Despite Inadequate Funding, QUB Survives 2023-24

This article is based on the 172 page document QUB Annual Report 2023-24 and you will find further detail there. That report contains a full description of the achievements of the University, its staff and students, and is well worth a read. The Report often gives comparison with previous year's figures. Where these figures are money, you should remember that RPI inflation in the year to July 2024 was 3.6%, This reduces the real value of any percentage increase and may turn an increase into a real decrease. I will examine the effect of inflation on long term runs of financial data in another article.

Higher education in Northern Ireland has been underfunded by the government for many years. The HE sector in NI has absorbed a 40% cut in funding since 2011 whilst other regions and jurisdictions have had significant investment. **Queen's has experienced a 18% erosion in real terms of total teaching funding per undergraduate since 2010–11.** This is based on independent research undertaken by London Economics, combining weighted average teaching grants and the maximum tuition fee charged. This erosion compares to a 1% funding decline for a similar Higher Educational Institutions in England. In 2023-24 the Total Annual Teaching Resource per Student in QUB was £10,190; English Universities with comparable student subject mix averaged £10,580. **These funding shortfalls create a competitive disadvantage for QUB against its comparative UK universities. This chronic underfunding is the underlying cause of many of the problems facing staff in Queen's.**

Each year, some 34% of NI would-be students (approximately 5,000) go to universities in GB. Few of these return to Northern Ireland to work. **This educational migration has a bad impact on our local economy, which needs more highly skilled people who are integral to a knowledge-based economy.**

QUB Finances for 2023-24

All the financial figures in this article are based on the Consolidated Accounts (Queens University and its subsidiary companies and its share of joint ventures). Usually these very close to the figures for the University alone. Most of the subsidiary companies make a very small loss

There are two major factors that make several 2023-24 financial figures different from previous years. The first is the drop in the value of the shares in *Kainos plc*. This is a software company which was spun-off from Queens and we hold many of its shares. In the past couple of years the shares have declined in value. This resulted in a drop of £24.9M.in the market value of investments held in various parts of QUB.

The other factor is the 2023 Revaluation of USS which turned a funding deficit into a **surplus of £7.4Bn.** The Universities Superannuation Scheme (USS) is the pension scheme for grade 6 staff and above. UCU had long campaigned for a more realistic valuation method. USS finally accepted some of UCU's arguments, and they also used a higher discount factor for future liabilities. The pension contributions for staff and for the University were cut and this reduced normal staffing costs. QUB used to have a liability to gradually pay off its share of the USS deficit. As USS is now in Surplus, QUB no longer needs to make a provision of £139.3M.

Summary Position – Statement of Comprehensive Income (SOCI)

Consolidated finances of Queens University and its subsidiary companies and its share of joint ventures	2023-24 £M	2022-23 £M	2021-22 £M	2020-21 £M
Income	472.3	460.5	437.7	397.5
Expenditure	(485.0)	(466.6)	(422.4)	(373.3)
Operational Surplus before USS provision & gains & losses	**(12.7)**	**(6.1)**	**15.3**	**24.2**
Gains on the disposal of fixed assets and investments	(0.5)	0.7	0.4	0.3
Surplus/(Deficit)	**(13.2)**	**(5.4)**	**15.7**	**24.5**
Fair value gain on investment	(2.3)	(4.1)	(44.0)	103.1
Actuarial adjustment in respect of Retirements Benefit Plan	1.8	(7.4)	37.7	15.4
USS Provision One-off Adjustment	139.3	25.2	(94.7)	0.1
Total Comprehensive Surplus/(Deficit) Position for the Year	**125.6**	**8.3**	**(85.3)**	**143.1**

Because ordinary income was less than ordinary expenditure, **QUB had an operational loss on day-to-day activities of £12.7M (2.7% of income)**. The items below Operational Surplus in the table are beyond the direct control of QUB management and are very variable. When taken into account they result in the **Total Comprehensive Surplus of £125.6M**. QUB management state that the Operational Surplus is a better measure of financial sustainab*ili*ty as it is less susceptible to the movements in the actuarial valuations of pension schemes and market conditions prevailing at the financial year end. Management recognises that repeated operational deficits cannot be sustained if QUB is to remain a going concern. **The University Management Board is committed to returning the University to a break-even position by 2026-27**. This will be discussed in a separate article on the Deficit. There will probably be a Voluntary Severance Scheme.

