

University of London:  
Central Institutes and Activities



Financial Report and Accounts  
for the year to 31 July 2004

# University of London

## Financial Report and Consolidated Accounts

### 2003-2004

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# Financial Report 31 July 2004

The Financial Statements presented to Council comprise the consolidated results of the University of London and its principal trading subsidiary, Senate House Services Ltd.

The Consolidated Income and Expenditure and result for the year to 31 July 2004 are summarised as follows:

	2003-04 £'000	2002-03 £'000
Income	99,456	92,343
Recurrent Expenditure	<u>(98,611)</u>	<u>(89,028)</u>
Operating surplus before planned appropriations from Reserves	845	3,315
Expenditure financed by planned appropriations from Reserves	(1,410)	(3,615)
Exceptional items	<u>3,127</u>	<u>1,040</u>
Surplus	2,562	740

The University has continued its policy of using its reserves which are in excess of its immediate operational needs, in particular those arising from the External Programme, to support the development of new courses by Colleges, and is included in gross expenditure of £100,021,000.

The net exceptional items of £3,127,000 disclosed in Note 9 reflect two significant matters. In August 2002 the Courtauld Institute of Art became a College and has remained in occupation of the North Wing of Somerset House. The University of London remains the long leaseholder, but by agreement of the freeholder, Somerset House Trust, has conferred occupation rights on the Courtauld Institute of Art. As the University of London has no operational involvement in the building and has agreed to transfer the long leasehold interest to the Institute, the asset has been written off at a cost of £7,496,000 which reflects the University's earlier contributions to both the original refurbishment for the Courtauld Institute of Art on its relocation from Portman Square, and to the subsequent upgrading of the environmental controls. In November 2003, in accordance with the University's strategy for dealing with residential accommodation which is uneconomic to refurbish to current legislative standards, a number of properties in Bloomsbury were sold at auction realising a net surplus of £10,661,000. These proceeds will be used to upgrade Student Accommodation in properties deemed to be core holdings.

The total recognised gain for the year was £6,831,000 (2003 £486,000). In addition to the Surplus and the appreciation in value of the endowment assets, the University received new endowments for the Warburg Institute of £753,000 and a further payment of £1,503,000 from the net disposal proceeds of the former South London Hospital for Women which will be added to the Chadburn Fellowship Trust.

The University receives funding from the Higher Education Funding Council for England comprising:

	2003-04 £'000	2002-03 £'000
Teaching Funds	1,400	1,403
Research Funding	130	153
Special and other Funding	<u>8,721</u>	<u>8,007</u>
	10,251	9,563

The Colleges continue to pay a Subscription for the activities detailed in Ordinance 9. The Subscription for 2003-04 was £3,282,000. (2002-03 £3,154,000). The scope and content of the activities covered by the Subscription was reviewed in detail by a working group drawn from the Heads of Colleges and a Subscription of £3,390,000 has been agreed for 2004-05.

Following on from that review during which concern was expressed at the way in which costs were rising a Cost Containment Review Group was set up under my chairmanship. In parallel with that review I have instigated a wider ranging review of the way in which the Central University goes about its corporate business. I anticipate that these two studies will inform the level of the Subscription for 2005-06.

These two reviews will also have a significant bearing on the way in which the University will go about its affairs in the future as they will impact on the way in which the University will occupy its buildings. The Edexcel Foundation was taken over by Pearson plc and gave notice of their intention to vacate Stewart House at the end of December 2004. The planning is well underway for the process of consolidation of the School of Advanced Study as well as the Careers Group and the University of London Computer Centre in the integrated Senate House/Stewart House. The buildings vacated by this process will be disposed of in accordance with the University's agreed Estates Strategy.

The International Hall Redevelopment was completed at the end of 2003 and was officially opened by the Chancellor in January 2004. It had been hoped that the College Hall and Gower Street site would be the next to be refurbished but as a consequence of planning delays that project will take place between June 2005 and the spring of 2007.

The Student Union Building in Malet Street is in need of significant works to the infrastructure and it is planned that this will be carried out in 2005 in parallel with the Senate House/Stewart House Integration. A part of the plan is for sections of the Careers Group and for the Accommodation Office to be relocated in the Union Building.

The University continues to hold its investments in two portfolios namely the Unified Trust Fund, which comprises the endowment assets of the University and the Total Returns Fund which represents the free reserves of the School of Advanced Study and the activities that make up the Central University together with the University itself.

The value of a unit in the Unified Trust Fund at 31 July 2004 was 458.97 pence (2003 439.98 pence) and the distribution for the year was 22.5 pence (2003 24.5 pence). The Investments Committee is conscious of the need to achieve a high level of distribution for unit holders but equally recognises that the levels previously achieved, before the elimination of the dividend tax relief for charities and the reduction in overall interest rates, cannot be sustained in the longer term. In consequence, it has decided to reduce the amount of distribution from the reserves and has set a distribution for 2004-05 of 21 pence per unit plus a one penny transitional supplement drawn from the Distribution Equalisation Fund.

The Total Returns Fund was set a reduced distribution objective, reflecting realised losses, for 2003-04. The fund has a market value (excluding retained income) at 31 July 2004 of £21,716,000 (2003 £21,638,000). The distribution to the University after fees was £908,000. (2003 £802,000).

