

LONDON  
SCHOOL *of*  
HYGIENE  
& TROPICAL  
MEDICINE



**Financial  
Statements  
2014-15**

**Improving health worldwide**



## Council membership 2014/15

### APPOINTED UNTIL

#### EXTERNAL MEMBERS (10 members)

Dr Andrée Carter, PhD FSoilSci MCIWEM	31.07.17
Mr Kash Chandarana, BSc, ACA	31.07.17
Ms Ann Grant, BA MSc	31.07.17
Sir Tim Lankester, KCB, MA (Camb), MA (Yale) ( <b>Chair</b> )	31.07.15
Mr John O'Donnell	31.07.16
Mr Jan Pethick	31.07.15
Mr Sushil Premchand, BA FCA	31.07.17
Mr Jon Roper, MA (Cantab)	31.07.16
Professor John Stephenson, BSc PhD CBiol FIBiol	31.07.17
Dr Diana Walford, CBE MA BSc MSc MD FRCP FRCPATH FFPH ( <b>Deputy Chair</b> )	31.07.18

#### ELECTED STAFF MEMBERS (4 members: 3 academic and 1 professional support)

Professor Alison Grant, MB BS, MSc, PhD, DTM&H, FRCP	31.07.17
Mr Jens Hinricher, LL.M FRSPH	31.07.17
Dr Susannah Mayhew, BA, MA, PhD	31.07.17
Professor Helen Weiss, MSc DPhil	31.07.17

#### THE DIRECTOR

Professor Baron Peter Piot, MD, PhD, FRCP, CMG	<i>ex officio</i>
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#### THE CHAIR OF THE STUDENT REPRESENTATIVE COUNCIL

Ms Charlene Degen, B.S.	<i>ex officio</i>
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#### SECRETARY

Mr Richard Benson, Secretary and Director of Resources & Planning

#### IN ATTENDANCE

Professor Anne Mills, Deputy Director and Provost

# Financial Statements for the Year Ended 31 July 2015

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# Treasurer's Report

## Introduction and scope of financial statements

The London School of Hygiene & Tropical Medicine is a world-leading centre for research and postgraduate education in public and global health.

This review provides an overview of the School's finances and activities during 2014-15, and highlights key trends or changes in the external environment which have affected the School during the year.

The School is operating in a globally competitive and uncertain environment. The impact of changes to funding across the higher education sector has brought new challenges in managing future financial sustainability. The School has sought to anticipate and address some of these issues through its strategic plan and by making important decisions to invest in the future of the School, upgrade the estate for students and staff, and improve efficiency. In particular, the School recognises that world leading researchers must have world leading research facilities available to them. The government's forthcoming spending review and changes arising from the anticipated Higher Education Green Paper mean that the environment is likely to remain uncertain for some time to come.

Despite these pressures, the School's income from its core teaching and research activities grew during the year, and this is an indication of the quality, impact and relevance of our work. The School secured funding for major new research programmes from UK government departments, the Medical Research Council, the Wellcome Trust and others. This included major collaborative grants from the European Commission's Innovative Medicine Initiative to support an ebola vaccine trial in Sierra Leone, and to develop tools to promote the acceptance and uptake of new ebola vaccines.

The School attracts post graduate students from the world's leading universities who satisfy its high academic requirements and have the potential to benefit from the education the School provides and to contribute to the world leading research undertaken at the School. Overall, student recruitment to the School's London-based courses - including joint courses - remained stable in 2014-15. There was a small decrease in the number of full-time masters students from the UK (22 in 2014-15, against an increase of 125 in 2013-14), and this was encouraging given concerns about the continuing decline in the number of UK students registering for postgraduate courses across the higher education sector. However, the number of full-time masters students from outside the EU fell (from 281 in 2013-14 to 256 in 2014-15), reflecting concerns both about funding and the impact that successive changes in visa regulations have had on perceptions of the UK as a place to study.

We are living in times of rapid change and high uncertainty; both in terms of the financial and regulatory environment in which the School operates within the UK, and in the changing profile of the global disease burden and the globalisation of research, education and innovation.

The mission of the School has rarely been more urgent and its Strategy aims to address these issues by:

- strengthening key areas of global and public health research
- sustaining the School's position as a world leader in current areas of strength in research and education
- increasing our global presence through partnerships
- enhancing multidisciplinary interactions across the School and with partners
- further expanding and diversifying our income streams
- maintaining a nurturing and supportive environment for research and education, with systems and facilities appropriate for the School's standing as a leader in the field.

An overview of some of the key actions that will take place over the next 2-3 years to support the Strategy is set out later in this report.

## Financial highlights and commentary

These financial statements report the results of the School's activities for the year ended 31 July 2015 and have been produced in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2007.

The School's primary financial objectives are to manage our financial risks effectively, and to operate in a way that is financially sustainable and generates the funds needed to support our academic objectives.

# Treasurer's Report

Income and Expenditure for 2014-15 are summarised in the following table:

	2015 £m	2014 £m	% Increase/ (decrease) over prior year
Income	146.30	134.69	9%
Expenditure	(139.54)	(131.46)	6%
<b>Operating surplus</b>	<b>6.76</b>	<b>3.23</b>	109%
<b>Operating surplus - % of income</b>	<b>4.6%</b>	<b>2.4%</b>	
Taxation	(1.05)	-	
Surplus on disposal of fixed assets	-	3.34	
Transfer (to)/ from accumulated income within endowments	-	-	
<b>Surplus for the year</b>	<b>5.70</b>	<b>6.57</b>	(13%)

## Income and Expenditure for 2014-15

The School's operating surplus for 2014-15 was £5.70m, and is in line with the budget for the year. This surplus is equivalent to 3.9% of our income and is significantly higher than the surplus before exceptional items of £3.23m achieved in 2013-14 (which was equivalent to 2.4% of income). While this improvement is welcome, it is largely due to tax credits recovered totalling £4.77m gross under the Government's Research and Development Expenditure Credit (RDEC) scheme.

RDEC allows organisations to claim credits retrospectively on a proportion of their eligible spend on research and development. While the scheme was primarily intended to support research and development investment in the private sector, it became clear at the start of 2015 that universities were also eligible to claim credits under the scheme. Given the scale of our research income, the School submitted a claim in March 2015 for research spend in the period April 2013 to July 2014, and received a gross payment after the financial year-end (in August 2015) from Her Majesty's Revenue and Customs of £3.46m. This payment has been accrued into the Financial Statements within the figure for Other Income. Because the RDEC scheme operates retrospectively, this Other Income figure also includes an anticipated RDEC credit of £1.31m in respect of research expenditure in the period August 2014 to July 2015. The inclusion of the credit received from HMRC and the anticipated further claim is in accordance with guidance from the British Universities Finance Directors' Group.

The School's RDEC income is subject to Corporation Tax of £1.05m. The net effect of the RDEC claims in 2014-15 is therefore £3.72m.

The Government announced in the July 2015 Budget that universities would cease to be eligible for RDEC credits from 1 August 2015, but this will not affect the School's financial forecasts since we had not included income from RDEC in our forecasts for subsequent years.

The School recognises that we need to generate sufficient surpluses for future investment in our research, teaching programmes, facilities, and in efficient support services. The School's governing Council and the Planning and Finance Committee have discussed the target level of surpluses needed to ensure financial sustainability, and noted HEFCE's previous benchmark that institutions should achieve annual surpluses equivalent to at least 3% of income. Increasing the surplus is a challenge given the School's dependence on research income and its limited ability to increase post graduate student numbers. The 3% benchmark also does not take account of the substantial share of the School's research income (£33.2m in 2014-15) which is passed on to research collaborators in the UK or overseas. The School cannot achieve a 3% margin on these payments but, equally, we do incur costs in managing such a high level of collaborative research and also bear financial risks. It would therefore not be appropriate to disregard collaborator costs entirely when setting the target surplus, and in June 2015 Council adopted a revised surplus target based on the equivalent of 0.5% of collaborator payments plus 3% of all other income. As noted earlier, the School exceeded this target in 2014-15.

A detailed breakdown of sources of income and expenditure is shown in the Notes to the Financial Statements and comments on the principal factors affecting the surplus in 2014-15 are set out below.

# Treasurer's Report

## Highlights of income and expenditure

### Income

	2015 £m	2014 £m	% of income in 2014-15	% of income in 2013-14	% incr/ (decr) over prior year
HEFCE grant	22.82	23.05	15.6%	17.1%	(1%)
Tuition fees	17.30	17.26	11.8%	12.8%	0%
Research income	92.25	85.67	63.1%	63.6%	8%
Other income	12.89	7.91	8.8%	5.9%	63%
Investment income	1.04	0.79	0.6%	0.6%	20%
<b>Total income</b>	<b>146.30</b>	<b>134.68</b>	n/a	n/a	9%

The School has historically been less dependent than many universities on the recurrent grant from the Higher Education Funding Council (HEFCE). However this pattern has shifted in recent years as levels of HEFCE funding have declined in real terms and other universities have seen cuts in their HEFCE teaching funds replaced by higher tuition fees for undergraduate students. As an entirely postgraduate institution, we have not benefitted from the increase in undergraduate fees, HEFCE funding remains essential to maintaining the infrastructure to support our teaching and research and providing the stability that we need for future planning.

Approximately 85% of the School's HEFCE funding is driven by performance in the Research Excellence Framework (REF), and the results of the most recent exercise (announced in December 2014) were therefore positive for the School. HEFCE provisional funding announcement for 2015-16 indicated that the School will maintain our previous levels of funding following the REF, but this – together with funding for subsequent years – will be dependent on the overall level of research funding available to the sector following the Government's spending review.

Tuition fee income remained stable in 2014-15. As noted earlier, the number of overseas registrations for the School's full-time masters courses fell by 25 students (8.8%) compared to the previous year, but this was off-set by an increase in income from our short course programme.

The following table gives an analysis of the number of London based and distance learning students:

London based taught course students	668
London based research degree students	389
Distance Learning students	2,652

The School's income from research grants and contracts increased by 7.7% to £92.2m. This is a significant achievement at a time when the research budgets of some of our major sponsors are under pressure, and the funding environment is increasingly competitive and reflects the world class research undertaken at the School. We maintained our income from UK Government departments and the research councils following significant increases from these sources in 2013-14. Particularly notable in 2014-15 was the increase in income from the European Commission, which doubled to £9.5m due to our involvement in the large-scale ebola projects funded through the Commission's Innovative Medicine Initiatives.

# Treasurer's Report

## Expenditure

	2015 £m	2014 £m	% of operating costs in 2014-15	% of operating costs in 2013-14	% incr/ (decr) over prior year
Staff costs	67.27	63.68	50.0%	50.3%	6%
Other operating expenses	67.40	62.97	50.0%	49.7%	7%
<b>Total operating costs</b>	<b>134.67</b>	<b>126.65</b>			<b>6%</b>
Interest payable	0.77	0.81			
Depreciation	4.10	4.00			
<b>Total expenditure before taxation and transfer from/ (to) endowments</b>	<b>139.54</b>	<b>131.46</b>			

Staff costs increased by 5.6% in 2014-15 compared to the previous year, but this was driven primarily by the increase in research activity and income. This increase in research activity is also the main factor responsible for the increase in other operating costs, and it should be noted that the increase of approximately £4.4m in non-staff costs shown in the table above includes an increase of approximately £6.9m in payments to research partners (which as noted earlier totalled £33.2m in 2014-15, compared to £26.3m in 2013-14).

