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The University of Manchester

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Management Accounts

Period ended 28 February 2017

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University Headlines – February 2017

February 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	**263.2**	**264.7**	**(1.5)**	242.1	21.0	**450.2**	452.9	(2.7)
Funding body grants	**63.3**	**63.0**	**0.3**	66.3	(3.1)	**108.1**	108.2	(0.1)
Research grants and contracts	**133.8**	**148.8**	**(15.0)**	130.1	3.7	**234.1**	257.6	(23.4)
Other income	**79.3**	**79.3**	**0.0**	79.6	(0.3)	**134.5**	135.5	(1.0)
Investment income	**4.3**	**3.8**	**0.5**	4.7	(0.4)	**8.0**	6.5	1.5
Donations and endowments	**5.3**	**7.1**	**(1.8)**	5.1	0.3	**11.1**	17.0	(5.8)
Total Income	**549.2**	**566.8**	**(17.5)**	**528.1**	**21.2**	**946.1**	**977.7**	**(31.6)**
Expenditure								
Staff Costs	**(311.3)**	**(320.1)**	**8.8**	(302.6)	(8.6)	**(535.4)**	(550.7)	15.3
Other operating expenses	**(188.8)**	**(208.8)**	**20.0**	(182.3)	(6.5)	**(336.5)**	(352.5)	16.0
Interest and other finance costs	**(11.0)**	**(11.0)**	**0.1**	(11.1)	0.1	**(18.9)**	(18.9)	(0.0)
Pension costs	**-**	**-**	**-**	-	-	**(12.0)**	-	(12.0)
Total Expenditure	**(511.0)**	**(540.0)**	**28.9**	**(496.1)**	**(15.0)**	**(902.8)**	**(922.1)**	**19.3**
UNDERLYING CONTRIBUTION	**38.2**	**26.8**	**11.4**	**32.0**	**6.2**	**43.4**	**55.7**	**(12.3)**
Capital and investing activities								
Capital Income	**32.7**	**43.4**	**(10.7)**	**38.4**	**(5.7)**	**59.4**	**67.5**	**(8.1)**
Gain/(Loss) on investments	**23.3**	**(0.0)**	**23.3**	(5.7)	**29.0**	**7.1**	(0.0)	**7.1**
Sale of Fixed Assets	**0.0**	**0.0**	**(0.0)**	4.4	**(4.4)**	**0.0**	0.0	**0.0**
Total Capital and Investing Activities	**55.9**	**43.4**	**12.5**	**37.1**	**18.8**	**66.5**	**67.5**	**(1.0)**
Depreciation	**(40.6)**	**(37.7)**	**(2.9)**	(33.1)	(7.5)	**(67.4)**	(65.2)	(2.2)
ACCOUNTING SURPLUS	**53.6**	**32.5**	**21.0**	**36.1**	**17.5**	**42.5**	**57.9**	**(15.4)**

Accounting surplus is £53.6m, £21m favourable to budget. This includes £23.3m unrealised gain on investments (we have historically not budgeted for this but will do going forward), offset by £10.7m lower capital income due to timing of receipts.

Underlying contribution is £6.2m higher than prior year. However PY included £6.7m overstated fee discounts - excluding this we are £0.5m lower than PY.
Pay inflation and the fall in HEFCE teaching grant have been largely offset by increased tuition fees, including £4.5m home (almost all students now paying £9k) and £8.8m overseas.

Underlying Forecast Contribution is £43.4m, £12.3m behind budget . This includes forecast pension costs of £12m (reported as part of operating results, not actuarial gains/losses). Excluding these, underlying contribution is £0.3m behind budget.

Underlying contribution is £38.2m, £11.4m favourable to budget.

Comparison with budget:

- Tuition fee income, based on actual student numbers, is £1.5m adverse to budget. The adverse position is due to 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-sessional 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 £11.4m favourable to budget. The issue of timing of non pay has reduced, now at £2.5m favourable, which does look to be budget phasing.
- £4.6m favourable is due to unspent contingencies, and this will continue through the remainder of 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 SIRF are a further £1.1m. Requests for funding, if approved, will utilise a proportion of the funding.
- Core staff costs, excluding £1.3m ERVS, are £3.8m favourable (£2.1m excluding the £1.7m release of an element of the overseas tax provision). The Q2 forecast indicates £0.6m favourable at year end, a downturn of £1.5m. This is due to significant costs expected during the second half of the year over a number of areas, primarily within Estates and ITS. Some increase is expected and is in line with prior year trends, however the size of this increase is higher than usual and will require significant additional resource to be employed.
- Research income continues to be of concern being £15.0m behind budget but £3.7m ahead of prior year. Underlying contribution is £1.1m adverse to budget and £0.4m higher than prior year. The forecast indicates that underlying contribution will be £1.3m adverse at year end.
- Donation income is £1.9m down on budget, primarily aspirational income not achieved. The year end forecast shows donation income being significantly down, again in relation to aspirational income.
- IT Services business as usual costs are £0.2m overspent, forecast to be £0.4m overspent at year end.

Tuition Fees – February 2017

Tuition Fee Analysis	YTD Actual £m	YTD Budget £m	Variance £m	Forecast Outturn £m (Based on Q2)	Full Year Budget £m (Based on Q2)	Variance £m (Based on Q2)
Home credit-bearing						
UG	102.6	104.6	(2.0)	174.9	179.3	(4.4)
PGT	17.7	16.7	1.0	29.6	28.6	1.0
PGR	5.4	5.4	(0.0)	9.2	9.3	(0.0)
TOTAL HOME CREDIT BEARING	**125.7**	**126.8**	**(1.1)**	**213.8**	**217.2**	**(3.4)**
Overseas credit-bearing						
UG	61.7	61.0	0.7	104.7	104.5	0.2
PGT	51.5	50.4	1.1	90.4	86.6	3.8
PGR	14.7	15.4	(0.7)	24.5	26.1	(1.6)
TOTAL OVERSEAS CREDIT BEARING	**127.9**	**126.7**	**1.1**	**219.6**	**217.2**	**2.4**
Load transfer	0.0	(0.1)	0.1	(0.1)	(0.1)	(0.0)
Fee discounts	(10.8)	(9.0)	(1.9)	(17.2)	(16.2)	(1.0)
TOTAL CREDIT BEARING	**242.7**	**244.5**	**(1.8)**	***416.1***	***418.1***	***(2.0)***
Other contract courses	10.7	9.3	1.3	16.5	16.1	0.4
Non-credit bearing courses	9.0	10.3	(1.3)	16.6	17.7	(1.0)
Research training support	0.0	0.0	0.0	0.0	0.0	0.0
Other fee income	0.8	0.6	0.2	1.0	1.0	0.0
TOTAL NON CREDIT BEARING	***20.5***	***20.2***	***0.3***	***34.1***	***34.8***	***(0.7)***
TOTAL TUITION FEES	**263.2**	**264.7**	**(1.5)**	**450.2**	**452.9**	**(2.7)**

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 £1.5m adverse to budget.