Overall the financial position of the University remains sound and it has the necessary resources for the future. In consequence the financial statements are prepared on a going concern basis and reflect the continuing business of the University.

Sir Graeme Davies  
Vice-Chancellor  
15 December 2004

# Corporate Governance Statement

The University of London is committed to exhibiting best practice in all aspects of corporate governance. This summary describes the manner in which the University has applied the principles set out in Section 1 of the Combined Code on Corporate Governance issued by the London Stock Exchange in June 1998. Its purpose is to help the reader of the financial statements understand how the principles have been applied.

Throughout the year ended 31 July 2004, the University has been in compliance with all the Code provisions set out in Section 1 of the Combined Code on Corporate Governance insofar as they relate to universities. The University also complies with the Guide for Members of Governing Bodies of Universities and Colleges in England and Wales issued by the Committee of University Chairmen in 1998.

The University Council comprises *ex officio* members, including Heads of Colleges, lay persons appointed under the University Statutes and academic and student members elected in accordance with the Ordinances; the majority of members of the Council are non-executive. The rôles of Chairman and Deputy Chairman of the Council are separated from the rôle of the University's chief executive, the Vice-Chancellor. The matters specially reserved to the Council for decision are set out in the Statutes of the University and under the Financial Memorandum with the Higher Education Funding Council for England (HEFCE). The University Council is responsible for the ongoing strategic direction of the University, approval of major developments and the receipt of regular reports from executive officers on the day-to-day operations of its business and its associated activities.

The Council normally meets three times a year. Its statutory committees are the Senate and the Estates Committee. Other committees of the Council are the Finance Committee, the Governance Committee, the Nominations Committee, the Human Resources Committee, the Remuneration Committee, the Audit Committee and the Investments Committee.

The Senate is responsible for the determination of academic policy.

The Estates Committee, on which lay members of Council are in the majority and which under the Statutes has plenary powers, is responsible for the determination of the policy on the use of the University's Estate.

The Finance Committee *inter alia* reviews estimates of income and expenditure before the start of each academic year to provide assurance to the Council on their viability. It also recommends to the Council the adoption of the audited Annual Accounts.

The Governance Committee is responsible for recommending to Council changes to the Statutes and Ordinances and to the constitution, membership and terms of reference of Council committees.

The Nominations Committee considers nominations for lay vacancies on the Council.

The Human Resources Committee considers, approves and monitors matters of personnel policy.

The Remuneration Committee determines the remuneration of the Vice-Chancellor and other senior staff.

The Audit Committee meets at least twice a year to receive the reports of the External Auditors, to approve the plan of work, based on an internal assessment of risk, for the Internal Audit Providers and to review their subsequent reports together with recommendations for improvements to the University's systems of internal control and management's response and implementation plans. It also receives and considers reports from the Higher Education Funding Council for England as they affect the University's business and monitors adherence to the regulatory requirements.

The Committee reviews in detail the University's annual financial statements together with the accounting policies. Whilst senior officers attend meetings of the Audit Committee as necessary, they are not members of the Committee. The External and Internal Auditors have access at all times to the Chairman of the Committee.

The Investments Committee is responsible for matters relating to the investments of the University, including recommending to the Finance Committee the appointment of investment managers.

# Responsibilities of the University Council

In accordance with the Statutes, the Council of the University is responsible for the administration and management of the affairs of the University, including ensuring an effective system of internal control, and is required to present consolidated audited financial statements each financial year.

The Council is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the University and to enable it to ensure that the financial statements are prepared in accordance with the University's Statutes, the Statement of Recommended Practice on Accounting for Further and Higher Education and other relevant accounting standards. In addition, within the terms and conditions of the Financial Memorandum agreed between the Higher Education Funding Council for England and the University, the Council, through its designated office holder (the Vice-Chancellor), is required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the University and of the surplus or deficit and cash flows for the year.

In causing the consolidated financial statements to be prepared, the Council has ensured that:

- suitable accounting policies are selected and applied consistently;
- judgements and estimates are made that are reasonable and prudent;
- applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- financial statements are prepared on the going concern basis unless it is inappropriate to presume that the University will continue in operation. The Council is satisfied that the University has adequate resources to continue in operation for the foreseeable future. For this reason, the going concern basis continues to be adopted in the preparation of the financial statements.

The Council has taken reasonable steps to:

- ensure that funds from the Higher Education Funding Council for England are used only for the purposes for which they have been given and in accordance with the Financial Memorandum with the Funding Council and any other conditions which the Funding Council has from time to time prescribed;
- ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources;
- safeguard the assets of the University and to prevent and detect fraud; and
- secure the economical, efficient and effective management of the University's resources and expenditure.

The key elements of the University's system of internal financial control, which is designed to discharge the responsibilities set out above, include the following:

- clear definitions of the responsibilities of, and the authority delegated to, heads of academic and administrative units;
- a comprehensive medium and short-term planning process, supplemented by detailed annual income, expenditure, capital and cash flow budgets;
- regular reviews of academic performance and monthly reviews of financial results involving variance reporting and updates of forecast outturns;
- clearly defined and formalised requirements for approval and control of expenditure, with investment decisions involving capital or revenue expenditure being subject to formal detailed appraisal and review according to approval levels set by the Council;

- comprehensive Financial Regulations, detailing financial controls and procedures, approved by the Audit Committee and Council; and
- the Internal Audit Provider, whose annual programme is approved by the Audit Committee.