## Highlights of movements in assets and liabilities

There is a significant increase in the level of current assets shown in the balance sheet: £122m at 31 July 2015, compared to £83.3m at the same point in 2014. This is due to the continued growth in research activity, and in particular to increased payments in advance from research funders which grew from £15.5m in 2014 to £34.9m in 2015 (as shown in note 19 to the Financial Statements). The increase in accrued income shown in note 19 is due to accruals for credits under the government's the RDEC scheme.

The balance sheet within the Financial Statements also shows a significant increase in creditors, with the amount falling due within one year increasing from £66.2m at 31 July 2014 to £97.2m at the same point in 2015. This is largely due to the increases in research activity and payments in advance, and reflects the balances due to be paid to research partners on a number of large collaborative projects.

It is notable that the amounts falling due within one year from trade creditors and accruals (note 21) has fallen from £13.2m in July 2014 to £10.7m in 2015, due to continuing action to reduce creditor days. There has been a corresponding reduction in trade debtors (note 19) from £16.6m in 2014 to £11.1m in 2015, reflecting concerted action to manage debts and enhance credit control procedures.

The consolidated cashflow statement reflects the disposal of assets, with a total value of £3.7m (note 29). The largest receipt of approximately £3.2m relates to the sale of surplus land owned by the School at Winches Farm in St Albans, which was reported in the School's previous financial year. The proceeds will be used to part finance the School's capital expenditure programme over the next four years, principally to support the development of the Bloomsbury Research Institute (which is described in later sections of this report).

## Future Developments and Challenges

The School is currently budgeting for a surplus of approximately £6.1m in 2015-16, with annual surpluses of between £2.3m and £4.2m in subsequent years. The School has been successful in attracting research funding, and has continued to develop its teaching programme including distance learning courses. However the economic climate remains uncertain, and the forthcoming spending review is likely to impose further pressure on funding in the years ahead. Alongside investment in our core academic activities, the School will also need to finance long planned major investments in our estate, business process modernisation and supporting infrastructure.

# Treasurer's Report

## *Pension issues*

Along with other universities, the School is facing a significant increase in pension costs following the introduction of the universal state pension; which is expected to result in an increase of approximately 2% in National Insurance costs from April 2016. These changes in the state pension will coincide with changes introduced following revaluations of the School's main occupational pension schemes: the national Universities Superannuation Scheme (USS) and the Superannuation Scheme of the University of London (SAUL). The revaluations of USS and SAUL will result in increased contribution rates for both employers and employees from April 2016. The School has made provision for these costs in our financial forecasts, although future costs for USS will in part be dependent on further decisions by the USS Trustees' about the operation of the new defined contribution element of the scheme due to be introduced from October 2016.

It was essential that the Trustees for USS and SAUL addressed the schemes' respective deficits, and the School welcomes USS's decision not to de-risk the scheme's investments to the extent and over the timescale originally proposed. The recovery plans put in place by both schemes appear reasonable and are designed to protect benefits for those on low- and middle-incomes. However, the increase in employees' contributions is likely to put pressure on pay over the next 1-2 years. This will need to be addressed through national pay negotiations, but this will not be straightforward in the context of low inflation and likely pressure on both public sector pay and the BIS budget.

## *Bloomsbury Research Institute*

As noted in last year's financial statements, one of the School's most significant financial risks over the coming years will be investment in our capital programme; including the development of a new shared laboratory facility with University College London to house the Bloomsbury Research Institute (BRI), and updating the infrastructure and fabric of the School's Keppel Street building. The development of the BRI nevertheless represents a major strategic opportunity for the School, building on the partner institutions' complementary expertise in infectious disease research and establishing the BRI as part of the largest bio-science hub in Europe with links to the Crick Institute, the clinical resources of UCL Partners and the Hospital for Tropical Diseases. Alongside the scientific rationale for BRI, the initiative also presents an opportunity for both partners to share the costs of expensive laboratories and equipment. Relocating some of the School's laboratories to the new facility will also facilitate the infrastructure works in Keppel Street and enable the School to remodel the areas released to enhance the quality and efficiency of space within the building.

Development of a new shared laboratory facility will require significant investment from both partners, and a planning application was submitted to Camden Council in June 2015 to develop vacant land behind the School's Tavistock Place building. Camden's planning committee is due to consider the application in late November.

The partners have secured a significant grant from HEFCE's Catalyst Fund to support the development of BRI, and continue to work closely on a joint fundraising campaign. Attracting support for BRI is the top priority for the School's fundraising programme, and is also a key project for the development team at UCL.

Subject to the outcome of the planning application, it is anticipated that the pre-qualification questionnaire for the appointment of a main contractor for the BRI will be issued in December 2015. This will allow detailed costings and the final business case for the project to go forward to the School's Council and relevant committees within UCL in the Spring term 2016.

Council will need to ensure that secure funding is in place before committing to significant capital investment. Subject to the success on the fundraising campaign, the School expects to finance our remaining share of the capital costs for the new facility from asset sales (including the receipt for Winches Farm), and our Planning and Finance Committee has appointed professional advisers to assess other funding options.

## *Development of our teaching programmes*

As an entirely postgraduate institution, the School has been less affected than many universities by changes to HEFCE's funding arrangements for teaching introduced in recent years. The School experienced a dip in student recruitment in 2012-13 when these new arrangements - and associated increases in tuition fees across the sector - first came into effect. Following intensive efforts, we have restored UK student recruitment to previous levels. As noted earlier, this is encouraging given broader concerns about postgraduate recruitment but the School is not complacent.

There is a range of factors which have contributed to the concerns about postgraduate recruitment across the sector including, for example, increasing levels of student debt at undergraduate level, and the impact of the wider economic environment on demand for postgraduate study (including the willingness and ability of potential applicants to take a year out of the job market to complete a conventional Master's course, and the availability of funding from employers or other sources). The School, in common with many other universities, also has serious concerns that repeated changes to visa regulations are deterring able and well qualified overseas students from coming to the UK. We have similar



# Treasurer's Report

concerns about the long-term impact that visa restrictions may have on the ability of the School – and of UK science more generally – to attract and retain the highest quality staff.

At an institutional level, the School is responding to these issues by reviewing and developing our education programmes to ensure that they remain globally competitive and relevant for students' future careers. The School's approach is to maintain the excellent reputation that we have established globally for the quality of our teaching, and the strong links between our teaching and world class research. In the years ahead, we will build on these strengths and the success of our distance learning courses to provide flexible mixed-mode programmes which address the developing needs of students and employers. This model may become increasingly attractive as levels of undergraduate debt increase, and those wishing to undertake a masters degree look for alternative routes that do not require full-time study.

The School is also investigating ways in which it can capitalise on the significant investment that we have made in distance learning materials, including the development of Massive Open Online Courses (MOOCs). As noted in our Public Benefit Statement, below, we launched our first MOOCs on the FutureLearn platform during 2014-15. We have also been commissioned to develop open education resources in some key policy areas including, for example, work for the Department for International Development to develop open resources on nutrition outcomes.

At a national level, the School will continue to work with Universities UK and others to lobby government on the importance of postgraduate study to the advanced skills needed in the bioscience and public health sectors, and the future success of the UK economy. We welcome all of the work that HEFCE has done to address this issue, including the introduction of a bursary scheme for UK students registering in 2015-16. It remains unclear whether the Government will proceed with proposals for a postgraduate loan scheme, but this should become clearer with the publication of the forthcoming Higher Education Green Paper.

The Green Paper is also expected to set out the Government's proposals for the Teaching Excellence Framework (TEF). The quality of the School's teaching should position us strongly for any future TEF, but it will be essential that the methodology is sensitive to specialist, postgraduate provision.

## **Research**

Research grants and contracts will remain the School's largest source of income. In an increasingly competitive environment, maintaining the current level of income will be a challenge. Improving rates of cost recovery will also be essential and it is encouraging that the School maintained the increased level of income achieved in the previous year from the research councils and UK government sources that make awards on the basis of full economic cost.

Given the focus of our work, it is anticipated that charities and foundations will continue to be major sponsors of the School's research. Such work is fundamental to our mission, and to the UK science base. However, research funded by charities and foundations does not generally contribute towards the recovery of indirect costs. The government's previous commitment to ring-fence the science budget was therefore welcome, including the maintenance of the charity support element within the HEFCE recurrent grant (which provides a contribution towards the overhead costs of charity-funded work). It is essential that this is maintained beyond the government's spending review.

Continued investment in science and high quality research will be vital for the School and other world-leading, research-led institutions, and also for the UK economy. But within the framework of the School's Strategy, the School may nevertheless need to take a view on the volume of research undertaken on behalf of certain sponsors. Whether strategically, or on a case by case basis, this may include taking action to limit activity and proposal submissions in certain areas where indirect costs are not recovered.

The School's priority will be to maintain research of the highest international standards, where we can make a material impact on improving public health and the advancement of science. The School's Senior Leadership Team is also working to identify ways in which we can increase support for early and mid-career staff in applying for competitive awards that are likely to result in high quality research.

## ***Diversifying our income***

The School has achieved significant growth over recent years in research and distance learning, but generating additional income from third stream activities has proved more difficult. Developing this area is now a priority.

The School established a subsidiary company, Chariot Innovations Limited, during 2013-14 and this has so far been used as a vehicle for a group providing contract research and testing services for insect repellents and other products. Chariot Innovations recorded a loss in 2014-15, but the group has established a healthy pipeline of contracts which should enable it to return to surplus in 2015-16.

# Treasurer's Report

Chariot Innovations is also working to develop other activities, which we expect to launch over the next 2-3 years. These include the development of a bed bug lure - which has received an offer of external investment - and the provision of consulting services to third parties.

The School is also working to develop our fundraising capacity. We have made significant progress in attracting funds for scholarships, and in 2014-15 received donations and studentships of £1.5m and pledges of a further £1.1m. This work will continue but, as noted earlier, the major focus of our fundraising for the next 2-3 years will be support for the Bloomsbury Research Institute and the School's capital programme.

## **Financial sustainability**

Given the opportunities and risks outlined above, the School is taking a number of steps to ensure our financial sustainability, and make sure that we can continue to invest in our core research and teaching whilst also funding the capital programme.

The Senior Leadership Team has agreed a range of specific actions to manage costs and to enhance the efficiency and effectiveness of the School's core activities. These include:

- implementation of a three-year efficiency plan, which will generate savings of £1m pa from 2016-17
- revised structures have been introduced in a number of support services to improve efficiency and enhance services
- HESA metrics show that our intensity of space use is amongst the highest in HE, with income per m<sup>2</sup> of space more than four times the sector average. Timetable management has been strengthened to drive further efficiencies, and an agreement negotiated with a neighbouring institution for seminar rooms; consolidating external bookings from multiple sites, and reducing the number of *ad hoc* bookings by 90%
- business process reviews have been completed in a number of areas. This has included a major review of processes for managing research grants across the School, and a dedicated project team will be established to implement changes.