£2.0m 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.

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

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 Discount Analysis	Not analysed £m	Core £m	Research £m	Matched £m	TOTAL £m
Home					
UG		0.1		0.0	0.1
PGT		1.0	0.1	0.1	1.1
PGR		1.9	0.5	1.8	4.1
Total Home Fee Discounts		3.0	0.5	1.8	5.3
Overseas					
UG		1.0		0.0	1.0
PGT		1.1	0.0	0.0	1.2
PGR		2.8	0.1	0.2	3.1
Total Overseas Fee Discounts		4.9	0.1	0.2	5.3
(not analysed)			0.2	0.0	0.2
TOTAL FEE DISCOUNTS	**0.0**	**7.9**	**0.8**	**2.1**	**10.8**
Fee Discounts Budget	0.0	8.5	0.0	0.4	9.0
Under/(Overspend)	**0.0**	**0.6**	**(0.8)**	**(1.7)**	**(1.9)**

Underlying Contribution by Faculty/Area

Underlying Contribution Reconciliation	TOTAL £m	FBMH £m	FSE £m	HUMS £m	PSS/GUO £m	LCI £m	OTHER £m
Budget YTD	**26.8**	**38.0**	**57.9**	**58.7**	**(97.7)**	**(14.1)**	**(15.9)**
HEFCE income	0.1	0.0	(0.0)	0.0	(0.0)	0.2	(0.1)
Tuition fees	1.6	(0.1)	1.5	(0.9)	0.5	0.0	0.5
Research contribution	(1.1)	(0.6)	(0.9)	0.3	-	(0.0)	0.0
Other income	0.2	(0.6)	0.4	(0.7)	0.4	0.3	0.4
Investment income	3.0	(0.0)	-	(0.0)	0.0	-	2.9
Donation and endowment income	(2.0)	(0.2)	0.1	0.0	(0.0)	(0.0)	(1.9)
Match funded activity	(0.4)	0.7	(1.0)	0.3	0.4	0.1	(1.0)
Staff costs	2.5	(0.5)	1.3	0.9	0.9	0.4	(0.5)
Other operating expenses	7.5	1.6	0.7	1.6	(3.6)	0.4	6.9
Interest and financing cost	0.1	-	-	-	-	-	0.1
Total movement	**11.4**	**0.3**	**2.1**	**1.7**	**(1.4)**	**1.4**	**7.3**
Actual YTD	**38.2**	**38.3**	**60.0**	**60.3**	**(99.1)**	**(12.7)**	**(8.6)**

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Consolidated Funds Flow

	YTD Actual £m	2016/17 Budget £m	Full Year Forecast £m	Variance £m
Surplus to date	**53.6**	**58.0**	**42.5**	**(15.5)**
Non cash/operating items:				
add back depreciation	40.6	65.3	67.4	2.1
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	(32.7)	(67.5)	(59.4)	8.1
	7.9	**(2.2)**	**12.9**	**15.1**
Movement in working capital	(4.8)	3.3	(3.4)	(6.7)
Investing or financing activities:				
Interest paid	11.0	18.9	18.9	0.0
Investment income	(4.3)	(6.5)	(8.0)	(1.5)
	6.6	**12.4**	**10.9**	**(1.5)**
Net cash inflow/(outflow) from operating activities	**63.3**	**71.5**	**62.9**	**(8.6)**
Cash flows from investing activities				
Capital grants received	32.7	67.5	59.4	(8.1)
Payments made to acquire fixed assets	(65.9)	(217.1)	(185.0)	32.1
	(33.1)	(149.6)	(125.6)	24.0
Cash flows from financing activities				
Interest paid	(11.0)	(18.9)	(18.9)	0.0
Investment income	4.3	6.5	8.0	1.5
Repayments of amounts borrowed	(1.9)	(3.7)	(3.8)	(0.1)
	(8.5)	(16.1)	(14.7)	1.4
Increase in cash and cash equivalents in the year	**21.6**	**(94.2)**	**(77.4)**	**16.8**
Opening cash	428.6	404.6	428.6	24.0
Movement in cash (above)	21.6	(94.2)	(78.6)	15.6
Closing cash	**450.2**	**310.4**	**350.0**	**39.6**
Less earmarked funds	141.3	153.0	155.0	2.0
Free funds	**308.9**	**157.4**	**195.0**	**37.6**

Note: This excludes £85m held in long term cash deposits and £32m held in long term investments.

Earmarked Funds	**As at 28 February 2017 £m**
Third party funds:	
Non-University Funds (including Challenge Fund)	2.2
Green loan	1.2
SIFT	0.5
Research Co-ordinator accounts	4.3
	8.2
Internally committed funds:	
Capital income	6.6
Working capital movements:	
Earmarked grants in advance	25.3
Research deferred income	101.2
	126.5
Total Earmarked Funds	**141.3**

Overview

YTD cash inflow of £21.6m includes:

- £63.3m inflow from operating activities
- £32.7m capital receipts

Offset by:

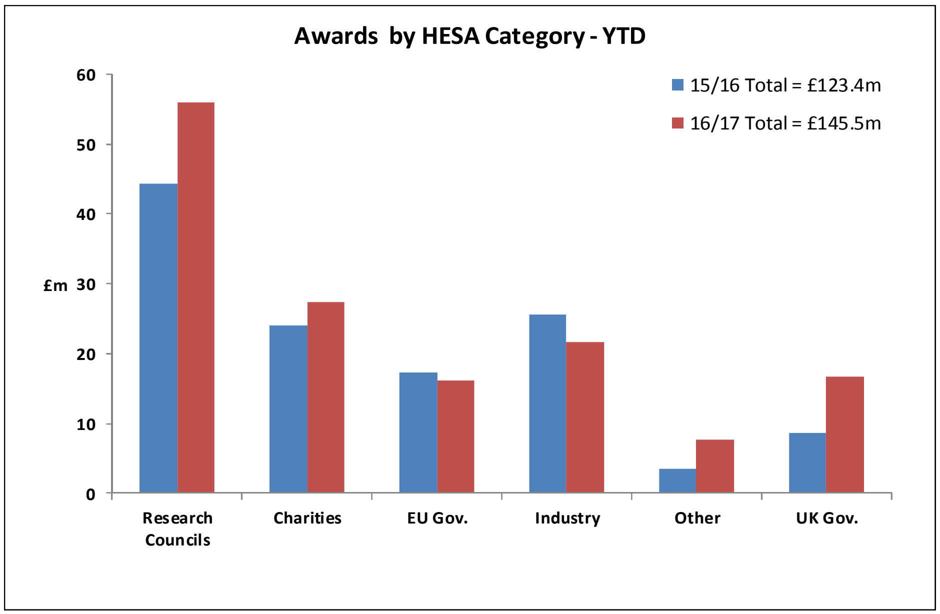
- £65.9m capital expenditure

Closing cash of £450.2m includes earmarked funds of £141.3m 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

