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**Draft 2016/17 Forecast Outturn – (based
on results to January 2017)**

Forecast Outturn Headlines

Forecast Outturn Analysis	2016/17 Quarter 2 Forecast £m	2016/17 Budget £m	Variance £m
<i>Consolidated University</i>			
Operating Results			
Income			
Tuition fees and education contracts	450.2	452.9	(2.7)
Funding body grants	108.1	108.2	(0.1)
Research grants and contracts	234.1	257.6	(23.4)
Other income	134.5	135.5	(1.0)
Investment income	8.0	6.5	1.5
Donations and endowments	11.1	17.0	(5.8)
Total income	946.1	977.7	(31.6)
Expenditure			
Staff costs	(535.4)	(550.7)	15.3
Other operating expenses	(336.5)	(352.5)	16.0
Interest and other finance costs	(18.9)	(18.9)	(0.0)
Pension costs	(12.0)	0.0	(12.0)
Total expenditure	(902.8)	(922.1)	19.3
UNDERLYING CONTRIBUTION	43.4	55.7	(12.3)
Capital and investing activities			
Capital income	59.4	67.5	(8.1)
Depreciation	(67.4)	(65.2)	(2.2)
Gain/(Loss) on Investments	7.1	(0.0)	7.1
Sale of Fixed Assets	0.0	0.0	0.0
Total capital and investing activities	(0.9)	2.3	(3.1)
ACCOUNTING SURPLUS	42.5	57.9	(15.4)

- The Q2 forecast shows an underlying contribution of £43.4m, £12.3m behind budget (including pension costs of £12m). **Excluding pension costs, underlying contribution is £0.3m behind budget.**
- Since the Q1 forecast the position has improved by £6.7m. This improvement is mainly £2.7m savings on SIRF funding (current unallocated SIRF is unlikely to be utilised this year) and an improvement on pay.
- We are £2.2m adverse to budget for business as usual, mainly due to lower tuition fees and donation income, and greater IT costs.
- Underlying pay costs at £0.6m lower than budget seems prudent, given the current position of £2.1m favourable. This implies that we will spend an additional £1.5m over budget between now and year end. This is due to significant costs expected over the next five month over a number of areas, primarily Estates and ITS. The Directors of both areas are confident that these amounts will be spent, and historically work does tend to increase over the summer when students are not on campus. The increase here is greater than we have seen in previous years.
- Tuition fees are down £2.7m (£0.8m up on last forecast), with a bottom line impact of £1.1m. Some shortfall was expected due to the strategic decision to improve student quality mainly within Humanities.
- Research income is significantly down. The bottom line impact is only £0.2m, mitigated by an improved recovery rate compared with budget. The income budget was overambitious in some areas. This forecast appears achievable although it will require an increase in activity over the last 6 months of the year.
- Overall donations are £5.8m down compared with budget, mainly aspirational income not achieved. Again the budget was very ambitious.
- Business as usual IT costs are now expected to be £2.9m higher than budget (£0.8m overspend, £1.4m timing of project costs and £0.7m additional projects approved at CITP). A further £1.6m additional IT cost relates to amounts budgeted as capital.
- Capital income is down £8.1m due to GEIC income now being due in 2017/18.

Underlying Contribution

	£m
2016/17 Budget	55.7
Business As Usual Variances:	
Tuition fees - £2.7m lower income, £1.1m impact on bottom line surplus (see further analysis in this document)	(1.1)
Underlying research contribution (see further analysis in this document)	(0.2)
Other income - ups and downs over a number of faculties/areas	(0.3)
Treasury management - expected increase due to higher cash balance in current year	1.0
Donations - mostly centrally budgeted (aspirational) offset by new endowment monies	(2.0)
ITS project costs: £0.8m overspend, £1.4m spend from previous/future years, £0.7m approved (not budgeted)	(2.9)
SIRF (costs not now anticipated in 16/17)	3.5
Pay cost savings (includes £0.4m ITS)	0.6
Other - higher costs in operating expenses (utility costs - water 2yrs backdated and unbudgeted VAT on electricity)	(0.7)
Total Impact of Business As Usual (BAU) Variances	(2.2)
Other Non BAU Variances	
Contingency release	6.1
Overseas payroll tax provision release	1.7
Expenditure budgeted as capital, reported as revenue (£1.5m ITS, £1.1m Estates)	(2.7)
Lease surrender cost (Allen Hall and Linton House - both student accommodation not fit for purpose)	(1.9)
ERVS costs	(1.3)
Impact of Other Non BAU Variances	1.9
Pension Variance	
Difference in current service cost and contributions paid	(5.3)
Pension scheme admin costs	(1.1)
Pension interest charges	(5.6)
Total Pension Variance	(12.0)
Total Variance to Budget	(12.3)
2016/17 Forecast	43.4

