Financial Information

Financial Outlook

The University (and UK Higher Education sector) is exposed to various external risks including economic risks such as interest rate movements and inflation, risks surrounding changes to international and domestic student demand and mobility, government policy on sector funding, geopolitical events, industrial relations, pension costs and the economic health of the countries in which our students are domiciled. All of these various risk factors and the potential financial impacts associated with them are considered in our future strategic planning.

The University's operating environment has continued to present challenges through the 2023/24 year, most notably due to changing patterns in international student recruitment.

The 2024/25 budget was approved in March 2024 with planned income of £749m and operating cash generation of £77m, incorporating the resources required to continue the delivery of the University's strategy.

Student numbers remained flat in 2023/24, meaning tuition fee income was less than budgeted: this was managed by delivering offsetting savings on the University's planned expenditure during the year. Mindful of the changes in student recruitment patterns, the University has reviewed its growth targets as part of 2024/25 budget setting.

The changes in student recruitment and inflationary cost pressures can be seen in the financial performance in these financial statements: 2023/24 was the second financial year where operating expenditure has grown by significantly more than income, reducing the surplus generated. Over the longer term, management of the University's finances will present more challenges than previously anticipated, exacerbated by the static fee for home undergraduates[1], and the University will need to continue to adapt and review how it delivers its core activity to improve financial performance.

Forward looking budgets and forecasts indicate that the University will continue to be able to generate the funds to support the overall strategy and the University's financial position as shown in the financial statements is resilient. (Inflationary pressures have been acute in the last two years, and these are allowed for in forward looking budgets and plans.)

The budget and financial forecasts include cash flow forecasts for more than 12 months from the date of approval of these financial statements. After reviewing these forecasts, Queen Mary's Executive and Leadership are of the opinion that, taking account of potential plausible downsides, the University will have sufficient funds to meet its liabilities as they fall due and will continue to maintain compliance with the University's loan covenants.

In event of the environment becoming more difficult, there are mitigations which could be employed to conserve cash, including restricting planned expenditure and slowing capital expenditure.

[1] The tuition fee will increase in 2025 following the October 2024 budget, but the increase has been more than wholly offset by the increase in employer's national insurance costs announced in the same budget

Underlying cash generation

The University has seen a significant drop in this measure which reflects the significant increases in operating costs compared to the increase in operating income.

The definition of underlying cash generation (agreed by Finance and Investment Committee) is a useful measure of underlying financial performance. This is calculated by adjusting '*the surplus/(deficit) before other gains/(losses) and share of operating profit/(loss) of associates*' from the Financial Statements for 2023-24 to exclude non-cash items such as the pension provision movement. It also excludes items such as investment income and expenditure, capital grant receipts and strategic fund expenditure which are outside normal operating activities.

Whilst recognising the operational challenges for universities in the current environment, management have modelled a number of scenarios. The most significant risks to cash generation are overseas student recruitment, and the assumptions used within the budget with regards to these have been tested against scenarios where student recruitment and tuition fee income and inflationary pressures deviated from the central case used within the budget to gauge the financial impact on the institution and mitigatory strategies which the University would employ if necessary. Whilst significant risks exist, the current financial position of the University, and indications of future student numbers, mean that the budget is stretching but achievable.

Reconciliation from the operating surplus to net cash generation:

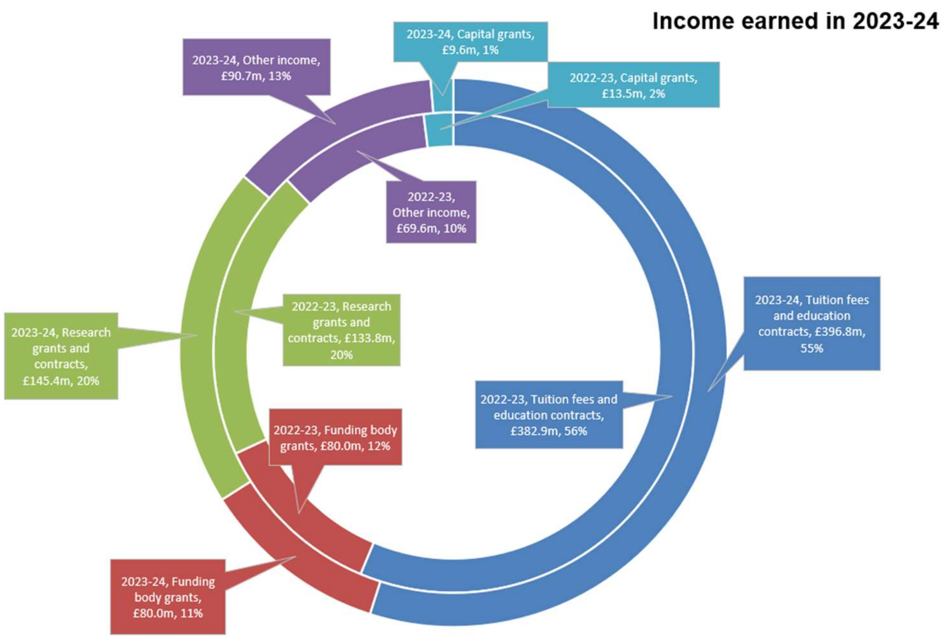
	2023/24	*2022/23*
	£'000	£'000
Surplus/(deficit) before other gains/(losses) and share of operating profit/(loss) of associates	**191,147**	**76,513**
Depreciation and amortisation	32,677	28,843
Interest payable	10,912	13,293
Investment Income	(21,851)	(13,772)
Pension Provision	(158,423)	(15,356)
Capital Grants	(9,553)	(13,487)
Taxation	(1,220)	(1,035)
Realised Gains	146	622
Net expenditure funded by endowments	910	652
Strategic Fund Expenditure	14,135	7,549
Underlying Cash Generation	**58,880**	**83,822**