	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	133.8	148.8	(15.0)	130.1	3.7	234.1	257.6
Staff	(66.1)	(70.9)	4.8	(63.6)	(2.4)	(112.1)	(123.3)
Non Pay	(39.5)	(48.7)	9.2	(38.7)	(0.9)	(71.5)	(83.5)
Underlying Contribution	**28.2**	**29.3**	**(1.1)**	**27.8**	**0.4**	**50.5**	**50.8**
	21.1%	**19.7%**		**21.4%**		**21.6%**	**19.7%**
Capital Research							
Capital RGC income	7.2	16.5	(9.3)	17.4	(10.2)	26.6	21.6
Depreciation	(8.2)	(8.1)	(0.1)	(6.3)	(1.9)	(13.2)	(12.9)
Capital Contribution	**(1.0)**	**8.4**	**(9.4)**	**11.1**	**(12.1)**	**13.5**	**8.7**
Total research							
HEFCE QR Mainstream and RDP	**31.6**	**31.6**	**0.0**	**31.2**	**0.4**	**54.2**	**54.2**
HEFCE QR (business and charity)	**7.8**	**7.8**	**(0.0)**	**8.2**	**(0.4)**	**13.5**	**13.5**
RGC Income	**141.0**	**165.4**	**(24.4)**	**147.5**	**(6.5)**	**260.8**	**279.2**
Research Related Income	**180.5**	**204.8**	**(24.4)**	**186.9**	**(6.4)**	**328.5**	**346.8**
Total Expenditure (staff, non pay, depn)	**(113.9)**	**(127.7)**	**13.8**	**(108.6)**	**(5.2)**	**(196.8)**	**(219.7)**
Contribution	**66.6**	**77.1**	**(10.5)**	**78.3**	**(11.7)**	**131.7**	**127.1**



Underlying position (excluding capital and RDEC income):

- Revenue income at £133.8m is £15m below budget, and £3.7m ahead of prior year (PY), growth of 2.8%. Income growth in 14/15 and 15/16 was 6.8% and 4% respectively, so although growth has picked up over the year it is still a concern.
- Income to February has averaged 57.5% of the total year's income, over the prior two financial years. On this basis, the total full year revenue income would be estimated at £232.7m i.e. £24.8m behind budget and £7.6m ahead of prior year (3.4%). Based upon the contribution rate YTD of 21.1% this would suggest a shortfall in contribution of £1.8m against the full year budget.
- Forecasts predict full year revenue income to be £234.1m, which is £23.4m lower than budget and £9.1m higher than PY (4%). Research income for February 2017 is 5.5% higher than in February 2016, this would need to be sustained, each month, to achieve the forecast.
- Forecast income for FSE and Humanities is ahead of prior year income by £8.8m and £2.2m respectively (although the FSE forecast appears heavily reliant on a large amount of non pay activity). BMH income is forecast to be £1.9m behind prior year.

Contribution:

- Underlying contribution at £28.2m is £1.1m adverse to budget and £0.4m higher than PY.
- Underlying contribution rate is 21.1%, being higher than budget but behind PY. The reduction in recovery rate compared to PY is being driven by reduced recovery on Research Council projects.

Revenue Awards (excluding major capital):

Awards at £145.5m are £22.1m higher than PY. Higher awards include:

- Research Councils £11.7m – higher awards across a range of research councils, particularly EPSRC (£6.7m).
- Charities £3.4m – higher value of Wellcome Trust awards £4.6m and 'To Find a Better Way' awards £2.7m.
- UK Gov £8m – a £3m DfID award in Humanities, together with higher NiHR awards £5.7m.
- Other £4.1m – an award from the Beijing Institute for Aeronautical Materials (Graphene).
- These are offset by lower awards from Industry £4m, mainly due to the AstraZeneca 'Northstar' award of £11.5m and the Tesco sustainable consumption institute award £5m, both received in 2015/16; together with EU Gov (£1.1m).

Research Performance by School – Revenue RGC Income

Faculty	School	Actuals £m	Budget £m	Variance £m	O'head Var £m
FSE	Earth, Atmospheric and Environmental Sciences	5.4	5.7	(0.3)	0.1
	Chemistry	11.9	12.6	(0.7)	(0.3)
	Dalton Research Institute	0.2	0.2	(0.0)	0.0
	Electrical and Electronic Engineering	5.5	6.0	(0.4)	0.1
	Mechanical, Aerospace and Civil Engineering	3.0	3.3	(0.3)	0.1
	Materials	6.4	7.0	(0.6)	0.0
	Mathematics	2.0	2.3	(0.3)	(0.0)
	Physics and Astronomy	11.6	13.7	(2.1)	(0.6)
	Computer Science	4.0	4.2	(0.1)	(0.0)
	Chemical Engineering and Analytical Sciences	2.8	3.7	(0.9)	(0.2)
	International Centre for Advanced Materials	0.2	0.2	0.0	0.0
	Faculty Office	-	0.1	(0.1)	-
		53.2	**58.9**	**(5.8)**	**(0.9)**
HUM	Arts, Languages and Cultures	2.0	1.8	0.2	0.0
	Environment and Development	2.3	2.1	0.2	0.3
	Alliance Manchester Business School	2.8	2.3	0.5	0.1
	Social Sciences	3.3	3.0	0.3	(0.1)
	Law	0.4	0.4	(0.0)	0.0
		10.7	**9.6**	**1.1**	**0.3**
BMH	Biological Sciences	23.6	28.9	(5.2)	(0.6)
	Medical Sciences	15.0	18.0	(3.0)	(0.3)
	Health Sciences	16.1	17.5	(1.4)	0.5
	CRUK MI	14.4	15.0	(0.6)	(0.1)
	Faculty Office - FBMH	0.0	-	0.0	-
		69.1	**79.4**	**(10.3)**	**(0.5)**
Shared Services		0.8	0.8	(0.0)	0.0
Total University		**133.8**	**148.8**	**(15.0)**	**(1.1)**

Key Variances in Research Income by Faculty and School:

Faculty of Science & Engineering

- £0.7m adverse in Chemistry - lower than expected activity in relation to aspirational income and applications.
- £2.1m adverse in Physics - lower than expected activity on existing awards £1.2m, with the largest variance relating to delays on the SKA £0.5m, together with delays in recruitment of PDRAs on the Hetero2D project £0.4m. Lower than expected activity in relation to both applications and aspirational income £0.8m.
- £0.9m adverse in CEAS - lower than expected activity across the portfolio of existing awards £0.3m, together with lower than expected activity in relation to aspirational income and applications £0.6m.