In brief, there remains a risk that the School's funding will be adversely affected by reductions in public expenditure following the government's spending review and by increasing competition for research funding. However, the School is confronting these risks from a sound financial position and with a strong balance sheet. The development of the BRI – together with the other partnerships outlined in our Strategy – presents a significant opportunity for the School, although meeting the potential cost of a joint laboratory facility whilst also managing the infrastructure of the Keppel Street building will be a significant risk over the coming years. The School's Council and Senior Leadership Team will need to manage all of these risks carefully, and balance the demands of capital investment with the need to continue investment in academic initiatives which will both support our Strategy and also help to mitigate the impact of any future cuts in public funding.

## **Public Benefit Statement**

The School is an exempt charity within the meaning of Schedule 3 of the Charities Act 2011. The School's Council members are the trustees and is responsible for defining our strategic aims and for directing the senior management of the School in the furtherance of our mission. When setting objectives and planning activities, Council, its sub-committees and the Senior Leadership Team give careful consideration to the Charity Commission's guidance on public benefit and to the guidance issued by HEFCE in its role as principal regulator.

The School's objectives are defined in our Charter as being "to promote original research, consultancy and education in public health and tropical medicine, both within the UK and internationally". The School remains dedicated to these objectives, and to reducing inequalities in health and global disease burdens through research and education.

The School's research encompasses a spectrum from fundamental laboratory research in infectious diseases and studies of disease causation, through development and assessment of novel interventions and services, to advising on implementation in real life settings of interventions, service and system reforms, and evaluation that informs policy and practice. We work with a range of partners at every stage; these include research collaborators in other academic settings, clinical and health practitioners, user communities, public, private and voluntary sector organisations.

In the 2014 Research Excellence Framework (REF), the School was ranked in the top 10 universities in the UK in tables published by the Times Higher Education, and second (after the Institute for Cancer Research) on the key measure of impact. The School had the largest volume of world-leading research in the UK in Public Health, Health Services and Primary Care.

In education, the School's overarching aims are to provide future leaders, practitioners, educators and researchers in public and global health with relevant education and to provide training of the highest quality, founded on our research.

# Treasurer's Report

We have an excellent and highly committed multinational student and alumni population, with alumni in influential places and positions worldwide.

Examples which illustrate the public benefit of the School's work include:

- recognition of the quality and impact of our work in national and international rankings. In 2014 the School was ranked in the world's top 10 universities for citation rate by the European Commission's U-Multirank database, and third in the world for social science and public health in the US News Best Global Universities Ranking. The School was named the world's leading research-focused graduate school in the THE World Rankings
- during 2014-15 more than 200 School staff, students and alumni volunteered for the UK's response to the ebola crisis. Both staff and students travelled to Sierra Leone to work with Public Health England, Save the Children and Médecins Sans Frontières (MSF). Others contributed to disease surveillance and statistical modelling work for the World Health Organisation and advised the UK government on its response to the crisis. As noted earlier, the School is also heavily involved in three research projects funded by the European Commission's Ebola+ programme
- our world-class researchers all contribute to education programmes, and supervise masters and doctoral research projects that may align with larger staff-led research projects, relate to students' past or intended field of work, or meet the needs of host organisations. Students undertake research project in the UK with Public Health England, NHS Trusts, private companies and charities. Many students' research projects are located overseas, often in low or middle income countries and in collaboration with NGOs such as MSF and Sight Savers
- the School launched its first MOOC (massive, open, on-line course) at the beginning of 2015. The course, Ebola in Context, attracted more *than 18,000 registrations from 185 countries and territories*. During 2015 we have developed further MOOCs in Maternal and Child Health and in Eye Health. These have attracted smaller numbers than the ebola course, but have had a similarly positive impact in their respective areas.

Although we are a wholly postgraduate institution, the School is committed to widening participation and offers a number of scholarships to students both for its London-based and distance learning courses. We are also actively fundraising to increase the number and value of such scholarships. Looking beyond recruitment to our own courses, we have established links with schools in Barking and Dagenham, and, thanks to the generosity of a donor, a total of 54 work experience students were able to visit the School in 2014-15 to learn about research in a scientific institution. Pupils undertake research projects while they are visiting the School and staff and students are invited to respond to questionnaires and attend presentations made by the pupils.

The School's public benefits are funded through funding council grants; public funding for teaching and research; tuition fees and donations from individuals and charitable foundations. The charitable work of the School is also supported by its Council members, who give their time freely in support of the School.

In closing I would like to thank my predecessor as Chair of Planning & Finance, Mr. J Pethick, for his stewardship of the Committee and immense contribution to the Committee and the School over 9 years. I would also like to acknowledge and thank the dedication and steadfastness of the members of the Planning and Finance Committee. They give unstintingly of their time and never hesitate to step into the breach. All make a significant and meaningful contribution to the furtherance of the School's mission.



J O'Donnell  
Treasurer

24 November 2015

# Corporate Governance

## Corporate Governance Statement

The following statement provides information about the School's governance procedures.

The School is committed to exhibiting best practice in all aspects of corporate governance, including compliance with the Governance Code of Practice published by the Committee of University Chairs (CUC). Since the publication of the new CUC Code of Governance in December 2014, the School has undertaken a detailed analysis of the School's position against the new Code, and has held a joint workshop of Audit Committee and Standing Committee on Governance, facilitated by the School's solicitors Mills & Reeve. While the School remains compliant with the former CUC Code of Governance and broadly accords with the new requirements, some actions have been identified as part of the aforementioned review activity, which will be addressed during 2015-16.

A list of the Council members, who served during the financial year and until the date the financial statements were formally approved, can be found at the beginning of this document.

## Statement of Internal Control

The Council is responsible for the School's system of control and for reviewing its effectiveness. The School has established a risk management framework to support the School Strategy, and this framework was reviewed and updated by the Senior Leadership Team in September 2015. The framework includes a strategic risk register which identifies the high level "red" and "amber" risks linked to the Strategy, and provides a tool for evaluating and managing each risk. Strategic risks are monitored by the Senior Leadership Team, and risk is also a standing item at all meetings of Council. Risk registers are in place for all faculties and for central services which assess the likelihood and impact of operational risks.

The risk management framework is intended to ensure that the School has the skills, management arrangements and organisational structures in place to take advantage of opportunities, whilst managing the strategic and operational risks that may prevent us from achieving our strategic objectives. The School takes its responsibilities to its stakeholders seriously and regards risk management as both a tool of good management and an important factor in ensuring that the School meets its obligations to its key stakeholders.

The approach to internal control is risk based and is supported by a programme of internal audit work which reflects this approach. The Audit Committee approves the internal audit programme and receives the internal audit reports at its regular meetings during the year. The Committee has also developed an assurance matrix which sets out sources of external and internal assurance for key areas of control.

The internal auditors provide an annual report which includes an opinion on the School's controls. The report for 2014-15 concludes that, in the internal auditors' opinion, the School's arrangements for risk management, control and governance, and for ensuring value for money, were adequately designed and effective.

The School's system of control is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and can only provide a reasonable and not absolute assurance against material misstatement or loss.

## Summary of the School's Structure of Corporate Governance

The School was established in 1899 and is incorporated under a Royal Charter granted in 1924. Following approval by the Privy Council, a Supplemental Charter came into effect in March 2009.

Under the terms of the Charter the Council is our governing body and has sole management control and supervision of the School including the appointment and payment of officers, the management of property and responsibility for ensuring that Financial Statements accurately reflect the year's operation and are in line with the guidelines and appropriate accounting standards set by the Higher Education Funding Council for England (HEFCE).

A Statement of Council's Primary Responsibilities is set out in the next section of this document.

Council comprises a majority of external members, as well as staff members and a student member. The roles of the Chairman and Deputy Chairman of the Council are separated from the role of the School's Chief Executive, the Director.

Council is responsible for the ongoing strategic direction of the School, approves major developments and receives regular reports from Executive Officers on the operations of its business, in accordance with the Financial Memorandum between the School and HEFCE.

# Corporate Governance

Council meets four times a year and has several committees, including a Planning & Finance Committee, an Audit Committee, a Remuneration Committee, and a Nominations Committee. Council delegates a number of functions to these committees which are formally constituted with terms of reference and include members of Council. Each of these committees is chaired by a non-staff member of Council. Council has also established a Standing Committee on Governance to advise on governance issues and ensure that Council and its sub-committees continue to comply with best practice.

Council undertook a formal review of its effectiveness in 2013, in accordance with good practice. The review found that Council was fulfilling its responsibilities effectively, but also made a number of recommendations which have subsequently been adopted by Council. The review also resulted in a number of minor amendments to the Charter as set out in the Schedule to the Order of the Privy Council. These changes are explained in the governance section of the School's web-site.

Since 2013 the Standing Committee on Governance has established a rolling programme of effectiveness reviews for Council sub-committees, and to date has undertaken reviews of the Audit, Planning & Finance and Safety Committees. The role of the principal sub-committees is set out below.

The Planning & Finance Committee meets four times each year and *inter alia* recommends to Council the School's annual revenue and capital budgets, monitors performance in relation to the approved budgets, and advises on all resource and strategic planning issues.

The Audit Committee meets four times each year with the School's external and internal auditors. The Committee considers detailed reports together with recommendations for the improvement of the School's systems of control, and management's responses and implementation plans. It also considers reports from HEFCE and other School funders as they affect the School's business, and monitors adherence with regulatory requirements. The Committee adopts a risk-based approach to internal audit planning and the internal audit work undertaken in the year ended 31 July 2015 has been governed by this approach. Whilst senior executives attend meetings of the Audit Committee as necessary, they are not members of the Committee. The Committee produces an annual report to Council covering all aspects of its work.

The Audit Committee reviews the School's Annual Financial Statements, with particular regard to this statement of Corporate Governance, the external auditors' report, and adherence to the School's accounting policies. Responsibility for assessing the School's financial performance rests with the Planning & Finance Committee.

The Nominations Committee considers vacancies for external members on Council and its sub-committees in accordance with CUC guidance. Vacancies for external members of Council are advertised nationally followed by a selection process comprising shortlisting and interviews. This process was followed in appointing a new Chairman of Council, Dame Marjorie Scardino, who will succeed Sir Tim Lankester in November 2015.

The Nominations Committee's recommendations to Council take into account the balance of skills, knowledge and experience of Council and sub-committees' members. An audit of Council members' skills and experience was undertaken in 2013 as part of the Council effectiveness review, and the Nominations Committee will keep the mix of skills under review when considering future vacancies. The School will also look to improve the diversity of Council and its sub-committees, reflecting its commitment to Athena SWAN charter, Equality Challenge and the values set out in the School Strategy.

The Remuneration Committee reviews the performance and determines the annual remuneration of senior staff and policies related thereto.

The senior forum for consideration of all academic matters is the Senate, which includes representatives of senior and junior members of academic staff from across the School together with professional support staff members and student representatives. The Senate reports to Council following each meeting.

The Safety Committee reports to Council on issues relating to the safety of School staff, students and visitors. The Standing Committee on Governance completed a review of safety governance during 2014-15, which recommended a number of changes to the remit of the Safety Committee to ensure that the Committee maintains oversight of the full range of the School's activity. An external member of Council now chairs the Committee.