Income

Total income grew by £42.7m to £722.5m, whilst income, excluding capital grants, grew by £46.6m to £712.9m.

	2023/24 £ millions	2022/23 £ millions	Change
Tuition fee	396.8	382.9	4%
Funding body grants*	80.0	80.0	0%
Research*	145.4	133.8	9%
Other income, investment income & donations*	90.7	69.6	32%
Total before capital grants	712.9	666.3	7%
Capital grants	9.6	13.5	-29%
Total income	722.5	679.8	6%

* Excluding capital grants and income



Tuition fees increased by 4% from £382.9m to £396.8m:

The increase in tuition fee income reflects growth in overseas student numbers with increases primarily in full time international students where fee income increased by £12.3m (6 per cent increase). There was a slight decrease in full time home and EU students fee income which decreased by £1.8m (1 per cent decrease). Total student numbers as at 1 December census point were broadly in line with last year at 32,396 (2023: 32,431) with increases in overseas students offset by a reduction in home students and a marginal shift in mix of provision with a decrease in undergraduate students offset by an increase in postgraduate students.

Student numbers (headcount at 1 December, which excludes students starting later in the academic year) are summarised below:

Student numbers	**2023/24**	**2022/23**	**Change**
	Numbers	Numbers	%
Student Numbers	32,396	32,431	0%
By level of study:			
Undergraduate	22,899	23,061	-1%
Postgraduate	9,497	9,370	1%
By fee status:			
Home (UK and EU)	17,998	18,480	-3%
Overseas (International)	14,398	13,951	3%
By location:			
Queen Mary (London)	25,112	25,338	-1%
Overseas (incl. China)	5,638	5,408	4%
Distance Learning	1,646	1,685	-2%

UK government funding body grants decreased slightly from £87.2m to £86.8m:
The revenue element of these grants remained constant at £80.0m (2022/23 £80.0m), whilst the capital element decreased slightly to £6.9m (2022/23 £7.2m).

Research grant and contract income, excluding capital grants, increased by 9 per cent to £145.4m.

Other income, investment income and donations (excluding capital grants) increased by £21.1m to £90.7m with increases in all categories of income except other services rendered which decreased slightly.

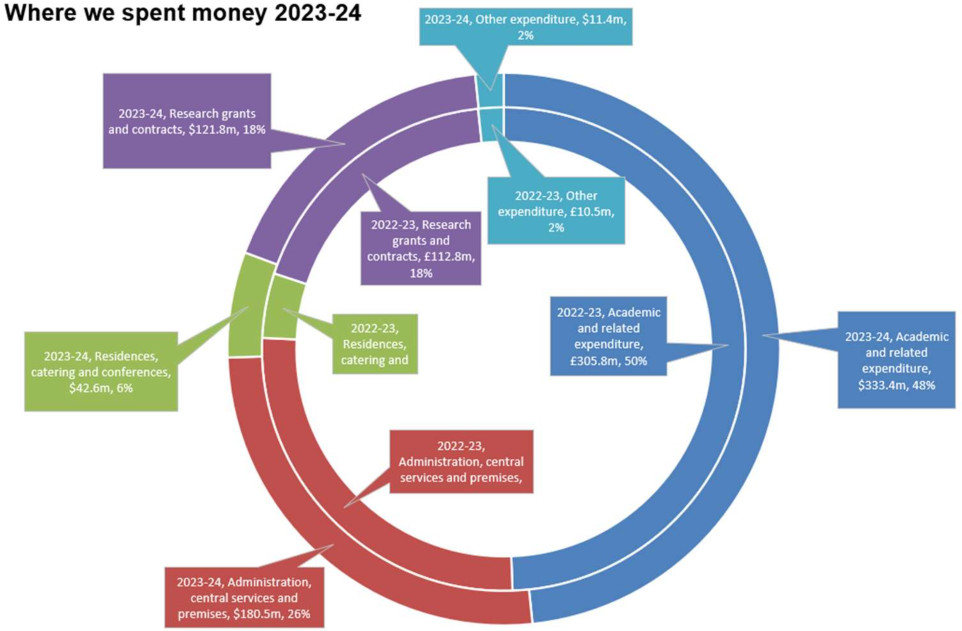
- The largest increase was in residences, catering and conference income which increased by £9.4m to £31.9m, the majority of which was driven by a new nominations agreement for the provision of student residences.
- Investment income increased by £8.1m to £21.9m as a result of increases to the interest rates available on the investment of surplus cash.
- Donations and endowment income decreased by £1.0m to £1.9m.