Faculty of Biology, Medicine & Health

- £5.2m adverse in Biological Sciences - awarded projects £3.9m, together with lower than anticipated success on a number of applications £1.4m, which is largely due to rejected applications.
- £3m adverse in Medical Sciences - awarded projects £2.1m, due to delays in recruitment on the Northstar project £0.8m, these appointments have now been made but the project will not catch up in year which is also impacting contribution. Applications £1.0m largely due to rejected applications, offset by £0.2m aspirational income.
- £1.4m adverse in Health Sciences - awarded projects £0.7m, 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 £1.3m relates to rejected applications and £0.8m due to lower than expected activity on awarded applications. This is offset by £1.4m favourable aspirational income.

Staff costs and operating expenses

Staff costs reconciliation February 2017	TOTAL £m	FBMH £m	FSE £m	HUMS £m	PSS/GUO £m	LCI £m	OTHER £m
Staff costs budget YTD	**(320.1)**	**(104.9)**	**(77.0)**	**(64.0)**	**(57.3)**	**(10.8)**	**(6.1)**
Research Funded variance	4.8	4.3	1.8	(1.3)	-	0.0	(0.0)
Matched funded variance	1.6	0.8	0.1	0.6	0.2	(0.2)	0.0
Total Externally funded variance	**6.4**	**5.1**	**1.9**	**(0.7)**	**0.2**	**(0.2)**	**0.0**
Core staff costs							
Inflation and increments	(0.2)	-	0.1	0.2	-	-	(0.6)
Unbudgeted new posts	(1.5)	(0.6)	-	(0.3)	(0.5)	-	(0.1)
Unbudgeted leavers	1.0	0.7	-	0.3	-	-	-
Vacancy management	2.0	(0.6)	0.3	(0.1)	1.8	0.4	0.2
Transfer between departments	(0.2)	-	-	0.1	(0.3)	-	-
Change in FTE	-	(0.1)	-	0.1	-	-	-
Funding movements	1.4	0.2	1.0	0.2	-	-	-
ERVS	(1.3)	-	(0.1)	-	(1.2)	-	-
Other variances	1.3	(0.1)	(0.0)	0.4	1.1	0.0	(0.0)
Total core staff costs variance	**2.5**	**(0.5)**	**1.3**	**0.9**	**0.9**	**0.4**	**(0.5)**
Total staff costs variance	**8.8**	**4.5**	**3.2**	**0.2**	**1.1**	**0.2**	**(0.4)**
Staff costs actual YTD	**(311.3)**	**(100.3)**	**(73.8)**	**(63.7)**	**(56.2)**	**(10.6)**	**(6.6)**

Other operating expenses reconciliation February 2017	TOTAL £m	FBMH £m	FSE £m	HUMS £m	PSS/GUO £m	LCI £m	OTHER £m
Other operating expenses (OOE) budget YTD	**(208.8)**	**(49.8)**	**(36.6)**	**(20.7)**	**(78.2)**	**(10.2)**	**(13.4)**
Research Funded variance	10.8	6.4	3.8	0.6	-	0.0	0.0
Matched funded variance	1.7	2.0	0.2	0.3	(0.6)	(0.1)	(0.1)
Total externally funded OOE variance	**12.5**	**8.4**	**4.0**	**0.8**	**(0.6)**	**(0.0)**	**(0.1)**
Permanent Overspends	(6.1)	(0.2)	(0.1)	(0.5)	(3.3)	(0.1)	(1.9)
Permanent Savings	3.7	0.9	0.3	0.4	0.6	-	1.5
Timing	2.5	0.4	0.8	1.2	(0.7)	0.4	0.4
Contingency/unallocated funds	5.7	-	-	-	-	-	5.7
Currency and Exchange rate gain/loss	0.9	-	-	-	-	-	0.9
Other variances	0.8	0.5	(0.3)	0.5	(0.2)	0.1	0.3
Total core OOE variance	**7.5**	**1.6**	**0.7**	**1.6**	**(3.6)**	**0.4**	**6.9**
Total other operating expenses variance	**20.0**	**10.0**	**4.7**	**2.4**	**(4.3)**	**0.4**	**6.8**
Other operating expenses actual YTD	**(188.8)**	**(39.8)**	**(31.9)**	**(18.3)**	**(82.5)**	**(9.8)**	**(6.6)**

Core staff costs are £2.5m favourable to budget:

- Excluding ERVS costs of £1.3m, core staff costs are £3.8m favourable. This includes £1.7m release of the overseas tax provision – excluding this we are £2.1m favourable.
- This is largely vacancy management at £2.0m higher than budgeted (mainly central PSS) and the transfer of staff to research projects £1.4m (mainly within FSE, being a one-off catch up exercise).
- The £1.3m ERVS costs relate primarily to the key schemes for FBMH, ITS and UMC, along with some costs associated with separately agreed, individual cases. For ERVS agreements made within 2016/17 we expect to see the corresponding saving within the relevant area of the University. This is being monitored.
- The Q2 forecast indicates £0.6m favourable at year end, a downturn of £1.5m. This is due to significant costs expected over the next five months, including recruitment to a number of previously vacant posts (circa 40 cleaners in House Services and ITS Helpdesk posts), unbudgeted CTU (Clinical Trials Unit) posts, additional costs in June/July when students are not on campus (eg Halls cleaning), external examiner and AMBS staff fees, additional costs due to the re-launch of the Global MBA, cost of UMC staff due to the re-opening of the hotel and the impact of the apprenticeship levy.

