



OfS Annual Finance Return

Outcome requested:	<p>Finance and Investment Committee (FIC) is invited to:</p> <ul style="list-style-type: none"> • Note the position relating to the 2019 reporting requirements; • Approve the basis for the financial forecasts which will be submitted to the Office for Students; • Agree appropriate FIC engagement to enable Council to approve the return on 21st November 2019.
Executive Summary:	<p>The templates for submission to the OfS were released on 28th October and so it has not been possible to populate them in time for this committee.</p> <p>The format of the return and information requirements have changed, in particular the HESA finance return now forms part of this return, which previously did not require Council approval.</p> <p>The financial tables in the previous format are included at Appendix 1 and are based on the forecasts noted by FIC and Council in March / May 2019 adjusted for the actual 2018-19 outturn and the 2018 USS pension valuation.</p> <p>If the Committee is in agreement we intend to circulate the return as soon as it is available and arrange a conference call to take any queries or comments.</p>
QMUL Strategy:	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.
Strategic Risks	<p>Sustainable income streams for activities</p> <ul style="list-style-type: none"> • Volume and margin achieved through the delivery of teaching activity • Surplus levels achieved in support of Capital funding • Sustaining and developing commercial income • Sustaining and increasing teaching income <p>Cost control, VFM and Expenditure</p>
Subject to Prior and Onward Consideration by:	<p>SET November 2019 FIC November 2019</p>
Equality Impact Assessment:	None Required

Confidential paper under FOIA/DPA	N/A
Timing:	Annual submission to the OfS
Author(s) :	Andrew Gladin, Deputy Director of Finance
Date:	29 October 2019
Senior Management/External Sponsor:	Joanne Jones, Director of Finance and Resources

The 2019 Annual Finance Return

The annual finance return detailing 5 year financial and student number forecasts was historically required by HEFCE in July, however following the introduction of the OfS this was amended to September in 2018 and a consultation for changes to both the timing and content of the return undertaken in 2019. The templates and guidance for the 2019 return were issued on 28th October 2019, they include a requirement for Council approval prior to submission to the OfS by 2nd December 2019. The OfS will then review and if appropriate query the return with final sign off by the Accounting Officer required by 10th January 2020.

The changes to the return include:

- A prescribed commentary based on 16 questions.
- Prescribed details of assumptions
- Inclusion of the HESA finance return for 2018-19 (this is a return we undertake annual for submission in December that has not previously required Council approval).
- Additional disclosures in respect of higher paid staff

Due to the timing of the release of the return templates and the changes to the information required it has not been possible to complete the return for this Finance and Investment Committee. We do however seek agreement to the basis of the forecasts and the engagement with committee members in reviewing the return prior to presentation to Council.

Basis for the 2019 Financial Forecasts

We intend to submit the financial forecasts noted by FIC and Council in March / May 2019 respectively adjusted for:

- 2018/19 actual revenue performance
- 2018/19 capital slippage
- 2018/19 closing cash
- 2018/19 closing balance sheet
- USS 2018 valuation

The proposed forecasts are presented in Appendix 1 in the previous return format for information and represent the University base case (i.e. they include only the growth planned prior to the introduction of the 2030 strategy).

A copy of the March 2019 budget and forecast paper presented to FIC is included in the additional reading.

FIC Engagement to review the return prior to presentation to Council

If the Committee are in agreement we intend to circulate the return as soon as it is available and arrange a conference call to take any queries or comments.

Recommendation

FIC is invited to note the current position in relation to the 2019 OfS Finance Return, approve the basis for the financial forecasts and agree the form of engagement prior to presentation to Council.

