



Financial Performance of Transnational Education (TNE) in 2019-20

Outcome requested:	Finance and Investment Committee is asked to note the report.
Executive Summary:	<p>This report summarises the financial performance of QMUL's TNE activities in 2019/20, and includes the subsidiaries formed to support TNE in China during 2016/17.</p> <p>Key points:</p> <ul style="list-style-type: none"> Underlying cash generation in China increased from £7.5m to £8.3m
Alignment with: <ul style="list-style-type: none"> Strategic Plan Aims Internal Policies/Regulations External Statutory Requirements 	6.1 Achieve enhanced investment in resources and facilities, for the benefit of students and staff, with an appropriate balance of contributions from across all components of QMUL.
Consideration of Strategic Risks:	<p>11. Sustainable income streams for activities</p> <p>12. Cost control, VFM and expenditure</p>
Subject to Prior and Onward Consideration by:	<p>SET November 2020</p> <p>FIC November 2020</p>
Equality Impact Assessment:	None Required
Confidential under FOIA/DPA paper	N/A
Timing:	Annual report to the Committee.
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Date:	11 th October 2020
Senior Management/External Sponsor:	Louise Parr-Morley, Interim Director of Finance

1. Overview

This paper summarises the financial performance of the University's Transnational Education (TNE) activities for 2019/20. This covers the three international partnerships in China, the medical school in Malta, and teaching at the University of London in Paris.

2. China Partnerships

2.1. Overall Performance of the Joint Programmes in the People's Republic of China 2019-20

£000	2018/19 Actual	2019/20 Budget	2019/20 Actual	19/20 actual vs 18/19 Actual	vs 19/20 Budget	2020/21 Budget
Exchange rate	8.79	8.7	9			8.7
RMB income	124,966	136,692	134,997	8.0%	-1.2%	141,612
Income excl. exchange	14,210	15,712	15,413	8.5%	-1.9%	16,277
GBP Other income	348	0	255	-93	255	92
Payroll expenditure	-3,718	-4,858	-4,405	-687	453	-5,074
Non pay expenditure	-3,357	-3,497	-3,012	345	485	-3,935
Total expenditure	-7,076	-8,355	-7,417	-341	938	-9,009
Cash generation	7,482	7,356	8,251	769	895	7,268
Cash generation %	52.7%	46.8%	53.5%	0.9%	6.7%	44.7%
FX -loss/gain on receipt of fee shares	521	0	-93	-613	-93	0
Total cash generation	8,003	7,356	8,158	155	802	7,360
Student numbers	4,329	4,594	4,598	269	4	4,635

- Overall, the Operating Surplus in 2019/20 was £0.6m better than 2018/19 at £8.2m, although a large part of the increase is due to a third cohort (of 246) coming into NPU and a c17% fee increase at BUPT (see Appendix 1 for individual JEI performance).
- Student numbers rose by 269 (6.2%) over 2018/19 to 4,598 whilst fees increased by 6.5%
- All payments of our share of tuition fees have been received (see Appendix 2)
- Note, Summer School programmes were cancelled in 2019/20. If travel permits, all three programmes plan to run "double" summer school in 20/21 to give opportunity to any students who missed out in participating in 2019/20.

2.2 Subsidiaries

There are two subsidiaries operating in Greater China to support the delivery of the Joint Programmes and provide QMUL with the means of legally operating locally e.g. a local office for marketing activity.

a. Queen Mary Research and Consulting (Hong Kong) Limited is the holding company for MEMA. For 2019/20 the company recorded a turnover of £15.6k and a profit of £11.1k.

b. MEMA (Mary Education Management Advisory (Beijing) Co., Limited)

The company was established to support the delivery of our education provision in China. The income for the company is cost plus a 6% profit margin. MEMA financial year runs from January to December. Twelve months to July 2020, had an estimated sales turnover of RMB 6,706.6k and a profit of RMB333.8k. Expressed in GBP at conversion rate of 8.7, turnover of £770.9k and profit of £38.4k. Sales turnover is £130k over budget. There were cost increases due to inflation, including social security costs. Two new staff were hired for international office, and MEMA required a larger office, contract started in August 2019.

3. Malta

The agreement to start a programme in Malta was signed between the Maltese Ministry of Health and QMUL in 2015. The programme is operated through a wholly owned subsidiary Queen Mary University of London – Malta Ltd, incorporated in Malta.