Core other operating expenses (OOE) are £7.5m favourable to budget:

- The favourable position includes £2.5m timing, which appears to be due to budget phasing.
- Unspent contingencies are £4.6m (includes up to £1m earmarked to fund capital – Paterson Refurbishment in BMH and Circle project in FSE), and £1.1m is savings on SIRF.
- Permanent overspends at £6.1m are primarily within GUO/PSS with £1.0m over a number of areas (including increased water charges due to meter errors/leaks, higher tax advice costs and higher gas consumption). £1.9m 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 £1.5m relates to building costs (£0.8m revenue costs budgeted as capital, £0.4m due to increased demolition costs on GEIC/AMBS and £0.4m additional bad debt provision).

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Investment Performance (based on January 2017)

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 January 2017						
Total:		0.8	0.4	0.4	0.2	1.8
Remitted:		(0.7)	(0.2)	(0.2)	(0.1)	(1.2)
		0.1	**0.2**	**0.2**	**0.1**	**0.6**
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
	January	0.0	1.3	1.6	0.2	3.1
		1.7	6.5	13.9	1.7	23.8
Market value as at 31 January 2017		**68.2**	**67.3**	**72.5**	**28.5**	**236.5**
Percentage increase / (decrease) in total value*		**2.7%**	**10.9%**	**23.9%**	**6.3%**	**11.3%**
Percentage increase / (decrease) in market value		**2.6%**	**10.7%**	**23.7%**	**6.3%**	**11.2%**

Split of investments:	**£m**	%
University	34.5	14.58%
Endowments	202.1	85.42%
	236.5	**100.00%**

*From 31 July 2016

A review of investment strategy and asset allocation is currently ongoing.

Overall, the value of the investment portfolio has increased by 11.3% or £24.1m from July 2016 to January 2017 of which 11.2% is attributable to an increase in market value, with the remainder relating to investment income net of management fees.

During January 2017, there was an increase of £3.1m 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

Feb-17 Operating results	YTD Actual £m	YTD Budget £m	Variance £m	Prior Yr Actual £m	Variance £m	F'cast Outturn £m	Full Yr Budget £m	Variance £m
Income								
Tuition fees and education contracts	**58.9**	**59.6**	**(0.7)**	54.6	4.3	**100.6**	102.1	(1.5)
Funding body grants	**30.3**	**30.2**	**0.1**	33.7	(3.4)	**51.9**	51.8	0.0
Research grants and contracts	**69.1**	**79.4**	**(10.3)**	69.2	(0.2)	**118.0**	137.5	(19.5)
Other income	**19.4**	**21.3**	**(1.9)**	20.0	(0.7)	**34.7**	36.5	(1.8)
Investment income	**0.2**	**0.1**	**0.1**	0.3	(0.1)	**0.1**	0.1	0.0
Donations and endowments	**0.6**	**2.1**	**(1.5)**	1.3	(0.7)	**1.0**	3.6	(2.6)
Total Income	**178.4**	**192.6**	**(14.2)**	**179.1**	**(0.7)**	**306.4**	**331.7**	**(25.3)**
Expenditure								
Staff Costs	**(100.3)**	**(104.9)**	**4.5**	(97.9)	(2.5)	**(170.2)**	(181.0)	10.8
Other operating expenses	**(39.8)**	**(49.8)**	**10.0**	(40.5)	0.7	**(73.4)**	(85.6)	12.3
Interest and other finance costs	**-**	**-**	**-**	-	-	**-**	-	-
Total Expenditure	**(140.1)**	**(154.7)**	**14.6**	**(138.3)**	**(1.7)**	**(243.6)**	**(266.7)**	**23.1**
UNDERLYING CONTRIBUTION	**38.3**	**38.0**	**0.3**	**40.8**	**(2.5)**	**62.8**	**65.0**	**(2.2)**
Capital and investing activities								
Capital Income	**5.9**	**6.9**	**(1.0)**	**1.6**	**4.3**	**8.1**	**8.1**	**-**
Total Capital and Investing Activities	**5.9**	**6.9**	**(1.0)**	**1.6**	**4.3**	**8.1**	**8.1**	**-**
Depreciation	**(8.6)**	**(8.5)**	**(0.1)**	(4.5)	(4.1)	**(14.8)**	(14.7)	(0.1)
ACCOUNTING SURPLUS	**35.6**	**36.4**	**(0.7)**	**37.9**	**(2.3)**	**56.1**	**58.4**	**(2.3)**

Core Pay Analysis

•Core pay is £0.5m down on budget YTD. However, £0.2m of this relates to a reclassification of salary recharges between pay and non pay.

•There was a target of £1.6m 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 addition, the budget includes a savings target set by the centre (July 2016) of £1.15m. No plans have been drawn up to outline how to achieve this target saving.

•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.

Underlying contribution is £38.3m. Accounting surplus is £0.7m down against budget, driven by capital income which is £1.0m down.

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

- Tuition fees are £0.7m down against budget, and, by year end, we expect to be £1.5m down. The UG forecast is £1.1m 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 due to 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 £0.5m down against budget. The Q2 forecast shows an adverse variance to budget for the year of £1.1m. This adverse forecast variance is driven by £1.5m lower than expected income from applications, of which £1.2m relates to rejected applications and £0.3m due to higher than expected unrecoverable pay costs, largely due to gardening leave costs being transferred to research offset by £0.3m due to overhead catch-up on existing projects, £0.3m benefit from cross school/faculty collaboration and £0.1m due to income received from donations.
- Core other income is £0.8m down against budget. £0.4m is due to lower than expected donations. Aspirational donation income has been identified as a key risk, and in the Q2 forecast all aspirational donation income has now been removed. A further £0.2m is due to delays in commissioning the MR PET scanner resulting in a loss of clinical income.
- Core non-pay cost variances are £1.6m up against budget, of which £0.5m are believed to be due to the net of permanent savings/overspends and £1.0m are believed to be due to timing. Of this £1.0m, £0.3m relates to Estates costs (within SHS) that continue to be delayed. Given shortfalls in income elsewhere, core non-pay is being tightly controlled to enable the Faculty to come back nearer to its contribution target. A £0.6m reduction of non pay spend has been reflected in the Q2 forecast.
- Other known activities, now factored in to the Q2 forecast are £0.4m relating to the set-up of a 'satellite CTU' and transfer of a number of clinical trials from the Christie Hospital to the University, and £0.2m of set-up costs for the International Medical School.