**Financial results and forecasts 2019 -
Draft Submission due Dec 2019, Final submission: Jan 2020**

Table 1: Consolidated statement of comprehensive income and expenditure						
	Actual	Forecast	Forecast	Forecast	Forecast	Forecast
	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
	£000	£000	£000	£000	£000	£000
1. Income						
1a. Tuition fees and education contracts	245,344	262,947	275,278	284,330	288,541	292,708
1b. Funding body grants	69,960	70,072	69,438	69,913	69,913	69,913
1c. Research grants and contracts	109,347	106,152	106,895	108,591	109,264	110,343
1d. Other income	54,820	54,512	55,628	56,812	57,540	58,281
1e. Investment income	1,094	1,000	1,000	500	0	0
1g. Donations and endowments	0	0	0	0	0	0
1h. Total income	480,565	494,683	508,239	520,146	525,258	531,245
2. Expenditure						
2a. Staff costs	335,700	237,921	292,427	294,414	299,399	303,148
2b. Fundamental restructuring costs	0	0	0	0	0	0
2c. Other operating expenses	151,645	161,713	163,728	166,233	167,207	167,669
2d. Depreciation	30,757	26,268	28,151	30,462	31,958	33,080
2e. Interest and other finance costs	6,111	8,436	8,349	8,244	8,055	7,921
2f. Total expenditure	524,213	434,339	492,655	499,354	506,619	511,818
3. Surplus/(deficit) before other gains/losses and share of surplus/(deficit) in joint ventures and associates						
	-43,648	60,344	15,584	20,792	18,639	19,428
4. Gain/(loss) on disposal of fixed assets	-1,511	0	0	0	0	0
5. Gain/(loss) on investments	-4,876	0	0	0	0	0
6. Share of operating surplus/(deficit) in joint venture(s)	0	0	0	0	0	0
7. Share of operating surplus/(deficit) in associate(s)	607	0	0	0	0	0
8. Surplus/(deficit) before tax						
	-49,428	60,344	15,584	20,792	18,639	19,428
9. Taxation						
9a. Taxation on research and development expenditure credit	0	0	0	0	0	0
9b. Other taxation	0	0	0	0	0	0
9c. Total taxation	0	0	0	0	0	0
10. Surplus/(deficit) for the year						
	-49,428	60,344	15,584	20,792	18,639	19,428
11. Unrealised surplus on revaluation of land and buildings	0	0	0	0	0	0
12. Actuarial gain/(loss) in respect of pension schemes	0	0	0	0	0	0
13. Change in fair value of hedging financial instrument(s) plus foreign exchange transla	0	0	0	0	0	0
14. Miscellaneous type of other comprehensive income - enter details in the text box under validation check 1	0	0	0	0	0	0
15. Total comprehensive income for the year						
	-49,428	60,344	15,584	20,792	18,639	19,428
16. Total comprehensive income for the year represented by:						
16a. Endowment comprehensive income for the year	0	0	0	0	0	0
16b. Restricted comprehensive income for the year	0	0	0	0	0	0
16c. Unrestricted comprehensive income for the year	-49,428	60,344	15,584	20,792	18,639	19,428
16d. Revaluation reserve comprehensive income for the year	0	0	0	0	0	0
16e. Attributable to the University	-49,428	60,344	15,584	20,792	18,639	19,428
16f. Attributable to the non-controlling interest	0	0	0	0	0	0
16g. Total	-49,428	60,344	15,584	20,792	18,639	19,428
17. Surplus for the year attributable to:						
17a. Non-controlling interest	0	0	0	0	0	0
17b. University	-49,428	60,344	15,584	20,792	18,639	19,428