The summary Income and expenditure account for 2018/19 and 2019/20 shows:

£000	2018/19 Actual	2019/20 Budget	2019/20 Actual	vs 18/19 Actual	vs 19/20 Budget	Budget 2020/21	Revised budget 2020/21
Income	1,212	2,955	1,418	206	-1,536	3,885	5,688
Payroll expenditure	-989	-1,493	-1,398	-409	96	-1,419	-1,535
Non pay expenditure	-1,546	-2,020	-1,734	-188	286	-2,400	-2,115
Total expenditure	-2,535	-3,513	-3,132	-597	382	-3,819	-3,650
Gross Margin	-1,324	-559	-1,714	-391	-1,155	66	2,039

Student numbers	60	86	101	26	15	151	163
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The main points to note are:

- Cash generation in 2019/20 was £1.1m worse than budgeted. This was due in its entirety to delays in finalising the compensation agreements. The signing of the agreements has been put on hold due to the Maltese governments focus on tackling Covid-19.
- The September 2019 student intake was 44 students, 14 higher than planned. Combined with the continuing students, the total student population was 101, 15 higher than planned.
- Actual payroll and non-pay expenditure was lower than the budget and original plan, and is planned to be across the planning horizon, to reduce the impact of the lower recruitment in the early years of operation.
- An agreement has been negotiated and awaiting signing with the Maltese parties for compensation, to provide €8.5m over the next 8 years to compensate for the delays to the building and the knock on effects that it had on the first three years of recruitment to the programme.
- The building was formally opened in November 2019 and has helped contribute to a significant improvement in recruitment. September 2020 year 1 recruitment is currently 80 students, 20 higher than budgeted (60 students) and 35 higher than the last plan (45 students) reviewed by F&IC in September 2019.
- The additional students recruited through the 2019 and 2020 recruitment cycle, has meant that student numbers are 38 higher in 20/21 and 221 higher across the 5 years, compared to the plan presented to F&IC last year.
- Over the 5 years to 24/25, the financial impact of the additional student headcount and continued cost control, means cash generation including compensation payments is forecast to be circa £4.7m higher than last year's F&IC reviewed plan

4. H&SS TNE

University of London in Paris (ULiP)

	2018/19 Actual	2019/20 Budget	2019/20 Actual	2019/20 Actual vs 18/19 Actual	vs 19/20 Budget	2020/21 Budget
Income	961	1,097	1,035	74	-62	1,100
Expenditure	-155	-269	-379	-224	-110	-400
Gross Margin	806	828	866	-150	-172	700

Student Numbers	70	79	64	-6	-15	65
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The University runs a number of programmes at the University of London in Paris (ULiP). For 2019/20 a memorandum of understanding came into effect whereby a facilities and services charge of euro 311,600 replaced the charges previously incorporated into the agreements for each of the individual programmes. The charge covers provision of teaching space, office and academic space and support and learning services. The ULIP agreement does not operate a profit sharing model. Furthermore, investigations are underway with respect to establishing a legal status in France and clarifying QMUL's tax position.

QMUL has had administrative responsibility for various undergraduate French Studies programmes delivered by the University of London in Paris (ULIP) since 2016/17. Under this arrangement the students are included in QMUL's student numbers resulting in QMUL receiving the teaching grant (£29k). We also collect around £1m in tuition fees from c100 students that we pass onwards to the University of London along with the teaching grant. As QMUL act as an agent the fees and grant are not recorded as revenue in QMUL's accounts but QMUL does receive an academic support fee of £750 per FTE which generated £89k of income from 123 students (FTE118.75) towards the H&SS faculty contribution. The University also paid out bursaries of £54k subsequently reimbursed by ULIP.

In 2018/19 the School of Politics and International Relations commenced a joint BA in International Politics which recruited 10 students. During that first operational year the University reviewed the programme and negotiated for ULIP to take full ownership from 2019/20 for a fee of £108k. We remain responsible for the initial cohort until they graduate, but future cohorts will enrol directly with the University of London. For 2019/20 there were 8 students generating £74k tuition fee income.

There is also PGT provision at ULIP with a Masters in International Relations wholly delivered by QMUL and so QMUL retains the tuition fee income. For 2019/20 there were 18 students and tuition fee income £200k.

The Centre for Commercial Law Studies (CCLS) has successfully established an international base for the Law LLM primarily through enrolments in Paris. For 2019/20 there were 33 students on the LLM and 5 on the double LLM with Sorbonne resulting in £564k of fee income.

CCLS also have some small programmes in Piraeus, Greece - 11 students with fee income of £126k -and Singapore - 6 students with fee income of £84k. Following a review, the Piraeus programme will no longer be offered.

5. Recommendation

Finance and Investment Committee is asked to note the report.

Appendix 1: JEI Performance by Partner

BUPT Joint Programme

Established in 2004, the BUPT Joint Programme is a partnership between QMUL and Beijing University of Posts and Telecommunications (BUPT). Teaching is carried out in Beijing and split roughly 46/46 between QMUL and BUPT, with 4th year students having the opportunity to come to London for their final year of studies. The partners contribute 4% each towards a strategic investment fund.

