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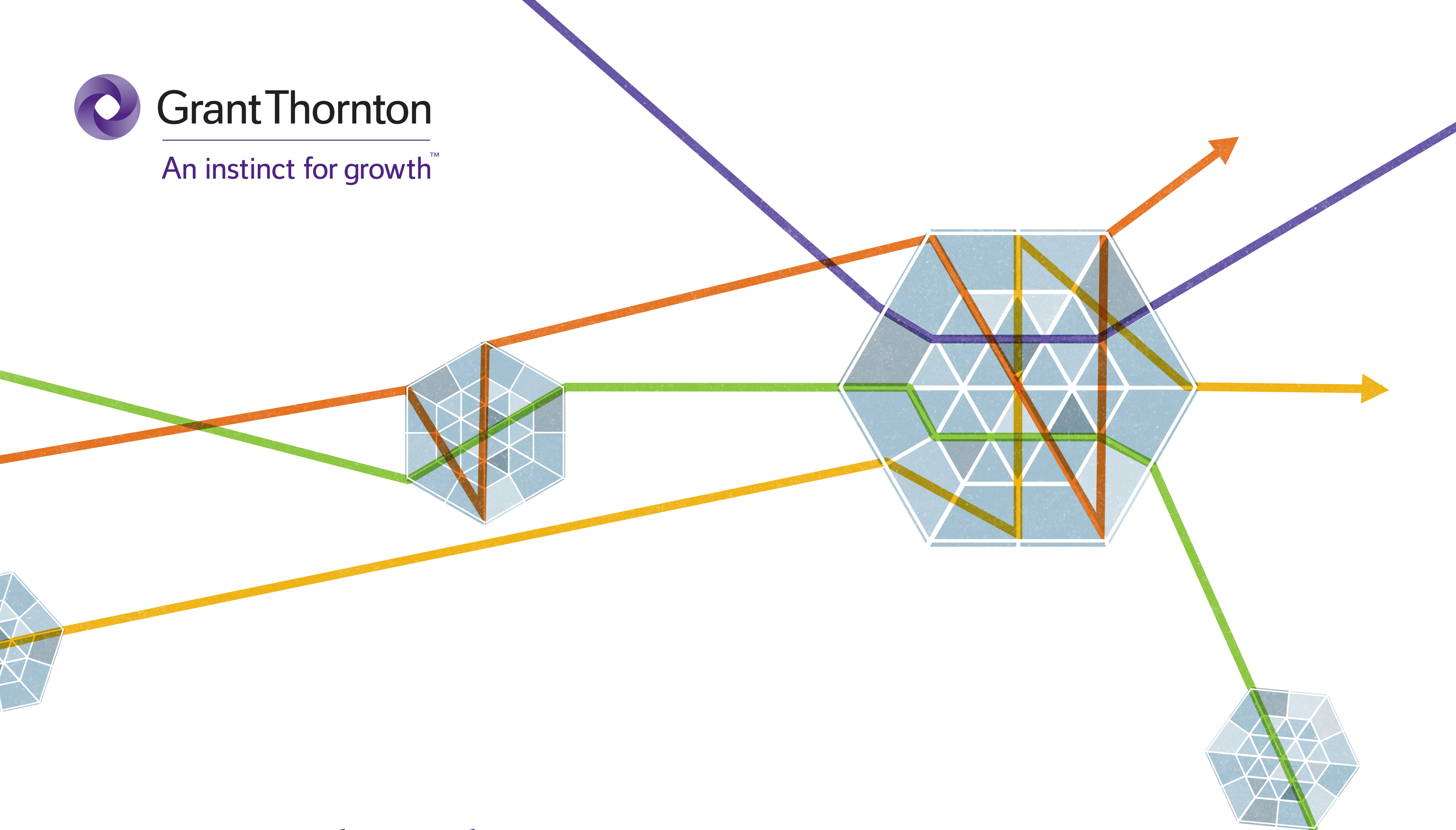


Managing through uncertainty

FINANCIAL HEALTH OF THE HIGHER EDUCATION SECTOR 2014

David Barnes would like to thanks Tom Davies, David Edwards, Sarah Heritage, Louise Hughes, Richard Shaw and Evalueserve for their help in preparing this report.

Benchmarking

From our previous annual reviews into the financial performance of the higher education sector, we have built up a wealth of information over five years. We are able to use this data to benchmark the financial performance of your individual institution, as well as for your peer group. Please contact us if you feel this would be helpful to you.

Contents

Foreword

This is Grant Thornton's fourth annual review of the financial health of the higher education sector in the United Kingdom. Through these reports we aim to provide an independent analysis of the financial performance of UK higher education institutions.

The benefits of the additional funding, through the first year of the introduction of income contingent loans, enabled most institutions to achieve their forecast surpluses, with the projected decrease in both home and overseas students being avoided by the majority of institutions. However, we note that there is a wide variation in financial performance between different institutions, and that the level of debt as well as the cash generation varies significantly across the sector.

To understand these variations, we have for the first time carried out additional analysis of key sub groups within the sector, considering research intensive, post 1992 ('new') universities and specialist institutions, and we have also carried out an analysis of the separate countries within the UK. As in previous years we have included our health assessment of the institutions in the UK, based on the US Department of Education's financial assessment methodology, and we consider some of the issues facing the sector in the future.

Our review highlights that the sector remains in sound financial health. However, the uncertainties arising from the changes in government policies surrounding higher education will inevitably impose further challenges to the sector in the years ahead.

A key variable is the recruitment of students. With the removal of the student number cap from 2015/16 we will be entering into a more competitive environment. Those institutions that have a strong market position and reputation should be able to recruit additional numbers. However, our view is that there may not be a significant increase in students wishing to enter the system and there may therefore be a challenge to maintain numbers at all institutions. We are also interested to see the impact that the new student debt burden will have on the part time and post graduate recruitment.

We are pleasantly surprised at the continuing increase in income from overseas students, up almost 10% on the previous year, against the backdrop of the government immigration policies which had a negative impact on the recruitment of students to some institutions. We note that through increasing global opportunities and the development of other world universities, that the pressure on maintaining this level of income from overseas students may become a significant issue in the future, particularly as this income for most institutions has become a core part of their funding.

As in previous years we note the relatively low levels of income generated by commercial activities and other fund raising, such as from alumni, and we continue to recommend that all institutions should make sure they are maximising these sources of additional income.

Along with these uncertainties in relation to income, institutions will continue to face upward pressure on expenditure – not least in relation to pension and salary costs. Securing future sustainability will therefore continue to be a critical issue for many institutions, and we are aware of the efforts many institutions are taking to ensure they are managing their performance KPIs so that they are able to react quickly to sector changes and, where necessary reduce costs or unprofitable activities on a timely basis.

We hope that you find this report of interest.

David Barnes
Head of Higher Education

Headline statistics

HE sector average surplus as a percentage of income is 3.7% (4.0% in 2011/12)

17 HEIs recorded a deficit in 2012/13 (14 in 2011/12)

Cash resources of £8.9 billion at 2012/13 compared to £8.2 billion in 2011/12

Total income of the sector was £29.1 billion (2011/12: £27.8 billion)

Staff numbers increased by 3.1% from 2011/12

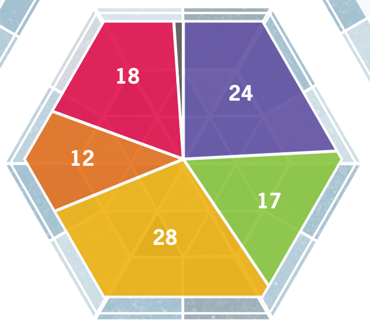
Income from overseas student fees has grown by 9.5% since 2011/12

Staff costs as a percentage of income average is 52.8%

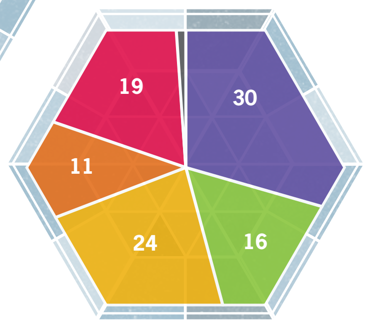
HE sector spent £3.4 billion on capital projects in 2012/13

Average costs per staff member: £48k

22 HEIs have a quick ratio less than 1 (26 in 2011/12)



2012/13



2011/12

INCOME BREAKDOWN (%)

- Funding council grants
- Overseas tuition fees
- Research grants and contracts
- Other income
- UK/EU tuition fees
- Endowments

Our categorisation of institutions

Our analysis of the published financial statements prepared by all UK Higher Education institutions (HEIs) for the financial year 2012/13[1] uses information extracted from the financial statements and we have calculated relevant financial ratios to inform our view of the financial health of the higher education sector.

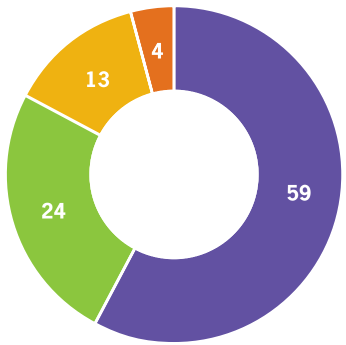
This year is the fourth year we have undertaken this analysis, and for the first time we have also included comparative information over this period, enabling the change in the financial health of institutions and its trend analysis, to be better understood.

In preparing our analysis, we have continued to categorise the sector by quartiles based on income[2]. We believe that this broadly differentiates the sector into relevant sub groupings, and has more relevance than other groupings, such as mission groups. In our view, the overarching financial issues faced by HEIs are most likely to be dependent upon size than on any other differentiating factor.

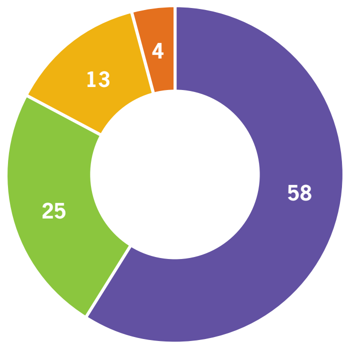
We have also this year carried out sub-sector analysis to consider some different broad categories of individual institutions, including analysis of research intensive, post 1992 (the 'new universities') and specialist institutions. The relative sizes of the quartiles have remained constant over the past five years, as is shown here.

However, a more detailed analysis of the comparative growth in income between the quartiles shows that there has been a disproportionate increase across the groupings. HEIs in quartile 4 have experienced, on average, income growth of 22.3% over the five year period. This compares with growth for the sector as a whole of 15.2% over the period.

QUARTILE SIZE BY INCOME 2012/13 (%)

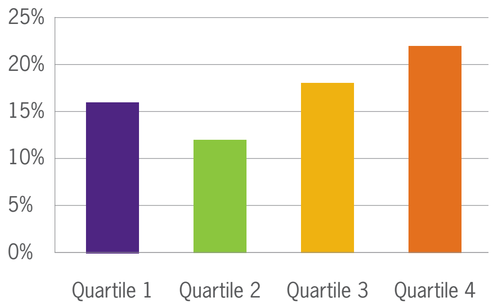


QUARTILE SIZE BY INCOME 2008/09 (%)



Quartile 1 Quartile 2 Quartile 3 Quartile 4

INCOME GROWTH 2008/09–2012/13



[1] At the time of preparation, there was limited financial data available for the Guildhall School of Music and Drama.

[2] For each year of data that we have examined, we have classified all the institutions under review into quartiles, based on income. Comparisons of, for example, quartile 1 therefore look at the top 25% of institutions in the sector every year, although the individual institutions making up the quartile may vary.

Quartile 1 (£1.46 billion – £218 million)		Quartile 2 (£217 – £133 million)		Quartile 3 (£128 – £59 million)		Quartile 4 (£53 – £7 million)	
University of Cambridge	University of Exeter	University of Plymouth	University of Essex	University of Bradford	University of the West of Scotland	University of Winchester	Trinity Laban Conservatoire of Music and Dance
University of Oxford	University of York	University of Surrey	University of Salford	London Metropolitan University	Institute of Cancer Research	Bath Spa University	Royal College of Music
University College London	Queen's University Belfast	University of Bath	University of Brighton	University of Derby	Birkbeck University of London	Liverpool Hope University	Newman University
University of Manchester	Durham University	Nottingham Trent University	University of Hull	Teesside University	Robert Gordon University	Falmouth University	Guildhall School of Music and Drama
Imperial College London	University of Leicester	Kingston University	Heriot-Watt University	London School of Hygiene & Tropical Medicine	Goldsmiths, University of London	York St John University	Royal Academy of Music
University of Edinburgh	London School of Economics	University of Sussex	Liverpool John Moores University	University of Sunderland	University of Chester	University of the Highlands & Islands	Ravensbourne
King's College London	University of East Anglia	University of Kent	University of Westminster	Canterbury Christ Church University	St George's University of London	University of Chichester	Bishop Grosseteste University
University of Nottingham	Sheffield Hallam University	Lancaster University	Oxford Brookes University	Keele University	Cardiff Metropolitan University	University of Bolton	Royal Northern College of Music
University of Leeds	Loughborough University	University of Central Lancashire	Cranfield University	Bournemouth University	University of West London	University College Birmingham	Royal Conservatoire of Scotland
University of Birmingham	University of Strathclyde Glasgow	University of South Wales	University of Wolverhampton	Aberystwyth University	Roehampton University	Glyndwr University	Conservatoire for Dance and Drama
University of Sheffield	Manchester Metropolitan University	University of Ulster	Birmingham City University	Aston University	Royal Veterinary University	St Mary's University, Twickenham	Writtle College
University of Liverpool	University of Hertfordshire	Leeds Metropolitan University	University of East London	Staffordshire University	University of Cumbria	University Campus Suffolk	Royal Agricultural University
University of Glasgow	University of the Arts London	University of Greenwich	De Montfort University	Glasgow Caledonian University	University of Worcester	University of Abertay Dundee	Norwich University of the Arts
University of Warwick	University of Dundee	University of Portsmouth	University of London	London Business School	Institute of Education, University of London	Royal College of Art	Royal Central School of Speech & Drama
University of Bristol	University of Aberdeen	University of St Andrews	University of Huddersfield	Edge Hill University	School of African and Oriental Studies	Queen Margaret University	Courtauld Institute of Art
Open University	University of Reading	Brunel University	Royal Holloway University of London	Edinburgh Napier University	University of Gloucestershire	Harper Adams University	Leeds College of Art
University of Southampton	University of the West of England	Swansea University	London South Bank University	Southampton Solent University	SRUC	Arts University Bournemouth	University of Wales
Cardiff University	Coventry University	City University London	Bangor University	University of Stirling	Buckinghamshire New University	Glasgow School of Art	Liverpool Institute for Performing Arts
Newcastle University	Northumbria University	Middlesex University	University of Bedfordshire	University of Lincoln	Liverpool School of Tropical Medicine	University of St Mark & St John	Rose Bruford College
Queen Mary University of London		Anglia Ruskin University		University of Northampton	University for the Creative Arts	Leeds Trinity University	Heythrop College

* HEIs are listed in order of income.

Overview of the sector's 2012/13 financial health

'Profitability' of the HE sector

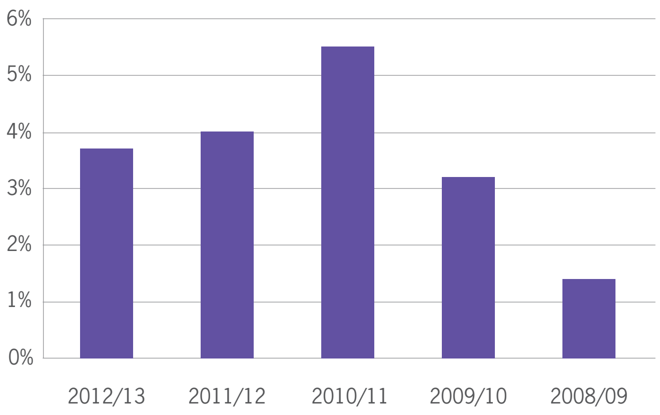
In the financial year 2012/13, the UK HE sector generated a total surplus (before exceptional items) of £1,085.7 million, representing 3.7% of income. This figure is slightly below the 2011/12 figure of £1,122.6 million (4.0% of income).

From the generally low levels of surplus experienced across the sector as a whole in 2008/09, most institutions have experienced a substantial improvement in profitability over the past five years. However, we note that since the high of 2010/11, there has been a reduction in the overall levels of surplus generated by the sector over the past two years.

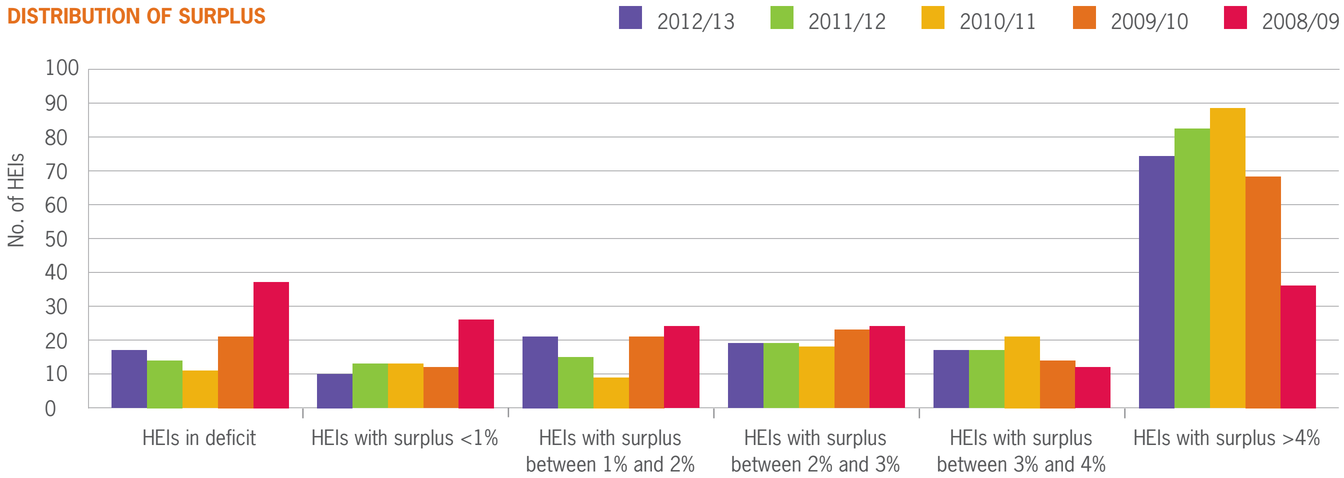
In 2012/13, 17 institutions recorded a deficit, compared to 14 in 2011/12 and 11 in 2010/11, while 73 institutions reported a surplus greater than 4%, compared to 82 in 2011/12 and 88 in 2010/11.

The distribution of surplus over the past five years is shown in the graph below.

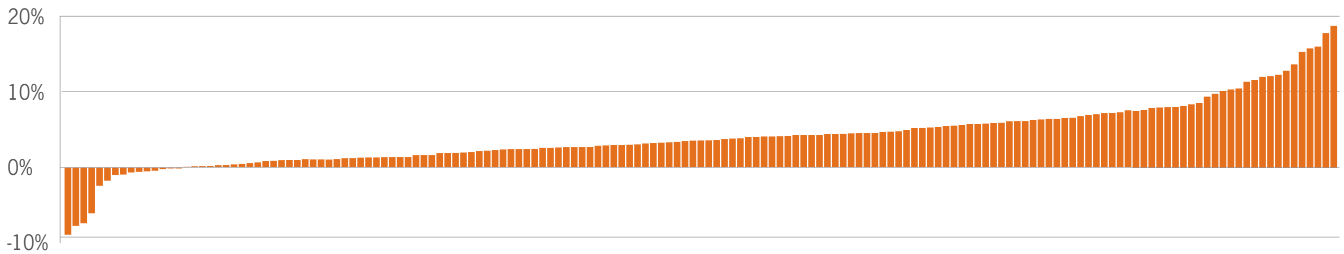
SURPLUS AS A % OF INCOME



DISTRIBUTION OF SURPLUS



DISTRIBUTION OF SURPLUS 2012/13

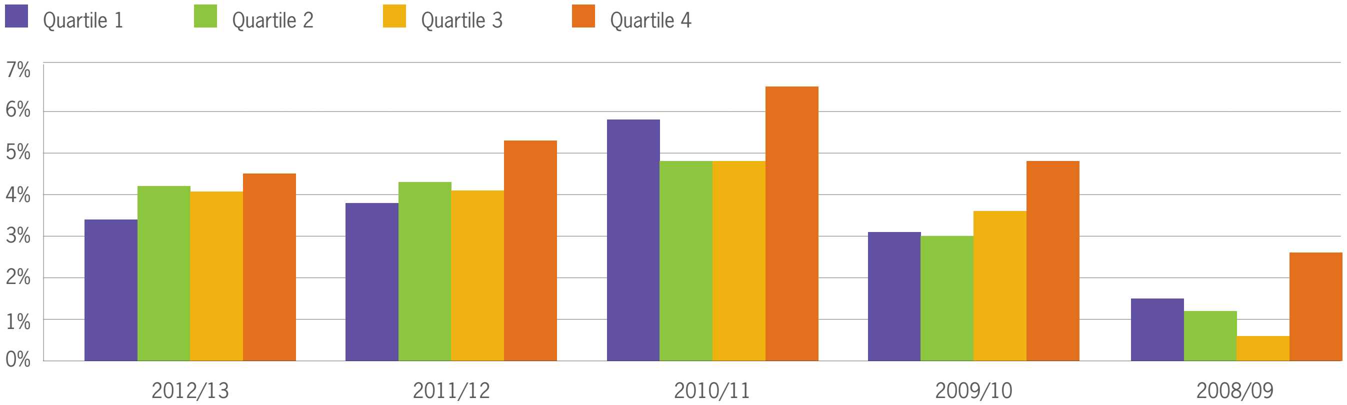


* 'University of Wales' deficit is 39.5%

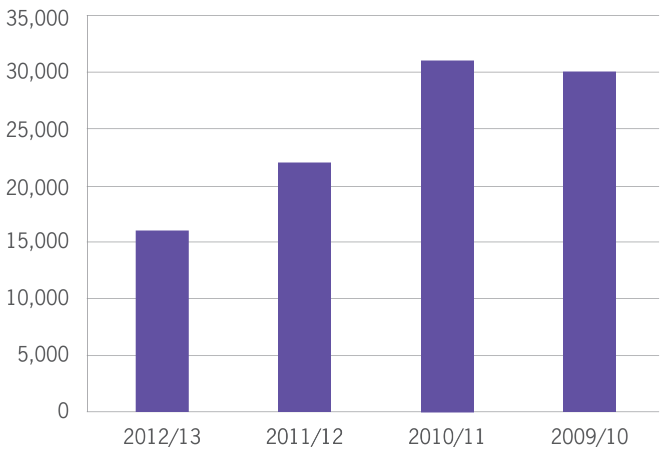
An analysis of surplus by quartile over the past five years shows that the trend has been consistent across the sector, although those institutions in quartiles 1 and 4 have been subject to the sharpest decline in surplus over the past three years. In view of the additional income that has been received by the sector over these periods, together with the control of staff costs in line with the government public sector pay award policies, this level of surplus is lower than we expected.