The Audit Committee, on behalf of the Council, has reviewed the effectiveness of the University's system of internal control. Any system of internal financial control can, however, provide only reasonable but not absolute assurance against material mis-statement or loss.

# Statement of Internal Control

As the Governing Body of the University, we have responsibility for maintaining a sound system of internal control that supports the achievement of policies, aims and objectives, while safeguarding the public and other funds and assets for which we are responsible, in accordance with the responsibilities assigned to the Council in the University of London 1994 Act and Statutes, and the Financial Memorandum with the HEFCE.

The system of internal control is designed to manage rather than eliminate the risk of failure to achieve policies, aims and objectives: it can, therefore, provide only reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an ongoing process designed to identify the principal risks to the achievement of policies, aims and objectives, to evaluate the nature and extent of those risks, and to manage them efficiently, effectively and economically. This process has been in place for the year ended 31 July 2004 and up to the date of approval of the financial statements, and accords with HEFCE guidance.

As the Governing Body, we have responsibility for reviewing the effectiveness of the system of internal control. The following processes have been established:

- (i) We meet three times a year to consider the plans and strategic direction of the University.
- (ii) We receive periodic reports from the Chairman of the Audit Committee concerning internal control, and we require regular reports from managers on the steps they are taking to manage risks in their areas of responsibility, including progress reports on key projects.
- (iii) We have established a Risk Committee, reporting to the Audit Committee, to oversee risk management.
- (iv) The Audit Committee receives regular reports from the internal audit service, which includes its independent opinion on the adequacy and effectiveness of the University's system of internal control, together with recommendations for improvement.
- (v) Facilitated workshops are held to identify and to keep up to date the record of risks facing the University.
- (vi) A programme of risk awareness training.
- (vii) A system of key performance risk indicators has been developed.
- (viii) A robust risk prioritization methodology based on risk ranking and cost-benefit analysis has been established.
- (ix) An organisation-wide risk register is maintained.
- (x) Reports are received from budget holders, department heads and project managers on internal control activities.

Our review of the effectiveness of the system of internal control is informed by the internal audit service, which operates to standards defined in the HEFCE Audit Code of Practice. This externally provided service is comparable to the previous internal audit service, which was last reviewed for effectiveness by the HEFCE Audit Service in August 2001. The internal audit service submits regular reports which include its independent opinion on the adequacy and effectiveness of our system of internal control, with recommendations for improvement.

Our review of the effectiveness of the system of internal control is also informed by the work of the executive managers within the University, who have responsibility for the development and maintenance of the internal control framework, and by comments made by the external auditors in their management letter and other reports.

# Report of the Independent Auditors, Knox Cropper, to the Council of the University of London

We have audited the financial statements of the University of London for the year ended 31 July 2004, which comprise the revenue account, the balance sheets, the cashflow statement, the statement of total recognised gains and losses and the related notes.

These financial statements were prepared under the historic cost convention, as modified by the revaluation of certain fixed assets, and the accounting policies set out therein.

This report is made solely to the Council of the University, as a body, in accordance with the Financial Memorandum with the Higher Education Funding Council for England. Our audit work has been undertaken so that we might state to the Council those matters we are required to state to them in an auditors' 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 University and the Council as a body, for our audit work, for this report, or for the opinions we have formed.

## Respective responsibilities of the University Council and Auditors

As described on pages 5 and 6, the University Council is responsible for preparing the financial statements in accordance with applicable law and United Kingdom Accounting standards. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view. We also report to you whether, in our opinion monies expended out of funds from whatever source administered by the University for specific purposes were properly applied for those purposes and where relevant managed in accordance with appropriate legislation and whether monies expended out of funds provided by the Higher Education Funding Council for England were applied in accordance with the Financial Memorandum and any other terms and conditions attached to them.

We also report to you if, in our opinion, the Financial Report is not consistent with the financial statements, if the University has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

We read the other information contained in the Financial Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

## Basis of Opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board and the Audit Code of Practice issued by the Higher Education Funding Council for England. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the University Council in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

## Opinion

In our opinion:

- a the financial statements give a true and fair view of the state of affairs of the University and the group at 31 July 2004 and of the group's surplus of income over expenditure, recognised gains and losses and cash flows for the year then ended and have been properly prepared in accordance with the Statement of Recommended Practice on Accounting for Further and Higher Education;
- b in all material respects, income from the Higher Education Funding Council for England, grants and income for specific purposes and from other restricted funds administered by the University have been applied for the purposes for which they were received;
- c in all material respects, income has been applied in accordance with the University's Statutes and, where appropriate, in accordance with the Financial Memoranda with the Higher Education Funding Council for England dated 1 August 2000 and 1 October 2003.

16 New Bridge Street  
London EC4V 6AX  
15 December 2004

Knox Cropper  
Chartered Accountants  
Registered Auditors

# Statement of the University's Principal Accounting Policies

## Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP): *Accounting for Further and Higher Education* and in accordance with applicable Accounting Standards. They conform to guidance published by the Higher Education Funding Council for England.