The School maintains a register of interests for members of Council, external members serving on sub-committees and senior officers, which may be consulted by arrangement with the Secretary and Director of Resources and Planning.

Details of related party transactions involving members of Council or senior officers are disclosed in Note 34 to the Financial Statements. The external members of Council do not receive any payment for the work they do for the School, apart from the reimbursement of expenses.

# Corporate Governance

## Council: Statement of Primary Responsibilities

*All members should exercise their responsibilities in the interests of the School as a whole and not as a representative of any constituency. Members are expected to attend most meetings in order to fulfil responsibilities*

### Strategy

1. To oversee the development of and approve the mission, strategic vision and long-term academic and business plans of the School.
2. To delegate authority to the Director, as chief executive, for the academic, corporate, financial, estate and personnel management of the School and to keep under regular review the policies and procedures established under the authority of the Director.
3. To oversee and facilitate where appropriate proactive and productive relationships with the School's major stakeholders.

## Corporate Governance

4. To ensure that the School operates in accordance with its Charter and the requirements set out in the HEFCE Financial Memorandum.
5. To ensure the establishment and monitoring of systems of control and accountability, including financial and operational controls, governance and risk assessment, and procedures for handling internal grievances and for managing conflicts of interest.
6. To oversee the solvency of the School, safeguard its assets; ensure that systems are in place to secure value for money (economy, efficiency and effectiveness) in relation to all School activities; and to advise on the allocation of those resources necessary for the School to maximize its performance.

### Performance

7. To monitor and evaluate the performance and effectiveness of the School against its strategic plans through review of approved key performance indicators, which should be, where possible and appropriate, benchmarked against other comparable institutions.
8. To establish processes to monitor and evaluate the performance and effectiveness of the School and the Council itself.

### Values

9. To conduct its business in accordance with best practice in higher education corporate governance and with the principles of public life drawn up by the Committee on Standards in Public Life (i.e. selflessness, integrity, objectivity, accountability, openness, honesty and leadership).
10. To safeguard and actively promote the reputation and standing of the School.

### Conflicts of Interest

11. To declare any interests (personal, financial and other) in matters under discussion and routinely record such interests in the School register.

### Core Responsibilities

12. To act in accordance with the following principles:
  - understand individual/collective responsibilities within the School
  - act honestly, reasonably and in good faith without being bound by commitments to any other persons or bodies
  - act with skill and care to safeguard the assets of the School
  - be satisfied that any course of action proposed is in accordance with the School's Charter and Regulations
  - not bind the School to a course of action which it cannot carry out
  - ensure that the School does not continue to operate if it is insolvent or there is no reasonable prospect of avoiding an insolvency

# Corporate Governance

- ensure that sufficient financial and other information is made available and properly considered on a regular basis
- seek to persuade colleagues by open debate, and register dissent where concerned that the action would be contrary to any of the above
- avoid situations where there is actual or potential conflict of member interests and those of the School
- ensure that professional advice is taken by the School wherever appropriate

This is general guidance and not a statement of the law.

## ***Membership and Committees***

13. To appoint external members to Council, including a Chairman, Deputy Chairman and Honorary Treasurer (who shall be Chairman of Planning & Finance Committee), and Court.
14. Appoint standing and ad hoc committees as required, determining both compositions and terms of reference.

## ***Academic***

15. To ensure that systems are in place to monitor, and to maintain or improve, the quality of the School's teaching, training, learning and research activities and to receive reports and recommendations from Senate on all academic matters.
16. To make such provision as Council thinks fit for the general welfare of students, in consultation with Senate.

## ***Staff***

17. To be responsible for the appointment, suspension and dismissal of the Director as chief executive, to determine the conditions of appointment and to put in place suitable arrangements for monitoring his/her performance.
18. To appoint a secretary to Council and to ensure that, if the person appointed has managerial responsibility in the School, there is an appropriate separation in the lines of accountability.
19. To be the employing authority for all staff in the School, including undertaking an annual review of senior staff, and to ensure the establishment of a human resources strategy.
20. To ensure that strategies are in place for succession planning of the School's senior management posts.
21. To make such provision as it thinks fit for the general welfare of staff.

## ***Safety***

22. To ensure that the School carries out all activities safely and with regard to the health and safety of all its students, staff and those who may be affected by its activities.

## ***Equality and Diversity***

23. To ensure that the School provides an inclusive and supportive environment, and that members of staff, students and visitors are not in any way disadvantaged on grounds of religion and belief, race, political affiliation, marital or parental status, socio-economic background, sexual orientation, age, sex, gender identity or disability.

## ***Financial***

24. To be the principal financial and business authority of the School, to ensure that the conditions of the Financial Memorandum with HEFCE are met, to ensure that proper books of account are kept, to approve the annual budget and financial statements, and to have overall responsibility for the School's assets, property and estate.
25. To act as trustee for any property, legacy, endowment, bequest or gift in support of the work and welfare of the School.

# Corporate Governance

## ***Estates***

26. To be the principal authority for holding land and property, and accountable for its appropriate acquisition, maintenance and disposal.

## ***Legal Compliance***

27. To be the School's legal authority and, as such, to ensure that systems are in place for meeting all the institution's legal and regulatory obligations, including those arising from contracts and other legal commitments made in the School's name.

## Responsibilities of the Council

The School's Charter vests the custody and control of all assets in the Council. The Financial Memorandum between the HEFCE and the School requires the Council to ensure that Financial Statements are prepared for each financial year which give a true and fair view of the state of affairs of the School and of its income and expenditure, cash flows and recognised gains and losses for that period.

1. Under the School's Charter the Council has appointed a Planning & Finance Committee *inter alia* to:
  - (i) approve and recommend to the Council the School's annual budget and longer-term financial projections and to monitor performance against budget;
  - (ii) submit the School's Financial Statements to the Council for approval; and
  - (iii) approve systems of internal financial control and accounting.
2. In causing the Financial Statements to be prepared, the Planning & Finance Committee, on behalf of the Council, seeks to ensure that:
  - (i) suitable accounting policies are selected;
  - (ii) judgements and estimates are made that are reasonable and prudent;
  - (iii) the Financial Statements are prepared on the going concern basis unless it is inappropriate to presume that the School will continue to operate as an institution providing teaching and research.
3. On behalf of the Council, the Planning & Finance Committee is responsible for ensuring that proper accounting records are kept which disclose with reasonable accuracy at any time the financial position of the School and enable it to ensure that the Financial Statements comply with the Financial Memorandum between the Higher Education Funding Council for England and the School. It is also responsible for ensuring that the assets of the School are safeguarded.
4. On behalf of the Council the Audit Committee is responsible for reviewing the effectiveness of internal control systems and thereby ensuring that controls are in place to prevent and detect fraud or other irregularities. The Committee reviews whether satisfactory arrangements are in place to promote economy, efficiency and effectiveness and monitors the performance and effectiveness of external and internal audit. The Committee also ensures that there are adequate and effective arrangements in place for risk management.
5. The Council has taken reasonable steps to:
  - (i) ensure that funds from the HEFCE are used only for the purposes for which they have been given and in accordance with the Financial Memorandum between the Higher Education Funding Council for England and the School and any other conditions which the Funding Council may from time to time prescribe;
  - (ii) ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources;
  - (iii) ensure that there is an ongoing process for identifying, evaluating and managing the School's significant risks;
  - (iv) safeguard the assets of the School and to prevent and detect fraud; and
  - (v) secure the economical, efficient and effective management of the School's resources and expenditure.



# Independent Auditor's Report to the Council of the London School of Hygiene & Tropical Medicine

We have audited the financial statements of London School of Hygiene & Tropical Medicine (the 'School') for the year ended 31 July 2015 which comprise the statement of principal accounting policies, the consolidated income and expenditure account, the consolidated statement of total recognised gains and losses, the consolidated and School balance sheets, the consolidated cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the School's Council, as a body in accordance with section 14 of the Charter of the School. Our audit work has been undertaken so that we might state to the School's Council those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the School and the Council as a body, for our audit work, for this report, or for the opinions we have formed.

## Respective responsibilities of the members of the Council

As explained more fully in the Statement of responsibilities of the Council set out on page 14, the Council are responsible for the preparation of the financial statements which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

## Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

## Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the School's affairs as at 31 July 2015, and of the Group's income and expenditure, recognised gains and losses and cash flows for the year then ended in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been properly prepared in accordance with the 2007 Statement of Recommended Practice: Accounting for Further and Higher Education.

## Opinion on other matters prescribed by HEFCE's Financial Memorandum of assurance and accountability dated June 2014

In our opinion, in all material respects:

- funds from whatever source administered by the School for specific purposes have been properly applied to those purposes and managed in accordance with the relevant legislation; and
- funds provided by HEFCE have been applied in accordance with the Memorandum of assurance and accountability and any other terms and conditions attached to them; and
- the requirements of HEFCE's accounts direction have been met.

Grant Thornton UK LLP

Grant Thornton UK LLP  
Statutory Auditor, Chartered Accountants  
London

24 November 2015

# Statement of Principal Accounting Policies

## 1. Basis of preparation

These Financial Statements have been prepared in accordance with the 2007 Statement of Recommended Practice (SORP): Accounting for Further and Higher Education, and in accordance with applicable UK Accounting Standards.

## 2. Basis of accounting

The Financial Statements have been prepared in accordance with the historical cost convention, modified by the revaluation of Fixed Asset Investments and Endowment Asset Investments.

## 3. Basis of consolidation

The consolidated financial statements include the School and all its subsidiaries for the financial year to 31 July 2015. The results of subsidiaries acquired during the period are included in the consolidated Income and Expenditure Account from the date of acquisition. Intra-group transactions are eliminated on consolidation.

## 4. Recognition of income

- Recurrent grants from the HEFCE are recognised in the period in which they are receivable. Non-recurrent grants from the funding council or other bodies received in respect of the acquisition or construction of fixed assets are treated as deferred capital grants and amortised in line with the depreciation policy over the life of the assets.
- Tuition fee income is stated gross and credited to the Income and Expenditure Account in the year in which the students are studying.
- Income from Research Grants, Contracts and Other Services Rendered is included to the extent of the expenditure incurred during the year, together with any related contributions towards indirect costs.
- Income from the sale of goods or services is credited to the Income and Expenditure Account when the goods or services are supplied to the external customers or the terms of the contract have been satisfied.
- Income from specific endowments and donations has been credited to the Income and Expenditure Account on a receivable basis and any excess or shortfall relating to expenditure on specific endowments in the year is transferred to specific endowments in the Balance Sheet.
- Charitable donations are recognised in the accounts when the charitable donation has been received or if, before receipt, there is sufficient evidence to provide the necessary certainty that the donation will be received and the value of the incoming resources can be measured with sufficient reliability.
- All income from short-term deposits is credited to the Income and Expenditure Account.
- Donations received to be applied to the cost of a tangible fixed asset are shown on the balance sheet as a deferred capital grant. The deferred capital grant is released to the income and expenditure account over the same estimated useful life that is used to determine the depreciation charge associated with the tangible fixed asset.
- Gifts in kind, including donated tangible fixed assets, are included in 'other income' or 'deferred capital grants' as appropriate using a reasonable estimate of their gross value or the amount actually realised.
- Any increase in value arising on the revaluation of fixed asset investments is carried as a credit to the Investment Reserve, via the Statement of Total Recognised Gains and Losses; a decrease in the value is charged to the Income and Expenditure Account to the extent that it is not covered by a previous revaluation surplus.