The sustained reduction in staffing costs, as a percentage of income (see below), combined with the reduction in the ratio of administrative staff to academic staff also indicate that the savings from previous restructuring are now being realised.

SURPLUS AS A % OF INCOME



RESTRUCTURING COST (£'000)

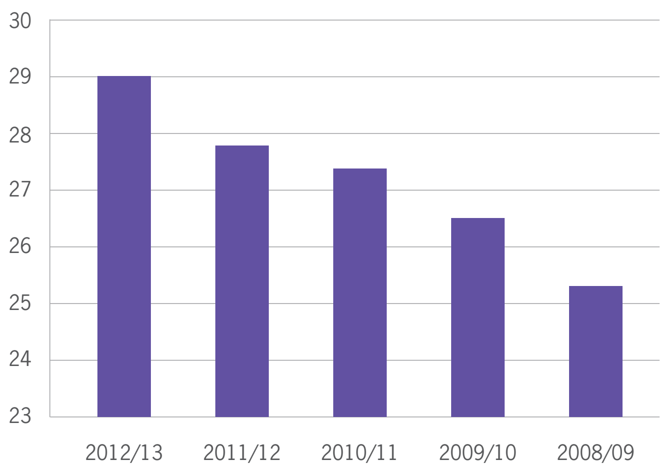


Income

The sector generated a total income of £29.1 billion in 2012/13, an increase of 4.7% over the previous year's figure of £27.8 billion.

The sector has achieved consistent income growth over the whole of the previous five year period, with an average growth per annum of 3.6%.

INCOME (£bn)



During this period of growth in total income, the sector has seen a significant change in the relative importance of its sources of income.

ANALYSIS OF SOURCES OF INCOME (%)

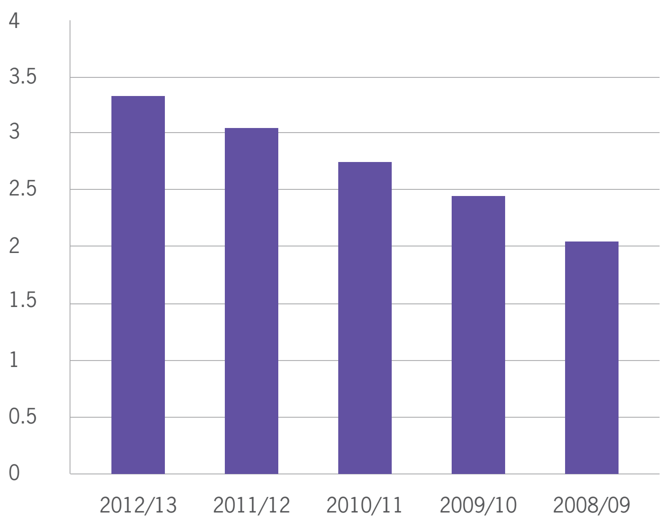
For the first time, funding council grants did not represent the largest source of income for the sector. This is a continuation of the trend of reduction in the relative importance of funding council grants following the introduction of income contingent student loans in 2012/13. Funding council grants have fallen from 34.7% of total income in 2008/9 to 24.2% in 2012/13. With the continued pressure on public spending and the transition to the income contingent student loan financing, this trend of reduced relative importance of funding council grants will continue.

2012/13 was the first year in which the higher levels of tuition fees came into effect, and overall UK tuition fees grew by 25.8% in 2012/13 to £8.2 billion.

Fees received from overseas students continued to grow, increasing by 9.5% in 2011/12 to £3.4 billion in 2012/13. Growth in fees from overseas students and contracts has been both significant and consistent over the past five years, with an average year-on-year growth of 12.8%.

HEFCE, in its review of the financial health of the higher education sector in England (March 2014/02), noted that the latest data for 2012/13 and 2013/14 indicate a slowing of growth in the numbers of overseas students recruited by the sector, compared to recent years, "which could make plans for income growth more difficult to achieve. This could have a material impact on the sector as overseas income represents a significant source of income for many institutions".

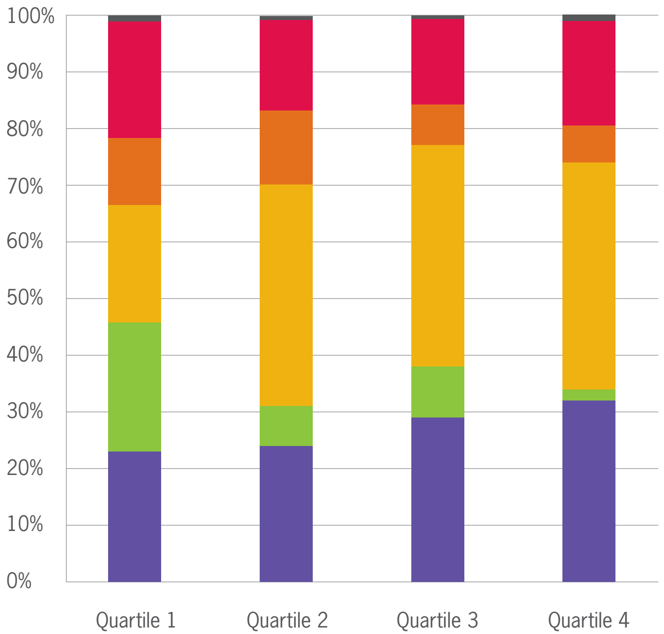
OVERSEAS TUITION FEES (£bn)



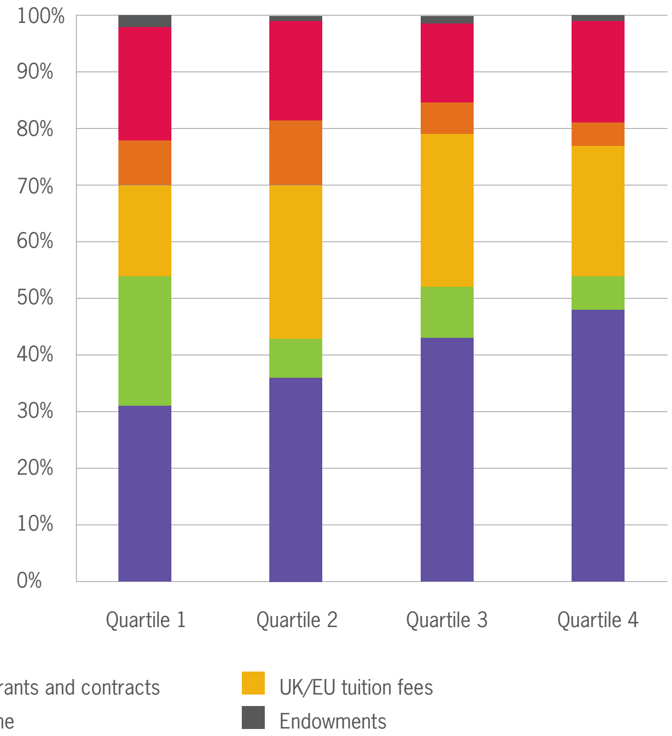
Income received in respect of research grants and contracts of £4.8 billion was 6.3% higher than the previous year's figure of £4.5 billion. Over the five year period, research income as an overall percentage of the sector's total income has remained consistent at around 16.0%–16.5%.

The charts below show the relative importance of different income streams in 2012/13 to the various quartiles, and compare those relativities with those achieved five years ago.

SOURCES OF INCOME 2012/13



SOURCES OF INCOME 2008/09



Across all quartiles, funding council grants have become relatively less important, particularly to those institutions in quartile 1, where funding council grants have declined from 31.3% of total income in 2008/09 to 22.7% in 2012/13.

Research funding remains most significant to quartile 1 at 22.8%, unchanged from 2008/09 levels. The trend of concentrating research funding in larger institutions can be seen to have had the most impact on quartile 4, where it now represents only 2.0% of total income, down from 5.5% in 2008/09. We expect that the impending Research Excellence Framework (REF) allocations will continue this concentration towards the more research based institutions, at the expense of institutions in the other quartiles.

The increase in UK tuition fees means that it is now the most important source of income for quartiles 2, 3 and 4, and an increasingly important income stream for quartile 1. It is notably pronounced in quartile 4, where tuition fees now represent 34.7% of total income, compared to 18.6% in 2008/09.

Income from overseas (non-EU) tuition fees and contracts have grown across the sector, most strongly in quartiles 1 and 2, where they now represent 12.0% and 13.4% respectively of total income, compared to 8.1% and 10.5% in 2008/09.

Staff costs

Staff costs are the single largest category of expenditure for any HE institution. In 2012/13, the total cost of staff (including employers' National Insurance (NI) costs and pension contributions) was £15.4 billion, an increase of 4.3% from the previous year's levels.

More importantly, staff costs have continued to fall as a percentage of income, and represents a cost of 52.8% of income in 2012/13 compared to 52.9% in the previous year.

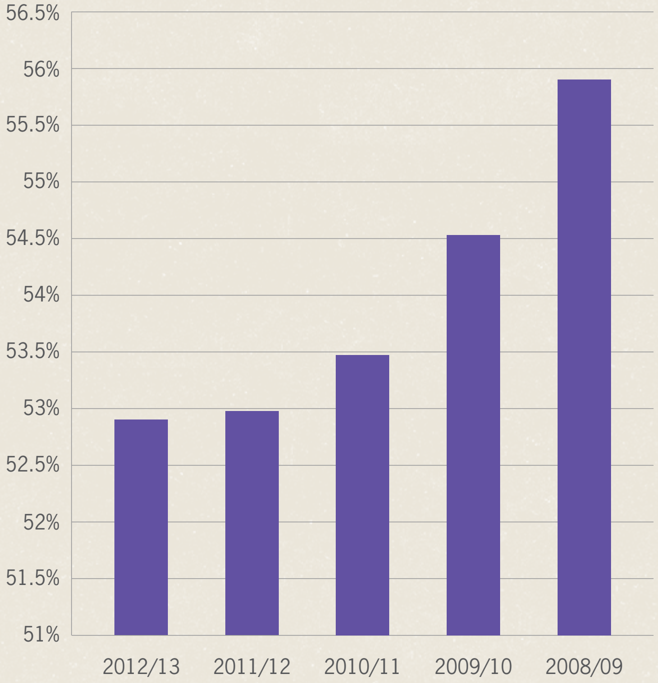
This reduction continues the trend observed over the past five years, which has seen a reduction in the staff costs in the sector from an average of 55.8% in 2008/09.

Average costs per member of staff (including employers' NI and pension contributions) were £47,815 in 2012/13. This shows a slight increase of 1.3% on the comparative figure for 2011/12.

Over the five year period under review, average staff costs per member of staff has increased by 5.3%, significantly less than the rate of inflation over the same period. The average cost per staff member over the period, compared to an inflation adjusted rate, is shown in the second graph.

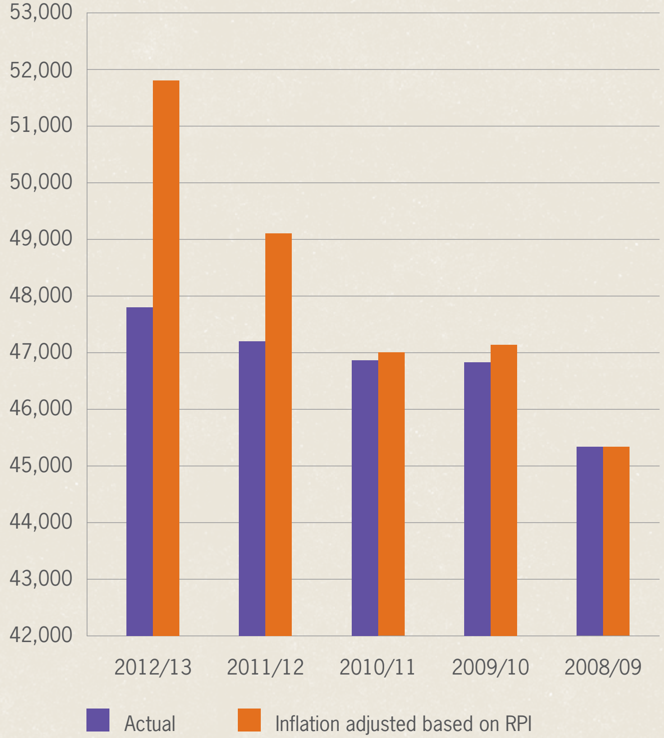
Although this chart indicates that HE salaries may have lagged significantly behind inflation over the period, it should be noted that the analysis does not take account of the impact of changes in staff mix.

STAFF COSTS AS A % OF INCOME



HEFCE in its report on the financial health of the higher education sector in England (March 2014/02) state that "While the sector reported a small increase in staff costs overall in 2012/13, this masked considerable variation between institutions".

AVERAGE STAFF COST PER MEMBER OF STAFF (£)



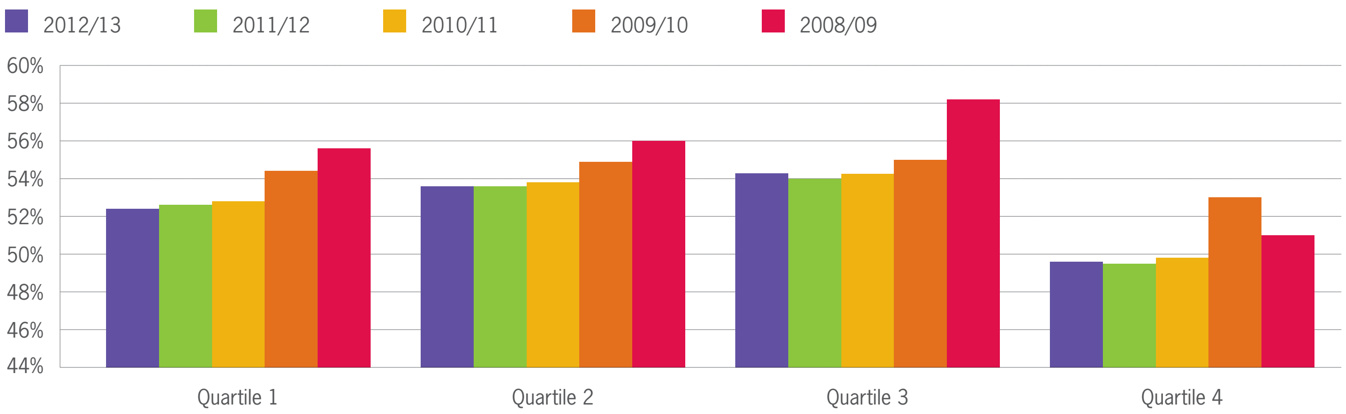
The reduction in staffing costs as a percentage of income has not been consistent across the sector. Whilst all quartiles have achieved reductions, they have been less pronounced in the smaller institutions, with average staffing costs as a percentage of income in quartile 4 showing a reduction from 51.1% in 2008/09 to 49.4% in 2012/13.

That being said, staff costs as a percentage of income in quartile 4 are already significantly lower than other quartiles, with an average of 49.4% compared to a sector average of 52.8%. This significantly lower cost base is likely to have restricted the scope for higher levels of cost saving.

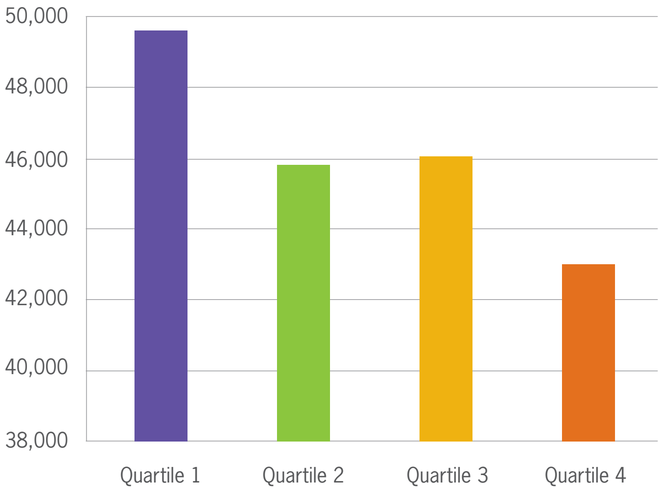
Costs per member of staff vary widely across the sector, with the average cost in quartile 1 per member of staff (£49,458) being 15.6% higher than the average for quartile 4 (£42,779).

Staff numbers employed by the sector increased by 9,498 in 2012/13, an increase of 3.1% over 2011/12. This increase was the highest increase in staff numbers over the past five years.

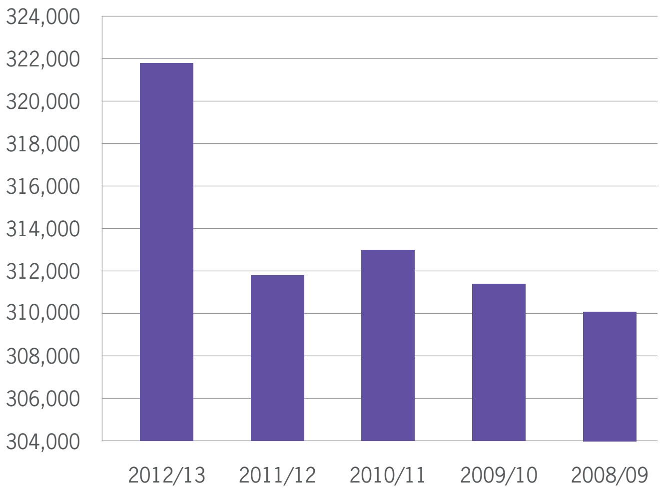
STAFF COSTS AS A % OF INCOME



AVERAGE COSTS PER MEMBER OF STAFF (£)



STAFF NUMBERS (FTEs)



Capital expenditure

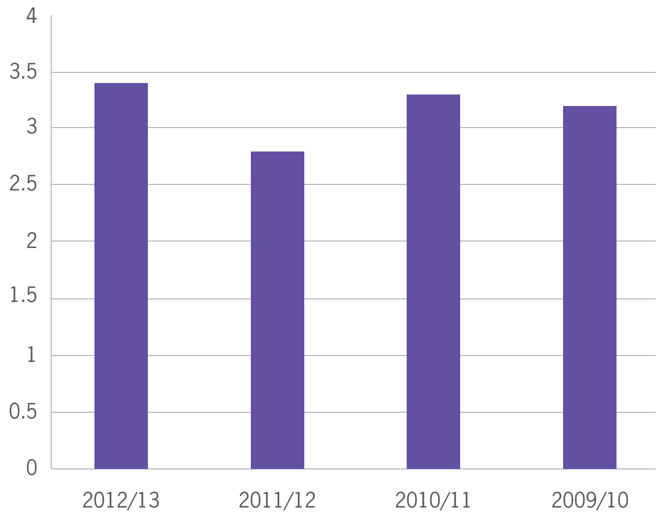
The sector spent £3.4 billion on capital projects in 2012/13, an increase of 20.2% over the levels of the previous year. This increase brings the level of expenditure back in line with that seen in previous years.

Last year we speculated that the reduction in capital expenditure was at least partially as a result of continuing reductions in capital grant funding to the sector, leaving institutions to fund any expenditure from internal resources or borrowings. We might continue to speculate that the increase in investment reflects both an improvement in those internal resources, as well as a recognition that continued investment will be required to remain competitive.

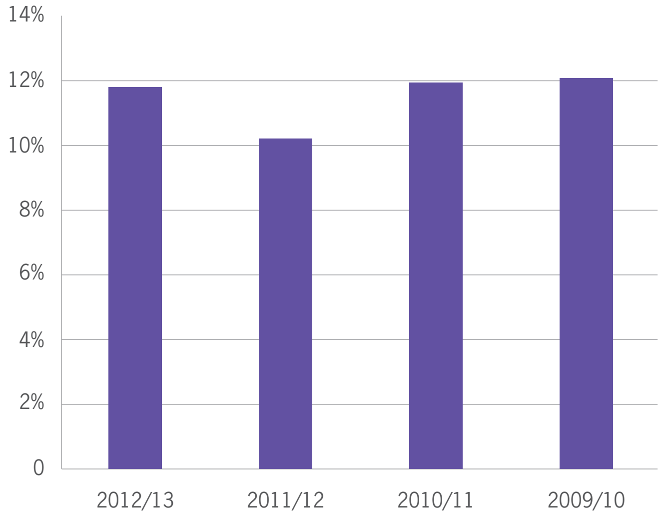
Measuring capital expenditure as a percentage of income gives an indication of the extent to which an institution has been investing its income into new and improved estate and equipment. The ratio for the sector as a whole in 2012/13 was 11.7%, an increase from 2011/12 (10.2%). However, this is still below that of earlier years.

The sector spent £3.4 billion on capital projects in 2012/13, an increase of 20.2% over the levels of the previous year.

CAPITAL EXPENDITURE (£bn)



CAPITAL EXPENDITURE AS A % OF INCOME

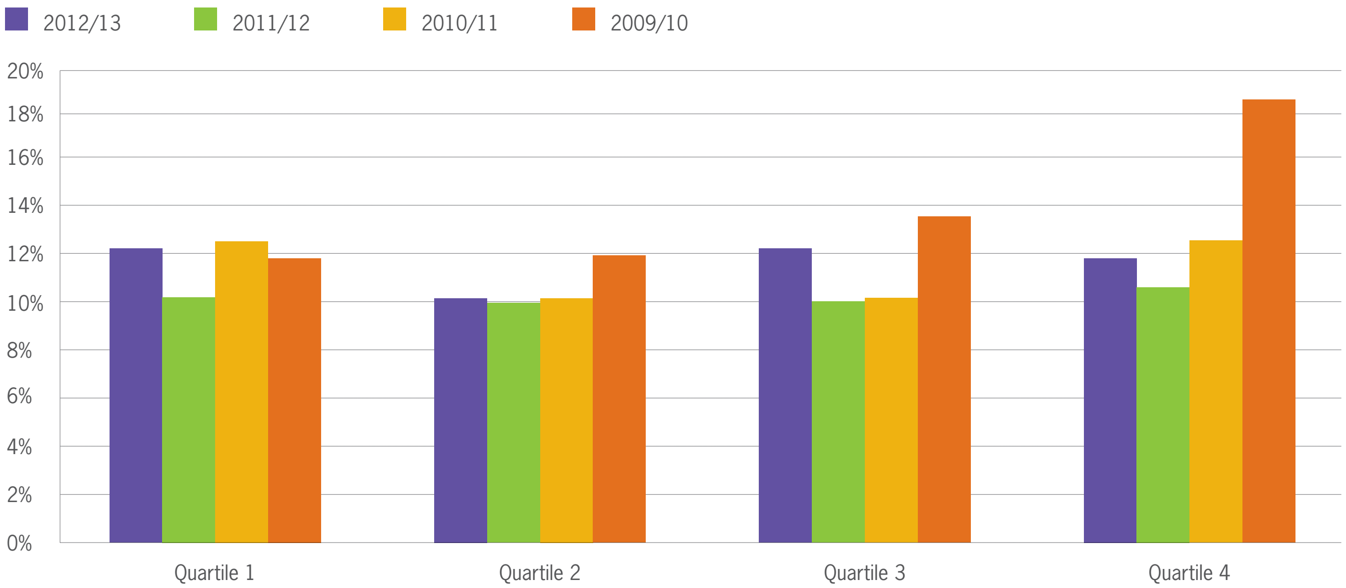


This chart shows the average ratio of fixed asset additions to income for the four quartiles for the period from 2009/10.