## Basis of accounting

The financial statements are prepared under the historical cost convention modified by the revaluation of certain fixed assets and investments.

## Basis of consolidation

The consolidated financial statements include the University and its principal subsidiary undertaking Senate House Services Limited. Intra-group sales and profits are eliminated fully on consolidation. In accordance with FRS2, the activities of the University of London Union have not been consolidated because the University does not control those activities.

## Related Party Transactions

The University is partly funded by subscriptions from the Colleges within the federation and by charges for specific services supplied by the University to Colleges. Heads of Colleges within the federation are *ex officio* members of the Council of the University. These are not related parties because of the autonomy of the Colleges, which are independent corporate bodies.

## Taxation

The University is an exempt charity under Schedule 2 to the Charities Act 1993 and as such is a charity within the meaning of section 506(1) of the Income and Corporation Taxes Act (ICTA) 1988. Accordingly, the University 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 University receives no similar exemption in respect of Value Added Tax.

The University's subsidiary companies are subject to corporation tax and VAT in the same way as any commercial organisation.

## Foreign Currencies

Transactions made in foreign currency are recorded at the rate of exchange ruling at the date of the transaction, except that transactions made by the British Institute in Paris (now the University of London Institute in Paris) in euros and recorded initially in the accounting record maintained in Paris are recorded in the accounts at the year-end rate.

Monetary assets and liabilities denominated in foreign currency are translated into sterling at the year-end rate, and gains and losses arising on conversion are dealt with in the Consolidated Revenue Account.

#### Recognition of Income

Income from research grants, contracts and other services rendered is included to the extent of the completion of the contract or service concerned. This is generally equivalent to the sum of the relevant expenditure incurred during the year and any related contributions towards overhead costs. All income from short-term deposits is credited to the income and expenditure account in the period in which it is earned.

Income from specific endowments and donations is included to the extent of the relevant expenditure incurred during the year.

Recurrent grants from the Funding Councils are recognised in the period in which they are receivable.

Non-recurrent grants from Funding Councils 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 depreciation over the life of the assets.

#### Other General Income

Academic and non academic services provided by the University Library, the Careers Service, the Computer Centre, the Institutes and departments of the central administration.

#### Liquid Resources

Liquid resources include sums on short-term deposits with recognised banks and building societies and government securities.

#### Other Services Rendered

Services are provided at cost by the London and Kent Surrey Sussex Deaneries to the National Health Service Executive.

#### Land and Buildings

Land and Buildings are stated at cost less amounts written off to reflect permanent diminution in value.

Depreciation is charged on the capital cost or valuation of the buildings. Freehold properties (excluding land value) are depreciated at 1 per cent. per annum straight line and leasehold properties are depreciated at the amount necessary to write off the value of the asset over the remaining period of the lease. Refurbishment of buildings is capitalised and written off over 20 years.

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.

#### Works of Art

The University has purchased a number of works of art with funds from specific benefactions and public grants. It is inappropriate to value these assets in these accounts as they were not made available to be sold – nor could they be sold – for the benefit of the University.

#### Other Tangible Assets

Equipment, other than motor vehicles, but including computers and software costing less than £20,000 per individual item or group of related items, is written off in the year of acquisition. All other equipment is capitalised and written off over its estimated useful economic life, namely:

Motor vehicles	3 years
Computing equipment	3 years
Other plant and machinery	3-7 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.

#### Leased assets

Costs in respect of operating leases are charged on a straight-line basis over the lease term. Leasing agreements, which transfer to the University substantially all the benefits and risks of ownership of an asset, are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital elements of the leasing commitments are shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements.

The capital element is applied in order to reduce outstanding obligations and the interest element is charged to the income and expenditure account in proportion to the reducing capital element outstanding. Assets held under finance leases are depreciated over the shorter of the lease term or the useful economic lives of equivalent owned assets.

#### Investments

Investments are stated at market value.

#### Stocks and Work in Progress

Stocks and work in progress are valued at the lower of cost or net realisable value, after making due provision for obsolete and slow-moving items.

#### Provisions

Provisions are recognised when the University has a present legal or constructive obligation as a result of a past event, it is probable that a transfer of economic benefit will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

## Pensions Schemes

The University participates in the Universities Superannuation Scheme (USS), a defined benefit scheme which is externally funded and contracted out of the State Second Pension. The liabilities are valued every three years by a professionally qualified independent actuary using the projected unit method, the rates of contribution payable being determined by the trustee on the advice of the actuary. In the intervening years, the actuary reviews the progress of the Scheme. Pension costs are assessed in accordance with the advice of the actuary, based on the latest actuarial valuation of the Scheme, and are accounted for on the basis of charging the cost of providing pensions over the period during which the institution benefits from the employees' services.

The University also participates in the Superannuation Arrangements of the University of London (SAUL), which is a funded defined benefit scheme. The scheme is contracted-out of the State Second Pension. The scheme is valued formally every three years by professionally qualified and independent actuaries using the projected unit method. Reviews of the scheme's position are carried out in the period between valuations.