Table 1a: Analysis of income

	Forecast 2018-19 £000	Forecast 2019-20 £000	Forecast 2020-21 £000	Forecast 2021-22 £000	Forecast 2022-23 £000	Forecast 2023-24 £000
1. Tuition fees and education contracts						
1a. Home domicile full-time undergraduate	87,139	88,505	91,603	94,225	94,250	94,266
1b. Home domicile full-time postgraduate	9,046	10,858	11,459	11,715	11,974	12,239
1c. Home domicile part-time	1,828	1,640	1,640	1,709	1,746	1,784
1d. Home domicile fees paid by the Department of Health	3,833	3,833	3,833	3,833	3,833	3,833
1e. EU domicile full-time undergraduate	16,403	16,471	16,986	17,437	17,437	17,437
1f. EU domicile full-time postgraduate	6,537	7,450	7,687	7,839	7,996	8,156
1g. EU domicile part-time	296	268	266	275	281	287
1h. EU domicile fees paid by the Department of Health						
1i. Apprenticeship fee income	486	486	522	571	571	571
1j. Non-EU domicile students	111,631	124,657	132,676	138,301	141,842	145,444
1k. Other fees and support grants	8,145	8,779	8,606	8,425	8,611	8,691
1h. Total tuition fees and education contracts	245,344	262,947	275,278	284,330	288,541	292,708
				-75,410	-49,083	-32,354
2. Funding body grants						
2a. HEFCE/Office for Students teaching grant	28,047	23,801	23,927	24,402	24,402	24,402
2b. HEFCE/Research England research grant	30,552	35,282	35,282	35,282	35,282	35,282
2c. HEFCE/Office for Students/Research England other grants	6,361	5,989	5,229	5,229	5,229	5,229
2d. ESFA funding	0	0	0	0	0	0
2e. NCTL funding	0	0	0	0	0	0
2f. Capital grants recognised in the year	5,000	5,000	5,000	5,000	5,000	5,000
2g. Total funding body grants	69,960	70,072	69,438	69,913	69,913	69,913
3. Research grants and contracts						
3a. BEIS Research Councils	37,731	36,629	36,885	37,470	37,702	38,074
3b. UK-based charities	29,379	28,521	28,721	29,177	29,358	29,648
3c. EU sources	11,513	11,177	11,255	11,434	11,505	11,619
3d. Other research grants and contracts	30,724	29,825	30,034	30,510	30,699	31,002
3e. Total research grants and contracts	109,347	106,152	106,895	108,591	109,264	110,343
4. Other income						
4ai. Other services rendered: BEIS Research Councils, UK central gov't/local authorities, health and hospital authorities	7,289	7,289	7,289	7,289	7,289	7,289
4aii. Other services rendered: EU government bodies						
4aiii. Other services rendered: Other EU sources						
4aiv. Other services rendered: Other						
4b. Residences and catering operations (including conferences)	21,349	21,587	22,019	22,459	22,908	23,366
4c. Income from health and hospital authorities (excluding teaching contracts for student provision)	13,969	13,969	13,969	13,969	13,969	13,969
4d. Other operating income from EU sources						
4e. Other operating income	12,213	11,667	12,351	13,095	13,374	13,657
4e. Total other income	54,820	54,512	55,628	56,812	57,540	58,281
5. Investment income	1,094	1,000	1,000	500	0	0
6. Total income before donations and endowments	480,565	494,683	508,239	520,146	525,258	531,245
7. Donations and endowments	0	0	0	0	0	0
8. Total income	480,565	494,683	508,239	520,146	525,258	531,245

Note: 'UG' = 'undergraduate'; 'EU' = 'European Union'; 'NCTL' = 'National College of Teaching and Leadership'; 'SFA' = 'Skills Funding Agency'; 'BIS' = 'Department for Business, Innovation and Skills'.

Table 1b: Analysis of staff costs

	Forecast 2018-19 £000	Forecast 2019-20 £000	Forecast 2020-21 £000	Forecast 2021-22 £000	Forecast 2022-23 £000	Forecast 2023-24 £000
1. Salaries and wages	225,117	218,219	235,983	241,616	246,576	249,754
2. Social security costs	16,088	27,224	24,514	25,099	25,614	25,945
3a. Employer pension costs: USS	22,872	38,704	34,851	35,683	36,415	36,885
3b. Employer pension costs: other pension schemes						
4a. Changes to pension provisions: USS	70,248	-46,226	-2,921	-7,984	-9,206	-9,436
4b. Changes to pension provisions: other pension schemes	0	0	0	0	0	0
5. Other staff related costs	1,294	0	0	0	0	0
6. Total staff costs	335,619	237,921	292,427	294,414	299,399	303,148

Note: FTE = full-time equivalent.