All categories of institution have shown an increase in the expenditure ratio over 2011/12, following earlier reductions. However, only the average for quartile 1 institutions has returned to the levels achieved in 2009/10.

In its report, Financial health of the higher education sector (HEFCE March 2014/02), looking at institutions based in England, HEFCE notes that "the latest financial forecasts for 2013-14 show that the sector plans to significantly increase expenditure on capital infrastructure, from £2,646 million in 2012-13 to £3,861 million (a rise of 46%)". HEFCE goes on to comment that to fund this expenditure will require some £2.2 billion from the sector's own cash reserves and borrowings of some £560 million, which will cause the total borrowings in the sector to increase to £6,833 million by July 2014, which is equivalent to 27% of total income.

CAPITAL EXPENDITURE AS A % OF INCOME



Cash (including short-term deposits)

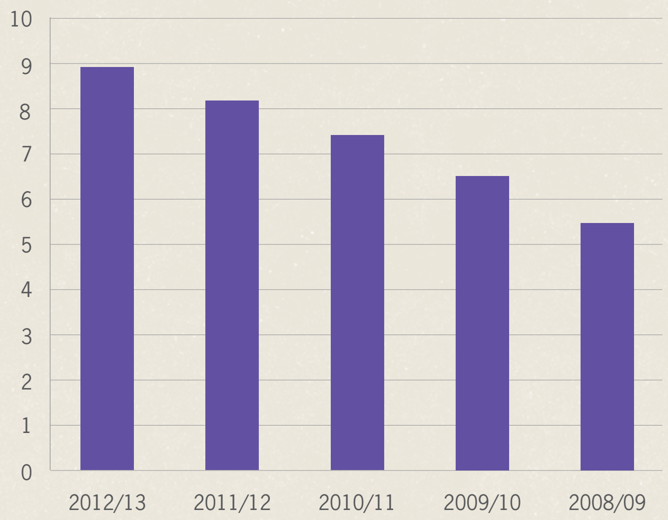
Overall cash resources held by the sector amounted to £8.9 billion at the end of 2012/13, an increase of £744 million from the previous year. This represents the continuation of a trend of improving cash balances held by the sector as a whole over the past five years.

Borrowing

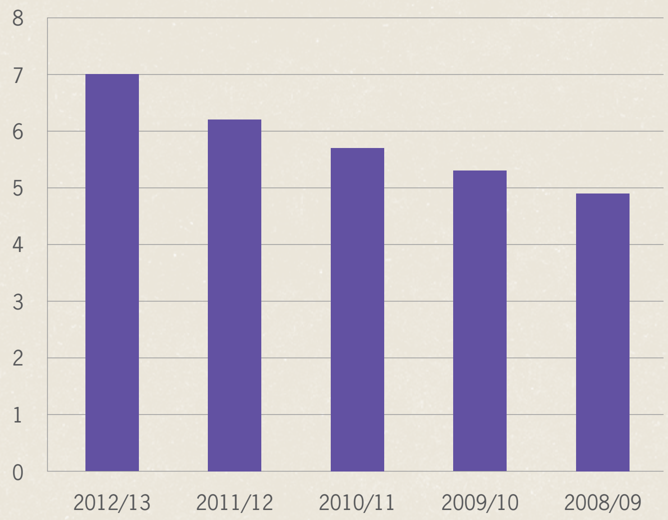
Total borrowing for the sector at the end of 2012/13 stood at £7.0 billion, up by £844 million (13.6%) from the equivalent figure at the end of 2011/12. Over the five year period, total borrowing for the sector has gone up from £4.9 billion to £7.0 billion, an increase of over 43%.

Across the sector as a whole, borrowing represented 24.2% of income, up from last year's level of 22.3%. This borrowing ratio has also shown consistent increase over the period, rising from 19.2% of income in 2008/09.

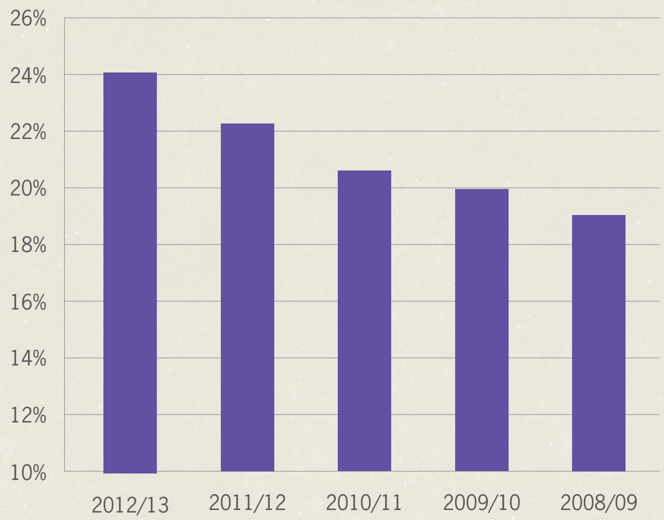
CASH (INCLUDING SHORT-TERM DEPOSITS) (£bn)



BORROWING (£bn)



BORROWING AS A % OF INCOME



With the exception of quartile 4, all categories of institutions have shown an increase in their borrowing levels over the five year period.

Borrowing levels for quartile 2 institutions are significantly higher than for the other quartiles, with average borrowing for the quartile reaching 29.1% of income in 2012/13. Interestingly however, this higher level of borrowing has not yet been reflected in capital expenditure levels (see above), where the quartile 2 average expenditure to income ratio is the lowest of all categories.

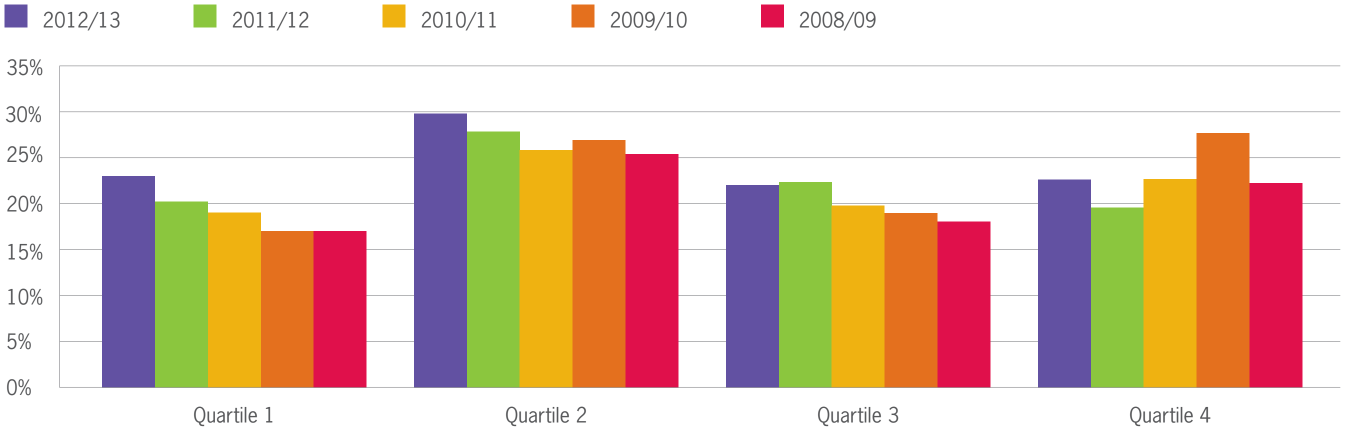
Interest cost

As important as the absolute level of borrowing is the ability of the borrower to service the cost of that borrowing. In 2012/13, the sector paid £403 million in interest, an increase of 6.4% (£24.3 million) over the equivalent figure for 2011/12.

This interest cost represented 1.39% of income, a slight increase over the previous year's figure of 1.36%.

HEFCE guidelines under the 2007 Financial Memorandum indicate that interest costs should not exceed 4% of income. In 2012/13, there were three institutions where this guideline was exceeded. The equivalent number of institutions in 2011/12 was four. Following the introduction of FRS 102 in 2016, there will be an increase in the financial commitments of institutions shown on their balance sheets as off balance sheet finance arrangements will, in many cases, need to be included in their financial statements.

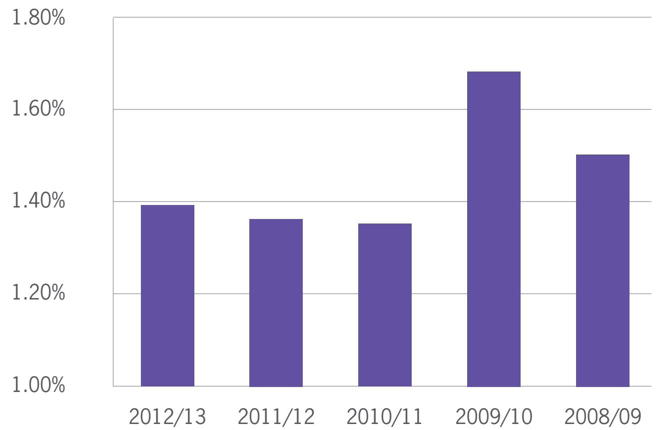
BORROWING AS A % OF INCOME



The cost of the increasing borrowing of the sector has to date been largely mitigated by exceptionally low interest rates. However, when interest rates start to increase – which may be sooner rather than later – there could be a significant increase in cost to the sector, and this could place increasing financial burden on an individual institution's sustainability if this is not well managed.

The cost of interest as a percentage of income for the sector is shown below:

INTEREST AS A % OF INCOME



Liquidity and gearing

Quick ratio

The quick ratio is an indicator of an organisation's liquidity, and measures its ability to meet its short term liabilities. It is calculated as the ratio of current assets to current liabilities.

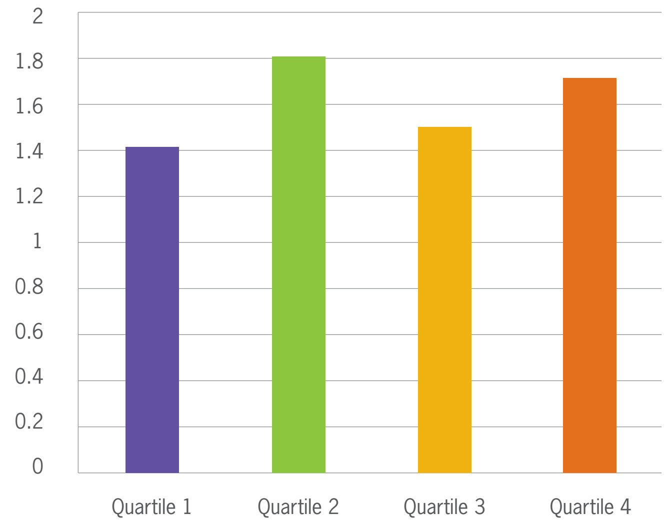
The overall ratio for the sector for the year 2012/13 was 1.51, compared with 1.49 in the previous year, indicating a slight improvement in short-term liquidity.

A potential concern was the fact that 22 institutions had a quick ratio of less than 1.0 indicating a possibility that they would not be able to meet their short term liabilities. However, the equivalent number for 2011/12 was 26. This reduction in numbers is a consequence of the strength of the institutions in the sector, with high income and cash generation together with the generally improved controls over debt collection procedures that have taken place across the sector over recent years.

QUICK RATIO – AVERAGE

Across the quartiles, the average quick ratio was as follows:

QUICK RATIO – AVERAGE



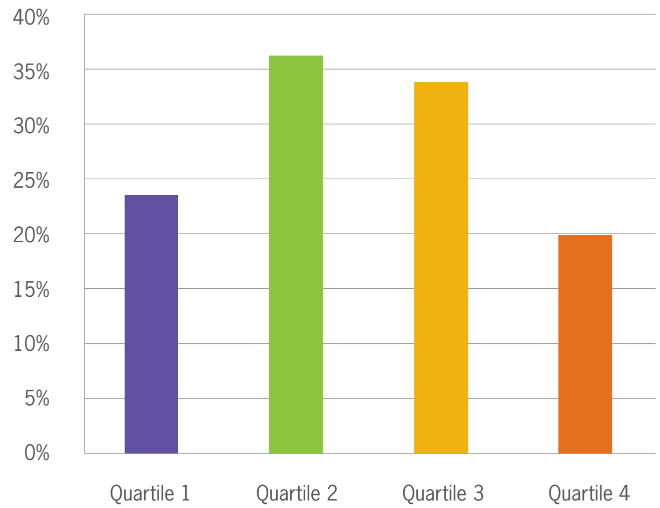
This reduction in numbers is a consequence of the strength of the institutions in the sector, with high income and cash generation together with the generally improved controls over debt collection procedures that have taken place across the sector over recent years.

Gearing

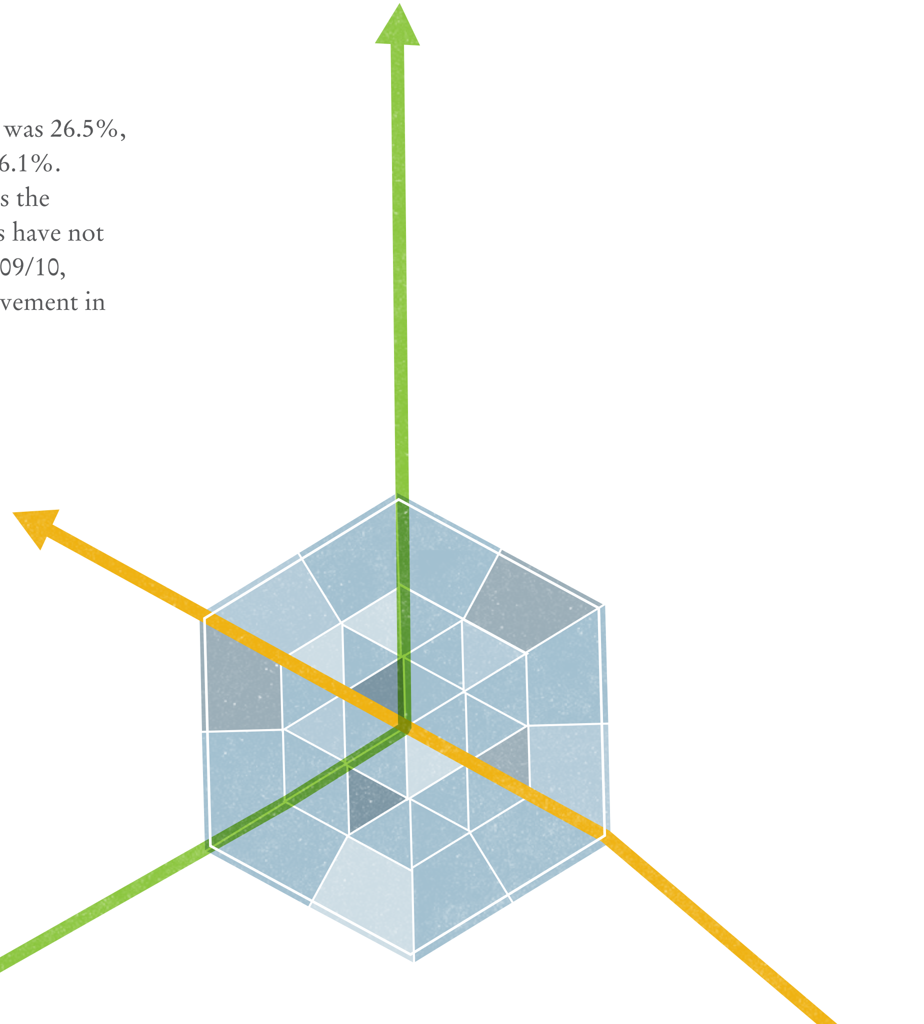
Gearing (also called leverage) of an organisation is the ratio of debt to internal reserves. There is no recommended value for this ratio, but it is generally accepted that organisations with higher gearing are more likely to be vulnerable to adverse financial conditions, particularly increases in interest rates.

Across the quartiles, gearing is shown in the chart below:

GEARING – AVERAGE



The average gearing for the sector in 2012/13 was 26.5%, compared to an equivalent figure in 2011/12 of 26.1%. This increase continues a recent trend and reflects the higher levels of borrowing. Overall gearing levels have not yet reached the highs achieved in 2008/09 and 2009/10, however, this is most likely because of the improvement in institutional reserves achieved over this period.



Overall gearing levels have not yet reached the highs achieved in 2008/09 and 2009/10, however, this is most likely because of the improvement in institutional reserves achieved over this period.

Research intensive institutions

In 2012/13 there were 27 institutions that met our definition of research intensive institutions, where over 20% of their income was derived from research grants and contracts. These institutions are listed below. We acknowledge that within this grouping there are some atypical institutions, and we are conscious of the fact that the group reviewed is, unsurprisingly, heavily skewed towards the Russell Group universities (18 of the 27 institutions are Russell Group members).

Consequently, a number of the factors that we have identified as common to this group may not be exclusively due to their research activities, but also to their status and reputation (which may well be linked to those research activities) which in turn results in features such as higher levels of student applications (especially from overseas) and higher average staff costs.

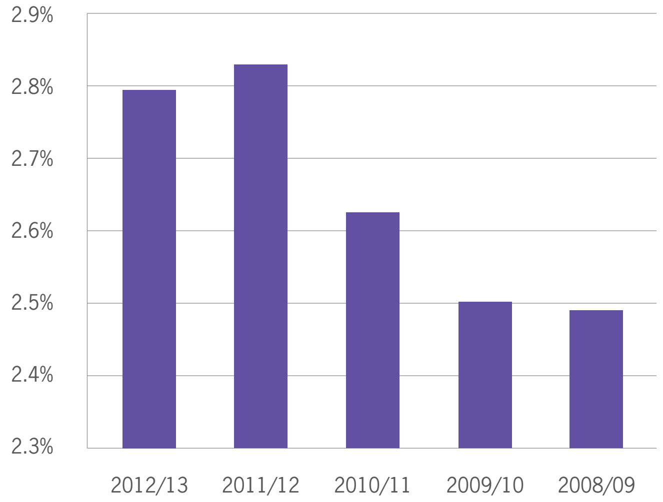
Cardiff University	University of Cambridge
Cranfield University	University College London
Institute of Cancer Research	University of Dundee
King's College London	University of Edinburgh
Imperial College London	University of Glasgow
Liverpool School of Tropical Medicine	University of Leeds
London School of Hygiene & Tropical Medicine	University of Liverpool
Newcastle University	University of Manchester
Queen Mary University of London	University of Oxford
Queen's University Belfast	University of Sheffield
Swansea University	University of Southampton
University of Aberdeen	University of St Andrews
University of Birmingham	University of Strathclyde Glasgow
University of Bristol	

Concentration of research spending

Together, in 2012/13 these 27 institutions accounted for around 44% of the total income for the sector as a whole, but represented over 75% of the total research derived income of the sector.

Although in total, this shows a slight decline in the concentration of research based income (in 2008/09 those institutions with research income greater than 20% of total income accounted for over 77% of the total research income), there has also been a decline in the number of institutions meeting the criteria (31 in 2008/09), and the average share per institution of total research spend has increased from 2.49% to 2.79% (a 12% increase) over this period.

AVERAGE SHARE OF RESEARCH INCOME PER QUALIFYING INSTITUTION



Surplus

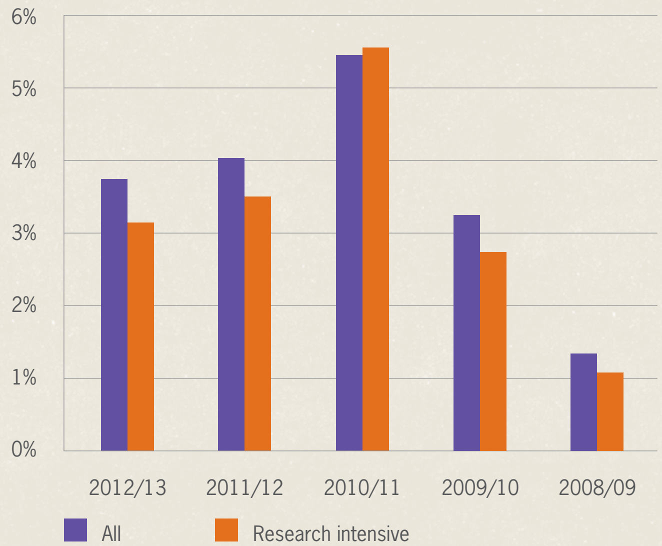
The average surplus for those institutions meeting the research criteria in 2012/13 was 3.1% of income. This compares to an average surplus for the sector as a whole of 3.7%.

Two of the 27 institutions selected, posted operating deficits in 2012/13, compared to 17 institutions in the sector as a whole. Over the past five years, this has been the general trend (in four out of five years), with research intensive organisations posting slightly smaller levels of surplus than the average for the sector as a whole.

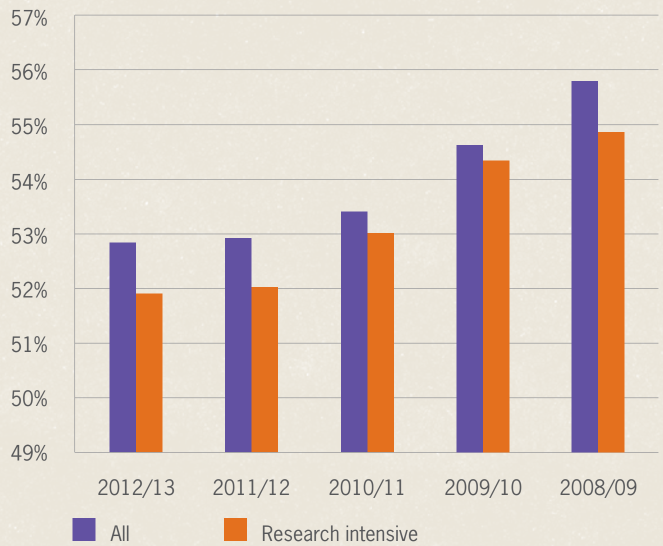
Staff costs

Staff costs (including other staff costs) expressed as a percentage of income for the research intensive organisations was below that for the sector as a whole (51.9% compared to 52.8% in 2012/13). This has been a consistent trend over the five years we have reviewed. The research-intensive group have, in line with the rest of the sector, achieved savings in staff costs (as a percentage of income) over the five-year period.