Faculty Headlines – Science and Engineering

February 2017 Operating results	YTD Actual £m	YTD Budget £m	Variance £m	Prior Yr Actual £m	Variance £m	F'cast Outturn £m	Full Yr Budget £m	Variance £m
Income								
Tuition fees and education contracts	**82.0**	**83.0**	**(0.9)**	72.3	9.8	**140.8**	142.0	(1.2)
Funding body grants	**18.8**	**18.7**	**0.1**	17.8	0.9	**32.1**	32.0	0.0
Research grants and contracts	**53.2**	**59.0**	**(5.8)**	50.9	2.3	**94.8**	101.3	(6.5)
Other income	**11.4**	**10.7**	**0.7**	12.3	(0.9)	**18.5**	17.6	0.8
Investment income	**0.1**	**-**	**0.1**	0.2	(0.1)	**0.1**	-	0.1
Donations and endowments	**0.3**	**0.2**	**0.1**	0.4	(0.1)	**0.3**	0.3	0.0
Total Income	**165.7**	**171.5**	**(5.8)**	**153.8**	**11.9**	**286.5**	**293.2**	**(6.7)**
Expenditure								
Staff Costs	**(73.8)**	**(77.0)**	**3.2**	(69.2)	(4.6)	**(127.7)**	(132.4)	4.8
Other operating expenses (OOE)	**(31.9)**	**(36.6)**	**4.7**	(31.4)	(0.5)	**(60.1)**	(62.8)	2.8
Total Expenditure	**(105.7)**	**(113.6)**	**7.9**	**(100.6)**	**(5.1)**	**(187.7)**	**(195.3)**	**7.5**
UNDERLYING CONTRIBUTION	**60.0**	**57.9**	**2.1**	**53.2**	**6.8**	**98.8**	**98.0**	**0.8**
Capital and investing activities								
Capital Income	**1.3**	**4.2**	**(2.9)**	**4.1**	**(2.8)**	**8.3**	**4.2**	**4.1**
Total Capital and Investing Activities	1.3	4.2	(2.9)	4.1	(2.8)	8.3	4.2	4.1
Depreciation	**(3.5)**	**(4.9)**	**1.4**	(5.7)	2.2	**(7.0)**	(7.2)	0.2
ACCOUNTING SURPLUS	**57.8**	**57.2**	**0.6**	**51.5**	**6.3**	**100.0**	**95.0**	**5.1**

Accounting surplus is £57.8m, £0.6m adverse to budget.

Lower Research capital income of £2.9m, 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.

Prior year (PY) underlying contribution variance - £6.8m 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 2015-16. Research capital activity reflects spikes in capital income recorded upon commissioning of assets.

Underlying Forecast contribution is £98.8m, £0.8m ahead of budget.

The forecast reflects that FSE will meet the additional saving required, we are continuing to work on this and currently imposing a pay freeze on appointments in some areas alongside monitoring spend.

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

Underlying contribution is £60m, £2.1m favourable to budget.

- Tuition fee income reflects current invoiced income less fee discounts. Fee income is £0.9m behind budget. YTD the fee discounts within matched activity are front loaded in actuals compared to budgeted expectation.

  Forecast: UG home is behind budget, increased number of industrial placements – Erasmus which had been budgeted at £9k, progression has been a problem especially within the School of Earth. Overseas UG has been impacted due to a Foundation Studies fee level being too high within the budget. Overseas PGR activity is based on school and prior year knowledge on expected mid year starters. We believe fee discounts levels, based on current activity, to be slightly lower than budget. The increase in the Overseas PGT activity is masked by the UG and PGR price shortfall.
- Core other income variance YTD increase, of £0.5m, is mainly within the Science Schools, relating to donated income and conference activity. These income streams incur costs but generate surplus in year. The forecast predicts a slight increase to this on known activity.
- Core pay savings of £1.3m reflect the delays in appointments and a freeze on automatic appointments within the faculty which is currently in place. £1.0m relates to baseline transfer to research grants. The forecast has included inflation to continue at current rate, with a slight reduction to vacancy savings as expected posts commence, Forecast reflects new appointments due to start in year.
- Core OOE of £0.7m is timing on expenditure, mainly relating to expected lab spend. In the next few months, within the forecast 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.
- Research Income is £5.8m behind budget with revenue activity contribution behind by £0.3m. 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, forecast underlying contribution position is on track to budget, which includes the current run rate on existing awards and the new activity due to start.

Faculty Headlines - Humanities

February 2017 Operating results	YTD Actual £m	YTD Budget £m	Variance £m	Prior Yr Actual £m	Variance £m	F'cast Outturn £m	Full Yr Budget £m	Variance £m
Income								
Tuition fees and education contracts	**112.7**	**113.6**	**(0.9)**	104.7	8.0	**193.7**	194.8	(1.1)
Funding body grants	**9.6**	**9.6**	**0.1**	9.6	0.0	**16.4**	16.4	0.0
Research grants and contracts	**10.7**	**9.6**	**1.1**	9.1	1.6	**19.9**	17.3	2.6
Other income	**8.4**	**8.3**	**0.2**	9.7	(1.3)	**13.8**	14.2	(0.4)
Investment income	**0.1**	**0.1**	**(0.0)**	0.2	(0.1)	**0.2**	0.2	-
Donations and endowments	**0.8**	**2.1**	**(1.3)**	1.5	(0.7)	**6.3**	8.6	(2.3)
Total Income	**142.4**	**143.3**	**(0.9)**	**134.8**	**7.6**	**250.3**	**251.5**	**(1.2)**
Expenditure								
Staff Costs	**(63.7)**	**(64.0)**	**0.2**	(59.4)	(4.3)	**(109.6)**	(109.7)	0.1
Other operating expenses	**(18.3)**	**(20.7)**	**2.4**	(15.7)	(2.6)	**(34.3)**	(35.3)	0.9
Interest and other finance costs	-	-	-	-	-	-	-	-
Total Expenditure	**(82.0)**	**(84.7)**	**2.6**	**(75.2)**	**(6.9)**	**(144.0)**	**(145.0)**	**1.1**
UNDERLYING CONTRIBUTION	**60.3**	**58.7**	**1.7**	**59.6**	**0.7**	**106.3**	**106.5**	**(0.1)**
Depreciation	**(0.3)**	**(0.3)**	**(0.0)**	(0.1)	(0.2)	**(0.6)**	(0.5)	(0.1)
ACCOUNTING SURPLUS	**60.0**	**58.3**	**1.6**	**59.5**	**0.5**	**105.7**	**106.0**	**(0.2)**

Forecast commentary

•The Faculty is on track to deliver broadly 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 £3.5m 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 (£1.2m – agreed at University level during the post-budget conversations) and there has been under-recruitment in Law, especially in overseas PGT (£1.0m).