Operating expenditure

Expenditure increased by 11 per cent to £689.7m.

Expenditure	2023/24 £ millions	2022/23 £ millions	change
Staff costs	388.3	346.3	12%
Other operating expenses	257.8	230.3	12%
Depreciation and amortisation	32.7	28.8	14%
Interest and other finance costs	10.9	13.3	-18%
Total expenditure (excluding pension provisions)	689.7	618.7	11%

Where we spent money 2023-24



Staff costs increased by 12 per cent, reflecting the increase in staff numbers in the year from 4,839 FTE to 5,280 FTE, along with pay increases which were implemented in the year, being partly offset by reductions in the USS employer contributions from 1st January 2024.

Other operating expenses increased by 12 per cent to £257.8m as a result of increased research grant funded expenditure, utility bills cost increases, resourcing needed to support the University's ongoing investment in areas such as student support and welfare and the effects of inflation.

Depreciation and amortisation increased from £28.8m to £32.7m as a result of capital projects completed in the year.

Interest and finance costs decreased by £2.4m as a result of a decrease to the net interest charge on the USS and LHMC pension scheme provisions.

Tangible Assets and Intangible Assets

The University continued to invest in improvements to its estates and IT infrastructure with total capital expenditure in 2023/24 of £58.3m (2022/23 £59.6m). Capital expenditure included the following major project spend:

1. £7.8m expenditure incurred as part of an ongoing project to construct a new building for the School of Business and Management. The project is expected to be completed in 2027.

2. £7.0m of expenditure incurred as part of a project to refurbish and repurpose the Garrod building at Whitechapel. This building is home to the Institute of Health Science Education and the refurbishment delivered new teaching and study spaces as well as new facilities for the Students' Union. The total project cost £14.0m and completed in August 2023.

3. £4.8m costs incurred on a project to develop a new life sciences building at Whitechapel which forms part of a masterplan for a new Life Sciences Cluster. This has an expected completion date of 2029 and £16.2m had been incurred at 31 July 2024 out of a total project budget of £156.9m.

4. £3.5m costs incurred on the refurbishment and fit out of new office space at Charterhouse Buildings which was completed in May 2024, supporting the Faculty of Medicine and Dentistry.

5. £2.8m costs incurred on a project to remodel and refurbish the Queens Building. The project is expected to complete in Autumn 2026 and will provide multi-purpose social learning and event space as well as housing student facing services.

Investments

Non-current investments increased by £5.3m to £51.6m. There were additions of £3.4m, disposals of £2.7m and an increase in the fair value of investments held of £4.6m. Current investments decreased by £12m in the year primarily due to less of Queen Mary's surplus funds being held on longer term deposit.

Cash and borrowings

Consistent with our strategy to improve our financial resilience year-end cash balances remained high at £163.5m, an increase of £17.6m. The University has private placement loan notes with a principal value of £160m. The nature of the loan notes means that £96.5m of the principal must be held at fair value (due to the inclusion of a swap breakage clause in the Note Purchase Agreement for these notes which exposes Queen Mary to foreign exchange risk in the event of default or early repayment of the notes), with the remaining £63.5m recorded at amortised cost. The total fair value of these loans at 31 July 2024 was £131.9m (2022/23: £131.4m), with a fair value increase of £0.5m being recognised in the Statement of Comprehensive Income and Expenditure (2022/23: £15.5m decrease). As the cashflows over the life of the loan are contractually fixed, except in the event of an early repayment, the change in fair value of the loan notes does not indicate any change in the cashflows payable by the University over the life of the borrowings. The University and its subsidiaries also have bank loans totalling £59.0m (2022/23 £61.1m).

Pensions

The main pension schemes in which the University participates are USS, SAUL and the NHS pension schemes. A deficit recovery plan was put in place as part of the 2020 USS valuation, which required payment of 6.2% of salaries over the period 1 April 2022 until 31 March 2024, at which point the rate would increase to 6.3%. Following the completion of the 2023 USS valuation, the deficit recovery plan was no longer required as the scheme was in surplus on a technical provisions basis. Queen Mary was therefore no longer required to make deficit recovery contributions from 1 January 2024 and accordingly released the remaining provision to the consolidated statement of comprehensive income and expenditure.

The cost of employer pension contributions decreased in the year from £47.7m to £46.2m mainly as a result of the reduction in USS contribution rate from 21.6% to 14.5% from 1 January 2024.