Forecast Outturn – Changes from Quarter 1 forecast

	TOTAL £m	CORE £m	RESEARCH £m	MATCHED £m
Underlying Contribution Q1	36.7			
Tuition fees and education contracts	0.8	1.1		(0.3)
Funding body grants	0.2			0.2
Research grants and contracts	(3.6)		(3.6)	
Other income	(0.8)	(0.8)		
Investment income	0.1	(0.1)		0.2
Donations and endowments	(0.4)	(0.3)		(0.1)
Total Income	(3.5)	(0.0)	(3.6)	0.1
Staff Costs	7.2	4.9	2.3	
Other operating expenses	2.9	1.2	2.2	(0.5)
Interest and other finance costs	0.1	0.1		
Pension costs				
Total Expenditure	10.2	6.2	4.5	(0.5)
Underlying Contribution Movement	6.7	6.2	1.0	(0.5)

CORE ANALYSIS						
FSE £m	HUMS £m	FBMH £m	PSS/GUO £m	LCI £m	Other £m	TOTAL £m
0.9	(0.5)	0.2			0.5	1.1
						0.0
	(0.3)	(0.7)	0.2			(0.8)
			(0.1)			(0.1)
		(0.3)				(0.3)
0.9	(0.8)	(0.7)	0.1	0.0	0.5	0.0
0.9	0.6	1.6	2.7		(0.9)	4.9
(0.1)	(0.2)	0.3	(0.2)	(0.2)	1.5	1.2
					0.1	0.1
						0.0
0.8	0.4	1.9	2.5	(0.2)	0.7	6.2
1.7	(0.4)	1.2	2.6	(0.2)	1.2	6.2

Underlying Contribution Q2	43.4
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The underlying contribution movement, Q1 to Q2 is £6.7m positive.

- The forecast has improved, as expected given that the Q1 forecast was overly prudent. The largest change has been on pay costs, within PSS/GUO (including the release of a £1.7m tax provision) and FBMH (mainly the correction of a savings target error).
- Tuition fees have increased £0.8m on Q1.
- Whilst research income is significantly down research contribution has improved since Q1 as a result of improved recovery.
- There has however been a negative movement with regards other income. This is mainly BMH, due to the timing of a Dentistry contract (income will be recognised in 2017/18) and lower income in Informatics, Imaging & Data Sciences.

Tuition Fee analysis

Forecast Outturn Analysis		2015/16 Actuals	2016/17 Quarter 2 Forecast £m	2016/17 Budget £m	Variance to Budget £m
Home credit-bearing					
UG		170.2	174.9	179.3	(4.4)
PGT		26.3	29.6	28.6	1.0
PGR		9.6	9.2	9.3	(0.0)
Total Home Credit Bearing		206.1	213.8	217.2	(3.4)
Overseas credit-bearing					
UG		95.9	104.7	104.5	0.2
PGT		84.9	90.4	86.6	3.8
PGR		22.9	24.5	26.1	(1.6)
Total Overseas Credit Bearing		203.7	219.6	217.2	2.4
Load transfer		0.0	(0.1)	(0.1)	(0.0)
Fee discounts		(20.4)	(17.2)	(16.3)	(0.9)
Total Credit Bearing Fees		389.4	416.1	418.1	(2.0)
Other Contract Courses		18.0	16.5	16.1	0.4
Non-credit bearing courses		15.0	16.6	17.7	(1.0)
Research training support		0.1	0.0	0.0	0.0
Other fee income		1.5	1.0	1.0	0.0
Total Non Credit Bearing fees		34.6	34.1	34.8	(0.7)
Total Tuition Fees		424.0	450.2	452.9	(2.7)