AVERAGE SURPLUS



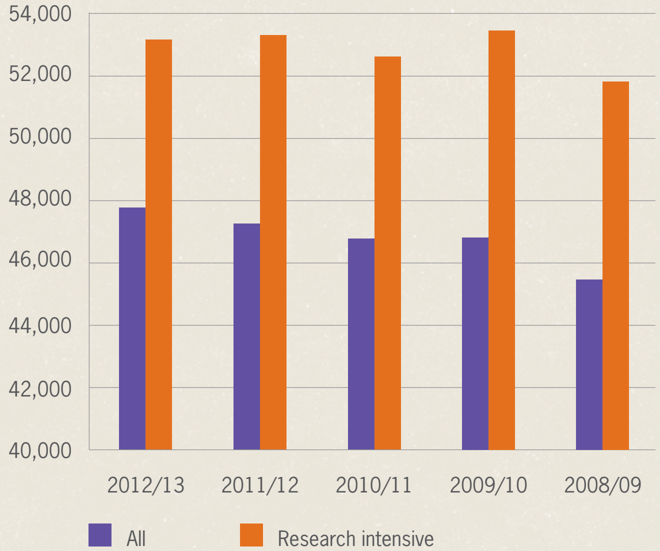
STAFF COSTS AS A % OF INCOME



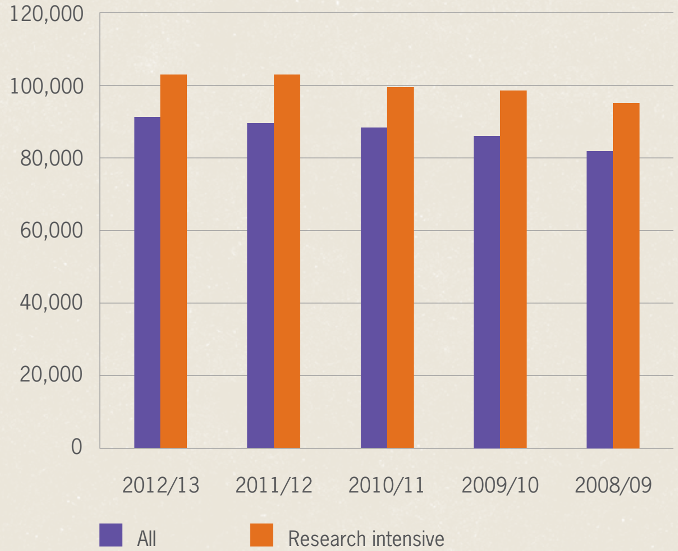
However, average costs per member of staff are approximately 11% higher than the sector average, continuing a pattern that has been apparent over the period under review, and reflects the premium that staff employed by these institutions can command.

Income per member of staff is, and has been over the previous five years, higher in the research intensive institutions than for the sector as a whole, being just over 13% more in 2012/13.

AVERAGE COST PER MEMBER OF STAFF (£)



INCOME PER MEMBER OF STAFF (£)



Income per member of staff is, and has been over the previous five years, higher in the research intensive institutions than for the sector as a whole, being just over 13% more in 2012/13.

Capital expenditure

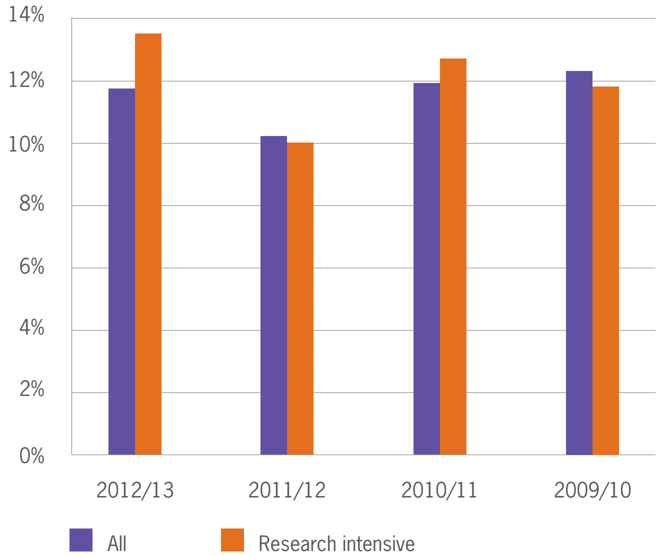
Capital expenditure, expressed as a percentage of income, was, at 13.5%, above the sector average of 11.7% in 2012/13. The level of capital expenditure as a proportion of income has been broadly in line with the sector average.

Borrowing

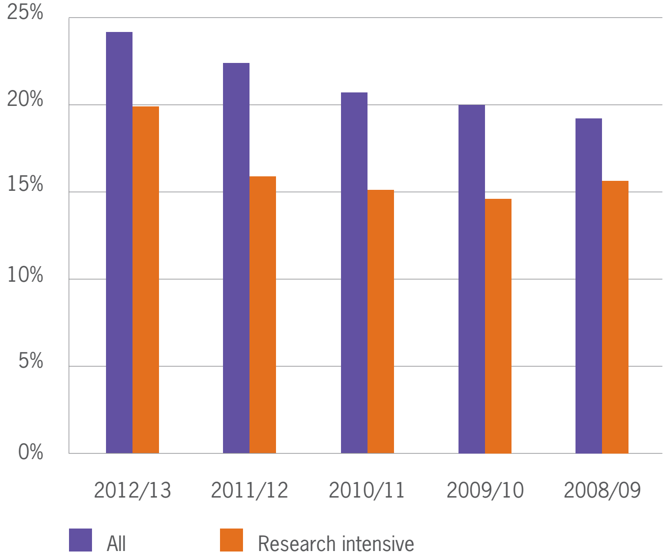
Borrowing, at 19.9% of income, is significantly below the sector average of 24.2%, a feature that has been consistent over the five-year period under review. This is a reflection of their ability to finance capital expenditure without resorting to similar levels of borrowing from financial markets by using internal reserves to which these institutions have access. This ability to internally fund new investment will prove even more advantageous as borrowing costs rise in the future.

Within this sub-sector we note that there is some significant variation between institutions, with a few carrying relatively high levels of debt. This investment reflects both campus and estate development, including improvements made to student accommodation and increasing the capacity of these institutions to recruit new students in the future. Whilst the debt carried by these institutions may appear significant, with the removal of the student number cap in 2015/16 this could prove to be sound investment, enabling these institutions to increase their student intake and therefore income levels in the future.

CAPITAL EXPENDITURE AS A % OF INCOME



BORROWING AS A % OF INCOME



Post 1992 institutions

The Further and Higher Education Act 1992 allowed all polytechnics to become universities and award their own degrees rather than degrees governed by the Council for National Academic Awards (CNAA). Following this, 38 former polytechnics changed their status in 1992.

Since that time these institutions (The Group) have established themselves within the sector, in many cases having substantially rebuilt their estates, and proved themselves as significant contributors to their local economies, as well as contributing to the success of the sector as a whole. The introduction of these institutions within the sector changed the higher education landscape, enabling the numbers of students able to benefit from higher education to be significantly increased.

However these 'new' institutions constitute a large proportion of the "squeezed middle universities", which were the subject of gloomy forecasts in 2012, being expected to suffer most from the revision to the HE financing regime. So far, as shown by our analysis, this sub-sector have shown financial resilience and indeed many institutions demonstrating strong financial performance. However, there are less internal reserves available as compared to the traditional (pre 1992) universities, and they are likely to have to face further challenges with the removal of the student number cap in 2015/16, as well as increasing competition from the new entrants into the sector.

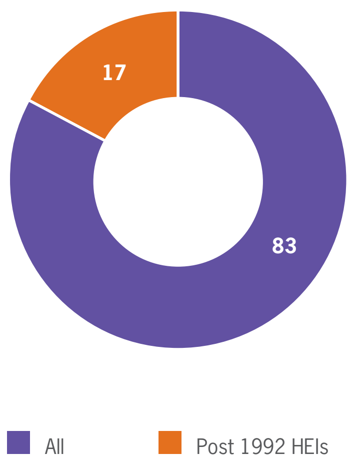
To consider the financial health of these universities we have analysed the financial performance of the sub group, now comprising 35 institutions following various mergers.

Anglia Ruskin University	Sheffield Hallam University
Birmingham City University	Staffordshire University
Bournemouth University	Teesside University
Coventry University	University of Brighton
De Montfort University	University of Central Lancashire
Edinburgh Napier University	University of Derby
Glasgow Caledonian University	University of East London
Kingston University	University of Greenwich
Leeds Metropolitan University	University of Hertfordshire
Liverpool John Moores University	University of Huddersfield
London Metropolitan University	University of Lincoln
London South Bank University	University of Plymouth
Manchester Metropolitan University	University of Portsmouth
Middlesex University	University of Sunderland
Northumbria University	University of the West of England
Nottingham Trent University	University of Westminster
Oxford Brookes University	University of Wolverhampton
Robert Gordon University	

Income

The Group represents approximately 17% of the total sector income, with an average income in 2012/13 of £168 million, compared to an average for the sector as a whole of £182 million.

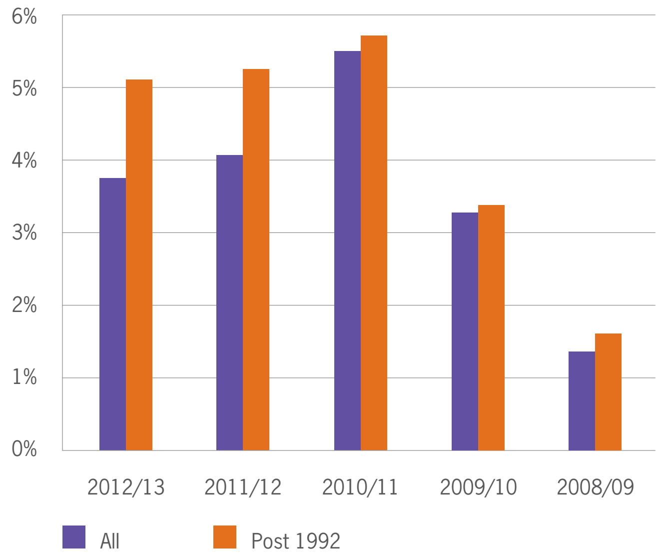
INCOME SHARE (%)



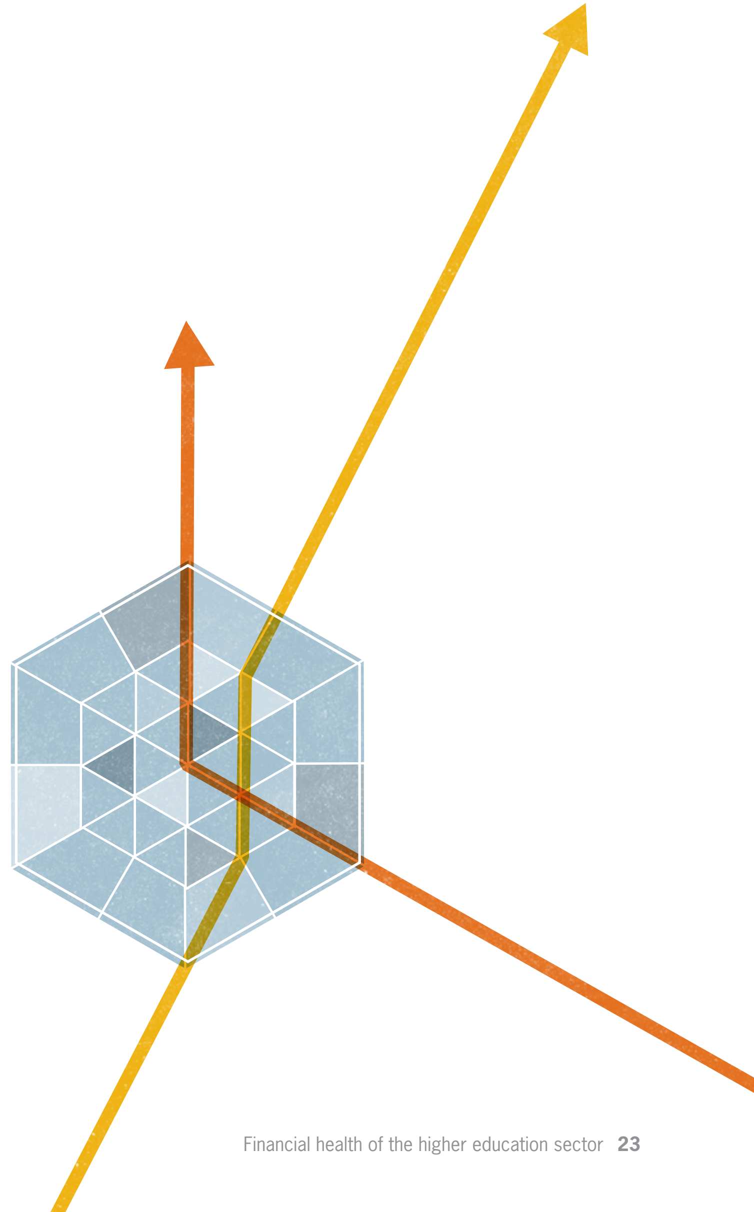
Profitability of the Group

Perhaps rather unexpectedly in the light of the adverse speculation regarding their future, a review of surpluses generated (before exceptional items) over the last five years indicates that the Group has consistently returned a greater surplus than the average for the sector as a whole.

SURPLUS AS A % OF INCOME



This differential in the level of surplus generated has become more pronounced over the past two years.



Sources of income

Unsurprisingly, income for the Group is biased towards funding council grants (27.2% of total income compared to 24.2% for the sector as a whole) and UK tuition fees (45.6% of total income compared to 28.3% for the sector as a whole).

Research based income is comparatively low for the Group (3% of total income compared to 16.5% for the sector as a whole).

Income from overseas sources is in line with the sector (10.1% compared to 11.6%).

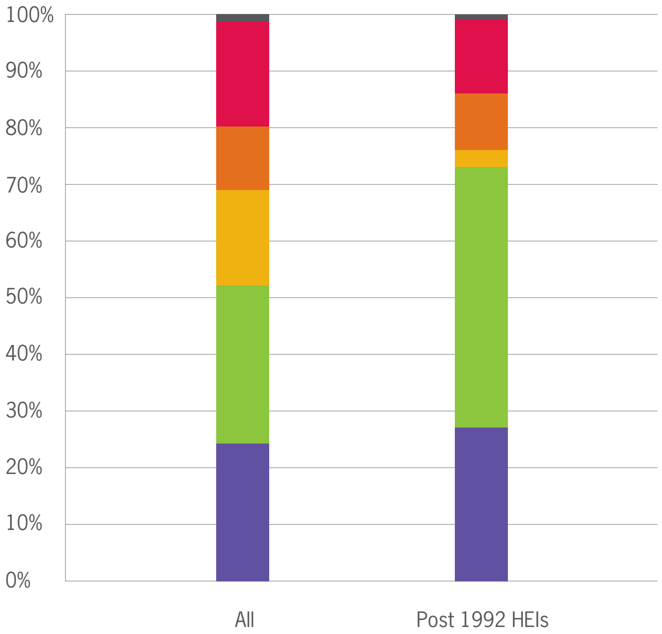
Other than the expected change in importance of funding council grants and tuition fees, the mix of income sources over the past five years has remained remarkably consistent.

Staff costs

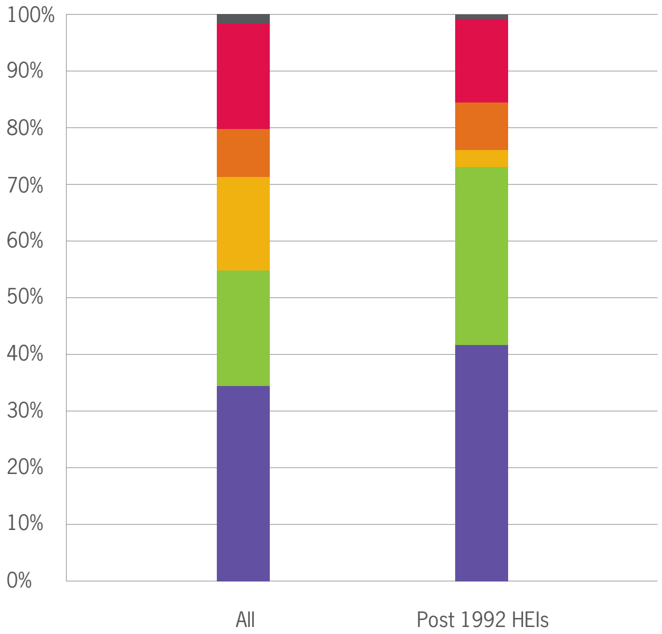
Staff costs as a percentage of income for the Group have declined from the high of 2008/09, but have shown a slight increase over the past two years, increasing from 54.0% of income to 54.5% in 2012/13. This is against the trend shown by the sector as a whole, where overall staff costs in 2012/13 were 52.8% income.

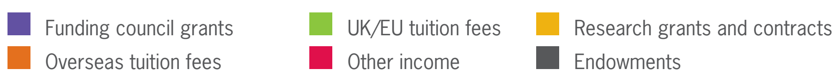
Average staff costs were lower than sector norms, with the average cost (including followers) being £44,440, compared to £47,815 for the sector as a whole.

SOURCES OF INCOME 2012/13



SOURCES OF INCOME 2008/09





Specialist institutions

Approximately 20 institutions receive funds via the institution specific targeted allocation from HEFCE. This is in addition to standard funding for education and research, and is intended to recognise "the cost and distinctive nature of their provision and the public value they bring".[3]

The institutions include various performing arts conservatoires, specialist arts and agricultural colleges, other specialist HEIs and the Universities of Cambridge and Oxford.

The 2014/15 grant letter from BIS to HEFCE included specific mention of small and specialist institutions:

> "The Government has asked HEFCE to deliver the reductions in ways which protect as far as possible high-cost subjects (including STEM), widening participation (which is funded via the HEFCE Student Opportunity allocation), and small and specialist institutions."

[3] HEFCE 2014

Funding for small and specialist institutions is not guaranteed in the long term and will be subject to further review in 2015/16, the outcome of which may have a significant bearing on the sustainability of these institutions, or at least on their ability to continue to operate on the basis on which they currently provide provision to their students. This will clearly be of structural importance to these institutions, as whilst many remain in relatively sound financial state currently, they are highly dependent on the continuation of this funding.

For the purposes of our analysis we have reviewed those specialist institutions with income below £50 million who are in receipt of this funding stream. The group of institutions reviewed are:

Conservatoire for Dance and Drama	Royal Agricultural University
Courtauld Institute of Art	Rose Bruford College
Falmouth University	Royal Central School of Speech and Drama
Harper Adams University	Royal College of Art
Liverpool Institute of Performing Arts	Royal College of Music
Ravensbourne	Royal Northern College of Music
Royal Academy of Music	Trinity Laban Conservatoire of Music and Dance

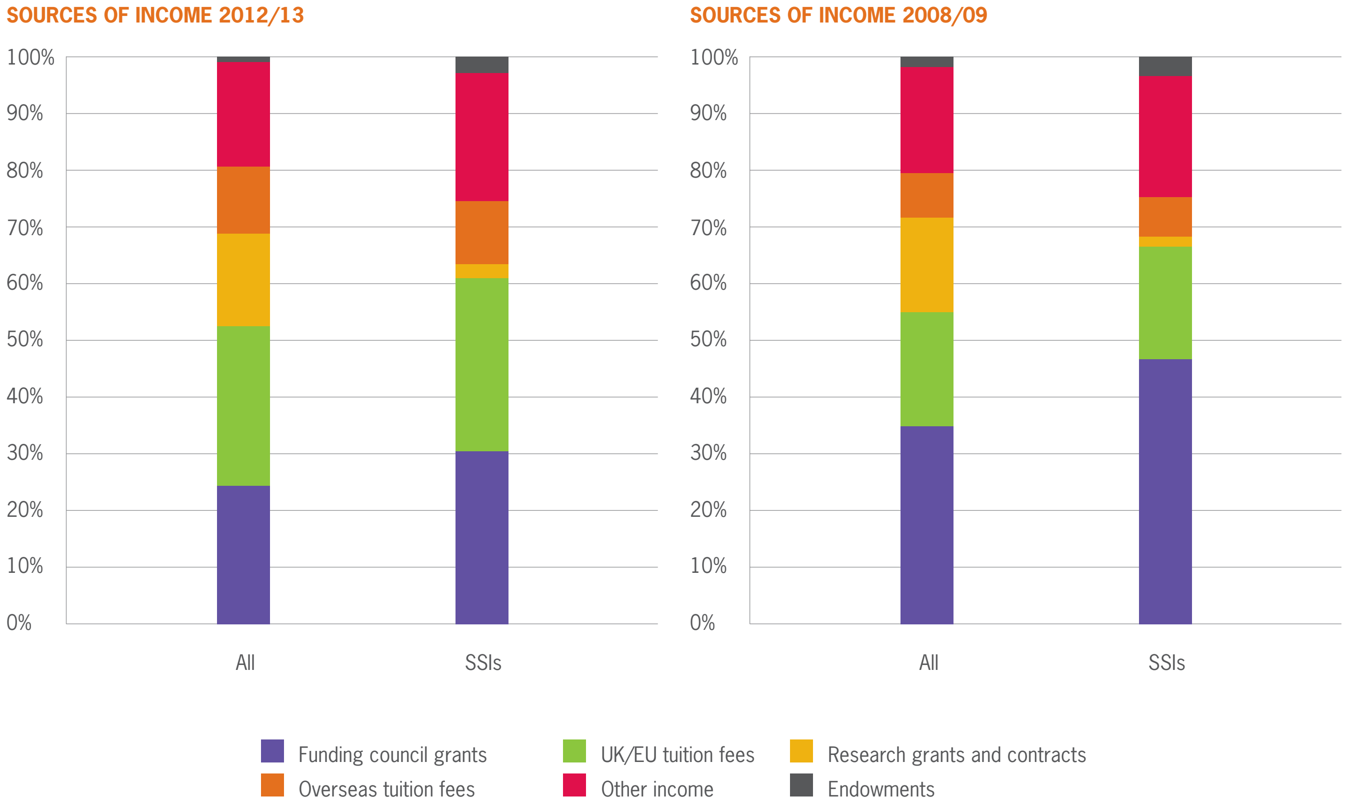
Collectively, these 14 institutions (the SSI Group) account for a combined income of £294 million, just over 1% of the total income of the sector.

Profitability of the SSI Group

SURPLUS AS A % OF INCOME

Historically, the SSI Group has achieved surpluses in excess of sector averages, although this trend was reversed in 2012/13 when it reported an average surplus of 3.2%, slightly below the average for the sector of 3.7%. Surpluses for the SSI group at these percentages often equate to only a few hundred thousands of pounds and relatively small variances to the budget, or unanticipated expenditure, can easily erode any surplus.

Sources of income



Small and specialist institutions have faced numerous reviews of the targeted allocations and are aware that the funding from this source is being gradually eroded. However, their options for raising additional income through fees are limited because the costs of tuition are often greater than the capped tuition fee of £9,000. Moreover it is argued that trying to accommodate larger class sizes or further increase the number of students from overseas would fundamentally alter the provision and reduce its value to the student.