The University contributes to the National Health Service Superannuation Scheme, an unfunded defined benefit scheme for the academic and non-academic staff at the London and KSS Deaneries.

The requirement to comply fully with FRS 17 - Retirement Benefits was to become effective for accounting periods ending on or after 22 June 2003, however the transitional arrangements have been extended.

The University continues to comply with SSAP 24.

# Consolidated Revenue Account

for the year ended 31 July 2004

Note	2004		2003	
	£'000	£'000	£'000	£'000
	Income			
1		10,505		9,788
2		2,758		2,787
3		2,397		2,225
4		60,583		57,424
5		19,471		16,785
6		3,742		3,334
		99,456		92,343
	Expenditure			
8	(43,963)		(40,515)	
	(52,291)		(49,827)	
10	(2,646)		(1,861)	
	(1,121)		(440)	
7		(100,021)		(92,643)
	Operating (Deficit) on continuing operations after depreciation of assets at cost			
		(565)		(300)
9		3,127		1,040
	Surplus on continuing operations after depreciation of assets at cost			
		2,562		740
	Surplus retained in/(Deficit) funded by:			
		2,591		762
		(29)		(22)

The activities reported in the Consolidated Revenue Account represent continuing activities.

# Balance Sheets

as at 31 July 2004

Note	Consolidated		University		
	2004 £'000	2003 £'000	2004 £'000	2003 £'000	
	<b>Fixed Assets</b>				
10	Tangible Assets	85,460	91,754	83,445	74,862
11	Investments	24,851	24,906	24,851	24,906
		110,311	116,660	108,296	99,768
11	Endowment Assets	48,870	44,601	48,870	44,601
	<b>Current Assets</b>				
12	Stocks	1,438	1,420	1,409	1,347
13	Debtors	8,906	9,811	8,321	21,401
	Short Term Deposits	5,040	4,461	5,040	4,461
	Cash at Bank and in Hand	9,882	3,052	9,879	3,049
		25,266	18,744	24,649	30,258
14	Creditors: Amounts falling due within one year	(19,618)	(18,115)	(17,125)	(12,905)
	Net Current Assets	5,648	629	7,524	17,353
	Total Assets less Current Liabilities	164,829	161,890	164,690	161,722
15	Creditors: Amounts falling due after more than one year	(23,355)	(18,512)	(23,355)	(18,512)
16	Provision for Liabilities and Charges	(1,224)	(1,224)	(1,224)	(1,224)
		140,250	142,154	140,111	141,986
	<b>Represented by:</b>				
17	Deferred Capital Grants	18,959	27,694	18,959	27,694
18	Specific Endowments	48,870	44,601	48,870	44,601
19	Reserves	72,421	69,859	72,282	69,691
		140,250	142,154	140,111	141,986

C J Perrin  
Chairman - Finance Committee

J E A Morgan  
Director of Finance

Sir Graeme Davies  
Vice Chancellor  
15 December 2004

## Statement of Consolidated Total Recognised Gains and Losses for the year ended 31 July 2004

Note	2004 £'000	2003 £'000
Surplus	2,562	740
11 Appreciation of endowment asset investments	1,684	1,104
18 Income retained in specific endowments	279	479
18 New endowments	2,306	725
18 Endowments transferred to Courtauld Institute of Art	-	(2,562)
Total Gains recognised in the year	6,831	486
Opening reserves and endowments	114,460	113,974
Closing reserves and endowments	121,291	114,460

## Consolidated Cash Flow Statement for the year ended 31 July 2004

Note	2004 £'000	2003 £'000
22 Net cash (outflow)/inflow from operating activities	(654)	3,469
23 Returns on investments and servicing of finance	2,900	3,373
24 Capital expenditure and financial investment	(1,195)	(18,191)
Cash inflow/(outflow) before use of liquid resources and financing	1,051	(11,349)
Management of liquid resources	(2,677)	(3,369)
25 Financing	6,548	13,552
26 Increase/(Decrease) in Cash	4,922	(1,166)

## Reconciliation of Net Cash Flow to Movement in Net (Debt)/Funds for the year ended 31 July 2004

Note	2004 £'000	2003 £'000
26 Increase/(Decrease) in cash for the period	4,922	(1,166)
26 Increase in Short Term Deposits	2,677	3,369
26 (Increase) in Net Loan Finance	(6,548)	(13,552)
Change in Net Debt	1,051	(11,349)
Net (Debt)/Funds at 1 August 2003	(4,178)	7,171
Net (Debt) at 31 July 2004	(3,127)	(4,178)

# Notes to the Accounts

for the year ended 31 July 2004

## 1 Grants from the Higher Education Funding Council for England (HEFCE)

	2004 £'000	2003 £'000
Recurrent grants	10,251	9,563
Release of deferred capital grant: Buildings and equipment (note 17)	254	225
	10,505	9,788

## 2 Academic Fees

	2004 £'000	2003 £'000
Institutes' tuition fees	1,182	1,112
Certificate and Diploma courses at the British Institute in Paris	1,576	1,675
	2,758	2,787

## 3 Research Grants and Contracts

	2004 £'000	2003 £'000
Research Councils	639	477
UK-based charities	393	390
UK Government	825	606
UK industry	-	4
European Community	127	337
Other overseas	413	411
	2,397	2,225