Variance by Faculty				
BMH Variance £m	FSE Variance £m	HUMS Variance £m	UoM WW Variance £m	Total Variance £m
(0.4)	(1.5)	(2.6)		(4.4)
0.7	0.7	(0.3)	(0.1)	1.0
0.4	(0.1)	(0.3)		0.0
0.7	(0.9)	(3.2)	(0.1)	(3.4)
(0.6)	(0.4)	1.2		0.2
(0.8)	1.2	2.3	1.1	3.8
0.1	(1.0)	(0.7)		(1.6)
(1.3)	(0.2)	2.8	1.1	2.4
(1.1)	0.1	0.1		(0.9)
(1.7)	(1.0)	(0.2)	1.0	(2.0)
0.4				0.4
(0.1)	(0.1)	(0.8)		(1.0)
				0.0
				0.0
0.3	(0.1)	(0.8)	0.0	(0.7)
(1.4)	(1.1)	(1.0)	1.0	(2.7)

Overview

- Overall credit bearing fees are forecast to be £2.0m down compared with budget, with £0.4m of this being due to a budget error on fee discounts (offset in non pay). Excluding the error, credit bearing fees are down by £1.6m. The remaining £0.5m on fee discounts is due to the Physician Associates course, but again this has no bottom line impact as the fees for this course are being recorded as a full fee within home PGT (not budgeted).
- Non-credit bearing fees are down £0.7m, mostly due to a shortfall in ALC University Language Centre income (reduced demand for pre-sessional English courses and increased competition).
- Overall fees are down £2.7m (£0.8m up on last forecast), with a bottom line impact of £1.1m.

Research income analysis

	2016/17 Quarter 2 Forecast £m	2016/17 Budget £m	Variance £m
Underlying Revenue Research			
RGC Income	234.1	257.6	(23.4)
Expenditure (staff, non pay)	(183.6)	(206.8)	23.2
Fee discounts	0.0	0.0	0.0
Underlying Contribution	50.5	50.8	(0.2)
	21.6%	19.7%	
Capital Research			
Capital RGC Income	26.6	21.6	5.0
Depreciation	(13.2)	(12.9)	(0.3)
Capital Contribution	13.5	8.7	4.7
Total Research			
HEFCE QR (business and charity element)	13.5	13.5	0.0
RGC income	260.8	279.2	(18.4)
Total Income	274.2	292.6	(18.4)
Total Expenditure (staff, non pay, depn)	(196.8)	(219.7)	22.9
Contribution	77.5	72.9	4.5

Overview

- Forecasts predict full year revenue income to be £234.1m, which is £23.4m lower than budget and £9m higher than PY.
- Given current performance, achievement of the forecast will require a significant increase in the level of activity.
- Although income is down significantly, the related contribution shortfall is only £0.2m. This is a risk and is dependant on current recovery rates improving in the last half of the year. Current contribution rate (at January month end) is 20.8%. If the rate stayed at current levels, year end shortfall would be £2.0m.

Consolidated Funds Flow

	Full Year Forecast £m	2016/17 Budget £m	Variance £m
Surplus to date	41.3	58.0	(16.7)
Non cash/operating items:			
add back depreciation	67.4	65.3	2.1
Non cash adjustments to pension charge	12.0	0.0	12.0
Market value adjustments (investments)	(7.1)	0.0	(7.1)
less capital grant income	(59.4)	(67.5)	8.1
	12.9	(2.2)	15.1
Movement in working capital	(3.4)	3.3	(6.7)
Investing or financing activities:			
Interest paid	18.9	18.9	0.0
Investment income	(8.0)	(6.5)	(1.5)
	10.9	12.4	(1.5)
Net cash inflow/(outflow) from operating activities	61.7	71.5	(9.8)
Cash flows from investing activities			
Capital grants received	59.4	67.5	(8.1)
Payments made to acquire fixed assets	(185.0)	(217.1)	32.1
	(125.6)	(149.6)	24.0
Cash flows from financing activities			
Interest paid	(18.9)	(18.9)	0.0
Investment income	8.0	6.5	1.5
Repayments of amounts borrowed	(3.8)	(3.7)	(0.1)
	(14.7)	(16.1)	1.4
Increase in cash and cash equivalents in the year	(78.6)	(94.2)	15.6
Opening cash	428.6	404.6	24.0
Movement in cash (above)	(78.6)	(94.2)	15.6
Closing cash	350.0	310.4	39.6
Less earmarked funds	155.0	153.0	2.0
Free funds	195.0	157.4	37.6

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

Funds flow assumptions

- The forecast end of year cash position hasn't changed since the quarter 1 forecast, anticipated to be around £350m, compared with a budget of £310m.
- The increase is mainly due to the delay of capital expenditure and a higher opening cash position.
- The £350m year-end forecast compares with actual closing cash of £429m as at July 2016.