## 5. Operating leases

Costs in respect of operating leases are charged over the term of the lease.

# Statement of Principal Accounting Policies

## 6. Pension schemes

The School's employees participate in three defined benefit schemes which are contracted out of the State Second Pension (S2P) - the Universities' Superannuation Scheme (USS), the Superannuation Arrangements of the University of London (SAUL), both of which are externally funded schemes, and the National Health Service Scheme which is unfunded. Because of the mutual nature of USS and SAUL, the schemes' assets are not hypothecated to individual institutions and instead a scheme-wide contribution rate is set. The School is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The School therefore, as required by FRS 17 "Retirement Benefits" accounts for the pension schemes as if they were defined contribution schemes. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period. (See Note 33 to the Financial Statements).

## 7. Tangible fixed assets

### *Freehold and Leasehold Land and Buildings*

Land and buildings are stated at cost. Freehold land is not depreciated.

The School has a policy of depreciating freehold buildings, and major adaptations to buildings, over their expected useful economic life to the School of between 10 and 50 years. Long leasehold buildings are depreciated over a useful economic life of 50 years irrespective of the length of the lease. Short-leasehold properties, where the lease is less than 50 years in length, are depreciated over the life of the lease.

Where land and buildings are acquired with the aid of specific grants they are capitalised and depreciated as above. The related grants are credited to a deferred capital grant account and are released to the income and expenditure account over the expected useful economic life of the related asset on a basis consistent with the depreciation policy.

Finance costs which are directly attributable to the construction of land and buildings are not capitalised as part of the cost of those assets.

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying amount of any fixed asset may not be recoverable.

Expenditure on assets in the course of construction is capitalised in the year in which it arises. No depreciation is charged until the year in which the asset comes into use.

### *Equipment and furniture*

Expenditure on equipment and furniture costing less than £10,000 per individual item is written off in full in the year of acquisition. All other equipment is capitalised at cost.

All equipment is stated at cost and depreciated over its expected useful life, as follows:

Equipment acquired for specific research projects	the remaining project life
All other equipment	four years
Furniture	four years

Where equipment is acquired with the aid of specific grants, it is capitalised and depreciated in accordance with the above policy, with the related grant being credited to a deferred capital grant account and released to income and expenditure account over the expected useful economic life of the related equipment.

## 8. Investments

Endowment asset investments and fixed asset investments are included in the Balance Sheet at market value. Unlisted investments are stated at historical cost less any provision for impairment in their value.

# Statement of Principal Accounting Policies

## 9. Cash flows and liquid resources

Cash flows comprise increases or decreases in cash. Cash includes cash in hand, cash at bank, and deposits repayable on demand. Deposits are repayable on demand if they are available within 24 hours without penalty. No other investments, however liquid, are included as cash.

Liquid resources comprise assets held as a readily disposable store of value. They include term deposits, government securities and loan stock held as part of the School's treasury management activities. They exclude any such assets held as endowment asset investments.

## 10. Endowment funds

Where charitable donations are to be retained for the benefit of the School as specified by the donors, these are accounted for as endowments. There are three main types:

- Unrestricted permanent endowments - the donor has specified that the fund is to be permanently invested to generate an income stream for the general benefit of the School.
- Restricted expendable endowments - the donor has specified a particular objective other than the purchase or construction of tangible fixed assets, and the institution can convert the donated sum into income.
- Restricted permanent endowments - the donor has specified that the fund is to be permanently invested to generate an income stream to be applied to a particular objective.

## 11. Total return on investments for permanent endowments

Total return is the whole of the investment return received by the School on the permanent endowment funds regardless of how it has arisen.

The total return, less any part of the return which has previously been applied for the purposes of the School, remains in the unapplied total return fund. This fund remains part of the permanent endowment until such time as a transfer is made to the Income and Expenditure Account.

## 12. Provisions, contingent liabilities and contingent assets

Provisions are recognised in the financial statements where the School has a present obligation (legal or constructive) as a result of a past event it is probable that a transfer of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is discounted to present value where the time value of money is material. The discount rate used reflects current market assessments of the time value of money and reflects any risks specific to the liability.

Contingent liabilities are disclosed by way of a note when the definition of a provision is not met, and include three scenarios: a possible rather than a present obligation; a possible rather than a probable outflow of economic benefits; an inability to measure the economic outflow.

Contingent assets are disclosed by way of a note where there is a possible, rather than present, asset arising from a past event.

# Statement of Principal Accounting Policies

## 13. Financial instruments

The School uses derivative financial instruments called interest rate swaps to reduce exposure to interest rate movements.

Such derivative financial instruments are not held for speculative purposes and relate to actual assets or liabilities or to probable commitments, changing the nature of the interest rate by converting a fixed rate to a variable rate or vice versa. Interest differentials under these swaps are recognised by adjusting net interest payable over the periods of the contracts. In instances where the derivative financial instrument ceases to be a hedge for an actual asset or liability, then it is marked to market and any resulting profit or loss recognised at that time.

A financial asset and a financial liability are offset only when there is a legally enforceable right to set off the recognised amounts and an intention either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

## 14. Taxation

The School is an exempt charity within the meaning of Schedule 3 of the Charities Act 2011 and as such is a charity within the meaning of Section 506(1) of the Taxes Act (ICTA) 1988. Accordingly, the School is potentially exempt from taxation in respect of income or capital gains received within categories covered by Section 505 of the ICTA 1988 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied to exclusively charitable purposes. The School is partially exempt for the purposes of Value Added Tax (VAT) and is only able to reclaim a small element of VAT charged on purchases of goods and services.

## 15. Foreign currency translation

Transactions denominated in foreign currency are recorded at the rate of exchange ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into sterling either at year-end rates or, where there are related forward foreign exchange contracts, at contract rates. The resulting exchange differences are dealt with in the determination of income and expenditure for the financial year.

## 16. London International Development Centre

The School, along with four other colleges in the Bloomsbury area, participates in the London International Development Centre (LIDC) which is a "joint arrangement that is not an entity" (JANE) as defined by FRS9. The School therefore includes its share of the assets, liabilities and cash flows in the Financial Statements, measured in accordance with the terms of the arrangement (see Note 11 to the Financial Statements).

## 17. Going concern

The Council considers that the School has sufficient financial resources and is confident that its future income streams will maintain these resources. The Council believes that the School is well placed to effectively manage its business risks, despite the current uncertain economic situation.

The Council has a reasonable expectation that the School has adequate resources to continue in operation for the foreseeable future. Thus, it continues to adopt the going concern basis in preparing the financial statements.

# Consolidated Income and Expenditure Account for the year ended 31 July 2015

		2015 £000	2014 £000
<b>INCOME</b>			
Funding council grants	1	22,822	23,053
Tuition fees	2	17,301	17,259
Research grants and contracts	3	92,257	85,674
Other income	4	12,884	7,910
Endowment and investment income	5	1,038	792
<b>Total income</b>		<b>146,302</b>	<b>134,688</b>
<b>EXPENDITURE</b>			
Staff costs	6	67,265	63,682
Other operating expenses	8	67,410	62,968
Depreciation	16	4,096	4,000
Interest payable	7	775	812
<b>Total expenditure</b>		<b>139,546</b>	<b>131,462</b>
<b>Surplus after depreciation of tangible fixed assets and before tax</b>		<b>6,756</b>	<b>3,226</b>
Taxation	9	(1,055)	(2)
<b>Surplus before exceptional item after depreciation of assets and tax</b>		<b>5,701</b>	<b>3,224</b>
<b>Exceptional items</b>	10		
Disposal of fixed assets		-	3,338
<b>Surplus after depreciation of assets, disposal of assets and tax</b>		<b>5,701</b>	<b>6,562</b>
Transfer to accumulated income within restricted endowments	24	-	-
<b>Surplus for the year retained within general reserves</b>	25	<b>5,701</b>	<b>6,562</b>

## Statement of Group Historical Cost Surpluses and Deficits for the year ended 31 July 2015

	Notes	2015 £000	2014 £000
Surplus on continuing operations before taxation		6,756	3,226
Valuation gains realised on disposal of fixed asset investments	26	90	-
<b>Historical cost surplus for the year before taxation</b>		<b>6,846</b>	<b>3,226</b>
<b>Historical cost surplus for the year after taxation</b>		<b>5,791</b>	<b>3,224</b>

## Statement of Group Total Recognised Gains and Losses for the year ended 31 July 2015

	Notes	2015 £000	2014 £000
Surplus on continuing operations after depreciation of assets and taxation		5,701	6,562
Increase in value of fixed asset investments chargeable to investment reserve	17	142	121
Unrealised surplus on revaluation of endowment asset investments	18	313	69
(Endowments drawn down)/New endowments	24	(333)	173
Transfer to Income and Expenditure Account from restricted endowments	24	108	85
<b>Total recognised gains relating to the year</b>		<b>5,931</b>	<b>7,010</b>
<b>Reconciliation</b>			
Opening reserves and endowments		48,786	41,776
Total recognised gains for the year		5,931	7,010
<b>Closing reserves and endowments</b>		<b>54,717</b>	<b>48,786</b>

# Balance Sheets as at 31 July 2015

	Notes	2015 Consolidated £000	2015 School £000	2014 Consolidated £000	2014 School £000
<b>Fixed Assets</b>					
Tangible assets	16	64,625	64,615	66,930	66,927
Investments	17	4,548	4,548	5,110	5,110
Investments in subsidiaries	17	-	100	-	100
		<u>69,173</u>	<u>69,263</u>	<u>72,040</u>	<u>72,137</u>
<b>Endowment Asset Investments</b>	18	<u>11,372</u>	<u>11,372</u>	<u>11,284</u>	<u>11,284</u>
<b>Current Assets</b>					
Debtors	19	55,307	55,186	35,990	35,842
Investments	20	-	-	5,000	5,000
Cash at bank and in hand		66,779	66,775	42,308	42,278
		<u>122,086</u>	<u>121,961</u>	<u>83,298</u>	<u>83,120</u>
<b>Creditors: amounts falling due w ithin one year</b>	21	<u>(97,204)</u>	<u>(97,084)</u>	<u>(66,191)</u>	<u>(66,110)</u>
<b>Net Current Assets</b>		<u>24,882</u>	<u>24,877</u>	<u>17,107</u>	<u>17,010</u>
<b>Creditors: amounts falling due after more than one year</b>	22	<u>(14,878)</u>	<u>(14,878)</u>	<u>(15,318)</u>	<u>(15,318)</u>
<b>NET ASSETS</b>		<u>90,549</u>	<u>90,634</u>	<u>85,113</u>	<u>85,113</u>
<b>Represented by:</b>					
Deferred Capital Grants	23	<u>35,832</u>	<u>35,832</u>	<u>36,327</u>	<u>36,327</u>
<b>Endowment Funds</b>					
Restricted permanent funds	24	8,446	8,446	8,085	8,085
Restricted expendable funds	24	1,238	1,238	1,539	1,539
Unrestricted permanent funds	24	1,688	1,688	1,660	1,660
		<u>11,372</u>	<u>11,372</u>	<u>11,284</u>	<u>11,284</u>
<b>Reserves</b>					
Income and expenditure account	25	41,382	41,467	35,591	35,591
Revaluation reserve	26	1,963	1,963	1,911	1,911
		<u>43,345</u>	<u>43,430</u>	<u>37,502</u>	<u>37,502</u>
<b>TOTAL FUNDS</b>		<u>90,549</u>	<u>90,634</u>	<u>85,113</u>	<u>85,113</u>