Table 2: Consolidated balance sheet

	Forecast Year ended 31-Jul-19 £000	Forecast Year ended 31-Jul-20 £000	Forecast Year ended 31-Jul-21 £000	Forecast Year ended 31-Jul-22 £000	Forecast Year ended 31-Jul-23 £000	Forecast Year ended 31-Jul-23 £000
1. Non-current assets						
1a. Intangible assets	7,351	7,351	7,351	7,351	7,351	7,351
1b. Goodwill	0	0	0	0	0	0
1c. Negative goodwill	0	0	0	0	0	0
1d. Net amount of goodwill and negative goodwill	0	0	0	0	0	0
1e. Fixed assets	611,400	642,261	676,468	734,558	758,555	766,445
1f. Heritage assets	0	0	0	0	0	0
1g. Investments	28,999	28,999	28,999	28,999	28,999	28,999
1h. Investment in joint venture(s)	0	0	0	0	0	0
1i. Investments in associate(s)	0	0	0	0	0	0
1j. Total non-current assets	647,750	678,611	712,818	770,908	794,905	802,795
2. Current assets						
2a. Stock	274	274	274	274	274	274
2b. Trade and other receivables	61,441	61,441	61,441	61,441	61,441	61,441
2c. Investments	10,347	10,347	10,347	10,347	10,347	10,347
2d. Cash and cash equivalents	172,174	154,684	132,804	86,414	70,071	70,147
2e. Other (e.g. assets for sale)	0	0	0	0	0	0
2f. Total current assets	244,236	226,746	204,866	158,476	142,133	142,209
3. Creditors - amounts falling due within one year						
3a. Bank overdrafts	0	0	0	0	0	0
3b. Bank loans and external borrowing	2,350	2,425	2,504	2,587	2,674	2,125
3c. Obligations under finance leases and service concessions	186	0	0	0	0	0
3d. Loans repayable to funding council	0	0	0	0	0	0
3e. Other (including grant claw back)	113,112	114,401	116,006	116,936	116,904	117,799
3g. Total creditors (amounts falling due within one year)	115,648	116,826	118,510	119,523	119,578	119,924
4. Share of net current assets/(liabilities) in associate	0	0	0	0	0	0
5. Net current assets/(liabilities)	128,588	109,920	86,356	38,953	22,555	22,285
6. Total assets less current liabilities	776,339	788,531	799,174	809,861	817,460	825,080
7. Creditors: amounts falling due after more than one year						
7a. Bank loans and external borrowing	229,470	227,044	224,541	221,954	219,280	217,156
7b. Obligations under finance leases and service concessions	0	1	0	0	0	0
7c. Loans repayable to funding council	0	0	0	0	0	0
7e. Other (including grant claw back and interest rate hedges - swaps)	8,398	7,890	7,392	6,905	6,907	5,954
7f. Total creditors (amounts falling due after more than one year)	237,868	234,935	231,933	228,859	226,187	223,110
8. Provisions						
8a. Pension provisions	106,759	61,538	59,599	52,567	44,200	35,468
8b. Other provisions	29	29	29	29	29	29
8c. Total provisions	106,788	61,567	59,628	52,596	44,229	35,497
9. Total net assets	431,683	492,029	507,613	528,406	547,044	566,473
10. Reserves						
Restricted reserves						
10a. Income and expenditure reserve - endowment reserve	33,449	33,449	33,449	33,449	33,449	33,449
10b. Income and expenditure reserve - restricted reserve	2,579	2,579	2,579	2,579	2,579	2,579
Unrestricted reserves						
11a. Income and expenditure reserve - unrestricted	395,660	456,004	471,588	492,380	511,019	530,447
11b. Revaluation reserve	0	0	0	0	0	0
12. Total restricted and unrestricted reserves	431,688	492,032	507,616	528,408	547,047	566,475
13. Non-controlling interest (enter as negative)	-5	-5	-5	-5	-5	-5
14. Total reserves	431,683	492,027	507,611	528,403	547,042	566,470