	Forecast as at 31 July 2017 £m
Earmarked Funds	
Third party funds:	
Non-University Funds (including Challenge Fund)	2.0
Green loan	1.2
SIFT	0.4
Research Co-ordinator accounts	3.5
	7.1
Internally committed funds:	
Capital income	4.5
Working capital movements:	
Earmarked grants in advance	34.0
Research deferred income	109.4
	143.4
Total Earmarked Funds	155.0

Forecast outturn – as reported externally

Consolidated University	2016/17 Forecast Outturn £'m	2015/16 Actuals £'m	Variance
Income			
Tuition fees and education contracts	450.2	424.0	26.3
Funding body grants	130.1	129.6	0.5
Research grants and contracts	260.8	273.5	(12.7)
Other income	145.3	142.4	2.9
Investment income	8.0	7.7	0.3
Donations and endowments	11.1	10.1	1.1
Total income	1,005.6	987.2	18.3
Expenditure			
Staff costs	(540.7)	(518.3)	(22.4)
Other operating expenses	(337.6)	(335.0)	(2.7)
Depreciation	(67.4)	(60.1)	(7.3)
Interest and other finance costs	(24.5)	(30.3)	5.9
Total expenditure	(970.2)	(943.6)	(26.6)
Gain/(Loss) on Investments	7.1	14.2	(7.1)
Sale of Fixed Assets	0.0	4.0	(4.0)
Taxation	(0.0)	(2.0)	2.0
Gain/(Loss) on pensions	(0.0)	(58.7)	58.7
Non controlling interest	(0.0)	0.0	(0.0)
TOTAL CONSOLIDATED INCOME	42.5	1.0	41.4

- The table shows the statement of consolidated income as it would be reported externally, compared with the prior year result.
- Forecast total consolidated income at £42.5m, compares with £1.0m for the prior year. Note that this excludes actuarial losses in relation to UMSS/GMPF pension schemes.

Underlying Contribution Overview by Faculty/Area

	TOTAL	FSE	Humanities	FBMH	PSS/GUO	LCI	Other
	£m	£m	£m	£m	£m	£m	£m
Budget	55.7	98.0	106.5	65.0	(163.3)	(23.9)	(26.6)
HEFCE	(0.1)	0.0	0.0	0.0	(0.0)	0.0	(0.1)
Tuition fees	(1.1)	(0.0)	(1.1)	(1.1)	0.0	0.0	1.1
Other income	(0.2)	0.1	(0.4)	(0.3)	0.4	(0.2)	0.1
Investment income	1.1	0.0	0.0	0.0	0.1	0.0	1.0
Donation and endowment income	(3.9)	0.1	0.0	(0.6)	(0.1)	0.0	(3.2)
Staff costs	1.0	1.4	0.8	(0.5)	0.5	0.1	(1.3)
Other operating expenses	(0.7)	(0.1)	(0.2)	0.6	(0.6)	(0.3)	(0.1)
Research variance	(0.3)	(0.0)	0.9	(1.1)	0.0	0.0	(0.0)
Matched variance	2.0	(0.5)	(0.3)	0.8	(0.0)	0.1	1.8
Total Business as Usual Variance	(2.2)	0.9	(0.1)	(2.2)	0.3	(0.3)	(0.7)
Total Non Business as Usual Variance	1.9	(0.1)	0.0	0.0	(4.1)	0.0	6.1
Total Pension Variance	(12.0)	0.0	0.0	0.0	0.0	0.0	(12.0)
Total Q2 Variance	(12.3)	0.8	(0.1)	(2.2)	(3.8)	(0.3)	(6.7)
Forecast	43.4	98.8	106.3	62.8	(167.1)	(24.3)	(33.2)