



Financial Performance of the Malta Medical School

Outcome requested:	Finance and Investment Committee (FIC) is invited to note the contents of this report.
Executive Summary:	This paper provides a summary of the financial performance of the Malta medical school compared to the original business case presented to FIC.
QMUL Strategy: strategic aim reference and sub-strategies [e.g., SA1.1]	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 QM.
Internal/External regulatory/statutory reference points:	Statutory requirements, risk management
Strategic Risks:	Sustainable income streams for activities <ul style="list-style-type: none"> • Volume and margin achieved through the delivery of teaching activity
Equality Impact Assessment:	N/A
Subject to prior and onward consideration by:	N/A
Confidential paper under FOIA/DPA	No
Timing:	N/A
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Purpose of paper

This paper provides an analysis of actual and forecast financial performance of the Malta Medical School compared to the original financial case.

Overview

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

The programme was originally planned to start in 2016 but was delayed by 1 year because of building delays. The programme started in 2017 with an initial intake of 42 year 1 students. Student numbers were above the original target of 30 but the tuition fee per student achieved was circa €18k lower than planned. Attracting students to Malta and achieving the level of tuition fee originally planned has been challenging due to the delays to the main teaching building, practical completion of which should be achieved imminently. Compensation to partially offset these losses have has been agreed by the Government of Malta.

Current business case basis

The financial figures for the period 2018/19 have been updated to reflect the actual outturn for the financial year. The years 2019/20 to 2023/24 are based on the approved budget and financial forecasts to 2023/24 noted by FIC in March 2019, with the only material exception being the re-phasing of the payment profile for the compensation agreements currently being finalised with the Maltese government.

Financial review – Current compared to 2015 FIC plan

There have been a number of changes between the 2015 FIC business case and the current case which have had an adverse impact on cash generation and the expected project NPV. The expected NPV is now expected to be £15.5m, £10.7m lower the 2015 plan. The main changes are:

Income

- Average student fees over the life of the plan were £38k in the 2015 plan. These are now expected to be £28.4k in the current plan. This is due to the reductions in fees for the years 2017 to 2023 and the impact of inflation, i.e. the fee in 2024 is now planned to be £30k, whereas in the 2015 case the fee with inflation would have been £38.4k. This is being partially offset by above inflation fee rises from 2025.
- Total student numbers over the life of the plan were 3,449 in the 2015 plan. This compares to 2,901 in the current plan. This is due to the reduced student numbers in the years 2017 to 2020 and the current removal of the foundation programme.
- Compensation payments totaling £7.6m have been agreed with the Malta parties to compensate for the impact on recruitment, caused by delays to the completion of the building. The compensation payments will be received over 8 years from 2019/20 to 2026/27.

Expenditure

- Total expenditure over the life of the plan was £78.6m in the 2015 plan. This has been reduced by £17.5m across pay and non-pay to partially offset the impact of reduced student numbers, fees and the current removal of the foundation programme

Opportunities

The current plan is based on only using the facilities to run the Malta MBBS programme but there are significant opportunities and space available to run further allied and intercalated programmes, PGT courses and to utilise the new campus for summer courses and conferences to increase cash generation.

Opportunities will be identified through thorough market analysis and will be developed over the coming academic year with cross-faculty and global engagement input, to reduce the current NPV planning gap of £10.7m.

There is also the potential once the MBBS is established, to review the likely success of reintroducing the foundation programme. If this could be reintroduced in 2022, then this would reduce the NPV shortfall by circa £3 to £4m. The potential reintroduction will be reviewed annually.

Loan to QMUL Malta Ltd

At the 31st July 2019, the intercompany loan owed by QMUL Malta Ltd was £3.4m. This is expected to peak at £4.7m in 2020/21, before being fully repaid during 2024/25.

Given the intercompany debt is currently forecast to be fully repaid by 2024/25, no provision for the intercompany debt is required at this point, however if there is any material adverse variation to the current forecast position, then a provision in the university's accounts should be considered. This will not impact the University group position.

QMUL Malta Summary I&E based on 30 students in 2019 @ €19.5k, 45 in 2020 @ €20.5k, 60 in 2021 @ € 22.5k, 60 in 2022 @ €25k, 60 in 2023 @ €30k and then 60 from 2024 @ €35k

Name	2016/17 actual	2017/18 actual	2018/19 actual	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
All figures in €'000	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14
Income															
Net Tuition fees	-	568	784	1,333	2,057	3,108	4,103	5,277	6,683	7,827	8,707	9,570	10,304	10,922	11,577
Student Accommodation	-	101	130	209	215	221	228	235	242	249	257	264	272	280	289
Steward Scholarships	-	98	93	80	70	70	-	-	-	-	-	-	-	-	-
Compensation & grants	-	-	205	2,009	1,027	1,027	848	670	670	670	670	-	-	-	-
Total Income	-	767	1,212	3,630	3,368	4,426	5,179	6,182	7,595	8,745	9,633	9,834	10,576	11,202	11,866
Pay															
Teaching	122	444	599	686	799	882	900	917	936	955	974	993	1,013	1,033	1,054
Administration	34	241	325	531	655	727	741	756	771	786	802	818	835	851	868
Recharges	3	68	92	29	29	30	31	31	32	33	33	34	35	35	36
Total pay	159	753	1,016	1,245	1,484	1,638	1,671	1,705	1,739	1,774	1,809	1,845	1,882	1,920	1,958
Non Pay															
Staff Costs other	3	8	24	57	69	62	64	65	66	67	69	70	72	73	74
Buildings	-	-	-	293	354	416	447	536	744	786	789	792	794	797	800
Facilities	-	49	85	317	324	353	361	368	375	383	390	398	406	414	422
Student Accommodation	-	165	189	378	509	640	731	748	765	783	801	820	839	858	878
IT infrastructure and equipment	16	56	217	161	164	167	170	174	177	181	185	188	192	196	200
Equipment under €10k (excl IT)	32	49	67	46	47	48	48	49	50	51	52	54	55	56	57
Legal & Professional Fees	20	81	219	134	46	47	47	48	49	50	51	52	53	55	56
Marketing & Promotion	73	267	276	219	224	228	233	237	242	247	252	257	262	267	273
QMUL Services fee	52	100	116	150	150	149	149	148	148	147	147	147	147	147	147
Teaching consumables and support	14	102	98	210	197	201	205	209	213	217	222	226	231	235	240
Travel & Subsistence	76	262	90	160	157	154	151	148	145	142	139	136	133	131	128
Other	17	165	140	95	97	99	101	103	105	107	109	111	114	116	118
Total non pay expenditure	302	1,303	1,520	2,220	2,336	2,563	2,707	2,833	3,080	3,162	3,206	3,251	3,297	3,344	3,393
Total expenditure	461	2,056	2,535	3,465	3,820	4,202	4,378	4,537	4,818	4,936	5,015	5,096	5,179	5,264	5,351
Cash generation	(461)	(1,289)	(1,324)	165	(452)	224	801	1,644	2,776	3,809	4,618	4,738	5,397	5,938	6,515
Planned cash generation per 2015 FIC Business case (delayed by 1 year)	(696)	(864)	(112)	(560)	553	2,088	3,718	4,818	5,223	5,407	5,572	5,790	6,016	6,249	6,490
Cash generation variance compared to 2015 FIC business case	235	(425)	(1,212)	725	(1,005)	(1,864)	(2,916)	(3,173)	(2,446)	(1,598)	(954)	(1,053)	(619)	(311)	25
Cumulative NPV	15,451														
NPV variance compared to 2015 FIC business case	(10,732)														