Total income for the year was £472.3M which was a 2.6% increase in cash, but a reduction in real terms. Of this total, Tuition Fee income decreased by £1.0M, and income from government grants reduced by £0.5M, whilst other sources of income increased by £11.2M year on year. Although QUB's international student numbers remained at around 3,800, Tuition Fee income generated from them decreased by £4.0M or 6.3% to £60.1M. International tuition fee income now represents 12.7% of the University's total income, down from 14%. This loss of income is significant, but it is less than that for many other universities.

Income from research grants and contracts has increased by £2.1M from 2022-23 to £105.2M and, in total, the contribution to indirect costs increased from £17.1M to £21.5M, and on average, a rate of 23.0% was achieved. This is better than in previous years, but low compared to our peer group universities.

Total income from research increased to £137.060M. As a % of Total Income, **research income has dropped from 35% in 2018-19 to 29.0% in 2023-24.** Income from Teaching was £207.936M; a drop of £5.02M. This drop is mainly due to a decrease in international student fees of £4.0M. **44.0% of QUB's income is connected to Teaching.** These significant shifts in the sources of funding show that **teaching home students is the steady bread and butter of QUB, and neglecting it would be dangerous.**

Long-term External Borrowing has dropped slightly to 4.5% of Income. This borrowing is very low compared to other universities. Our peer group of universities averaged 33.8% for 2022-23. In QUB the External Borrowing is through Financial Transactions Capital (FTC). This is a UK government scheme to boost the construction industry. It allows public bodies to borrow money for buildings at a low interest rate and repay over 25 years. Most universities use this more than QUB does. As in previous years, QUB did not borrow any extra money under FTC.

The revaluation of all shareholdings was carried out as at 31 July 20243 and it resulted in an unrealised net loss of £2.3M in the Fair Value of Investments. The Market Value of our investments is only a sum of money on paper and may be very different if, and when, they are turned into actual cash.

The Retirements Benefit Plan (RBP is a pension scheme for QUB's non-USS staff. As QUB is the sole employer any actuarial changes enter directly into the accounts and, after a new valuation, there is an improvement of £1.8M. Although RBP has a deficit of £44.6M, QUB has agreed to reduce the Staff contribution rate to 6.3% of salary (the same as the new USS rate) while retaining an Employer's contribution rate of 21%.

In the financial year QUB had capital expenditure of £29.87M on buildings and £13.1M on equipment. Expenditure on the core Estate was 3.3% of the Insurable Replacement Value, This is down on previous years` but still represents replacing all buildings and equipment on average every 30 years.

Staff costs, before taking account of the adjustment in respect of the USS Pension Scheme, have increased year on year by 8.7% from £259.1M to £281.7M. This is detailed in another article.

Mainly due to the Surplus in Total Comprehensive Income caused by the one-off USS adjustment, the **Consolidated Reserves have grown to £821.4M at 31 July 2024.** Of this, **£72.5M have restrictions on how the money could be spent**. **Of the £748.3M Unrestricted Reserves**, **£369.1M are Realised** (readily converted into cash). A significant element of this total is ring-fenced to support the Capital Programme, including QUB's commitment to the Belfast Regional City Deal (BRCD), and to support Faculties and Professional Services in executing their priorities and plans in support of Strategy 2030.

In order to progress the BRCD programme, QUB proceeded at risk and has incurred expenditure ahead of approval of Full Business Cases (FBC's). Of the total BRCD capital expenditure, £12.2M was incurred in 2023-24. In addition to our capital contribution to the BRCD capital programme, the QUB has invested £2.1M in 2023-24 to support the pump priming of the innovation centres and to support the Queen's BRCD Programme Office.

£379.2M of Unrestricted Reserves are Unrealised. Of this **£157.2M cannot be realised without disposal of QUB's estate or core infrastructure.** The remainder of the **Unrealised Unrestricted Reserves (£222.0M)** relates to the re-valued QUB's investments and may be different if, and when, they are sold.

Paul Hudson