•We are also expecting a significant gap in income from our non-credit-bearing courses in ULC (£0.9m). 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 year savings targets have been agreed with the Schools to mitigate these downsides.

Underlying contribution is £60.3m, £1.7m favourable to budget.

•Credit bearing tuition fees are £0.2m 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 £1.1m adverse variance on non-credit bearing courses, £0.3m of this is a timing variance on the Agricultural Bank of China Programme. A further £0.3m is from reduced demand for ULC pre-sessional English courses, due to increased English language entry requirements in SEED and increased competition. ULC finances are being reviewed under the new Director and Head of School. The remainder is due to timing on the Exec Ed pipeline target £0.5m although this has been flagged as a risk and Exec Ed continues to be closely managed within the School.

- 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 AMBS, and savings on professorial promotions in AMBS. £0.2m of this variance is due to timing of the apprenticeship levy and GTA appointments. 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 £1.6m favourable to budget, of which £1.1m is due to the timing of expenditure across all schools.

Underlying contribution is £0.7m 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.

Headlines - PSS and GUO

February 2017 Operating results	YTD Actual £m	YTD Budget £m	Variance £m	Prior Yr Actual £m	Variance £m	F'cast Outturn £m	Full Yr Budget £m	Variance £m
Income								
Tuition fees and education contracts	**0.0**	**(0.4)**	**0.5**	(1.2)	1.2	**(1.7)**	(1.7)	0.0
Funding body grants	**1.8**	**2.0**	**(0.2)**	2.7	(0.9)	**3.2**	3.4	(0.2)
Other income	**36.2**	**35.7**	**0.4**	34.5	1.7	**61.2**	60.8	0.4
Investment income	**0.1**	**-**	**0.1**	0.1	(0.0)	**0.1**	-	0.1
Donations and endowments	**1.5**	**0.5**	**0.9**	1.2	0.3	**1.5**	0.8	0.7
Total Income	**39.6**	**37.8**	**1.8**	**37.3**	**2.3**	**64.4**	**63.3**	**1.0**
Expenditure								
Staff Costs	**(56.2)**	**(57.3)**	**1.1**	(59.5)	3.4	**(97.1)**	(98.4)	1.2
Other operating expenses	**(82.5)**	**(78.2)**	**(4.3)**	(78.0)	(4.5)	**(134.3)**	(128.3)	(6.0)
Total Expenditure	**(138.6)**	**(135.5)**	**(3.2)**	**(137.5)**	**(1.1)**	**(231.5)**	**(226.7)**	**(4.8)**
UNDERLYING CONTRIBUTION	**(99.1)**	**(97.7)**	**(1.4)**	**(100.2)**	**1.2**	**(167.1)**	**(163.3)**	**(3.8)**
Depreciation	**(0.3)**	**-**	**(0.3)**	(0.2)	(0.1)	**-**	-	-
ACCOUNTING SURPLUS	**(99.3)**	**(97.7)**	**(1.7)**	**(100.4)**	**1.1**	**(167.1)**	**(163.3)**	**(3.8)**

Overview of Forecast underlying contribution compared to budget

Full year forecast costs of £167.1m are higher than budget by £3.8m, the majority is within ITS:

•£1.4m 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.

•£1.5m relates to costs that were budgeted as capital but will be reported as revenue (Cyber Security, critical infrastructure maintenance).

•£0.7m relates to Modernisation, approved by CITP but not in budget.

•DSE is forecast to be £1.0m favourable to budget (£0.5m residency income and £0.5m vacancy savings); offset by £0.6m unforeseen Estates costs (£0.3m data centre energy costs and £0.3m one-off water charges) and £0.4m unbudgeted new posts in HR.

Overview of YTD underlying contribution compared to budget

- Actual year to date PSS/GUO costs are £99.1m, £1.4m higher than budget. After removing the impact of approved, unbudgeted activities, the true underlying variance is £0.8m favourable as demonstrated in the table below:

Net Cost Variance to Budget (Underlying)	Actual £m	Budget £m	Variance £m	ERVS	ITS Projects approved spend	Underlying variance
DSE	5.1	3.6	**1.5**			**1.5**
Estates & Facilities	(22.5)	(22.6)	**0.1**			**0.1**
IT Services	(18.8)	(17.5)	**(1.2)**		**1.0**	**(0.2)**
Other PSS	(18.0)	(17.9)	**(0.1)**			**(0.1)**
Total PSS	**(54.2)**	**(54.4)**	**0.3**	**-**	**1.0**	**1.3**
GUO DSE	(22.8)	(22.4)	**(0.5)**			**(0.5)**
GUO Estates	(17.6)	(16.3)	**(1.3)**			**(1.3)**
GUO Other	(4.5)	(4.6)	**0.0**	**1.2**		**1.2**
Total GUO	**(44.9)**	**(43.2)**	**(1.7)**	**1.2**	**-**	**(0.5)**
Total PSS / GUO	**(99.1)**	**(97.7)**	**(1.4)**	**1.2**	**1.0**	**0.8**

- DSE is currently £1.5m favourable to budget; £0.7m is due to additional income, £0.5m is residences and £0.5m is pay vacancy savings which is reflected in the Q2 forecast outturn.
- There is currently a £0.2m adverse underlying variance to budget in ITS. This is a permanent overspend in business as usual (BAU) activity which is forecast to be £0.4m by year end.
- £0.3m depreciation has been posted to ITS in error - this will be corrected in March.
- There is a £1.3m adverse variance in GUO Estates; £0.5m of which is unbudgeted costs (£0.3m water charges being fiscal meter errors and leaks, and £0.2m data centre energy costs) and £0.7m timing, mainly phasing of the LTM budget.
- £1.7m of the overseas tax provision in GUO Other has been released, offset by £1.2m of ERVS costs and £0.4m tax advice costs.
- The majority of ERVS costs relate to key schemes for FBMH, ITS and UMC however there are also significant costs associated with separately agreed individual cases. ERVS schemes are not budgeted and so all costs are reported as overspend within GUO. See attached