## 4 Other Operating Income

	2004 £'000	2003 £'000
Colleges: Subscriptions and Charges	8,746	8,521
Residences and Catering - Direct Income	13,800	11,797
Estates Revenue	3,106	3,744
Other General Income	13,998	14,341
External Programme fees	20,087	18,017
Examination Services for Colleges	749	914
Deferred Capital Grants (note 17)	97	90
	<b>60,583</b>	<b>57,424</b>

## 5 Other Services Rendered

	2004 £'000	2003 £'000
Services provided at cost to the National Health Service Executive by London and KSS Deaneries	19,471	16,785

## 6 Endowment and Investment Income

	2004 £'000	2003 £'000
Transferred from Specific Endowments	2,074	1,979
Other Interest Receivable	1,668	1,355
	<b>3,742</b>	<b>3,334</b>

## 7 Expenditure by Activity

	Staff costs £'000	Other operating costs £'000	Depreciation £'000	Interest £'000	2004 £'000	2003 £'000
Academic Departments	6,267	2,887	122	54	9,330	9,412
Academic Services	7,694	5,119	194	-	13,007	11,040
External Programme	4,218	14,643	-	-	18,861	17,286
Central Services	5,101	3,262	51	-	8,414	8,354
General Educational Expenses	510	2,783	-	-	3,293	3,551
Staff and Student	2,533	1,955	-	-	4,488	4,056
Maintenance	1,400	2,006	1,170	13	4,589	4,831
Residences and Catering	2,292	11,543	1,109	1,054	15,998	13,602
Research Grants	1,188	819	-	-	2,007	1,861
Other Services Rendered (note 5)	12,760	6,711	-	-	19,471	16,785
Other	-	563	-	-	563	1,865
	43,963	52,291	2,646	1,121	100,021	92,643

	2004 £'000	2003 £'000
Included in Central Services are:		
External Auditors' Remuneration – external audit	53	51
– other services	13	18
Internal Auditors' Remuneration – internal audit	112	102

## 8 Staff Remuneration

	2004 £'000	2003 £'000
Wages and Salaries	36,723	34,150
National Insurance	3,226	2,777
Superannuation	4,014	3,588
	43,963	40,515
Emoluments of the Vice-Chancellor		
Professor G J Zellick (Retired 30 September 2003)	21	130
Sir Graeme Davies (Appointed 1 October 2003)	108	-

## 8 Staff Remuneration - continued

	2004	2003
	Number of staff	Number of staff
Average staff numbers by category		
Teaching and Research	101	101
Centrally provided services	840	832
London and KSS Deaneries	254	233
	1,195	1,166

Remuneration of other higher paid staff in bands of £10,000 commencing at £70,000, excluding employer's superannuation contributions:

		2004	2003
		Number of staff	Number of staff
£70,000 - £79,999	University	3	4
	London and KSS Deaneries	5	2
£80,000 - £89,999	University	2	2
	London and KSS Deaneries	4	-
£90,000 - £99,999	University	1	-
	London and KSS Deaneries	-	1
£100,000 - £109,999	University	1	-
£110,000 - £119,999	London and KSS Deaneries	-	1
£120,000 - £129,999	London and KSS Deaneries	2	1
£130,000 - £139,999	London and KSS Deaneries	1	-
£140,000 - £149,999	London and KSS Deaneries	1	1

## 9 Exceptional Items

	2004	2003
	£'000	£'000
Unrealised gain on revaluation of long term investment assets	186	550
Transfer of Institute and Activity reserves to third parties	(224)	490
Profit on sale of properties in Bloomsbury	10,661	-
Loss on transfer of property to Courtauld Institute of Art	(7,496)	-
	3,127	1,040

## 10 Tangible Fixed Assets

### 10a Consolidated

	Land and Buildings				Computers £'000	Other Equipment £'000	Total £'000
	Freehold £'000	Long Leasehold £'000	Short Leasehold £'000	Refurbish- ment £'000			
<b>Cost</b>							
1 August 2003	43,785	15,985	1,797	38,676	2,094	4,674	107,011
Additions during year	11,249	-	-	1,358	197	219	13,023
Disposals during year	(604)	-	-	(227)	-	-	(831)
Transfer to Courtauld Institute of Art	-	(15,578)	-	(3,088)	-	-	(18,666)
31 July 2004	54,430	407	1,797	36,719	2,291	4,893	100,537
<b>Accumulated Depreciation</b>							
1 August 2003	4,121	2,238	441	5,553	1,570	1,334	15,257
Charge for year	435	4	30	1,527	260	390	2,646
Disposals during year	(67)	-	-	-	-	-	(67)
Transfer to Courtauld Institute of Art	-	(2,181)	-	(578)	-	-	(2,759)
31 July 2004	4,489	61	471	6,502	1,830	1,724	15,077
Net Book Value 31 July 2004	49,941	346	1,326	30,217	461	3,169	85,460
Net Book Value 31 July 2003	39,664	13,747	1,356	33,123	524	3,340	91,754