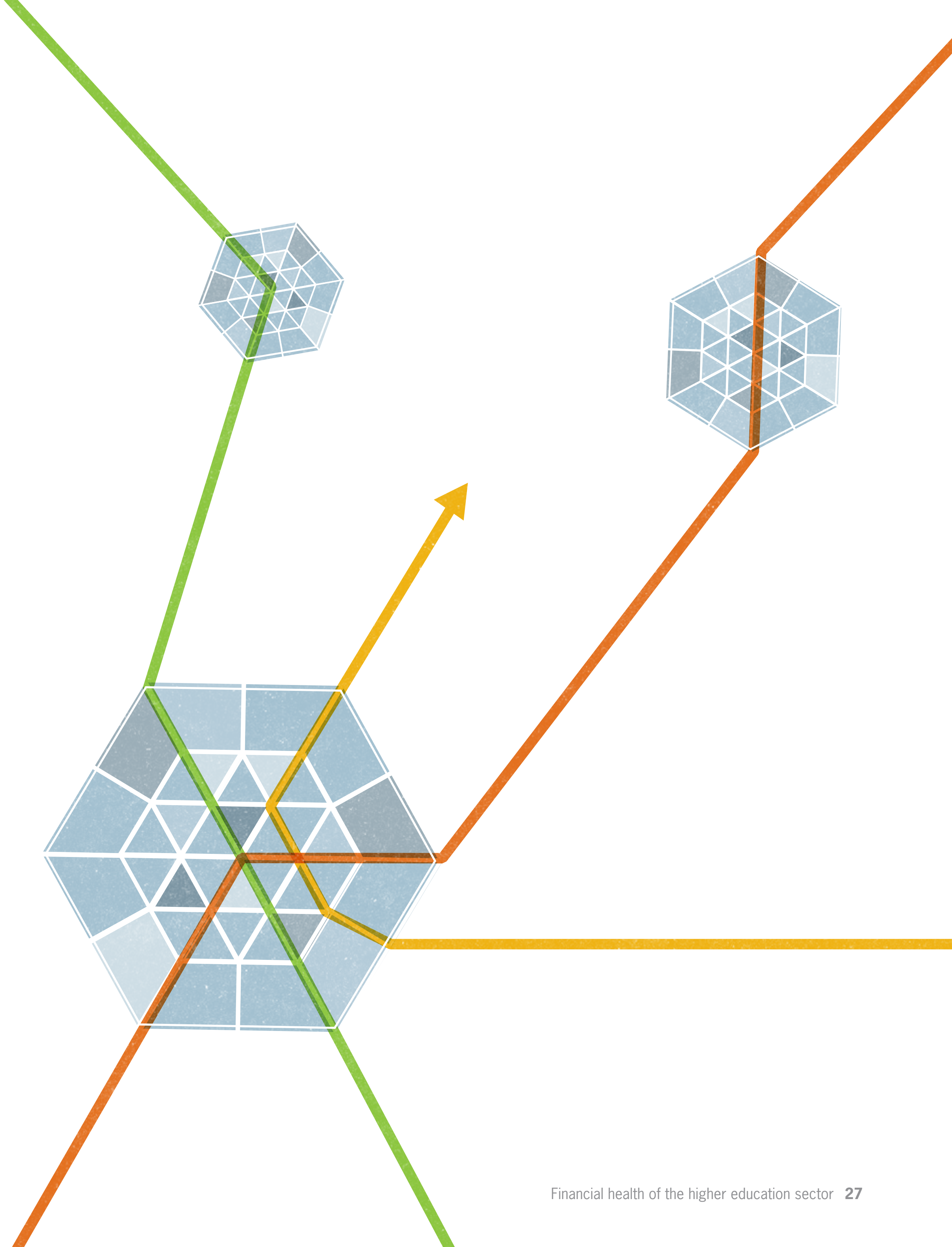
Fundraising is increasingly important in raising additional income. However, this has its own challenges for small and specialist institutions. The investment required to establish a 'Development and Alumni Relations Office' is substantial, relatively speaking both financially and in terms of management time. Moreover it is often a more difficult proposition to try and raise funds that will cover the ongoing gap between costs and fees, then it is to seek donations for a one-off capital project.

Capital expenditure

AVERAGE CAPITAL EXPENDITURE AS A % OF INCOME

The above chart shows the average capital expenditure (expressed as a % of income) for the SSI group, compared to the average for the sector as a whole. Historically, the average spend ratio for the SSI group has been above the sector average, only falling below in 2012/13.

However, capital expenditure figures for this small population can be distorted by large capital projects being undertaken by individual institutions in particular years. Many of these institutions have capital projects planned, however the costs involved often equate to a large percentage of their total income and therefore raising the necessary funding without breaching borrowing limits may prove problematic.

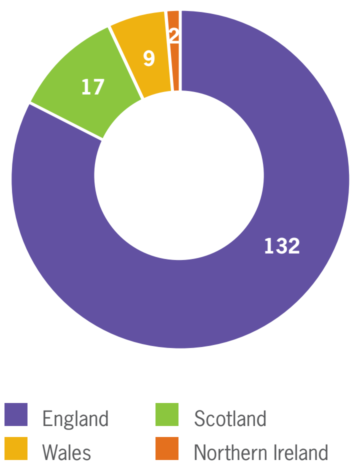


UK country analysis

In order to be able to make an objective assessment of the increasing variations occurring within HEIs across the UK, we have carried out an analysis of the institutions in the different countries of the United Kingdom, for institutions located in England, Scotland, Wales and Northern Ireland.

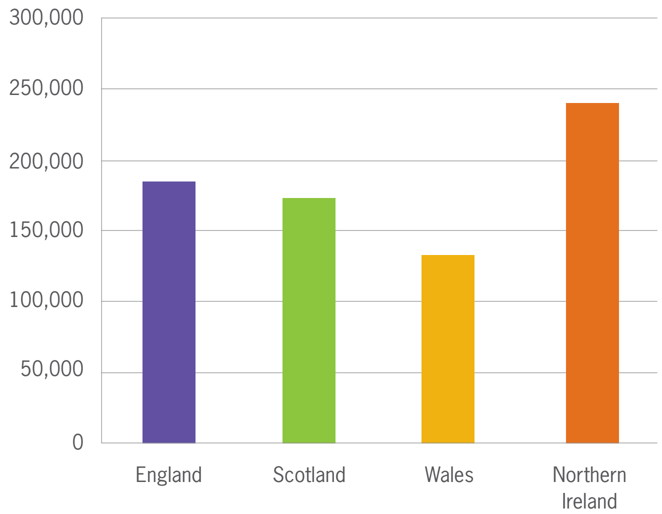
The relative sizes of the HE sector in the UK is shown below:

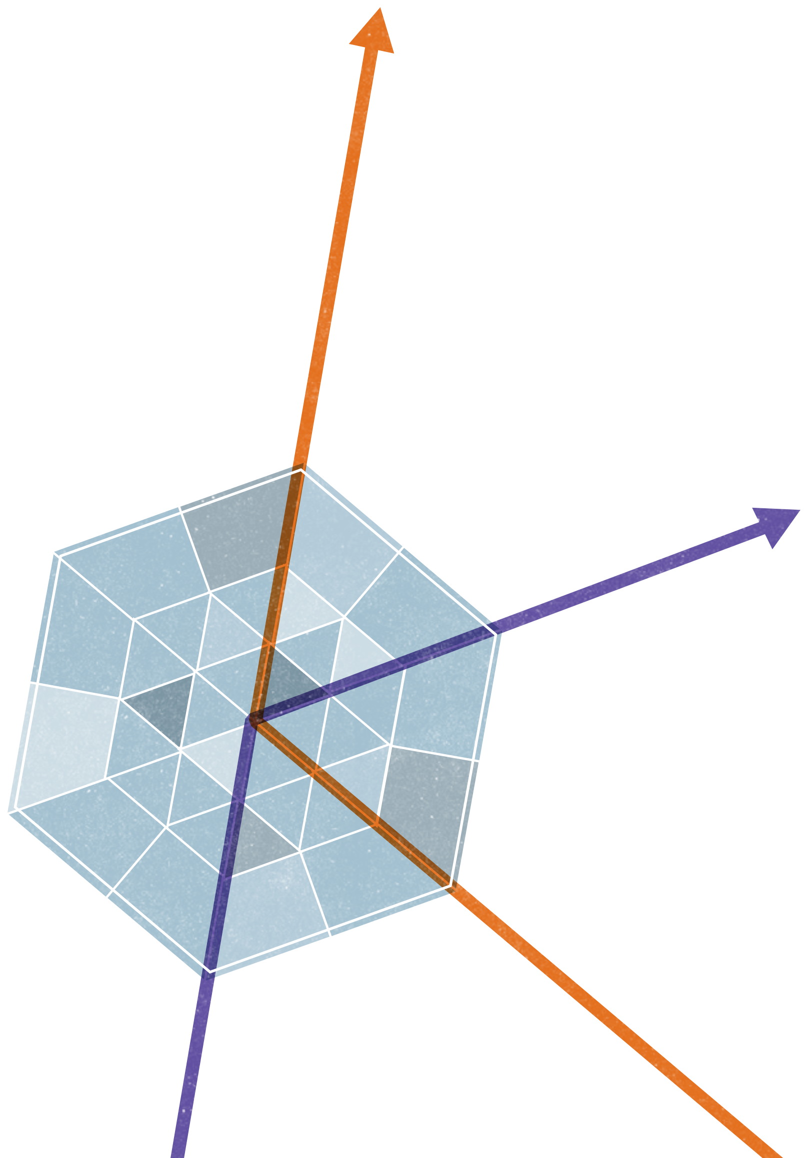
HE SECTOR ANALYSIS BY INCOME



Although the sector is dominated by institutions located in England, the average size of institution by country is broadly similar.

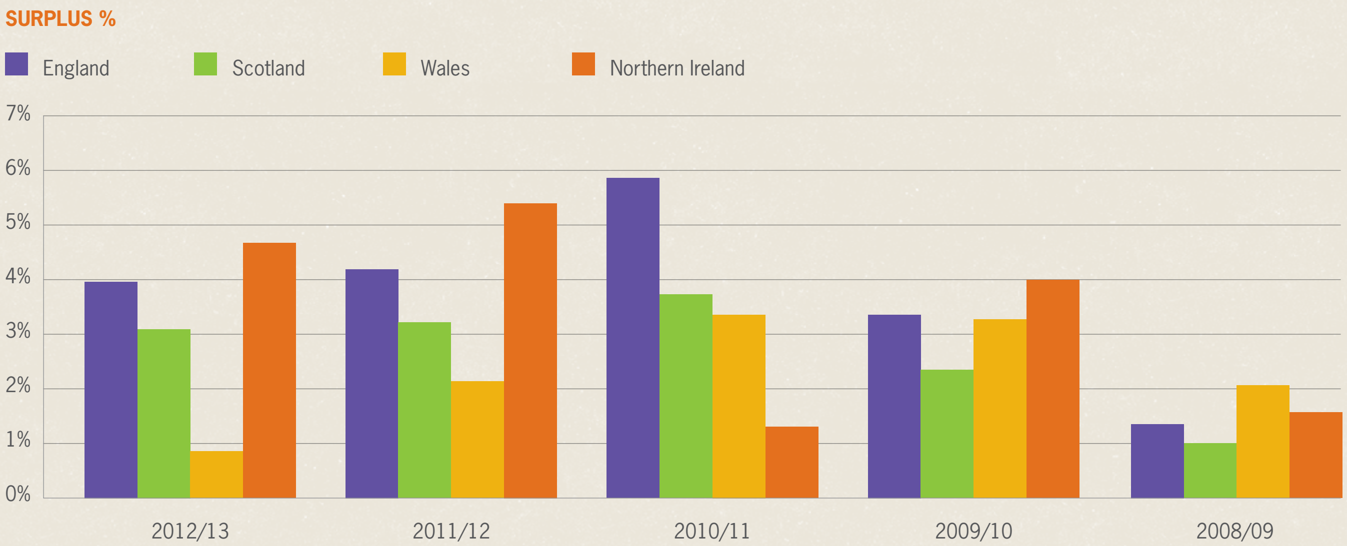
AVERAGE INCOME (£'000)





Relative profitability

An analysis of the average surplus generated by sector in each country over the past five years is shown below:



England, Scotland and Wales have a similar profile of surplus generation over the period, showing growth from 2008/09, peaking in 2010/11. Perhaps the most striking point to draw is the relatively poor performance of the sector in Wales over the past two years, and also the significant improvement of the institutions in Northern Ireland, following some significant restructuring in past years.

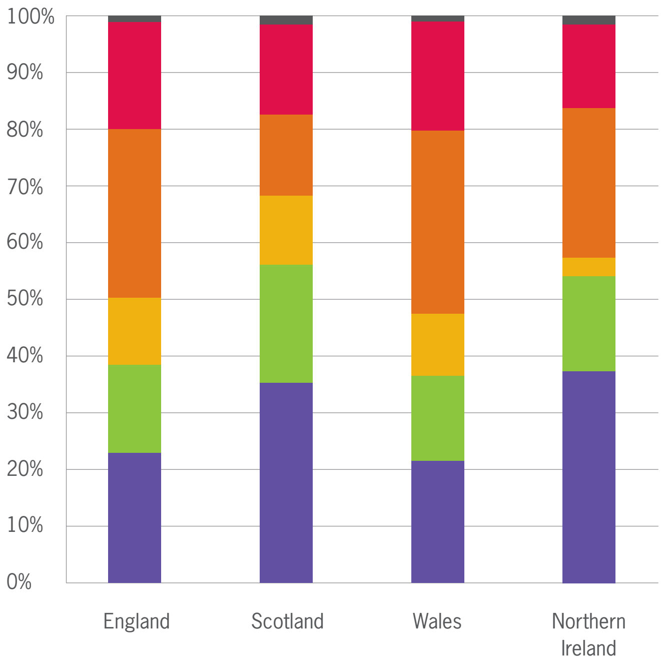
We note that Scotland, Wales and Northern Ireland are only represented by 28 institutions in total, therefore the average figures can be skewed by one or more institutions.

Sources of income

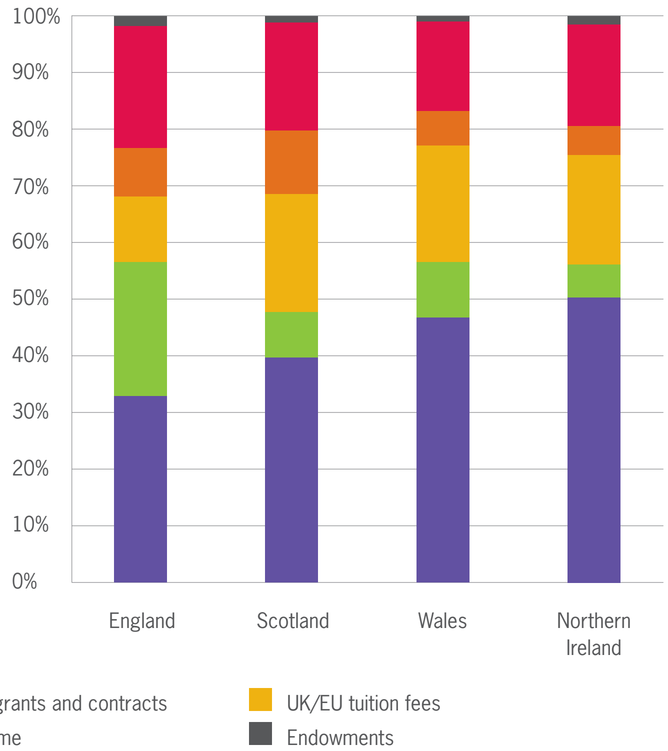
One of the most important differences between the countries – Scotland in particular – is the different grant/tuition fee regimes. The impact of these differences is shown in the following charts:

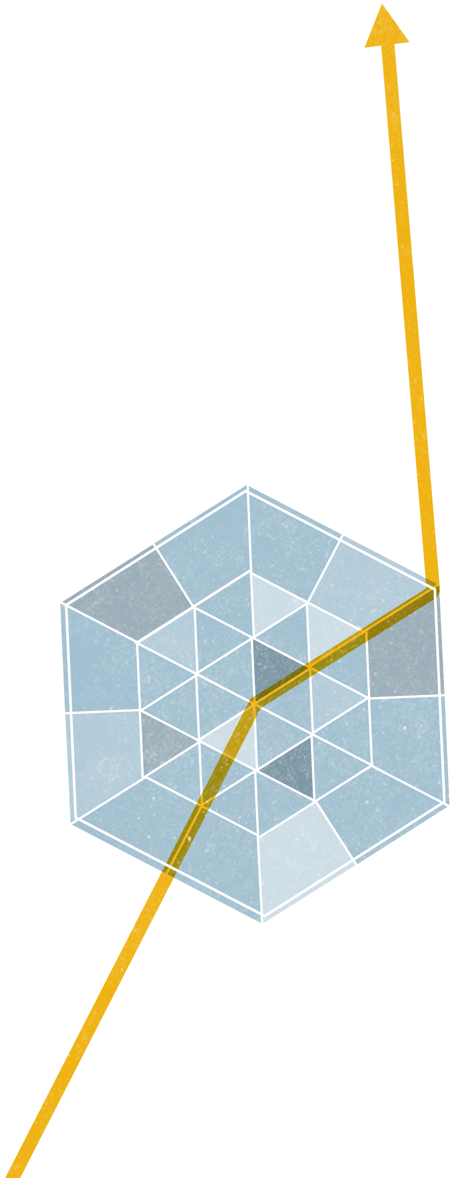
The charts illustrate the declining relative importance of grant funding and the increasing importance of tuition fees in England and Wales, compared to Scotland and, to a lesser extent, Northern Ireland.

SOURCES OF INCOME 2012/13



SOURCES OF INCOME 2008/09

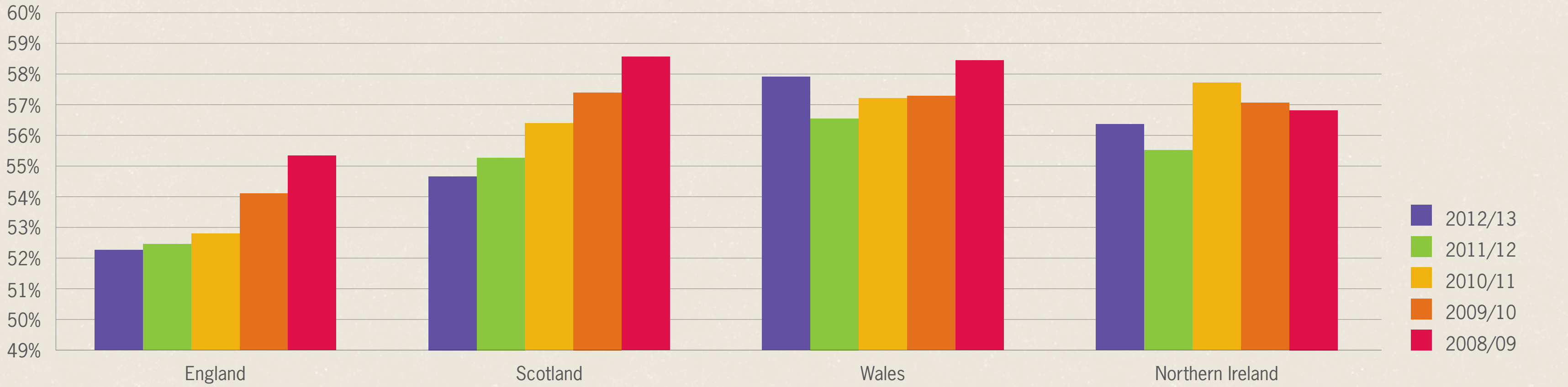




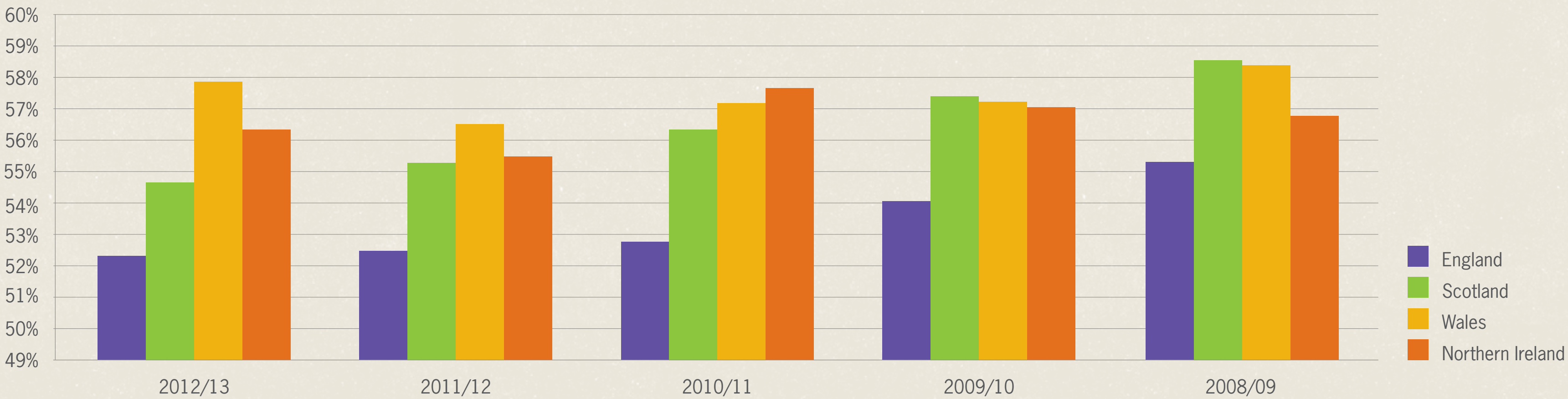
Staff costs

The following charts show the average comparative staff costs as a percentage of income for the various countries:

STAFF COSTS AS A % OF INCOME BY COUNTRY



STAFF COSTS AS A % OF INCOME BY YEAR



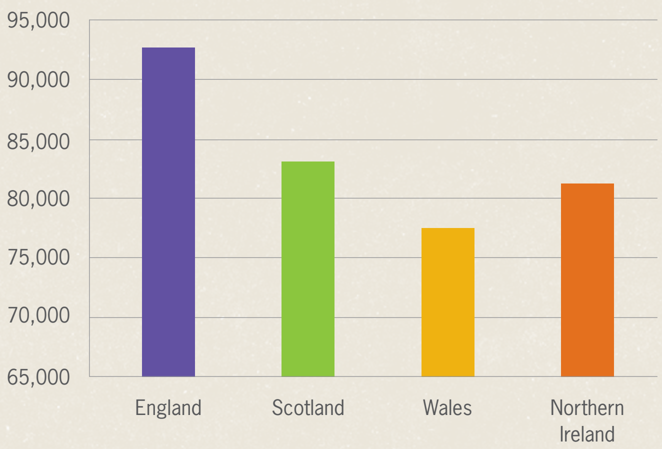
Institutions in both England and Scotland show a consistent reduction in staff costs, as a percentage of income, over the period. However, in both Wales and Northern Ireland institutions, average staff costs remain at higher levels, and indeed show a small increase over the most recent period.

The chart below shows the average income per member of staff by region, and shows that purely in terms of income generation, English HEIs are significantly more efficient than those in the other countries of the UK.