Table 3: Consolidated statement of cash flows

	Actual 2018-19 £000	Forecast 2019-20 £000	Forecast 2020-21 £000	Forecast 2021-22 £000	Forecast 2022-23 £000	Forecast 2023-24 £000
1. Cash flow from operating activities						
1a. Surplus for the year	-49,428	60,344	15,584	20,792	18,639	19,428
2. Adjustment for non-cash items						
2a. Depreciation	30,757	26,268	28,151	30,462	31,958	33,080
2b. Amortisation of intangibles	3,892	3,892	3,892	3,892	3,892	3,892
2c. Benefit on acquisition	0	0	0	0	0	0
2d. Amortisation of goodwill	0	0	0	0	0	0
2e. Loss/(gain) on investments	4,876	0	0	0	0	0
2f. Decrease/(increase) in stock	74	0	0	0	0	0
2g. Decrease/(increase) in debtors	-509	0	0	0	0	0
2h. Increase/(decrease) in creditors	-5,200	783	1,080	421	-54	-720
2i. Increase/(decrease) in pension provisions	69,177	-45,221	-1,938	-7,032	-8,367	-8,731
2j. Increase/(decrease) in other provisions	0	0	0	0	0	0
2k. Receipt of donated equipment	0	0	0	0	0	0
2l. Share of operating (surplus)/deficit in joint venture	0	0	0	0	0	0
2m. Share of operating (surplus)/deficit in associate	-607	0	0	0	0	0
2n. Other: enter details in the text box under validation check 20	0	0	0	0	0	0
3. Adjustment for investing or financing activities						
3a. Investment income (enter as negative)	-1,594	-1,000	-1,000	-500	0	0
3b. Interest payable	5,293	7,432	7,367	7,293	7,216	7,216
3c. Endowment income (enter as negative)	-104	-848	-848	-848	-848	-848
3d. Loss/(gain) on the sale of fixed assets	1,511	0	1	2	2	2
3e. Capital grant income (enter as negative)	-9,948	-6,900	-5,000	-5,000	-5,000	-5,000
4. Net cash inflow from operating activities	48,190	44,751	47,289	49,483	47,438	48,319
5. Cash flows from investing activities						
5a. Proceeds from sales of fixed assets	0	0	0	0	0	0
5b. Proceeds from sales of intangible assets	0	0	0	0	0	0
5c. Capital grants receipts	9,948	6,900	5,000	5,000	5,000	5,000
5d. Disposal of non-current asset investments	519	0	0	0	0	0
5e. Withdrawal of deposits	0	0	0	0	0	0
5f. Investment income	1,594	1,000	1,000	500	0	0
5g. Payments made to acquire fixed assets	-33,854	-55,321	-60,436	-86,514	-53,799	-38,692
5h. Payments made to acquire intangible assets	-8,218	-5,700	-5,814	-5,930	-6,049	-6,170
5i. New non-current asset investments	927	0	0	0	0	0
5j. New deposits	0	0	0	0	0	0
5k. Total cash flows from investing activities	-29,084	-53,121	-60,250	-86,944	-54,848	-39,862
6. Cash flows from financing activities						
6a. Interest paid	-5,293	-7,432	-7,367	-7,293	-7,216	-7,216
6b. Interest element of finance lease and service concession payments	0	0	0	0	0	0
6c. Endowment cash received	0	0	0	0	0	0
6d. New secured loans	0	0	0	0	0	0
6e. New unsecured loans	139,000	0	0	0	0	0
6f. Repayments of amounts borrowed	-1,016	-2,351	-2,426	-2,504	-2,587	-2,033
6g. Capital element of finance lease and service concession payments	-495	-186	0	0	0	0
6h. Other: enter details in the text box under validation check 21	0	0	0	0	0	0
6i. Total cash flows from financing activities	132,196	-9,969	-9,793	-9,797	-9,803	-9,249
7. (Decrease)/Increase in cash and cash equivalents in the year	151,302	-18,339	-22,754	-47,258	-17,213	-792
8. Cash and cash equivalents at the beginning of the year	20,841	172,143	153,804	131,050	83,791	66,579
9. Cash and cash equivalents at the end of the year	172,143	153,804	131,050	83,791	66,579	65,786