## 10b University

	Land and Buildings				Computers £'000	Other Equipment £'000	Total £'000
	Freehold £'000	Long Leasehold £'000	Short Leasehold £'000	Refurbish- ment £'000			
<b>Cost</b>							
1 August 2003	43,785	15,985	1,797	22,813	290	3,224	87,894
Additions during year	11,249	-	-	16,159	-	76	27,484
Disposals during year	(604)	-	-	(227)	-	-	(831)
Transfer to Courtauld Institute of Art	-	(15,578)	-	(3,088)	-	-	(18,666)
31 July 2004	54,430	407	1,797	35,657	290	3,300	95,881
<b>Accumulated Depreciation</b>							
1 August 2003	4,121	2,238	441	5,333	108	791	13,032
Charge for year	435	4	30	1,476	61	224	2,230
Disposals during year	(67)	-	-	-	-	-	(67)
Transfer to Courtauld Institute of Art	-	(2,181)	-	(578)	-	-	(2,759)
31 July 2004	4,489	61	471	6,231	169	1,015	12,436
Net Book Value 31 July 2004	49,941	346	1,326	29,426	121	2,285	83,445
Net Book Value 31 July 2003	39,664	13,747	1,356	17,480	182	2,433	74,862

## 10c Consolidated and University

- i) Freehold properties with a net book value, including capitalised refurbishment, of £31,124,000 have been charged to National Westminster Bank plc as security for long term loans. See note 15.
- ii) The Courtauld Institute of Art became a College of the University in August 2002, but has remained in occupation of the North Wing of Somerset House. The University of London remains the long leaseholder, but has no operational involvement in the building and has agreed to transfer the long leasehold interest to the Institute. This asset has therefore been written off in both the Consolidated and University accounts.

The operating lease commitments remaining at 31st July 2004 are disclosed in note 21.

## 11 Consolidated and University Investments

### 11a At Market Value

	2004			2003		
	Endowment Investments £'000	Other Investments £'000	Total £'000	Endowment Investments £'000	Other Investments £'000	Total £'000
1 August 2003	38,354	24,906	63,260	35,989	24,555	60,544
Additions at cost	2,734	3,268	6,002	2,118	4,816	6,934
Transfers to Colleges	-	-	-	(622)	-	(622)
Disposal Proceeds	(330)	(3,742)	(4,072)	(221)	(5,203)	(5,424)
(Loss)/Profit on Disposals:						
Current year	(9)	716	707	(14)	121	107
Previously recognised	6	(483)	(477)	(12)	67	55
Appreciation/(Depreciation) on Revaluation	1,678	186	1,864	1,116	550	1,666
	42,433	24,851	67,284	38,354	24,906	63,260
Short term deposits and cash	6,437	-	6,437	6,247	-	6,247
31 July 2004	48,870	24,851	73,721	44,601	24,906	69,507
Investments held are analysed as follows:						
Unified Trust Fund holdings	41,268	2,947	44,215	37,252	2,825	40,077
Fixed Interest	137	7,645	7,782	124	7,249	7,373
Equities/Corporate Bonds	1,028	13,740	14,768	978	14,804	15,782
Cash Instruments	-	519	519	-	28	28
	42,433	24,851	67,284	38,354	24,906	63,260

### 11b At Cost

Unified Trust Fund holdings	22,498	2,103	24,601	20,102	2,103	22,205
Fixed Interest	140	7,985	8,125	124	7,206	7,330
Equities/Corporate Bonds	840	15,675	16,515	850	17,186	18,036
Cash Instruments	-	519	519	-	28	28
	23,478	26,282	49,760	21,076	26,523	47,599

### 11c Investment in Subsidiary Companies at Cost

The University of London owns 100% of the issued share capital of 1 £1 Ordinary Share of Senate House Services Ltd, a company registered in England and Wales.

The £2 issued share capital of UMBS Enterprises Ltd, a company registered in Scotland, is held in trust for the University of London. UMBS Enterprises Ltd has not traded.

Setoncrest Ltd and Law 646 Ltd, which both have issued share capital of £2 and are owned 100% by the University of London, have not traded in the year.

## 12 Stocks and Work in Progress

	Consolidated		University	
	2004 £'000	2003 £'000	2004 £'000	2003 £'000
Stocks - for resale	1,273	1,287	1,269	1,243
- consumables	165	133	140	104
	1,438	1,420	1,409	1,347

## 13 Debtors and Prepayments

	Consolidated		University	
	2004 £'000	2003 £'000	2004 £'000	2003 £'000
Amounts receivable <sup>1</sup>	8,447	8,749	7,211	4,729
Prepayments and accrued income	459	725	217	418
Taxation - VAT	-	337	-	-
Senate House Services Ltd <sup>2</sup>	-	-	893	16,254
	8,906	9,811	8,321	21,401

<sup>1</sup> Includes £1,085,000 due in more than one year (2003: £51,000)

<sup>2</sup> Includes £893,000 due in more than one year (2003: £893,000)

## 14 Creditors and Accrued Expenses

	Consolidated		University	
	2004 £'000	2003 £'000	2004 £'000	2003 £'000
Taxation - Payroll	1,009	924	1,009	924
- V A T	1,809	-	247	225
Superannuation Contributions	314	271	314	271
Trade Creditors	10,040	10,880	8,133	6,304
Current portion of long term Bank loan	1,302	402	1,302	402
Grants received in advance	1,846	1,729	1,662	1,484
Senate House Services Ltd	-	-	1,633	-
Other amounts payable	3,298	3,909	2,825	3,295
	19,618	18,115	17,125	12,905

## 15 Long Term Liabilities

	Consolidated and University	
	2004 £'000	2003 £'000
National Westminster Bank plc	22,194	16,472
SG Leasing Ltd	716	788
Other loans	274	276
Other creditors	171	976
	23,355	18,512

### National Westminster Bank plc

The National Westminster Bank plc has made the following loans to the University:

February 1992 £9,000,000: To finance the purchase of Student Residences and repayable over 25 years by quarterly instalments. Subsequently, additional payments have been made.