The Financial Statements on pages 16 to 42 were approved by the Council on 24 November 2015 and signed on its behalf by:

  
**Professor Baron Peter Piot**  
 Director

  
**Dr Diana Walford**  
 Deputy Chair, Council



# Consolidated Cash Flow Statement for the year ended 31 July 2015

	Notes	2015 £000	2014 £000
Net cash inflow from operating activities	27	15,952	5,948
Returns on investments and servicing of finance	28	371	65
Taxation	9	-	-
Capital expenditure and financial investment	29	3,687	150
Management of liquid resources	30	5,000	-
Financing	31	(431)	(419)
<b>Increase in cash in the year</b>	<b>32</b>	<b><u>24,579</u></b>	<b><u>5,744</u></b>

## Reconciliation of Net Cash Flow to Movement in Net Funds

		2015 £000	2014 £000
<b>Increase in cash in the year</b>		24,579	5,744
Decrease in short term deposits	30	(5,000)	-
Decrease in debt		431	419
<b>Change in net funds</b>		<b><u>20,010</u></b>	<b><u>6,163</u></b>
Net funds at 1 August		31,555	25,392
<b>Net funds at 31 July</b>	<b>32</b>	<b><u>51,565</u></b>	<b><u>31,555</u></b>

# Notes to the Financial Statements

## 1 Funding Council Grants

*Higher Education Funding Council for England*

	Notes	2015 £000	2014 £000
Recurrent grants		21,196	21,364
Specific grants		6	4
Release of deferred capital grants			
Buildings	23	1,584	1,606
Equipment	23	36	79
		<u>22,822</u>	<u>23,053</u>

## 2 Tuition Fees

	2015 £000	2014 £000
Full-time UK and EU students	2,507	2,458
Full-time international students	5,962	6,555
Part-time students	873	812
Short Courses	2,309	1,562
Distance Learning Courses	5,650	5,872
	<u>17,301</u>	<u>17,259</u>

## 3 Research Grants and Contracts

	2015 £000	2014 £000
UK research councils	13,509	13,314
UK charities	17,143	15,887
UK government departments and health authorities	17,745	17,091
UK other	1,220	1,789
EU Commission and other government bodies	9,545	4,757
EU other	1,459	1,751
Charities based outside the UK	17,710	18,777
Industry and commerce outside the EU	1,849	2,379
Other sources outside the EU	12,077	9,929
	<u>92,257</u>	<u>85,674</u>

# Notes to the Financial Statements

## 4 Other Income

### Notes

	2015	2014
	£000	£000
Research consultancy	836	1,036
Research and Development Expenditure Credit	4,763	-
Other non-research grant income	3,855	3,673
	<u>9,454</u>	<u>4,709</u>
Other services rendered	1,494	1,080
Other general income	1,595	1,787
Refectory	341	334
	<u><u>12,884</u></u>	<u><u>7,910</u></u>

Research Development & Expenditure Credit (RDEC) for Large Companies came into effect from 1 April 2013. The intention was to incentivise research and development in the private sector but, during 2015, the government confirmed that universities were eligible to claim RDEC under the Large Companies scheme. The RDEC income of £4,763K relates to claims which have been, or will be submitted for the period 1 April 2013 to 31 July 2015. The School is waiting approval by HM Revenue & Customs of its claims submitted. RDEC income is subject to Corporation Tax of £1,055K which is shown in Note 9.

## 5 Endowment and Investment Income

	2015	2014
	£000	£000
Income from expendable endowments	24 436	392
Income from permanent endowments applied total return	24 370	290
Income from permanent endowments not spent in year	24 (70)	-
Income from other investments	302	110
	<u><u>1,038</u></u>	<u><u>792</u></u>

# Notes to the Financial Statements

## 6 Staff

	2015	2014
	£000	£000
<b>Staff Costs:</b>		
Wages and salaries	55,400	52,459
Social security costs	4,164	3,939
Other pension costs (Note 33)	7,701	7,284
	<b>67,265</b>	<b>63,682</b>
<b>Emoluments of the Director:</b>	<b>£000</b>	<b>£000</b>
<b>Professor Peter Piot</b>		
Salary and benefits	284	277
Pension contribution to USS	38	37
<b>Total emoluments</b>	<b>322</b>	<b>314</b>

The emoluments of the Director are shown on the same basis as for other higher paid staff. The School's pension contributions in relation to the Director are paid at the same rate as for other academic staff.

Remuneration of other higher paid staff, excluding employer's pension contributions but including payments made on behalf of the NHS in respect of its contractual obligations to School staff under separate NHS contracts of employment and which are excluded from the School's Income and Expenditure Account.

	2015	2014
	Number	Number
£100,000 - £109,999	8	5
£110,000 - £119,999	6	5
£120,000 - £129,999	1	4
£130,000 - £139,999	4	1
£140,000 - £149,999	3	2
£150,000 - £159,999	3	1
£160,000 - £169,999	1	2
£170,000 - £179,999	1	4
£180,000 - £189,999	1	1
£190,000 - £199,999	1	1
	<b>29</b>	<b>26</b>

### Average staff numbers by category expressed as full-time equivalents:

	2015	2014
	Number	Number
Teaching and Research staff in academic faculties	683	653
Support staff in academic faculties	220	212
Central services	247	230
Premises	31	32
Other	-	1
	<b>1,182</b>	<b>1,128</b>

# Notes to the Financial Statements

## 7 Interest Payable

2015      2014  
£000      £000

Loans repayable wholly or partly in more than five years

775      812

## 8 Staff Costs and Other Operating Expenses

	Notes	2015			2014		
		£000 Total	£000 Staff	£000 Other	£000 Total	£000 Staff	£000 Other
Academic faculties:							
General funds		18,069	16,230	1,839	16,352	15,734	618
Projects:							
Research grants and contracts		83,163	34,393	48,770	77,755	33,046	44,709
Consultancy agreements		979	545	434	724	393	331
Other grants		3,840	2,080	1,760	3,673	1,848	1,825
		<u>87,982</u>	<u>37,018</u>	<u>50,964</u>	<u>82,152</u>	<u>35,287</u>	<u>46,865</u>
Total academic faculties' expenditure		<u>106,051</u>	<u>53,248</u>	<u>52,803</u>	<u>98,504</u>	<u>51,021</u>	<u>47,483</u>
Academic services	12	10,932	6,773	4,159	10,080	5,618	4,462
Administrative services	13	8,818	5,731	3,087	8,733	5,241	3,492
Maintenance of premises	14	5,090	883	4,207	5,881	928	4,953
Equipment and furniture		(447)	-	(447)	(414)	-	(414)
Refectory		413	277	136	377	275	102
Severance costs		36	36	-	33	39	(6)
General educational expenditure	15	1,730	305	1,425	1,585	214	1,371
Studentships		1,336	-	1,336	1,222	-	1,222
Student and staff facilities		240	112	128	170	98	72
Other expenditure		521	(100)	621	515	248	267
Recoverable input VAT		(45)	-	(45)	(36)	-	(36)
		<u>134,675</u>	<u>67,265</u>	<u>67,410</u>	<u>126,650</u>	<u>63,682</u>	<u>62,968</u>

# Notes to the Financial Statements

<b>9 Taxation</b>	<b>2015</b>	<b>2014</b>
	<b>£000</b>	<b>£000</b>
Current tax		
UK Corporation Tax of 20% on surplus for the year	-	2
Tax on Reserch and Development Expenditure Credit -current year	269	-
Tax on Reserch and Development Expenditure Credit -prior years	786	-
	<u>1,055</u>	<u>2</u>
Tax paid in year	<u>-</u>	<u>-</u>
<b>10 Exceptional item</b>	<b>2015</b>	<b>2014</b>
	<b>£000</b>	<b>£000</b>
<i>Surplus on disposal:</i>		
Disposal of land	-	3,325
Part disposal of other property investment	-	13
	<u>-</u>	<u>3,338</u>
<b>11 London International Development Centre</b>	<b>2015</b>	<b>2014</b>
	<b>£000</b>	<b>£000</b>
Income	206	227
Expenditure	(369)	(346)
Net deficit	<u>(163)</u>	<u>(119)</u>
Buildings at historic cost	2,960	2,960
Depreciation to date	(474)	(414)
Net book value at 31 July	<u>2,486</u>	<u>2,546</u>

The School is the lead college for the London International Development Centre (LIDC), which is a joint arrangement among five colleges of the University of London, located in the Bloomsbury area. As the arrangement does not create a separate legal entity, each of the participating colleges accounts for:

- the assets that it controls and the liabilities it incurs;
- the expenses that it incurs, and the share of income that it earns from the sale of goods or services which fall within the terms of the arrangement.

# Notes to the Financial Statements

<b>12 Academic Services</b>	<b>2015</b>	<b>2014</b>
	<b>£000</b>	<b>£000</b>
Library	1,729	1,636
Network Support Team	4,164	3,480
Biological Services Unit	280	212
Supplies Unit	310	303
Safety	149	149
Teaching Support	3,710	3,790
Senior Management Team	4	3
Staff Development	358	361
Clinical Trials Support	228	146
	<b>10,932</b>	<b>10,080</b>

<b>13 Administrative Services</b>	<b>2015</b>	<b>2014</b>
	<b>£000</b>	<b>£000</b>
Director's Office	1,763	1,549
External Relations	1,698	1,528
Registry	651	728
Research Grants, Contracts and Consultancies Office	1,229	1,322
Finance Office	1,398	1,051
Human Resources Office	893	1,184
Administrative computing system	250	587
School publications	-	22
External audit fee	57	48
Internal audit fee	86	84
Other professional fees	136	195
Unrealised foreign exchange surpluses	67	75
Non-premises insurance	380	322
Other	210	38
	<b>8,818</b>	<b>8,733</b>

<b>14 Maintenance of Premises</b>	<b>2015</b>	<b>2014</b>
	<b>£000</b>	<b>£000</b>
Repairs and maintenance	1,846	2,424
Energy and water costs	1,355	1,474
Rates and premises insurance	282	490
Cleaning	861	795
Reception and security	746	698
	<b>5,090</b>	<b>5,881</b>

# Notes to the Financial Statements

## 15 General Educational Expenditure

	2015 £000	2014 £000
School scholarships	590	572
Trust Fund scholarships and prizes	701	587
Examinations	53	61
Subscriptions	178	191
Student recruitment	-	5
University of London charges	128	106
Other	80	63
	<b>1,730</b>	<b>1,585</b>

