



Financial Performance of Transnational Education (TNE) in 2020-21

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 2020/21, including operations in China, Malta and France.</p> <p>Key points:</p> <ul style="list-style-type: none"> • Cash Generation in China increased from £8.2m to £9.6m mainly due to reduced travel costs due to COVID. • China Cash Generation for 2021/22 is budgeted at £7.0m. • Malta income increased to £3.3m and operating deficit improved to (£0.6m) • A new legal entity was established in Paris in December 2020
QMUL Strategy:	Financial Sustainability
Internal/External regulatory/statutory reference points:	N/A
Strategic Risks	12. (1) Failure to generate adequate additional income to enable investment in order to achieve 2030 goals.
Equality Impact Assessment:	None Required
Subject to Prior and Onward Consideration by:	SET October 2021 FIC November 2021
Confidential paper under FOIA/DPA	No
Timing:	Annual Report
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Date:	21 st October 2021
Senior Management / External Sponsor:	Karen Kröger, Chief Financial Officer

1. Overview

This paper summarises the financial performance of the University's Transnational Education (TNE) activities for 2020/21. 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. 2020-21 Performance of the Joint Programmes in the People's Republic of China

£000	Actual					Budget
	2018/19	2019/20	Variance 2019/20 to 2018/19	2020/21	Variance 2020/21 to 2019/20	2021/22
Income	14,781	15,773	992	16,566	793	17,085
Payroll expenditure	3,781	4,507	-726	4,734	-227	5,996
Non pay expenditure	3,397	3,053	344	2,250	803	4,050
Total expenditure	7,178	7,560	-382	6,984	576	10,046
Gross Margin	7,603	8,213	610	9,582	1,369	7,039
Gross Margin %	51.4%	52.1%	0.6%	57.8%	5.8%	41.2%
FX -loss/gain	520	-93	-519	-151	-48	-

Student numbers	4,329	4,598	269	4,810	212	4,777
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- Gross Margin increased by £1.4m to £9.6m in 2020/21.
- A key driver of this movement was significant savings in Non-pay expenditure as a result of travel restrictions. Actual travel costs for 2020/21 were £0.0m v a budget of c£1.4m. It is expected that in 2021/22 travel will pick up and costs will rise significantly.
- Payroll costs are also increasing as additional staff are needed to maintain the required SSRs and existing vacancies are filled.
- Given the limited scope to increase fees and increasing costs, future margin is expected to decline.
- Student numbers rose by 212 (4.6%) over 2019/20 to 4,810, whilst fee income increased by 5.0%
- Repatriation of Funds
 - BUPT 2018/19 fee share received in September 2019
 - BUPT 2019/20 fee share received in October 2020
 - **BUPT 2020/21 fee share not yet received – VP S&E is engaged in resolving this.**
 - Nanchang 2018/19 fee share received in June 2019
 - Nanchang 2019/20 fee share received in September 2020
 - Nanchang 2020/21 fee share received in September 2021
 - NPU 2018/19 share received in June 2019
 - NPU 2019/20 share received in June 2020
 - NPU 2020/21 share fee received in June 2021

2.2 China 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.

- Queen Mary Research and Consulting (Hong Kong) Limited** is the holding company for MEMA. For 2020/21 the company recorded a turnover of £8.3k and a profit of £2.4k.
- MEMA (Mary Education Management Advisory (Beijing) Co., Limited)**
For 2020/21 the company turnover of £637.3k and profit of £32.7k.

3. France - Paris

£0	Actual					Budget
	2018/19	2019/20	Variance 2019/20 to 2018/19	2020/21	Variance 2020/21 to 2019/20	2021/22
Income	961	1,035	74	768	-267	1,100
Total expenditure	155	379	224	371	-8	400
Gross Margin	806	656	-150	397	-259	700
Gross Margin %	83.9%	63.4%		51.7%		63.6%

Student Numbers	70	64	-6	50	-14	65
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- Income for 2020/21 was mainly from PGT Laws and International Relations programmes delivered in Paris. Enrolments fell in the year, mostly as a result of Covid19. Student number targets for 2021/22 may not be met, but average fees will be higher, offsetting, at least in part, any volume shortfall.
- Costs include a facilities fee of Euro311k payable to the University of London in Paris.
- QMUL established an *Association* in Paris in December 2020 and work is on-going with KPMG to confirm its higher education status, alongside tax, payroll and accounting requirements ahead of transferring activities to this new entity. A recognised French HE entity, would open the door to more opportunities including CPD development, partnership arrangements with industry.