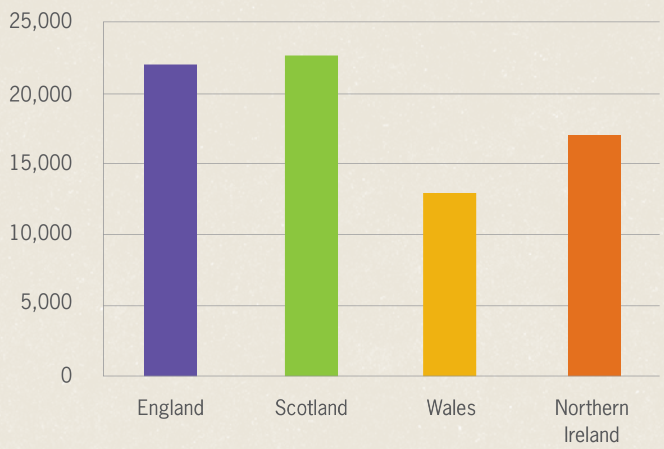
Capital expenditure

The charts below show the average institutional expenditure on fixed assets, both in absolute terms, and as a percentage of income.

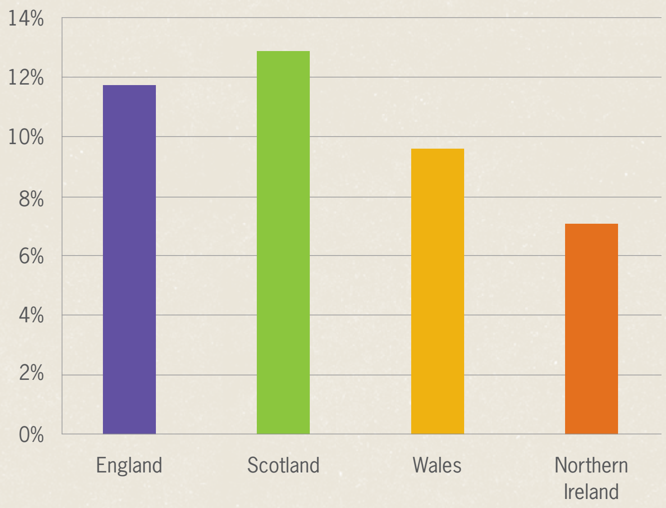
INCOME PER MEMBER OF STAFF 2012/13 (£)



AVERAGE CAPITAL EXPENDITURE (£'000)



CAPITAL EXPENDITURE AS A % OF INCOME

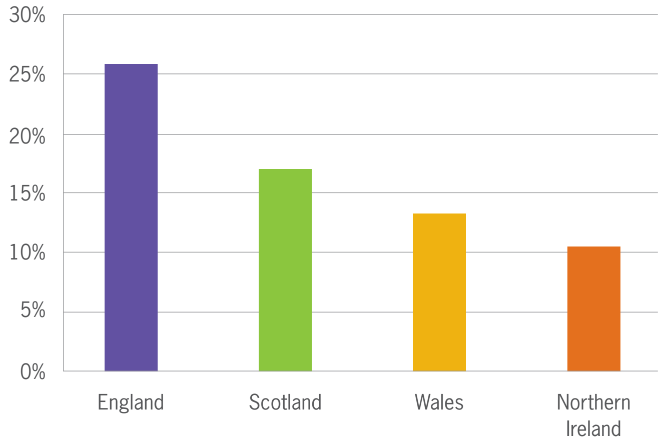


Borrowing and interest

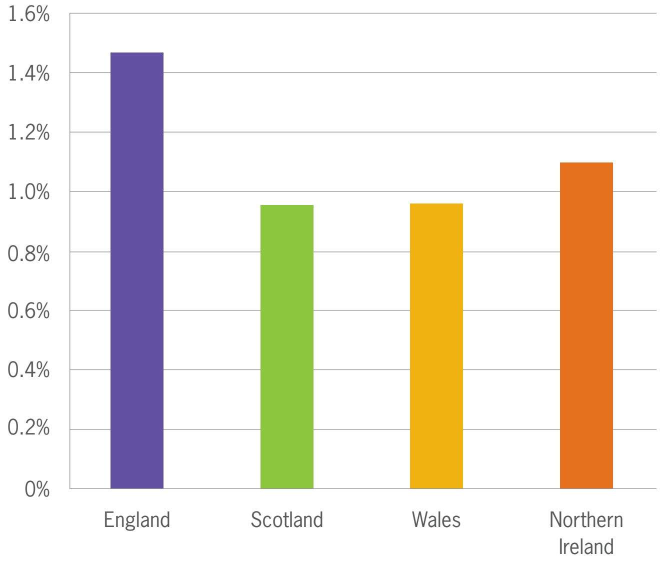
Examining the average levels of borrowing for institutions in the four countries show that English institutions are significantly more heavily borrowed than elsewhere in the UK.

In part this will be due to the continuing capital grants awarded by the Scottish Government to institutions in Scotland, albeit that these grants themselves are now significantly reducing from what they have been in the past.

BORROWING AS A % OF INCOME



INTEREST PAID AS A % OF INCOME



The relative higher interest costs incurred by institutions based in England is a reflection of the higher levels of borrowing in those institutions.

An assessment of financial strength

(based on the US Department of Education's methodology)

As in our previous reports, we have carried out an assessment of the financial strength of UK HEIs based on the methodology developed by the United States Department of Education (US DoE) to assess the financial condition of HEIs in the USA, and on those institutions around the world to whom the US DoE provides funding.

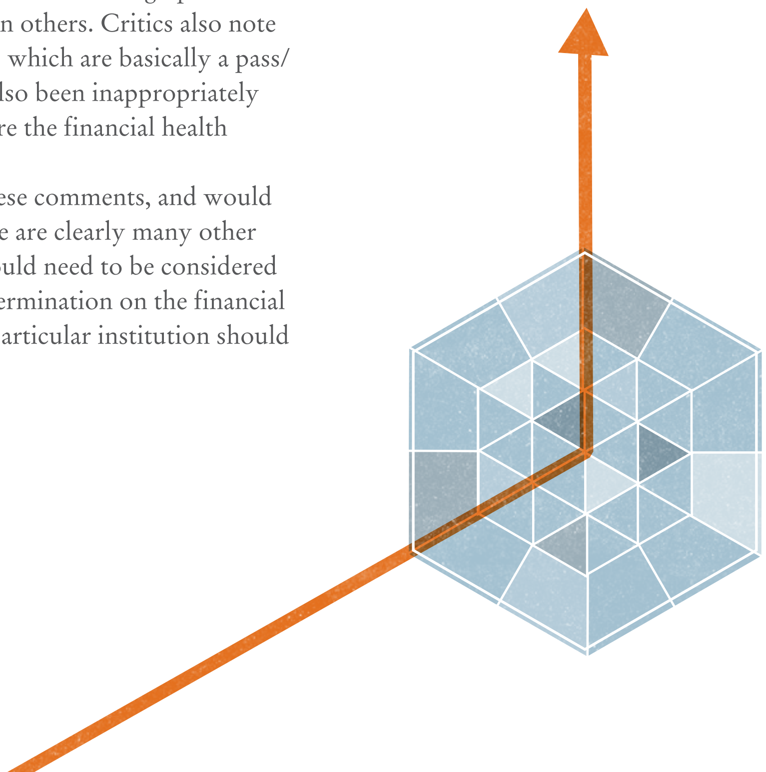
This methodology is designed to take into account an institution's total financial resources and provides a combined score of the measures of those resources along a common scale. This combined view of a number of different aspects of an institution's financial health includes:

- the capacity of the institution to cover its future expenses (the primary reserve ratio)
- the ability of the institution to meet its financial liabilities (the equity ratio)
- the ability of the institution to generate funds (the net income ratio).

The US DoE considers that any institution with a composite score of 1.5 or greater is financially "responsible" and requires no additional oversight. An institution that scores between 1.0 and 1.4 (scores are rounded to one decimal place) is deemed to be financially responsible, subject to additional monitoring. Any institution with a composite score of less than 1.0 does not meet the standards of financial responsibility and may not be permitted to participate in certain Federal funding programmes.

The US DoE has been using this scoring methodology since 1998 in order to identify the ability of institutions to administer Title IV federal student-aid programmes. However, the wider publishing of the results of the test since 2009, and the increasing number of institutions that failed the test following the economic downturn, have resulted in a number of institutions and interested groups expressing their concerns about the methodology. Examples of their concerns include the treatment of endowment investment losses in a poor financial environment; and that "capping" the individual strength factor scores means that particularly strong performances in some areas cannot outweigh poorer performances in others. Critics also note that the scores, which are basically a pass/fail test, have also been inappropriately used to compare the financial health of institutions.

We note these comments, and would stress that there are clearly many other factors that would need to be considered before any determination on the financial health of any particular institution should be drawn.



Application to UK Higher Education institutions

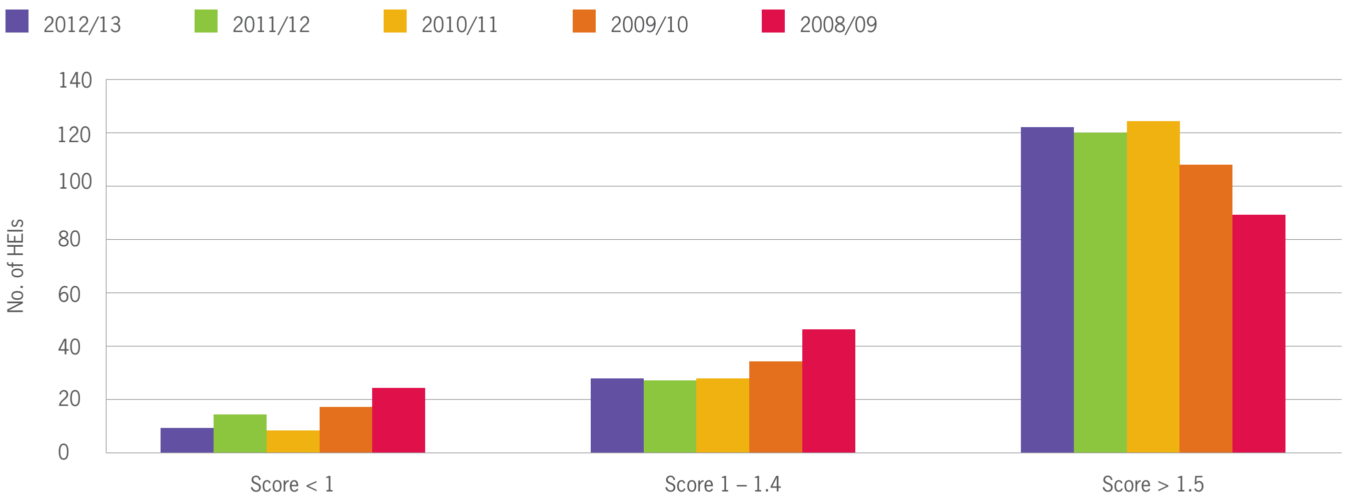
As we have discussed, this scoring system was developed with US HEIs specifically in mind, and there are some significant differences between the funding structure of US institutions and those in the UK. However, we believe the composite score for each institution calculated using our adapted methodology will closely replicate those carried out by the US DoE and therefore have validity in providing an objective assessment of the relative financial strengths of different institutions.

For the financial period 2012/13, we would note the following:

- 122 institutions (76.2%) have a composite score of greater than 1.5 – financially responsible without further oversight according to the US DoE
- 28 institutions (17.5%) have a composite score between 1.0 and 1.4 – financially responsible, but requiring additional monitoring
- 10 institutions (6.3%) have a composite score less than 1.0, which would potentially exclude them from certain Federal funding programmes in the US. (However, it should be noted that these Federal funding programmes also include Title IV, HEA programmes that cover funding for US students attending universities in the United States and elsewhere in the world.)

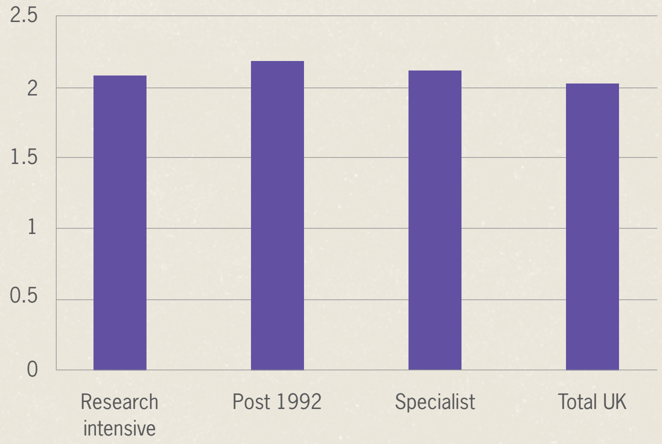
The chart below shows the distribution of scores in UK HEIs over the past five years. There is a general increase (with some minor fluctuations over the past two years) in the number of institutions with a score of 1.5 or greater, with a reduction in the number of HEIs demonstrating lower scores.

FINANCIAL SCORES

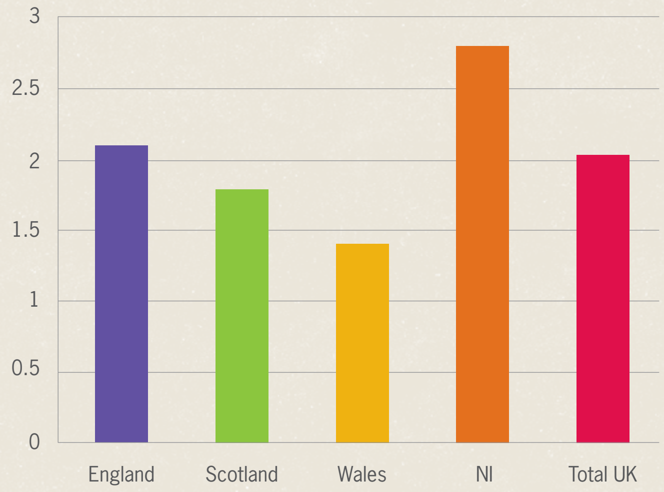


The following charts show the average financial strength indicator for the various groupings of HEI (including the country analysis) that we have considered elsewhere in this report.

AVERAGE FINANCIAL STRENGTH INDICATOR 2012/13



AVERAGE FINANCIAL STRENGTH INDICATOR 2012/13



Calculation of the composite ratio

Stage 1 – computation of ratios

- Primary reserve ratio = expendable net assets ÷ total expenses
- Equity ratio = modified net assets ÷ modified assets
- Net income ratio = change in unrestricted net assets ÷ total unrestricted revenue

Stage 2 – computation of strength factors

- Primary reserve strength factor score = primary reserve ratio x 10
- Equity strength factor score = equity ratio x 6
- Net income strength factor score = 1 + (net income ratio x 25) (if ratio is negative)
- Net income strength factor score = 1 + (net income ratio x 50) (if ratio is positive)
- (Note that any strength factor > 3 is capped at 3; any strength factor < –1 is limited to –1)

Stage 3 – computation of composite score

- Composite score = primary reserve strength factor score x 40% + equity strength factor score x 40% + net income strength factor score x 20%

Definitions*

- Expendable net assets = total net assets (net of pension liability) – endowments – fixed assets (including intangibles) + pension liabilities + long term borrowing
- Modified net assets = total net assets (net of pension liability)
- Modified assets = fixed assets + current assets

* Some adjustments have been made to the original definitions in the light of the information available

EBITDA

Earnings before interest, taxation, depreciation and amortisation

The changing funding landscape has meant a significant reduction in capital funding, and has led many institutions to reconsider what is an appropriate level of surplus to be generating over the medium term. Historically there was general acceptance in the sector that a surplus of 3% to 4% should ensure financial sustainability. However, more recently institutions have recognised that with capital funding being limited, then larger surpluses will need to be generated if they are to deliver their strategic plans.

HEFCE's review of the financial health of the higher education sector in England (March 2014/02) mentions that "Although short-term health is not a concern, some institutions will need to increase surpluses above current levels, to address previous under-investment or to invest further in capital infrastructure, where they wish to deliver greater capacity in light of the changes to the student number control system".

Institutions have realised that they need to become more sophisticated when considering the required level of surplus which will enable them to fund and achieve their strategic plan in a sustainable manner. Increasingly the financial performance of institutions is being judged by their ability to generate operating cash rather than using the somewhat crude measure of surplus as percentage of income.

The Financial Sustainability Strategy Group (FSSG) is a high-level forum established to consider the strategic, policy, cultural and technical issues around the sustainability agenda in the HE sector. Its role includes improving the sector's understanding, management and communication of its academic and financial sustainability. The FSSG has been at the forefront of promoting the use of financial performance measures. They reported that a large number of managers and governors in institutions agreed that operating cash generation is the single most useful measure of an institution's financial performance.

This operating cash generation measure is expressed in terms of EBITDA and this is described by the British Universities Finance Directors Group (BUFDG) as "a measure of operating surplus, excluding the major accounting adjustments and finance charges. It provides a useful comparator as it measures operating performance before local decisions on accounting and finance policies are taken into account. It provides a good indicator of financial capability to service debt and/or finance capital expenditure from internally generated cash".

EBITDA as a financial commitment threshold

The increasing importance of EBITDA is emphasised by the recent report "Analysis of responses to consultation on HEFCE's financial memorandum with institutions" (May 2014/09). There was a realisation that new criteria were needed regarding financial commitment thresholds in order that lenders, regulators and other interested parties could assess the affordability of such financial commitments and the ability of the institutions to repay them. Consultation took place to decide what would replace the 4% annualised servicing cost threshold.

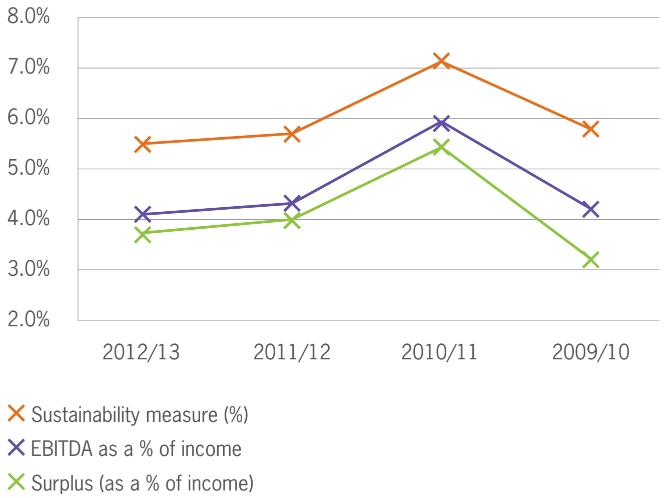
HEFCE concluded that using a multiple of EBITDA was the best indicator of an institution's ability to service its borrowings. In order to take account of volatility between years, the EBITDA definition will be based on an average of six years, and will include both actual results and forecasts. The threshold is likely to be based on a multiple of five times this average.

Benchmarking performance

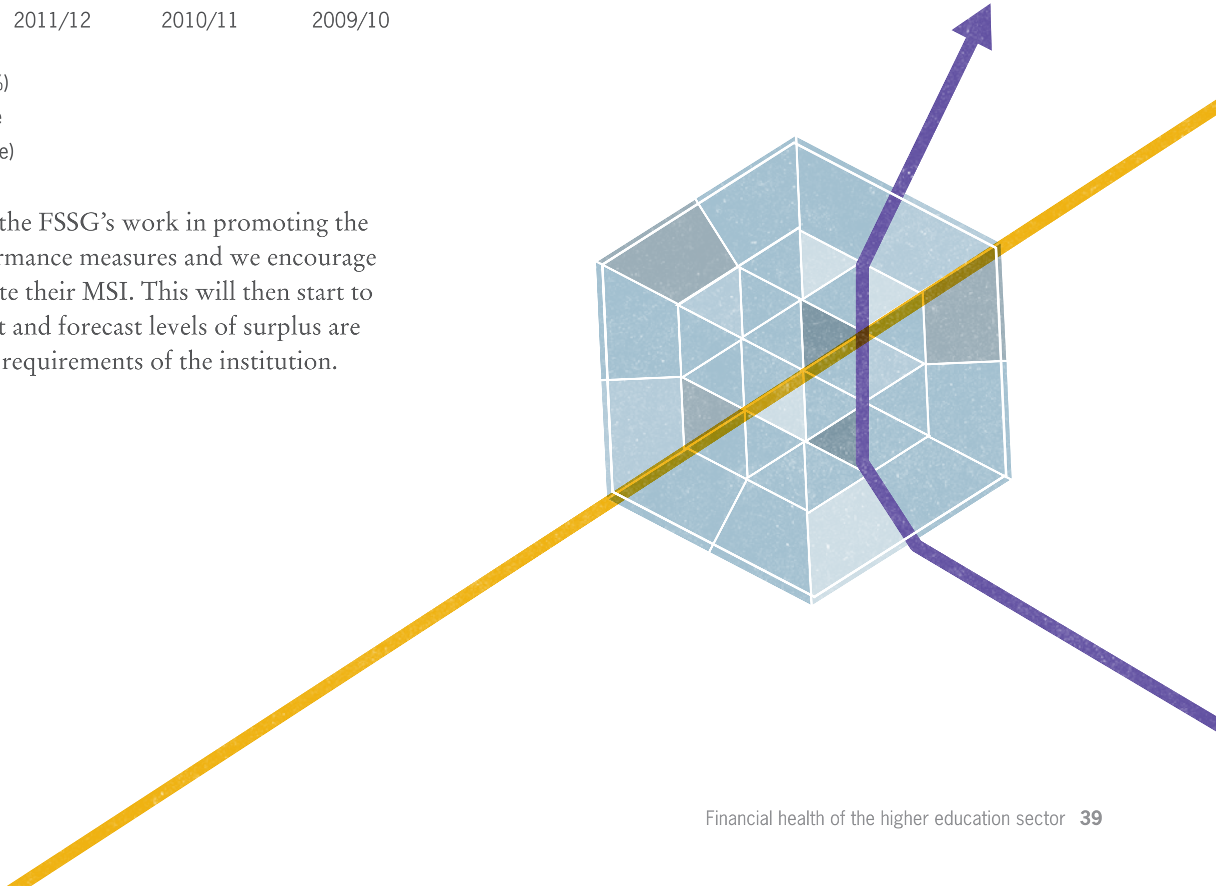
Without access to financial forecast information we are unable to undertake the calculation for the threshold mentioned above. However, we have produced a calculation of EBITDA for the four years from 2009/10 for institutions where the information is available, although we made some assumptions as part of this exercise. Furthermore we have produced a measure for sustainability based on the EBITDA for the year, adjusted for the release of deferred capital grants in year and expressed as a percentage.

We have provided the average results for the sector below, and unsurprisingly they show a strong positive correlation to the total surpluses produced by the sector.

It will be interesting to see how EBITDA information is used by institutions and whether if used as a basis for providing a measure for the margin for sustainability and investment (MSI) it will change behaviour with respect to financial commitments and the level of surpluses planned for.



We are supportive of the FSSG's work in promoting the use of financial performance measures and we encourage institutions to calculate their MSI. This will then start to show whether current and forecast levels of surplus are sufficient to meet the requirements of the institution.