£000	2018/19 Actual	2019/20 Budget	2019/20 Actual	19/20 actual vs 18/19 Actual	vs 19/20 Budget	2020/21 Budget
Exchange rate	8.77	8.7	8.72			8.7
RMB income	73,220	76,579	76,730	4.8%	0.2%	77,803
GBP Income excl. exchange	8,351	8,802	8,802	5.4%	0.0%	8,943
Payroll expenditure	-2,084	-2,479	-2,467	-383	12	-2,580
Non pay expenditure	-1,514	-1,679	-1,444	70	235	-1,689
Total expenditure	-3,598	-4,157	-3,911	-313	246	-4,268
Gross Margin	4,753	4,645	4,891	139	246	4,675
Gross Margin %	56.9%	52.8%	55.6%	-1.3%	2.8%	52.3%
FX -loss/gain	525	0	11	-514	11	
Total margin	5,278	4,645	4,902	-376	257	4,675
Student numbers	2,640	2,665	2,678	38	13	2,595

- Fee was increased in 2019/20 to RMB 70,000 from RMB 60,000, an increase of 16.67%.
- QMUL share of the fee is RMB 32,200 after 4% deduction for strategic funds. Thus, RMB 32,200 equates to £3,700 using an exchange rate of RMB 8.70 to GBP 1.
- Foreign exchange gain recorded for BUPT was £11.8k.
- Student recruitment for 2020/21 is on plan where 670 have enrolled for Year 1.

Nanchang Joint Programme

Established in 2013, the programme for Nanchang in partnership with QMUL operates on a 63:37 ratio.

£000	2018/19 Actual	2019/20 Budget	2019/20 Actual	19/20 actual vs 18/19 Actual	vs 19/20 Budget	2020/21 Budget
Exchange rate	8.8	8.7	8.8			8.7
RMB income	35,098	35,427	34,742	-1.0%	-1.9%	33,691
GBP Income excl. exchange	3,975	4,072	3,935	-1.0%	-3.4%	3,873
GBP Other income	348	0	170	-178	170	92
Payroll expenditure	-1,117	-1,297	-1,108	9	189	-1,365
Non pay expenditure	-1,300	-1,167	-949	351	218	-1,174
Total expenditure	-2,417	-2,464	-2,057	360	407	-2,539
Gross Margin	1,905	1,608	2,048	143	440	1,425
Gross Margin %	47.9%	39.5%	52.0%	4.1%	12.6%	36.8%
FX -loss/gain	-15	0	-62	-47	-62	
Total margin	1,890	1,608	1,986	96	378	1,425
Student numbers	1214	1,224	1217	3	-7	1,134

- Student numbers 2018/19 to 2019/20 are flat.
- QMUL receives RMB 43,500 per FTE for the first three years of the 5-year programme, and RMB 6,000 for years 4 and 5. The overall share of fee income is 47.5%. This change in fee income mix has resulted in higher fee income.
- Also included in fee income are Research Overheads of £91k, (73k 2018/19).
- Although no summer school took place in 2019/20, NCU recorded £79k in 2019/20 due to part of last year's summer school taking place in August 2019. Summer School income for 2018/19 was £270k.
- Actual foreign exchange loss recorded centrally was £62.2k.
- Non pay lower due to substantially lower travel costs as CV-19 restrictions were in place.
- Student recruitment for 2020/21 is on plan where 246 have enrolled in Year 1. Note the Budget numbers were prepared with a slightly higher non-continuing rate assumed.

NPU Joint Programme

£000	2018/19 Actual	2019/20 Budget	2019/20 Actual	19/20 actual vs 18/19 Actual	vs 19/20 Budget	2020/21 Budget
Exchange rate	8.83	8.7	8.79			8.7
RMB income	16,647	24,687	23,524	41.3%	-4.7%	30,118
Income excl. exchange	1,884	2,838	2,675	42.0%	-5.7%	3,462
GBP Other income			85	85	85	
Payroll expenditure	-517	-1,083	-830	-313	253	-1,129
Non pay expenditure	-543	-651	-619	-76	32	-1,072
Total expenditure	-1,060	-1,734	-1,449	-389	285	-2,201
Gross Margin	824	1,103	1,311	487	208	1,261
Gross Margin %	43.7%	38.9%	49.0%	5.3%	10.1%	36.4%
FX -loss/gain	10		-42	-52	-42	
Total margin	834	1,103	1,270	436	167	1,261

Student numbers	475	705	703	228	-2	906
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- In 2019/20 NPU recruited its third cohort of students.
- Fee set at RMB 70,000, of which QMUL share is RMB 33,250, after 5% reduction for development fund. There are two programmes offered, limited to an intake of no more than 120 each.
- Foreign exchange loss recorded centrally was £41.5k.
- Payroll expenditure increased in line with increased cohorts.
- Non pay expenditure was lower than expected due to reduced travel.
- Student recruitment for 2020/21 is on plan. 229 enrolled for year 1 20/21.
- NPU plan to launch in 2021/22 four new PGT programmes; expected intake is 70 generating £267k.

Appendix 2: Schedule of Payments from JEIs received.

- BUPT 2018/19 fee share received in September 2019
- NPU 2019/20 share received in June 2020
- BUPT 2019/20 fee share received in October 2020
- Nanchang 2019/20 fee share received in September 2020