The University of Manchester

Headlines - Library and Cultural Institutions

February 2017 Operating results	YTD Actual £m	YTD Budget £m	Variance £m	Prior Yr Actual £m	Variance £m	F'cast Outturn £m	Full Yr Budget £m	Variance £m
Income								
Tuition fees and education contracts	**0.1**	**-**	**0.1**	0.0	0.0	**0.0**	0.0	-
Funding body grants	**2.2**	**2.0**	**0.2**	2.2	(0.1)	**3.5**	3.5	-
Research grants and contracts	**0.8**	**0.8**	**0.0**	0.9	(0.0)	**1.4**	1.4	-
Other income	**4.2**	**3.8**	**0.4**	4.1	0.1	**6.7**	6.8	(0.1)
Investment income	**0.1**	**-**	**0.1**	0.1	(0.0)	**0.2**	-	0.2
Donations and endowments	**0.1**	**0.3**	**(0.1)**	0.4	(0.3)	**0.2**	0.5	(0.2)
Total Income	**7.5**	**6.9**	**0.7**	**7.7**	**(0.2)**	**12.1**	**12.2**	**(0.1)**
Expenditure								
Staff Costs	**(10.6)**	**(10.8)**	**0.2**	(10.1)	(0.5)	**(18.5)**	(18.6)	0.0
Other operating expenses	**(9.8)**	**(10.2)**	**0.4**	(9.9)	0.1	**(17.8)**	(17.6)	(0.2)
Total Expenditure	**(20.4)**	**(21.0)**	**0.6**	**(20.0)**	**(0.4)**	**(36.3)**	**(36.1)**	**(0.2)**
UNDERLYING CONTRIBUTION	**(12.9)**	**(14.1)**	**1.3**	**(12.3)**	**(0.6)**	**(24.3)**	**(23.9)**	**(0.3)**
Capital and investing activities								
Capital Income	**0.1**	**-**	**0.1**	**0.2**	**(0.1)**	**-**	**-**	**-**
ACCOUNTING SURPLUS	**(12.8)**	**(14.2)**	**1.4**	**(12.0)**	**(0.7)**	**(24.3)**	**(24.0)**	**(0.3)**

Forecast underlying contribution compared to budget

The forecast consolidated position for LCI is £0.3m adverse compared to budget 2016/17.

•The Library is forecasting an outturn £0.3m favourable compared to budget, mainly due to £0.2m savings from ERVS and £0.1m expenditure deferred until 2017/18.

•The Press is forecasting a £0.4m adverse variance, this is due in the main to over-optimistic budget targets set by previous CEO – particularly from printed book sales.

•The Whitworth is currently forecasting a £0.2m adverse variance due to increased exhibition costs over and above budget. Exhibition costs in 2017/18 also look like they will be higher than anticipated in prior year plan – most exhibitions being already booked in, over a year in advance. This appears an optimistic forecast for the Whitworth, and it is expected that this variance could increase to £0.5m adverse as there has been no fundraising income to date in 2016/17 (£0.2m has been budgeted).

YTD Actual underlying contribution compared to budget

Actual underlying year to date LCI costs of £12.9m are lower than budget by £1.3m. Each of the areas results are reported in the table below:

Net Cost Variance to Budget	YTD Actual £k	YTD Budget £k	Variance Actual v Budget £k	Full Year Forecast £k	Full Year Budget £K	Variance Budget v Forecast £k
Library	(11,170)	(12,084)	**914**	(20,250)	(20,584)	**334**
Museum	(618)	(613)	**(6)**	(1,052)	(1,052)	**-**
Whitworth	(763)	(689)	**(74)**	(1,430)	(1,181)	**(249)**
Press	(45)	(208)	**163**	(641)	(224)	**(417)**
JBVC	(170)	(253)	**84**	(391)	(391)	**-**
REA	(106)	(296)	**190**	(491)	(491)	**-**
Underlying contribution	**(12,872)**	**(14,143)**	**1,271**	**(24,255)**	**(23,924)**	**(332)**

- The Libraries are currently £0.9m favourable compared to budget which is largely in non-pay - £0.6m due to to the timing of content invoices and expenditure relating to content projects. This timing is expected to unwind and be at budgeted levels by year end.
- The Press is currently reporting a £0.2m favourable variance, which comprises small variances across income, pay and non pay. However, the budget was profiled with the income increasing substantially over the second half of the year and is now considered to be a very challenging target. The budgeted income at risk is £0.4m which is reflected in the forecast.
- REA is £0.2m favourable currently relating to HEIF grant from HEFCE received but not yet transferred to other University departments/subsidiaries. REA does not budget for any income, and all income received will be transferred by year end.

Headlines - as reported externally

February 2017	YTD Actual	YTD Budget	Variance	Prior Yr Actual	Variance	F'cast Outturn	Full Yr Budget	Variance
Income	£m	£m	£m	£m	£m	£m	£m	£m
Tuition fees and education contracts	**263.2**	**264.7**	**(1.5)**	242.1	21.0	**450.2**	**452.9**	(2.7)
Funding body grants	**85.2**	**87.7**	**(2.5)**	86.2	(0.9)	**130.1**	**136.1**	(6.0)
Research grants and contracts	**141.0**	**165.4**	**(24.4)**	147.5	(6.5)	**260.8**	**279.2**	(18.4)
Other income	**82.9**	**81.5**	**1.4**	80.9	2.0	**145.3**	**153.5**	(8.2)
Investment income	**4.3**	**3.8**	**0.5**	4.7	(0.4)	**8.0**	**6.5**	1.5
Donations and endowments	**5.3**	**7.1**	**(1.8)**	5.1	0.3	**11.1**	**17.0**	(5.8)
Total Income	**582.0**	**610.2**	**(28.2)**	**566.5**	**15.5**	**1,005.6**	**1,045.2**	**(39.6)**
Expenditure								
Staff Costs	**(311.3)**	**(320.1)**	**8.8**	(302.6)	(8.6)	**(540.7)**	**(550.7)**	10.0
Other operating expenses	**(188.8)**	**(208.8)**	**20.0**	(182.3)	(6.5)	**(337.6)**	**(352.5)**	14.9
Depreciation	**(40.6)**	**(37.7)**	**(2.9)**	(33.1)	(7.5)	**(67.4)**	**(65.2)**	(2.2)
Interest and other finance costs	**(11.0)**	**(11.0)**	**0.1**	(11.1)	0.1	**(24.5)**	**(18.9)**	(5.6)
Total expenditure	**(551.6)**	**(577.7)**	**26.1**	**(529.1)**	**(22.5)**	**(970.2)**	**(987.3)**	**17.1**
Gains/Loss on investments	**23.3**	**(0.0)**	**23.3**	(5.7)	29.0	**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)**	4.4	(4.4)	**(0.0)**	**(0.0)**	-
NET CONTRIBUTION	**53.6**	**32.5**	**21.0**	**36.1**	**17.5**	**42.5**	**57.9**	**(15.4)**