## 16 Tangible Assets

### Consolidated

	Freehold Land and Buildings £000	Leasehold Buildings £000	Equipment and Furniture £000	Assets under construction £000	Total £000
<b>Cost</b>					
At 1 August 2014	79,339	6,996	11,622	-	97,957
Additions at cost	264	185	919	423	1,791
Disposals	-	-	(1,036)	-	(1,036)
At 31 July 2015	<b>79,603</b>	<b>7,181</b>	<b>11,505</b>	<b>423</b>	<b>98,712</b>
<b>Depreciation</b>					
At 1 August 2014	19,486	1,604	9,937	-	31,027
Charge for year	3,063	152	881	-	4,096
Eliminated in respect of disposals	-	-	(1,036)	-	(1,036)
At 31 July 2015	<b>22,549</b>	<b>1,756</b>	<b>9,782</b>	<b>-</b>	<b>34,087</b>
<b>Net Book Value</b>					
At 31 July 2015	<b>57,054</b>	<b>5,425</b>	<b>1,723</b>	<b>423</b>	<b>64,625</b>
At 1 August 2014	59,853	5,392	1,685	-	66,930



# Notes to the Financial Statements

## 16 Tangible Assets - continued

School	Freehold Land and Buildings £000	Leasehold Buildings £000	Equipment and Furniture £000	Assets under construction £000	Total £000
<b>Cost</b>					
At 1 August 2014	79,339	6,996	11,618	-	97,953
Additions at cost	264	185	910	423	1,782
Disposals	-	-	(1,036)	-	(1,036)
At 31 July 2015	<b>79,603</b>	<b>7,181</b>	<b>11,492</b>	<b>423</b>	<b>98,699</b>
<b>Depreciation</b>					
At 1 August 2014	19,486	1,604	9,936	-	31,026
Charge for year	3,063	152	879	-	4,094
Eliminated in respect of disposals	-	-	(1,036)	-	(1,036)
At 31 July 2015	<b>22,549</b>	<b>1,756</b>	<b>9,779</b>	<b>-</b>	<b>34,084</b>
<b>Net Book Value</b>					
At 31 July 2015	<b>57,054</b>	<b>5,425</b>	<b>1,713</b>	<b>423</b>	<b>64,615</b>
At 1 August 2014	<b>59,853</b>	<b>5,392</b>	<b>1,682</b>	<b>-</b>	<b>66,927</b>

The School occupies a range of freehold and leasehold properties in the Bloomsbury area of London. Its principal premises in Keppel Street were originally funded by a charitable gift from the Rockefeller Foundation. Other properties, and later additions to the Keppel Street building, have been funded from various sources, including the HEFCE and its predecessor organisations.

# Notes to the Financial Statements

## 17 Fixed Asset Investments

### Consolidated and School

#### At valuation

	Managed funds	Other property investment	Total
	£000	£000	£000
At 1 August	4,406	704	5,110
Disposal	-	(704)	(704)
Revaluation	142	-	142
At 31 July	<u>4,548</u>	<u>-</u>	<u>4,548</u>

	2015 £000	2014 £000
Managed funds are represented by:		
Equities	2,708	2,665
Fixed interest	816	766
Other	1,024	975
Sub-total	<u>4,548</u>	<u>4,406</u>

Investments in Subsidiaries	2015 £	2014 £
<b>School</b>		
<b>At cost</b>		
At 1 August	100,002	102
Addition	-	99,900
At 31 July	<u>100,002</u>	<u>100,002</u>

Subsidiary undertakings	Country of incorporation	Principal activity	Class and Percentage of shares held
Chariot Innovations Limited	United Kingdom	Product testing	Ordinary-100%
Salus Limited	United Kingdom	Dormant	Ordinary-100%

# Notes to the Financial Statements

## 18 Endowment Asset Investments

<b>Consolidated and School</b> <i>See Note 24</i>	<b>2015</b> <b>£000</b>	<b>2014</b> <b>£000</b>
At 1 August	11,284	10,957
Funds (withdrawn)/invested	(333)	173
Increase in market value of investments	313	69
Increase in cash balances	108	85
<b>At 31 July</b>	<b>11,372</b>	<b>11,284</b>
Represented by:		
Managed funds:		
Equities	5,988	5,893
Fixed interest	1,805	1,694
Other	3,475	3,701
Sub-total	11,268	11,288
Cash balance due to (due by) the School	104	(4)
	<b>11,372</b>	<b>11,284</b>

## 19 Debtors

	<b>2015</b> <b>Consolidated</b> <b>£000</b>	<b>2015</b> <b>School</b> <b>£000</b>	<b>2014</b> <b>Consolidated</b> <b>£000</b>	<b>2014</b> <b>School</b> <b>£000</b>
Amounts falling due within one year:				
Research expenditure recoverable	34,933	34,933	15,532	15,532
Trade debtors	11,128	10,964	16,656	16,509
Amounts owed by group undertakings	-	110	-	35
Other debtors	495	428	36	-
Prepayments	3,218	3,218	2,914	2,914
Accrued income	5,533	5,533	852	852
	<b>55,307</b>	<b>55,186</b>	<b>35,990</b>	<b>35,842</b>

# Notes to the Financial Statements

## 20 Current Asset Investments

Consolidated and School	2015 £000	2014 £000
At 1 August	5,000	5,000
Investment in term deposit	(5,000)	-
At 31 July	<u>-</u>	<u>5,000</u>

## 21 Creditors: amount falling due within one year

	2015 Consolidated £000	2015 School £000	2014 Consolidated £000	2014 School £000
Unsecured bank loans	440	440	431	431
Trade creditors and accruals	10,743	10,653	13,241	13,166
Social security and other taxation payable	2,505	2,475	1,342	1,336
Deferred income	8,552	8,552	7,847	7,847
Research grants received in advance	74,182	74,182	42,714	42,714
Other payments received in advance	782	782	616	616
	<u>97,204</u>	<u>97,084</u>	<u>66,191</u>	<u>66,110</u>

## 22 Creditors: after more than one year

Consolidated and School	2015 £000	2014 £000
Analysis of unsecured bank loans:		
Due between one and two years	459	440
Due between two and five years	1,184	1,416
Due in five years or more	13,235	13,462
	<u>14,878</u>	<u>15,318</u>

The School's loan facilities consist of:

- unsecured term loan of £11 million, repayable quarterly in arrears by February 2038. Capital repayments began in February 2011. Interest is fixed at 5.16%. The loan is subject to an interest rate swap arrangement with a nominal value of £11 million.
- unsecured term loan of £6 million, repayable quarterly in arrears by February 2038. Capital repayments began in November 2011. Interest is fixed at 4.83%. The loan is subject to an interest rate swap arrangement with a nominal value of £6 million.

# Notes to the Financial Statements

## 23 Deferred Capital Grants

<b>Consolidated and School</b>	<b>Funding Council £000</b>	<b>Other £000</b>	<b>Total £000</b>
At 1 August 2014			
Buildings	30,504	5,062	35,566
Equipment	149	612	761
<b>Total at 31 July 2015</b>	<b>30,653</b>	<b>5,674</b>	<b>36,327</b>
<b>Grants Received</b>			
Buildings	1,207	-	1,207
Equipment	-	387	387
<b>Total at 31 July 2015</b>	<b>1,207</b>	<b>387</b>	<b>1,594</b>
<b>Released to Income and Expenditure Account</b>			
Buildings	(1,584)	(124)	(1,708)
Equipment	(36)	(345)	(381)
<b>Total at 31 July 2015</b>	<b>(1,620)</b>	<b>(469)</b>	<b>(2,089)</b>
<b>At 31 July 2015</b>			
Buildings	30,127	4,938	35,065
Equipment	113	654	767
<b>Total</b>	<b>30,240</b>	<b>5,592</b>	<b>35,832</b>

# Notes to the Financial Statements

## 24 Endowments

### Consolidated and School

See Notes 5 and 18

	Permanent Restricted £000	Permanent Unrestricted £000	Expendable Restricted £000	Total £000
At 1 August 2014				
<b>Capital</b>				
Expendable endowment	-	-	1,539	1,539
Permanent endowment base value	6,678	1,371	-	8,049
Unapplied total return	1,407	289	-	1,696
	<u>8,085</u>	<u>1,660</u>	<u>1,539</u>	<u>11,284</u>
Endowment capital and cash withdrawn	-	-	(333)	(333)
Investment income/expendable endowments	205	42	468	715
Increase in market value	260	53	-	313
	<u>8,550</u>	<u>1,755</u>	<u>1,674</u>	<u>11,979</u>
Total return applied in the period	(307)	(63)	-	(370)
Unspent income in the period	222			222
Expenditure	-	-	(436)	(436)
Management Fee	(19)	(4)	-	(23)
<b>At 31 July 2015</b>	<b><u>8,446</u></b>	<b><u>1,688</u></b>	<b><u>1,238</u></b>	<b><u>11,372</u></b>
<b>Total return at end of reporting period:</b>				
Permanent Endowment Base value	6,678	1,371		8,049
Unapplied total return	1,768	317		2,085
	<u>8,446</u>	<u>1,688</u>		<u>10,134</u>
Representing:				
Scholarship funds	2,202	-	104	2,306
Prize funds	103	-	43	146
Library funds	258	-	64	322
Brass Blacker Chair	2,843	-	95	2,938
Other teaching and research funds	2,939	-	291	3,230
Other funds	101	1,688	641	2,430
	<u>8,446</u>	<u>1,688</u>	<u>1,238</u>	<u>11,372</u>

## 25 Income and Expenditure Account

	2015 £000	2014 £000	2015 £000	2014 £000
	Consolidated		School	
At 1 August	35,591	29,029	35,591	29,029
Surplus retained for the year	5,701	6,562	5,786	6,562
Transfer from Revaluation Reserve	90	-	90	-
<b>At 31 July</b>	<b><u>41,382</u></b>	<b><u>35,591</u></b>	<b><u>41,467</u></b>	<b><u>35,591</u></b>

# Notes to the Financial Statements

## 26 Revaluation Reserve

<b>Consolidated and School</b>	<b>2015</b>	<b>2014</b>
	<b>£000</b>	<b>£000</b>
At 1 August	1,911	1,790
Revaluation in year on fixed asset investments	142	121
Transfer from Revaluation Reserve to Income and Expenditure Account in respect of disposal of other property investment	(90)	-
At 31 July	<b>1,963</b>	<b>1,911</b>

This is the balance of the revaluation of the Investments shown in Note 17.