4. Malta

The summary Income and expenditure account for 2020/21 shows an improving position, with an expectation of positive contribution in 2021/22:

£000	Actual					Budget
	2018/19	2019/20	Variance 2019/20 to 2018/19	2020/21	Variance 2020/21 to 2019/20	2021/22
Income	1,212	1,418	206	3,258	1,840	5,528
Payroll expenditure	989	1,398	-409	1,477	-80	1,968
Non pay expenditure	1,677	1,971	-294	2,357	-386	2,773
Total expenditure	2,666	3,369	703	3,834	-465	4,741
Gross Margin	-1,454	-1,951	-496	-576	1,375	787
Gross Margin %	-120.0%	-137.5%	-17.5%	-17.7%	119.9%	14.2%

New student intake	26	44	-18	89	-107	60
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The main points to note are:

- Compensation payments agreed with the government are still to formally be signed, in part due to Covid. £1.1m was expected to be received in 20/21, with a further £1.1m budgeted to be received in 21/22. The current forecast for 2021/22 shows a circa £0.3m upside against budget as a result of over recruitment of students. As a result, if the compensation is not resolved this year, a break even position is achievable.

- Formal GMC approval of the programme is due in 2022, as the first students graduate next summer. To ensure students have the required clinical experience, given the disruptions caused by Covid-19, additional specialised clinical teaching resources have been approved & recruited
- 89 students were recruited in September 2020, 29 higher than planned. September 21 recruitment was 83, 23 higher than planned. These bulge years will not be repeated going forward and could potentially reduce recruitment marginally due to limited clinical placements
- Works to develop the Gozo Hospital has not progressed per the contractual timelines, which has led to additional costs being incurred as the students clinical placements are being completed at the Mater Dei Hospital in Malta. This was not part of the original compensation arrangements, but discussions with government ministers in Malta are ongoing.

5. Recommendation

Finance and Investment Committee is asked to **note** the report.

Appendix 1: JEI Performance by Partner

BUPT Joint Programme

£000	Actual					Budget
	2018/19	2019/20	Variance 2019/20 to 2018/19	2020/21	Variance 2020/21 to 2019/20	2021/22
Income	8,420	8,769	349	8,952	183	9,540
Payroll expenditure	2,084	2,467	-383	2,464	3	2,854
Non pay expenditure	1,514	1,444	70	992	452	1,731
Total expenditure	3,598	3,911	313	3,456	455	4,585
Gross Margin	4,822	4,858	36	5,496	638	4,955
Gross Margin %	57.3%	55.4%	-1.9%	61.4%	6.0%	51.9%
FX -loss/gain	525	11	-514	-188	-199	-

Student numbers	2,640	2,678	38	2,671	-7	2,687
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Nanchang Joint Programme

£000	Actual					Budget
	2018/19	2019/20	Variance 2019/20 to 2018/19	2020/21	Variance 2020/21 to 2019/20	2021/22
Income	4,388	4,244	-145	4,093	-151	4,094
Payroll expenditure	1,180	1,210	-30	1,305	-95	1,604
Non pay expenditure	1,340	990	350	834	156	1,235
Total expenditure	2,520	2,200	320	2,139	61	2,839
Gross Margin	1,868	2,044	176	1,954	-90	1,255
Gross Margin %	42.6%	48.2%	5.6%	47.7%	-0.4%	30.7%
FX -loss/gain	-15	-62	47	17	79	-

Student numbers	1,214	1,217	3	1,200	-17	1,187
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NPU Joint Programme

£000	Actual					Budget
	2018/19	2019/20	Variance 2019/20 to 2018/19	2020/21	Variance 2020/21 to 2019/20	2021/22
Income	1,973	2,760	788	3,521	760	3,451
Payroll expenditure	517	830	-313	965	-135	1,538
Non pay expenditure	543	619	-76	424	195	1,084
Total expenditure	1,060	1,449	-389	1,389	60	2,622
Gross Margin	913	1,311	399	2,132	820	829
Gross Margin %	46.3%	47.5%	1.2%	60.5%	13.0%	24.0%
FX -loss/gain	10	-42	-52	20	72	-

Student numbers	475	703	228	939	236	903
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