-
NET CONTRIBUTION	55.1	29.3	25.8	39.0	16.1	45.0	57.9	(12.9)