## 27 Reconciliation of Operating Surplus to Cash Flow from Operating Activities

	<b>2015</b>	<b>2014</b>
	<b>£000</b>	<b>£000</b>
Surplus on continuing operations after depreciation of assets	6,756	3,226
Depreciation	4,096	4,000
Deferred capital grants released to income	(2,089)	(2,095)
Loss on disposal of fixed assets	-	28
Endowment and Investment income	(1,038)	(792)
Interest payable	775	812
(Increase) in debtors	(22,497)	(11,231)
Increase in creditors under one year	29,949	12,000
<b>Cash flow from operating activities</b>	<b>15,952</b>	<b>5,948</b>

## 28 Returns on Investments and Servicing of Finance

	<b>2015</b>	<b>2014</b>
	<b>£000</b>	<b>£000</b>
Income from endowments	736	682
Income from other investments	410	195
Interest paid	(775)	(812)
<b>Cash flow from returns on investments and servicing of finance</b>	<b>371</b>	<b>65</b>

# Notes to the Financial Statements

## 29 Capital Expenditure and Financial Investment

	2015 £000	2014 £000
Payments to acquire tangible assets	(1,791)	(1,556)
(Endowments withdrawn)/New endowments received	(333)	173
Endowment funds withdrawn/(invested)	333	(173)
Disposal of fixed assets	3,884	244
Deferred capital grants net of disposals	1,594	1,462
<b>Cash flow from capital expenditure and financial investment</b>	<b>3,687</b>	<b>150</b>

## 30 Management of Liquid Resources

	2015 £000	2014 £000
Withdrawals from short term deposits	5,000	-
<b>Cash flow from management of liquid resources</b>	<b>5,000</b>	<b>-</b>

## 31 Financing

	2015 £000	2014 £000
Repayments of amounts borrowed	(431)	(419)
<b>Cash flow from financing</b>	<b>(431)</b>	<b>(419)</b>

## 32 Analysis of Changes in Net Funds

	At 1 August 2014 £000	Cash Flows £000	Other changes £000	At 31 July 2015 £000
Cash at bank and in hand	42,308	24,471	-	66,779
Endowment assets (Note 18)	(4)	108	-	104
	42,304	24,579	-	66,883
Current asset investments	5,000	(5,000)	-	-
	47,304	19,579	-	66,883
Debts due within one year	(431)	431	(440)	(440)
Debts due after one year	(15,318)	-	440	(14,878)
	31,555	20,010	-	51,565



# Notes to the Financial Statements

## 33 Pension Schemes

The School participates in three pension schemes, the Universities Superannuation Scheme (USS), the Superannuation Arrangements of the University of London (SAUL) and the National Health Service Pension Scheme.

### (a) Universities Superannuation Scheme

#### *Contingent liabilities and assets*

A contingent liability exists in relation to the pension valuation recovery plan, since the School is an employer of members within the scheme. The contingent liability relates to the amount generated by past service of current members and the associated proportion of the deficit. Given that the scheme is a multi-employer scheme and the company is unable to identify its share of the underlying assets and liabilities, the contingent liability is not recognised as a provision on the balance sheet. The associated receivable from the scheme in respect of the reimbursement of the School's expenditure is similarly not recognised.

#### *Pension costs*

The School participates in the Universities Superannuation Scheme (USS), a defined benefit scheme which is contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate fund administered by the trustee, Universities Superannuation Scheme Limited. The School is required to contribute a specified percentage of payroll costs to the pension scheme to fund the benefits payable to the School's employees. In 2015, the percentage was 16% (2014: 16%). The School is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS17 "Retirement Benefits", accounts for the scheme as if it were a defined contribution scheme.

The disclosures below represent the position from the scheme's financial statements.

The latest available triennial actuarial valuation of the scheme was at 31 March 2014 ("the valuation date"), which was carried out using the projected unit method and is currently being audited by the scheme auditor. Based on this 2014 valuation it is expected that employer contributions will increase to 18% from 1 April 2016.

The 2014 valuation was the third valuation for USS under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. At the valuation date, the value of the assets of the scheme was £41.6 billion and the value of the scheme's technical provisions was £46.9 billion indicating a shortfall of £5.3 billion. The assets therefore were sufficient to cover 89% of the benefits which had accrued to members after allowing for expected future increases in earnings.

FRS 17 liability numbers have been produced for the using the following assumptions:

	2015	2014
Discount rate	3.3%	4.5%
Pensionable salary growth	3.5% in the first year and 4.0% thereafter	4.4%
Price inflation (CPI)	2.2%	2.6%

The main demographic assumption used relates to the mortality assumptions. Mortality in retirement is assumed to be in line with the Continuous Mortality Investigation's (CMI) S1NA tables as follows:

Male members' mortality S1NA ["light"] YoB tables – No age rating

Female members' mortality S1NA ["light"] YoB tables – rated down 1 year

Use of these mortality tables reasonably reflects the actual USS experience. To allow for further improvements in mortality rates the CMI 2009 projections with a 1.25% pa long term rate were also adopted for the 2014 FRS17 figures, for the March 2015 figures the long term rate has been increased to 1.5% and the CMI 2014 projections adopted, and the tables have been weighted by 98% for males and 99% for females.

# Notes to the Financial Statements

The current life expectancies on retirement at age 65 are:

	2015	2014
Males currently aged 65 years	24.2	23.7
Females currently aged 65 years	26.3	25.6
Males currently aged 45 years	26.2	25.5
Females currently aged 45 years	28.6	27.6

	2015	2014
<b>Existing benefits</b>		
Scheme assets	£49.0bn	£41.6bn
FRS17 liabilities	£67.6bn	£55.5bn
FRS17 deficit	£18.6bn	£13.9bn
FRS17 funding level	72%	75%

At 31 March 2015, the School had 1,058 active members participating in the scheme.

The contribution rate payable by the School during the year was 16% of pensionable salaries.

## **(b) The Superannuation Arrangements of the University of London (SAUL)**

The School participates in a centralised defined benefit scheme for all qualified employees with the assets held in separate Trustee-administered funds. The School has now adopted FRS17 for accounting for pension costs. It is not possible to identify the School's share of the underlying assets and liabilities of SAUL. Therefore contributions are accounted for as if SAUL were a defined contribution scheme and pension costs are based on the amounts actually paid (i.e. cash amounts) in accordance with paragraphs 8 – 12 of FRS17.

SAUL is subject to triennial valuations by professionally qualified and independent actuaries. The last available valuation was carried out as at 31 March 2011 using the projected unit credit method in which the actuarial liability makes allowance for projected earnings. The main assumptions used to assess the technical provisions were:

	31 March 2011
Discount rate	
– pre-retirement	6.80% p.a.
– post-retirement	4.70% p.a.
General* Salary Increases	3.75% p.a. until 31 March 2014, 4.50% p.a. thereafter
Retail Prices Index inflation ("RPI")	3.50% p.a.
Consumer Price Index Inflation ("CPI")	2.80% p.a.
Pension Increases in payment (excess over GMP)	2.80% p.a.
Mortality – base table	SAPS Normal (year of birth) tables with an age rating of +0.5 years for males and -0.4 years for females.
Mortality – future improvements	Future improvements in line with CMI 2010 projections with a long term trend rate of 1.25% p.a.

\* an additional allowance is made for promotional Salary increases

The actuarial valuation applies to SAUL as a whole and does not identify surpluses or deficits applicable to individual employers. As a whole, the market value of SAUL's assets was £1,506 million representing 95% of the liability for benefits after allowing for expected future increases in salaries.

Based on the strength of the Employer covenant and the Trustee's long-term investment strategy, the Trustee and the Employers agreed to maintain Employer and Member contributions at 13% of Salaries and 6% of Salaries respectively following the valuation. The above rates will be reviewed when the results of the next formal valuation (as at 31 March 2014) are known.

# Notes to the Financial Statements

A comparison of SAUL's assets and liabilities calculated using assumptions consistent with FRS17 revealed SAUL to be in deficit at the last formal valuation date (31 March 2011). As part of this valuation, the Trustee and Employer have agreed that no additional contributions will be required to eliminate the current shortfall.

The more material changes (the introduction of a Career Average Revalued Earnings, or "CARE", benefit structure) to SAUL's benefit structure will apply from 1 July 2012. As a consequence, the cost of benefit accrual is expected to fall as existing final salary members are replaced by new members joining the CARE structure. This will allow an increasing proportion of the expected asset return to be used to eliminate the funding shortfall. Based on conditions as at 31 March 2011, the shortfall is expected to be eliminated by 31 March 2021, which is 10 years from the valuation date.

At 31 March 2015, the School had 175 active members participating in the scheme.

## **(c) The National Health Service (NHS) Pension Scheme**

The NHS Scheme is an unfunded defined benefit scheme that covers NHS employers, General Practices and other bodies, allowed under the direction of the Secretary of State in England and Wales. As a consequence it is not possible for the School to identify its share of the underlying scheme assets and liabilities.

The School therefore accounts for its pension costs in respect of the scheme on a defined contribution basis, as permitted by FRS 17 Retirement Benefits, thereby charging in its financial statements the contributions payable to the scheme for the year. The NHS Pension Scheme is funded centrally by the Treasury on a current cost basis. At 31 March 2015, the School had 54 active members participating in the Scheme.

## **(d) Pension costs for the year**

The pension costs for all three schemes, which were charged to the Income & Expenditure Account, were £7,701k (2014: £7,284k).

## **34 Related Party Transactions**

Due to the nature of the School's operations and the composition of the Council it is inevitable that transactions will take place with organisations in which a member of the Council may have an interest. All transactions involving organisations in which a member of the Council may have an interest, including those identified below, are conducted at arm's length and in accordance with the School's financial regulations and normal procurement procedures.

Seven members of Council were paid a total of £4.1k for travel and accommodation expenses for the year ended 31 July 2015 (2014: Four members were paid a total of £1.3k for travel and subsistence expenses). No payments were made to members of Council for serving as trustees and there were no waivers of such payments.

The School sold its interest of £704k of an investment property to the Director in December 2014, which it had contributed towards when the Director purchased it in 2011. The market value was determined by a professional valuer. Included in other debtors is a loan of £428k to the Director of the School which is repayable either on the earlier of the sale of this property or if the Director ceases to be the Director of the School. The interest rate on the loan is fixed at 2% per annum

During the year, the School invoiced a subsidiary undertaking, Chariot Innovations Limited, £23k (2014:£21k) for operating costs and nil (2014:£44k) for rent. All transactions were at arm's length. The School received a gift aid donation of nil (2014:£6k) from Chariot Innovations Limited. At 31 July 2015, the School is owed £110k from Chariot Innovations Ltd and this is disclosed in Debtors.

## **35 Access to Learning Fund**

	2015 £000	2014 £000
Grant allocation received	-	10
Grants disbursed to students	-	(10)
<b>Balance to be refunded to HEFCE</b>	<b>-</b>	<b>-</b>

## **36 Capital Commitments**

Commitments contracted for as at 31 July 2015 were £350k (2014-Authorised but not contracted for: £700k).

# Notes to the Financial Statements

## 37 Lease obligations

Annual rentals under operating lease commitments are as follows:

	2015 £000	2014 £000
Lease expiring in the second to fifth years inclusive		
Plant and Machinery	65	-

## 38 Contingent asset

The School disposed of three parcels of land at Winches Farm, St Albans, Hertfordshire, during the financial year 2013-14. As reported at the time, the land sold by the School enabled the purchaser to sell adjoining land (which the purchaser owned) to a developer. The sale agreement with the School stipulated that if the purchaser's land sale exceeded a specified sum, any resultant surplus would be split equally between the purchaser and the School.

It is estimated that the surplus arising from the purchaser's land sale will result in the School receiving a further £3,950k after fees have been deducted. The payment is conditional upon the determination of a planning application and has therefore not been accrued in these financial statements.