Looking to the future – managing through uncertainty

Throughout this report we have observed that the vast majority of HEIs are in a financially sound position largely as a result of being able to maximise their income whilst controlling costs. We have also noted the high cash balances held by institutions.

However, we also believe that there are a number of uncertainties surrounding the financial health of the institutions, some as a direct result of the policies introduced by the government, some due to the economy, and others as a result of changes taking place though technological developments and global competition. A number of these are likely to result in opportunities for the sector. However, for some institutions the uncertainties will pose a real risk to their financial sustainability in the longer term.

A squeeze on income

The introduction of income contingent loans, whilst intending to be a progressive policy, may have the unintended consequence of potentially reducing the numbers of students in the system, at all levels, including undergraduate, post graduate and part time students.

Over time potential students may not assume going to university is a natural progression of their education before deciding on a career choice, but will question what added value a degree might have on their career before making the decision.

The number of the top entrants are likely to be reduced as some students choose to enter employment on leaving school, as an alternative to following the more traditional route of going to university. Accounting firms in particular have broadened their routes to entry, and avoiding university debts whilst earning income and also being able to obtain a professional qualification may increasingly become a compelling argument for some.

The British Council in its recent report[4] has also highlighted the number of UK students who are considering taking up their higher education in universities based outside of the UK. Their survey shows that in 2013/14 some 37% of students have considered going abroad for their university education, a 17% increase on the previous year.

We expect the numbers of students actually studying abroad may increase in the future as awareness grows of English speaking courses as far afield as China as well as those in more established locations such as the US and Australia. In Europe, Germany, the Netherlands and Sweden have all increased the number of master's courses taught in English which may appeal to students looking for the opportunity to study abroad whilst keeping tuition fees low.

At the same time the sector is finding it more difficult to maintain the growth in the numbers of overseas students coming to the UK; we note the developments in overseas jurisdictions which are likely to have an impact on students choosing the university for their education – not only might it be more problematical entering the UK, but visa restrictions preventing post graduation employment as well as higher costs of the education itself, may start to make the UK less attractive to other alternatives.

It is therefore vital for the UK to ensure it maintains its competitive advantage. As price is unlikely to be a key differentiator (many courses around the world are significantly cheaper or free – which in itself will encourage the outflow discussed above) it will be important that quality and brand is maintained at a level that continues to distinguish the UK. If we are seen to be 'average' at higher cost, then it is difficult to make the case for student numbers continuing to be maintained at the current levels in the longer term.

Rising costs

Traditionally UK institutions have been able to manage their finances with reasonable certainty. This was on the basis that income levels were guaranteed by the government and student demand exceeded available funded places, as well as having the benefit of capital grant funding to develop and maintain their estates. As a consequence, for most institutions there has been flexibility in their budgeting and expenditure plans. In the future, income at institution level is likely to become less certain, and with the removal of the student number control from 2015, the recruitment of students by institutions will also become more competitive, with inevitable winners and losers.

[4] Broadening Horizons 2014: Embedding a culture of overseas study

Whilst the winners will benefit from greater undergraduate student numbers, the marginal contribution from these fees will diminish over time, especially if further investment in the estate is required to accommodate the additional students. The increased volatility in student recruitment will mean that institutions who fail to adequately plan for different financial scenarios, including significant reductions in student numbers, may be unable to quickly adjust their cost base to at least offset some of the loss of income.

Unfortunately, concurrent with this uncertainty of assured income growth is the near certainty of cost increases. Pressure to increase wages and salaries (which have lagged inflation for the past five years, as shown in our analysis earlier in this report); the need to increase contributions to reduce the pension shortfall and the inevitability of interest rate rises, will all increase the sector's cost base in the short to medium term. Whilst some of these costs can be controlled, others such as pension increases, at least in the short term, are outside the direct control of institutions.

These increases combined with the limitations on income growth will impact the already slim margins of institutions, and without mitigating action, many could experience a slide towards deficit and find the strong cash position currently enjoyed being rapidly eroded.

Key risks

We consider there to be a number of key risks facing the financial sustainability of the sector. We fully recognise that these will not be relevant to each institution, but we suggest all institutions should ensure that they have at least considered them and undertaken their own scenario planning and sensitivity analysis.

Key risks facing the financial sustainability of the sector are:

- fall in student recruitment and retention
- not meeting recruitment targets for overseas students
- reduction on post graduate students on taught courses
- reduction on government funding for courses following the outcome of the next public sector spending review
- reduction in government capital funding
- increase in financing costs
- increase in salary and wage costs
- rising pension costs to fund the existing deficits
- the failure to invest in the estate and technology to remain competitive.

These do not include other factors which may have an impact on certain specific types of institutions, such as the reduction in teacher training income, the potential decline in NHS funding and the reliance that the smaller specialist institutions have via the institution specific targeted allocation from HEFCE.

Financial scenarios

As part of our analysis of the financial health of the sector we considered a number of financial scenarios based on how the changes above could impact on the sector. The outcome of these, even on the conservative assumptions we used, produced some sobering conclusions resulting in the average institution moving into a deficit position by 2015/16. This may come of little surprise to English institutions who for 2013/14 are predicting their operating surpluses to fall significantly to 2.2%, from 3.9% in 2012/13 (HEFCE March 2014/02).

As we have discussed, this outcome is a result of severe pressures on the most important income streams of the sector, combined with upwards pressure on the main elements of the sector's costs, all of which is impacting a sector which in many cases operates on narrow margins.

So it is not an unreasonable statement to say that although institutions start from a strong financial position, this is not sustainable on the current operating model. To retain financial sustainability, institutions will need to review further the basics: to ensure that they maximise income streams from existing and new sources and that they continue to seek opportunities to reduce their cost base.

We are aware that many institutions have made significant strides in reorganising and generating economies over the past few years; however it is a process that we suggest should remain high on all institutions' future planning, and that they revisit these topics in the near future if they are to face this challenging future.

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Appendix – financial data

Institution	Total funding council grants £'000s	Total funding council grants as % of income	Tuition fees and education contracts (full time home and EU) £'000s	Tuition fees and education contracts (overseas) £'000s	Total research grants and contracts £'000s	Other income £'000s	Endowments and investments as % of total	Total income £'000s	Total number of staff	Total staff costs £'000s
Aberystwyth University	25,808	21.65	40,942	6,764	18,422	24,569	1.04	119,224	1,590	67,981
Anglia Ruskin University	35,439	19.75	58,551	16,173	2,786	23,967	0.30	179,463	1,934	84,213
Arts University Bournemouth	9,434	32.43	13,387	2,609	–	3,608	0.18	29,090	314	13,027
Aston University	27,924	23.84	33,562	25,458	11,842	15,344	0.29	117,122	1,300	64,754
Bangor University	26,065	19.13	35,903	19,496	20,349	25,355	0.53	136,242	1,790	76,279
Bath Spa University	14,431	27.47	30,543	1,275	527	4,495	1.15	52,526	627	27,223
Birkbeck, University of London	27,681	28.76	9,417	5,025	9,157	6,780	0.94	96,262	1,018	55,987
Birmingham City University	35,852	22.21	56,852	15,456	2,492	15,204	0.62	161,453	1,917	86,732
Bishop Grosseteste University	4,425	25.13	10,505	–	88	2,512	0.43	17,606	216	8,416
Bournemouth University	30,094	24.99	45,258	11,293	3,076	11,832	0.41	120,424	1,389	61,531
Brunel University	39,729	21.64	42,177	30,683	19,772	40,905	0.30	183,560	2,529	100,509
Buckinghamshire New University	14,904	23.96	19,888	1,450	1,001	10,170	0.36	62,211	676	30,492
Canterbury Christ Church University	32,459	26.63	44,822	1,938	978	15,246	0.09	121,910	1,414	65,017
Cardiff University	95,639	21.90	78,278	48,060	88,211	90,963	0.70	436,685	5,162	249,121
The Royal Central School of Speech & Drama	4,690	33.22	4,827	2,270	190	1,220	0.58	14,118	188	7,636
City University London	29,696	16.38	49,203	53,532	9,825	12,187	0.88	181,321	1,827	113,024
Conservatoire for Dance and Drama	8,667	52.11	5,701	2,245	–	19	0.01	16,633	3	326
Courtauld Institute of Art	3,130	22.45	1,579	1,358	1,230	4,828	12.24	13,942	121	6,191
Coventry University	45,187	20.50	58,843	44,431	8,820	27,925	0.89	220,433	2,636	109,785
Cranfield University	27,260	16.80	66,833	–	40,105	27,532	0.30	162,224	1,760	80,526
De Montfort University	42,062	27.55	65,421	15,138	5,323	9,903	0.57	152,655	1,917	85,260
Durham University	63,400	22.37	60,259	40,217	50,612	55,606	0.51	283,379	3,562	155,773
Edge Hill University	27,784	25.60	48,836	1,657	607	25,968	0.59	108,541	1,173	55,659
Edinburgh Napier University	55,216	51.19	17,515	13,358	4,718	14,727	0.50	107,870	1,272	64,422
Glasgow Caledonian University	67,445	59.61	21,474	9,283	4,124	9,843	0.52	113,150	1,391	70,486
Glasgow School of Art	13,078	48.16	3,533	4,085	2,362	3,307	1.37	27,154	344	15,604
Glyndwr University	9,513	21.68	10,894	9,467	1,941	7,925	0.04	43,884	655	27,109
Goldsmiths, University of London	21,469	23.63	29,878	17,071	4,953	13,880	0.24	90,866	879	50,822

* 'Data was not available'

Total staff costs as a % income	Net surplus/ deficit before exceptionals £'000s	Net surplus/ deficit after exceptionals £'000s	Surplus before exceptionals as % of income	Expenditure (additions) on total tangible and intangible assets £'000s	Quick ratio (current assets/current liabilities)	Total net assets (excluding pension liability) £'000s	Total borrowing £'000s	Total borrowing as % of income	Interest paid £'000s	Increase/ (decrease) in cash in the year £'000s	Cash flow from operations £'000s
57.02	199	199	0.17	6,582	1.30	192,120	45	0.04	684	22,889	12,631
46.92	6,306	5,970	3.51	26,569	1.05	136,849	77,595	43.24	4,114	21,311	17,550
44.78	3,045	3,028	10.47	2,618	1.57	27,312	5,316	18.27	231	1,706	5,050
55.29	3,482	3,438	2.97	18,952	1.24	89,799	36,866	31.48	1,420	2,286	9,150
55.99	-2,412	-7,258	-1.77	19,231	1.00	120,772	12,405	9.11	633	65	-2,974
51.83	880	880	1.68	21,696	4.19	57,203	10,081	19.19	420	8,594	4,840
58.16	6,712	6,712	6.97	7,597	2.11	103,753	905	0.94	–	2,040	3,813
53.72	18,684	16,639	11.57	36,670	2.09	251,308	22,640	14.02	2,233	26,912	19,524
47.80	2,403	2,485	13.65	5,416	5.38	27,679	–	0.00	52	1,403	3,210
51.10	159	159	0.13	18,641	2.05	74,057	35,249	29.27	2,601	-302	6,835
54.76	2,357	2,295	1.28	6,708	1.56	211,218	93,226	50.79	5,636	4,800	13,210
49.01	3,412	3,412	5.48	3,367	2.49	65,719	29,944	48.13	2,088	2,522	10,086
53.33	6,064	7,115	4.97	7,922	1.36	82,331	41,061	33.68	1,447	10,710	14,015
57.05	9,868	1,983	2.26	20,880	2.74	463,194	22,720	5.20	1,305	-2,116	18,510
54.09	1,057	1,057	7.49	52	5.68	23,683	718	5.09	93	-386	1,205
62.33	-16,209	6,485	-8.94	19,352	1.72	165,251	–	0.00	424	42,165	9,275
1.96	-20	-20	-0.12	–	5.67	599	44	0.26	–	-21	-22
44.41	430	430	3.08	427	0.41	36,292	32	0.23	1	-152	-856
49.80	20,715	20,715	9.40	14,975	3.05	262,292	102,000	46.27	6,047	20,945	46,984
49.64	-1,508	-1,092	-0.93	6,924	1.33	164,169	18,859	11.63	1,928	9,699	4,710
55.85	-2,592	1,582	-1.70	11,565	4.44	252,521	86,183	56.46	5,933	1,572	14,376
54.97	8,676	8,932	3.06	47,448	0.85	312,292	103,602	36.56	3,431	15,462	18,862
51.28	17,363	17,363	16.00	33,720	2.01	145,187	43,154	39.76	3,271	12,748	25,990
59.72	5,593	5,593	5.18	12,623	2.21	97,427	40,000	37.08	3,162	-9,083	12,736
62.29	1,785	1,785	1.58	7,187	1.84	184,453	–	0.00	–	2,813	5,629
57.46	281	254	1.03	21,014	0.87	67,879	15,129	55.72	289	-13,064	-12,017
61.77	-3,954	-3,954	-9.01	2,562	0.76	55,120	1,665	3.79	316	-4,672	-2,439
55.93	4,158	4,158	4.58	6,065	2.18	78,287	26,243	28.88	2,155	11,297	14,127

Institution	Total funding council grants £'000s	Total funding council grants as % of income	Tuition fees and education contracts (full time home and EU) £'000s	Tuition fees and education contracts (overseas) £'000s	Total research grants and contracts £'000s	Other income £'000s	Endowments and investments as % of total	Total income £'000s	Total number of staff	Total staff costs £'000s
Guildhall School of Music and Drama	2,864	14.14	4,316	1,425	73	8,888	0.00	20,256	209	12,419
Harper Adams University	12,087	35.14	9,242	1,057	2,045	8,192	0.56	34,397	424	16,585
Heriot-Watt University	39,495	22.50	16,880	47,435	26,952	28,112	0.34	175,513	1,715	82,957
Heythrop College	938	14.05	1,998	235	64	2,919	0.63	6,677	88	3,573
Imperial College London	168,900	20.50	48,200	103,900	329,500	126,600	1.52	823,800	6,731	392,900
Institute of Cancer Research	20,426	21.19	–	–	53,949	21,464	0.56	96,379	995	49,573
Institute of Education, University of London	16,223	22.72	11,330	3,882	13,316	17,614	0.93	71,415	775	41,985
Keele University	26,550	21.97	36,871	14,490	13,475	25,792	1.66	120,859	1,984	69,744
King's College London	130,671	22.26	71,123	63,895	164,025	111,276	1.09	586,948	5,664	349,889
Kingston University	54,883	27.08	71,867	24,183	2,934	28,572	0.55	202,686	2,146	106,297
Lancaster University	40,689	20.57	40,680	39,505	26,414	46,941	0.56	197,839	2,398	106,105
Leeds College of Art	6,579	51.86	5,265	77	–	210	1.06	12,687	200	6,465
Leeds Metropolitan University	51,635	27.33	84,827	11,967	2,415	28,802	0.33	188,899	2,174	94,913
Leeds Trinity University	6,233	26.36	12,488	456	–	3,862	0.22	23,645	321	12,919
Liverpool Hope University	14,246	27.54	25,715	1,272	429	7,071	0.41	51,723	628	24,223
Liverpool Institute for Performing Arts	2,382	24.51	3,011	1,820	–	1,875	0.81	9,721	122	4,694
Liverpool John Moores University	53,932	31.29	74,781	7,868	9,047	4,664	0.20	172,379	2,255	101,079
Liverpool School of Tropical Medicine	6,968	11.61	300	907	46,607	3,561	0.38	59,994	355	17,981
London Business School	7,501	6.77	93,700	–	1,464	7,096	0.96	110,821	689	55,268
London Metropolitan University	44,550	34.98	54,026	6,447	1,956	6,363	0.43	127,372	1,627	78,997
London School of Economics	26,605	10.11	41,942	81,918	23,731	65,334	2.92	263,213	2,278	130,849
London School of Hygiene & Tropical Medicine	23,321	18.65	1,997	4,775	79,341	7,552	0.50	125,074	1,081	59,472
London South Bank University	34,750	25.21	38,120	8,456	3,255	16,001	0.41	137,854	1,768	73,619
Loughborough University	56,967	23.26	57,944	30,689	39,147	58,880	0.54	244,940	2,672	124,303
Manchester Metropolitan University	69,653	28.89	108,768	12,067	4,931	25,689	0.78	241,102	4,304	138,012
Middlesex University	42,946	23.79	58,932	30,102	3,475	21,691	0.13	180,515	1,791	91,316
Newcastle University	96,900	23.34	74,100	61,800	93,400	75,300	1.23	415,200	4,811	218,800
Newman University	6,556	32.28	10,375	27	98	2,057	0.23	20,310	291	11,683

* 'Data was not available'

Total staff costs as a % income	Net surplus/ deficit before exceptionals £'000s	Net surplus/ deficit after exceptionals £'000s	Surplus before exceptionals as % of income	Expenditure (additions) on total tangible and intangible assets £'000s	Quick ratio (current assets/current liabilities)	Total net assets (excluding pension liability) £'000s	Total borrowing £'000s	Total borrowing as % of income	Interest paid £'000s	Increase/ (decrease) in cash in the year £'000s	Cash flow from operations £'000s
61.31	22	22	0.11	*	*	*	–	0.00	–	*	*
48.22	916	970	2.66	6,636	1.77	41,986	12,529	36.42	742	1,203	4,869
47.27	2,569	2,569	1.46	10,220	0.99	92,860	50,000	28.49	1,929	12,219	12,110
53.51	-506	-506	-7.58	220	2.29	26,179	–	0.00	–	952	-160
47.69	64,900	86,800	7.88	123,500	1.10	1,002,100	248,900	30.21	11,200	41,500	105,700
51.44	6,067	6,067	6.29	6,493	2.64	164,150	–	0.00	–	852	9,103
58.79	1,441	1,441	2.02	2,831	1.00	105,171	9,666	13.53	355	-1,111	-903
57.71	5,345	5,360	4.42	15,206	0.68	99,915	33,102	27.39	1,704	1,077	8,128
59.61	9,565	9,565	1.63	72,807	1.37	811,295	174,842	29.79	12,233	-24,033	53,102
52.44	10,541	10,541	5.20	6,270	3.62	226,897	48,252	23.81	6,265	12,007	24,073
53.63	13,663	13,663	6.91	17,336	1.62	207,606	89,958	45.47	4,209	20,416	28,815
50.96	1,940	1,940	15.29	460	8.96	20,398	800	6.31	18	2,050	2,525
50.25	21,924	21,922	11.61	9,215	1.98	251,697	56,421	29.87	5,537	-3,059	34,820
54.64	1,093	1,093	4.62	830	3.16	30,729	4,050	17.13	238	-1,086	2,901
46.83	5,237	5,237	10.12	4,585	2.19	83,241	14,063	27.19	1,131	1,631	7,010
48.29	1,556	1,556	16.00	794	4.28	13,408	–	0.00	1	1,335	1,976
58.64	6,084	6,028	3.53	16,310	1.28	139,923	46,035	26.71	4,779	3,886	17,315
29.97	2,191	2,189	3.65	4,385	1.12	57,092	100	0.17	–	8,640	9,816
49.87	-558	-558	-0.50	9,118	0.51	103,728	–	0.00	224	-194	4,317
62.02	-256	-781	-0.20	7,166	1.72	122,111	5,413	4.25	2,055	709	-10,633
49.71	30,642	30,642	11.64	32,962	1.49	432,577	27,900	10.60	3,195	11,769	43,535
47.55	3,444	3,445	2.75	1,188	1.17	78,376	16,168	12.93	835	5,941	10,014
53.40	6,056	5,500	4.39	18,544	1.78	175,127	31,062	22.53	3,433	-9,251	12,729
50.75	8,109	8,126	3.31	20,863	1.28	251,426	72,969	29.79	3,416	27,838	27,460
57.24	20,186	1,612	8.37	66,470	2.85	424,928	41,562	17.24	4,671	38,325	29,130
50.59	12,830	33,059	7.11	14,613	2.43	133,467	93,249	51.66	7,292	31,712	23,349
52.70	17,600	17,600	4.24	21,300	1.84	369,400	15,800	3.81	900	9,800	36,100
57.52	1,623	1,623	7.99	820	2.31	27,515	1,146	5.64	18	493	1,433

Institution	Total funding council grants £'000s	Total funding council grants as % of income	Tuition fees and education contracts (full time home and EU) £'000s	Tuition fees and education contracts (overseas) £'000s	Total research grants and contracts £'000s	Other income £'000s	Endowments and investments as % of total	Total income £'000s	Total number of staff	Total staff costs £'000s
Northumbria University	51,291	23.53	72,597	26,556	5,595	32,239	0.12	217,954	2,812	133,044
Norwich University of the Arts	4,548	31.17	8,299	237	18	1,347	0.93	14,592	183	6,715
Nottingham Trent University	51,900	25.60	86,600	25,500	5,100	20,000	0.30	202,700	2,642	118,900
Open University	198,100	44.27	184,000	21,400	14,700	24,500	0.83	447,500	10,060	274,900
Oxford Brookes University	32,660	19.73	48,126	20,963	3,597	42,696	0.21	165,548	2,577	90,358
Queen Margaret University	13,848	39.74	8,317	4,079	3,458	4,812	0.38	34,843	397	18,696
Queen Mary University of London	87,107	26.92	51,160	50,147	81,272	45,129	0.22	323,609	3,488	196,104
Queen's University Belfast	95,448	33.08	44,780	11,773	61,834	52,058	1.93	288,552	3,456	158,326
Ravensbourne	7,217	39.83	8,039	907	–	1,794	0.62	18,121	151	6,805
Robert Gordon University	43,099	45.13	18,593	13,812	2,442	14,842	1.44	95,495	1,154	53,286
Roehampton University	20,882	27.32	32,125	5,649	766	13,858	0.19	76,437	958	45,264
Rose Bruford College	3,129	42.03	2,918	667	–	503	0.03	7,444	84	4,012
Royal Academy of Music	4,076	21.52	3,965	4,080	117	4,988	4.59	18,938	217	9,390
Royal Agricultural College	3,998	24.46	5,035	1,075	62	5,257	0.29	16,347	205	7,608
Royal College of Art	13,175	37.26	6,489	9,030	1,875	3,881	1.01	35,355	277	15,036
Royal College of Music	4,146	20.23	3,374	4,128	93	4,341	14.05	20,491	181	10,298
Royal Holloway University of London	33,052	23.28	34,231	23,796	16,175	28,716	1.28	141,980	1,335	76,989
Royal Northern College of Music	5,496	32.60	3,110	2,226	99	3,786	7.25	16,858	228	9,394
Royal Conservatoire of Scotland	10,166	60.45	2,771	1,755	35	985	0.67	16,818	297	11,621
Royal Veterinary University	25,519	34.56	7,530	4,496	12,479	22,387	0.69	73,842	785	38,125
School of African and Oriental Studies, University of London	14,179	19.92	15,810	17,628	4,009	5,728	1.03	71,191	807	42,582
SRUC	29,900	44.47	2,470	80	9,941	22,984	0.05	67,241	1,097	36,301
Sheffield Hallam University	61,496	24.87	89,040	28,722	7,921	19,479	0.88	247,309	3,485	154,543
Southampton Solent University	27,047	25.42	44,225	7,460	321	16,495	0.46	106,415	1,301	54,342
St George's University of London	28,003	33.26	9,149	2,750	14,749	20,202	0.33	84,191	790	47,714
St Mary's University, Twickenham	9,654	24.97	18,666	1,865	7	6,945	0.12	38,670	549	22,726
Staffordshire University	39,246	33.76	42,557	6,320	1,774	12,161	0.28	116,251	1,510	62,707
Swansea University	34,473	18.91	42,151	20,837	37,194	35,338	0.20	182,294	2,502	103,910

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	61.04	6,781	3,968	3.11	9,495	0.94	259,007	66,761	30.63	4,551	10,520	27,165
	46.02	2,731	2,731	18.72	555	3.27	20,809	1,245	8.53	172	1,070	3,300
	58.66	5,400	5,400	2.66	16,300	1.59	210,600	87,400	43.12	6,300	4,400	23,600
	61.43	18,800	18,800	4.20	900	2.43	349,600	62,100	13.88	-400	11,200	16,500
	54.58	6,515	6,515	3.94	47,177	1.26	181,369	125,273	75.67	4,437	947	19,755
	53.66	1,472	2,248	4.22	277	0.25	41,706	56,743	162.85	2,843	3,434	6,150
	60.60	3,688	8,418	1.14	21,692	0.62	297,001	107,291	33.15	2,745	4,627	15,709
	54.87	11,122	11,122	3.85	22,762	3.43	511,368	45,889	15.90	3,827	25	6,155
	37.55	608	573	3.36	184	2.91	56,116	8,006	44.18	471	743	2,927
	55.80	4,679	4,099	4.90	28,008	1.08	205,403	25,205	26.39	1,061	3,838	8,051
	59.22	1,487	1,487	1.95	3,351	2.21	37,550	20,461	26.77	1,392	1,999	6,022
	53.90	241	241	3.24	252	1.38	9,399	431	5.79	29	26	359
	49.58	1,144	1,144	6.04	207	4.05	115,199	20,317	107.28	–	307	-547
	46.54	-155	-155	-0.95	2,094	1.47	19,018	5,850	35.79	298	-68	-50
	42.53	-142	-142	-0.40	3,832	1.62	97,351	8,818	24.94	160	-458	1,905
	50.26	2,018	2,018	9.85	652	5.27	76,606	2,156	10.52	123	-2,359	939
	54.23	5,964	5,960	4.20	10,952	1.99	194,703	53,905	37.97	2,165	-19,878	11,188
	55.72	349	349	2.07	1,538	0.75	38,804	2,705	16.05	174	-413	-354
	69.10	251	251	1.49	1,175	1.50	40,658	–	0.00	–	-116	73
	51.63	2,051	2,051	2.78	1,734	1.53	68,120	24,349	32.97	1,351	3,022	7,863
	59.81	861	861	1.21	6,555	1.54	97,051	8,833	12.41	264	-1,542	5,083
	53.99	-1,541	4,290	-2.29	57,516	1.01	65,180	604	0.90	276	8,110	3,272
	62.49	10,637	14,263	4.30	21,222	2.92	209,178	37,000	14.96	1,924	-678	18,744
	51.07	7,697	7,697	7.23	7,199	2.38	83,416	28,835	27.10	3,247	1,231	14,475
	56.67	193	193	0.23	4,125	0.90	56,736	24,799	29.46	1,030	-4,778	-560
	58.77	2,845	2,845	7.36	1,638	*	38,048	6,203	16.04	423	3,448	6,714
	53.94	1,928	1,928	1.66	16,772	1.17	115,210	14,988	12.89	2,573	-5,889	11,065
	57.00	3,651	3,651	2.00	25,637	1.48	124,766	17,431	9.56	857	5,077	3,716

Institution	Total funding council grants £'000s	Total funding council grants as % of income	Tuition fees and education contracts (full time home and EU) £'000s	Tuition fees and education contracts (overseas) £'000s	Total research grants and contracts £'000s	Other income £'000s	Endowments and investments as % of total	Total income £'000s	Total number of staff	Total staff costs £'000s
University of West London	18,866	24.54	23,389	9,425	1,034	7,542	0.30	76,865	789	37,449
Trinity Laban Conservatoire of Music and Dance	7,802	35.11	3,546	1,148	30	6,607	0.41	22,221	252	11,021
University of the Highlands and Islands	32,249	66.76	7,190	1,377	2,104	5,277	0.17	48,308	196	8,476
University Campus Suffolk	9,665	25.44	13,520	346	290	2,923	0.13	37,987	430	15,817
University College Birmingham	18,482	41.08	13,906	5,958	–	5,546	1.91	44,993	484	22,145
Falmouth University	13,132	26.50	18,744	1,514	275	15,485	0.09	49,562	413	20,438
University College London	191,160	20.34	72,353	126,757	334,733	167,926	0.57	940,019	11,024	516,611
University of St Mark & St John	5,432	22.72	11,770	501	8	5,164	0.88	23,910	351	12,931
University for the Creative Arts	24,368	41.29	23,525	3,212	269	7,583	0.05	59,015	876	33,562
University of Aberdeen	78,437	34.98	26,897	18,992	60,274	37,250	0.47	224,204	3,307	131,127
University of Abertay Dundee	19,776	52.44	8,521	2,145	1,544	5,034	1.65	37,709	553	22,452
University of Bath	49,020	23.55	44,062	33,235	27,389	40,460	1.17	208,139	2,443	110,064
University of Bedfordshire	26,741	20.03	49,029	25,821	3,083	11,799	0.89	133,493	1,209	61,079
University of Birmingham	120,504	24.46	101,169	57,300	104,588	95,565	1.07	492,625	6,403	265,531
University of Bolton	14,311	31.73	19,311	3,475	1,614	2,705	0.52	45,106	500	25,646
University of Bradford	32,815	25.56	37,297	18,198	7,997	16,434	1.15	128,364	1,544	70,421
University of Brighton	46,180	26.07	73,533	13,572	8,326	27,762	0.44	177,171	2,114	99,658
University of Bristol	118,300	25.76	69,500	51,400	120,100	83,700	1.18	459,200	5,086	246,300
University of Cambridge	183,800	12.78	72,600	62,900	331,800	719,800	1.39	1,438,000	Not stated	604,900
University of Central Lancashire	53,751	27.74	75,470	13,948	5,661	24,804	0.64	193,773	2,426	108,805
University of Chester	23,167	26.38	33,323	3,318	470	11,608	0.09	87,809	1,244	50,455
University of Chichester	12,234	26.89	21,932	1,118	152	8,375	0.23	45,493	517	24,501
University of Cumbria	18,536	25.20	28,456	495	491	11,477	0.12	73,566	986	40,597
University of Derby	40,917	32.13	43,018	7,160	1,048	17,794	0.53	127,365	1,803	70,160
University of Dundee	81,089	35.79	21,152	15,957	68,391	36,212	0.35	226,573	2,882	130,711
University of East Anglia	52,625	20.63	45,580	30,943	32,072	46,440	0.70	255,091	3,708	120,680
University of East London	33,666	21.67	78,258	14,872	1,751	21,814	0.47	155,325	1,235	69,738
University of Edinburgh	204,282	27.69	64,144	93,435	200,123	141,732	2.38	737,786	8,342	377,265

* 'Data was not available'

Total staff costs as a % income	Net surplus/ deficit before exceptionals £'000s	Net surplus/ deficit after exceptionals £'000s	Surplus before exceptionals as % of income	Expenditure (additions) on total tangible and intangible assets £'000s	Quick ratio (current assets/current liabilities)	Total net assets (excluding pension liability) £'000s	Total borrowing £'000s	Total borrowing as % of income	Interest paid £'000s	Increase/ (decrease) in cash in the year £'000s	Cash flow from operations £'000s
48.72	7,564	6,407	9.84	6,615	1.76	76,707	5,064	6.59	1,262	9,203	11,113
49.60	1,177	1,175	5.30	983	0.32	31,138	1,410	6.35	185	-347	2,333
17.55	2,270	2,270	4.70	56	1.83	9,472	–	0.00	93	3,567	3,507
41.64	921	921	2.42	630	2.49	53,135	20,263	53.34	1,311	94	2,157
49.22	7,995	7,995	17.77	9,606	3.49	106,669	–	0.00	258	-869	10,063
41.24	148	472	0.30	4,805	1.64	104,202	612	1.23	147	-2,764	324
54.96	18,558	18,723	1.97	96,880	1.13	811,807	75,181	8.00	5,982	12,683	61,619
54.08	1,320	1,277	5.52	2,004	2.00	23,581	13,938	58.29	932	1,093	4,019
56.87	-346	-346	-0.59	3,607	1.52	141,507	3,954	6.70	478	675	2,403
58.49	-457	-543	-0.20	51,343	1.12	492,042	67,452	30.09	3,248	859	16,443
59.54	603	603	1.60	324	2.08	41,264	–	0.00	642	-727	1,764
52.88	16,577	16,279	7.96	41,506	2.12	218,691	100,900	48.48	2,819	9,887	29,842
45.75	15,184	15,184	11.37	18,262	3.29	169,899	16,324	12.23	1,557	12,390	17,223
53.90	6,353	6,539	1.29	39,593	2.17	748,125	75,000	15.22	3,355	-5,238	20,260
56.86	1,682	1,682	3.73	190	1.52	52,242	4,877	10.81	833	3,611	4,465
54.86	6,252	6,252	4.87	8,561	1.48	123,118	20,810	16.21	960	2,016	18,182
56.25	11,894	11,894	6.71	19,821	2.60	219,208	49,881	28.15	2,929	2,224	15,726
53.64	12,600	13,100	2.74	100,800	1.70	655,200	250,000	54.44	15,200	12,700	40,600
42.07	23,000	23,000	1.60	112,200	1.44	3,438,000	351,600	24.45	19,000	5,000	69,000
56.15	7,089	3,903	3.66	7,239	2.77	296,219	18,406	9.50	2,528	4,496	13,521
57.46	4,798	4,798	5.46	13,810	1.25	55,440	37,589	42.81	1,878	-1	11,730
53.86	2,001	2,001	4.40	6,186	1.76	57,677	5,939	13.05	364	536	4,072
55.18	4,205	5,391	5.72	3,795	1.88	54,358	12,485	16.97	1,173	3,277	7,957
55.09	4,190	4,190	3.29	10,355	1.94	301,166	20,731	16.28	2,184	2,671	16,830
57.69	3,087	3,118	1.36	21,764	0.76	195,268	8,500	3.75	871	-3,884	14,497
47.31	2,720	2,733	1.07	22,257	1.74	214,970	87,200	34.18	5,430	-903	16,656
44.90	7,417	7,417	4.78	21,734	1.35	179,371	32,159	20.70	3,901	-2,733	16,879
51.13	37,453	37,986	5.08	63,246	1.80	1,764,312	109,446	14.83	5,604	32,837	48,122

Institution	Total funding council grants £'000s	Total funding council grants as % of income	Tuition fees and education contracts (full time home and EU) £'000s	Tuition fees and education contracts (overseas) £'000s	Total research grants and contracts £'000s	Other income £'000s	Endowments and investments as % of total	Total income £'000s	Total number of staff	Total staff costs £'000s
University of Essex	27,623	15.53	32,837	29,403	21,626	52,234	0.39	177,816	1,954	86,147
University of Exeter	58,314	19.53	67,751	44,935	54,346	64,051	0.68	298,542	3,774	152,535
University of Glasgow	154,892	33.03	40,881	52,558	128,090	67,496	1.61	468,953	4,813	249,558
University of Gloucestershire	18,111	26.12	31,443	4,603	1,013	10,841	0.23	69,335	830	37,251
University of Greenwich	47,246	25.18	56,694	27,575	10,226	22,925	0.85	187,627	2,208	87,101
University of Hertfordshire	49,200	20.82	68,165	27,546	10,246	60,595	0.27	236,275	2,406	121,286
University of Huddersfield	38,660	27.12	54,022	16,919	5,191	10,979	0.65	142,526	1,655	74,150
University of Hull	43,678	24.82	65,771	21,511	10,604	27,321	0.75	176,000	2,034	95,311
University of Kent	48,981	24.33	64,543	29,071	13,375	39,165	0.61	201,313	2,259	106,974
University of Leeds	128,642	23.49	100,314	57,810	128,554	91,893	1.18	547,601	6,454	301,773
University of Leicester	55,055	19.56	46,483	49,838	55,206	49,434	0.29	281,435	3,280	152,826
University of Lincoln	28,067	27.24	42,357	7,607	3,436	14,455	0.27	103,037	1,158	51,921
University of Liverpool	102,000	21.59	70,600	56,700	124,600	78,500	1.93	472,500	4,861	234,100
University of London	10,419	7.16	618	51,551	1,135	77,840	2.48	145,508	1,158	54,705
University of Manchester	177,780	21.50	113,834	130,659	199,622	129,310	2.16	826,970	9,178	424,055
University of Northampton	23,191	22.74	38,020	9,483	1,164	13,491	0.46	101,969	996	51,578
University of Nottingham	125,000	22.29	97,400	84,900	111,800	102,200	0.27	560,900	6,518	295,200
University of Oxford	193,800	17.83	70,500	65,100	436,800	231,500	2.56	1,086,900	10,422	541,600
University of Plymouth	71,998	33.06	68,718	15,739	13,323	24,662	0.22	217,791	2,562	120,800
University of Portsmouth	46,910	25.36	69,741	23,615	7,002	23,561	0.28	184,999	2,365	106,746
University of Reading	44,197	19.74	46,035	31,159	33,207	46,575	2.09	223,850	2,798	127,891
University of Salford	46,084	25.98	50,091	18,789	6,722	21,028	0.30	177,375	2,132	99,490
University of Sheffield	107,500	22.17	77,300	86,200	114,400	68,300	0.56	484,800	5,451	247,500
University of Southampton	97,655	21.84	79,351	52,297	102,376	89,587	1.12	447,221	5,190	250,770
University of St Andrews	42,304	23.00	15,912	40,811	39,201	36,086	1.63	183,898	2,302	102,606
University of Stirling	38,280	36.46	13,553	14,389	10,459	25,650	0.62	104,978	1,343	60,338
University of Strathclyde Glasgow	92,431	38.26	30,891	27,005	50,411	24,310	0.72	241,601	3,046	132,870
University of Sunderland	30,799	24.82	37,568	22,215	1,910	10,784	0.26	124,099	1,417	59,809
University of Surrey	40,157	18.79	33,667	37,927	28,811	43,656	4.83	213,667	2,421	116,326

* 'Data was not available'

Total staff costs as a % income	Net surplus/ deficit before exceptionals £'000s	Net surplus/ deficit after exceptionals £'000s	Surplus before exceptionals as % of income	Expenditure (additions) on total tangible and intangible assets £'000s	Quick ratio (current assets/current liabilities)	Total net assets (excluding pension liability) £'000s	Total borrowing £'000s	Total borrowing as % of income	Interest paid £'000s	Increase/ (decrease) in cash in the year £'000s	Cash flow from operations £'000s
48.45	3,418	3,418	1.92	24,814	1.19	161,660	76,555	43.05	4,908	-13,056	22,534
51.09	-2,039	-2,039	-0.68	44,881	1.24	521,369	136,990	45.89	5,110	24,015	9,519
53.22	11,004	11,060	2.35	27,201	1.16	659,602	–	0.00	1,882	9,792	46,740
53.73	3,988	3,189	5.75	3,785	1.42	73,933	20,729	29.90	1,947	-368	7,391
46.42	10,442	10,442	5.57	26,354	2.12	136,167	34,308	18.29	4,248	320	11,100
51.33	12,351	55,129	5.23	18,467	1.90	250,622	80,138	33.92	3,423	45	17,472
52.03	22,455	22,455	15.76	13,891	3.89	217,925	–	0.00	429	5,395	26,198
54.15	10,201	10,201	5.80	18,180	1.38	152,329	6,275	3.57	464	10,038	13,835
53.14	12,547	12,547	6.23	22,874	1.61	176,322	51,250	25.46	3,421	5,839	26,208
55.11	21,723	40,590	3.97	46,547	1.65	587,321	46,211	8.44	1,811	3,872	37,223
54.30	6,984	6,984	2.48	42,747	0.82	190,733	73,533	26.13	2,922	25,203	19,660
50.39	3,074	3,074	2.98	15,251	1.66	99,759	53,179	51.61	2,975	12,695	10,468
49.54	11,900	11,900	2.52	65,600	1.33	493,600	132,300	28.00	4,600	-52,000	-600
37.60	4,938	6,870	3.39	5,509	1.84	240,159	60,250	41.41	2,697	2,019	7,541
51.28	38,409	38,426	4.64	86,047	2.00	889,344	431,271	52.15	9,248	35,714	53,727
50.58	444	444	0.44	14,108	2.22	80,535	42,346	41.53	2,358	-2,047	4,047
52.63	22,000	22,000	3.92	35,100	0.44	659,700	11,700	2.09	2,500	-4,000	24,700
49.83	49,500	49,500	4.55	175,500	0.53	2,444,000	39,900	3.67	2,200	-76,600	93,100
55.47	2,894	3,261	1.33	18,717	1.75	193,906	68,660	31.53	4,578	-2,866	1,551
57.70	5,431	2,700	2.94	19,947	3.40	311,161	11,063	5.98	3,171	781	19,335
57.13	-13,321	4,262	-5.95	15,774	1.00	350,929	130,465	58.28	6,066	-1,876	-35
56.09	-1,133	-2,504	-0.64	3,962	1.37	130,780	43,003	24.24	3,459	-1,557	13,247
51.05	14,800	14,800	3.05	107,900	1.27	694,500	84,500	17.43	6,200	-1,900	42,000
56.07	5,726	5,726	1.28	74,970	1.13	412,456	105,023	23.48	7,329	23,322	34,702
55.80	2,925	2,925	1.59	14,411	0.79	175,601	91,257	49.62	4,673	15,919	19,603
57.48	4,648	4,648	4.43	13,901	1.31	80,289	12,315	11.73	110	6,037	7,712
55.00	6,593	8,310	2.73	41,929	1.62	290,762	8,600	3.56	663	38,579	26,325
48.19	679	679	0.55	6,510	1.31	126,673	33,620	27.09	2,715	-883	9,981
54.44	1,648	2,894	0.77	24,222	0.94	225,604	149,965	70.19	7,197	-19,276	5,479

Institution	Total funding council grants £'000s	Total funding council grants as % of income	Tuition fees and education contracts (full time home and EU) £'000s	Tuition fees and education contracts (overseas) £'000s	Total research grants and contracts £'000s	Other income £'000s	Endowments and investments as % of total	Total income £'000s	Total number of staff	Total staff costs £'000s
University of Sussex	41,923	20.78	46,729	37,777	26,578	43,798	0.29	201,752	1,964	94,314
Teesside University	39,799	31.80	34,420	7,765	3,067	12,506	1.26	125,164	1,654	72,410
University of the Arts London	51,428	22.29	58,882	72,186	1,355	28,619	0.48	230,727	2,241	118,969
University of the West of England	48,300	21.71	78,800	13,900	11,500	58,300	0.63	222,500	2,608	123,200
University of the West of Scotland	67,396	69.15	15,366	2,323	2,694	6,433	0.37	97,466	1,363	58,673
University of Ulster	83,902	43.76	46,595	4,580	19,299	18,167	0.71	191,723	2,461	112,307
University of Wales	540	5.22	316	–	608	8,305	5.58	10,346	122	5,267
Cardiff Metropolitan University	10,910	13.48	37,057	6,931	2,477	19,452	0.60	80,948	1,110	48,631
University of South Wales	53,407	27.74	72,995	17,766	15,921	21,963	0.49	192,545	2,586	117,808
University of Warwick	77,400	16.84	81,200	89,500	83,700	106,400	0.46	459,600	4,536	224,800
University of Westminster	43,122	25.30	59,999	27,600	4,510	23,420	0.39	170,437	1,774	90,834
University of Winchester	11,329	21.53	23,180	2,702	483	10,747	0.19	52,631	594	25,906
University of Wolverhampton	41,977	25.99	54,508	8,564	3,171	31,944	0.49	161,500	1,999	87,332
University of Worcester	16,619	23.04	33,857	1,572	1,820	9,800	0.03	72,127	869	34,309
University of York	57,148	19.39	55,260	35,237	49,824	77,948	0.62	294,701	3,176	153,818
Writtle College	7,416	44.78	3,677	840	91	3,267	0.06	16,560	285	10,225
York St John University	10,046	20.43	19,766	3,716	332	10,029	0.14	49,178	587	25,676

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	Total staff costs as a % income	Net surplus/ deficit before exceptionals £'000s	Net surplus/ deficit after exceptionals £'000s	Surplus before exceptionals as % of income	Expenditure (additions) on total tangible and intangible assets £'000s	Quick ratio (current assets/current liabilities)	Total net assets (excluding pension liability) £'000s	Total borrowing £'000s	Total borrowing as % of income	Interest paid £'000s	Increase/ (decrease) in cash in the year £'000s	Cash flow from operations £'000s
	46.75	14,403	14,403	7.14	7,003	1.62	145,424	96,564	47.86	5,985	12,711	20,501
	57.85	10,211	10,211	8.16	2,406	4.35	158,990	683	0.55	275	16,539	12,406
	51.56	14,734	18,646	6.39	–	2.78	309,722	101,100	43.82	3,862	-1,438	17,306
	55.37	9,200	9,200	4.13	3,100	1.81	177,700	80,500	36.18	1,900	-5,900	17,700
	60.20	7,684	7,684	7.88	6,875	1.25	111,255	20,000	20.52	1,009	4,836	11,253
	58.58	11,246	11,246	5.87	10,808	2.15	299,560	4,648	2.42	1,443	21	10,353
	50.91	-4,082	-4,082	-39.45	317	0.78	22,066	–	0.00	–	-455	-2,711
	60.08	1,983	1,440	2.45	10,807	1.58	92,319	29,999	37.06	2,342	-681	8,686
	61.18	4,734	2,730	2.46	29,257	1.86	209,671	75,540	39.23	5,375	3,821	20,355
	48.91	19,100	19,100	4.16	35,500	1.36	334,800	121,300	26.39	5,800	4,700	39,900
	53.29	11,098	11,098	6.51	18,632	1.56	175,264	38,238	22.44	4,167	29,722	20,313
	49.22	5,443	5,443	10.34	5,521	2.23	61,814	10,681	20.29	805	803	8,323
	54.08	12,305	12,305	7.62	13,940	3.21	225,818	19,316	11.96	2,293	5,981	27,794
	47.57	4,366	4,366	6.05	12,291	1.88	71,951	72,351	100.31	3,373	14,729	10,704
	52.19	7,937	7,963	2.69	27,657	0.88	240,559	151,970	51.57	6,041	2,504	20,677
	61.75	-95	-95	-0.57	680	1.91	15,095	4,478	27.04	501	287	1,148
	52.21	2,387	2,352	4.85	3,285	2.94	80,398	12,622	25.67	1,097	2,189	5,693

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