Amount outstanding at 31 July 2004 £2,473,000. Amount to be repaid in the year to 31 July 2005 £324,000.

August 1997 £157,000: To finance building work at the University of London Union and repayable over 10 years by quarterly instalments.

Amount outstanding at 31 July 2004 £51,000. Amount to be repaid in the year to 31 July 2005 £16,000.

These loans are at a rate of National Westminster Bank plc Base Rate plus 0.5 per cent and are secured by a first legal charge on Clandon House, Clandon Gardens, London N3 and Lillian Penson Hall, Talbot Square, London W2.

January 2003 £20,900,000: To finance the refurbishment of Georgian terraced houses and the construction of additional student accommodation on the International Hall site repayable by 31 January 2028. First repayment £445,000 on 31 January 2005 and at six monthly intervals thereafter.

The loan is in two tranches:

Tranche A: £14,900,000 at a fixed rate of 5.48 per cent. The amount outstanding at 31 July 2004 was £14,900,000.

Tranche B: £6,000,000 at a floating rate capped at 5.48 per cent until January 2005 when it is consolidated with Tranche A.

The loan is secured by a first legal charge over the freehold of the island site contained by Brunswick Square, Lansdowne Terrace, Guilford Street and Grenville Street, London WC1 together with an assignment of all construction warranties.

### SG Leasing Ltd

In February 1991 the University granted a 21 year lease of the former Courtauld Gallery in Woburn Square to University College, London for a payment of £900,000. University College, London has entered into a rental agreement with the University which will meet the financing costs incurred by the University over the period of the lease. Repayments are made in accordance with a predetermined schedule and escalate over the period of the loan. In the year to 31 July 2004 interest charged, in accordance with the original schedule, was less than the repayment, reducing the outstanding balance to £788,000. Capital expected to be repaid in the next year is £72,000 which is included in Creditors due within one year.

## 16 Provisions

	Consolidated and University		
	Balance at 1 August 2003 £'000	Movement £'000	Balance at 31 July 2004 £'000
Pension Provision	1,224	-	1,224
	1,224	-	1,224

## 17 Deferred Capital Grants

	Consolidated and University		
	Gov't Agencies and HEFCE £'000	Other Grants and Benefactions £'000	Total £'000
1 August 2003	15,841	11,853	27,694
Additions	27	-	27
Transfer to Courtauld Institute of Art	(912)	(7,499)	(8,411)
Less: Released to support depreciation	(254)	(97)	(351)
31 July 2004	14,702	4,257	18,959

The transfer to Courtauld Institute of Art recognises the transfer of Deferred Capital Grants associated with the future transfer of the leasehold interest in Somerset House.

## 18 Specific Endowments

	Consolidated and University £'000
1 August 2003	44,601
Additions	2,306
Appreciation of Endowment Asset Investments	1,684
Income for the Year and Realised Losses	2,353
Transferred to Revenue Account	(2,074)
31 July 2004	48,870

## 19 General Reserves

	Consolidated			University		
	2003	Movement during the year	2004	2003	Movement during the year	2004
	£'000	£'000	£'000	£'000	£'000	£'000
Designated Capital	32,099	2,736	34,835	32,099	2,736	34,835
Academic Institutes	4,372	(34)	4,338	4,372	(34)	4,338
Academic Services	11,578	673	12,251	11,684	702	12,386
Student Services	1,869	(989)	880	1,869	(989)	880
Other Services	3,827	276	4,103	2,202	(306)	1,896
Central	17,731	(286)	17,445	19,082	296	19,378
Revaluation Reserve †	(1,617)	186	(1,431)	(1,617)	186	(1,431)
	69,859	2,562	72,421	69,691	2,591	72,282

† Net unrealised revaluation loss on quoted long term investments.

## 20 Hardship Funds

Note	2004	2003
	£'000	£'000
1 August 2003	-	-
Net Received from HEFCE	11	8
Disbursed to students	(11)	(8)
31 July 2004	-	-

These Funding Council grants are solely for students. The University acts as paying agent. The grants and related disbursements are therefore excluded from the Revenue Account.

## 21 Operating Lease Commitments

At 31 July the University of London and the group had the following annual commitments under non-cancellable operating leases.

	Land and Buildings		Equipment	
	2004	2003	2004	2003
	£'000	£'000	£'000	£'000
Expiry date				
Less than one year	94	111	-	-
Between one and five years	318	82	-	-
More than five years	157	388	-	-

£141,000 of these commitments are on behalf of and reimbursed by the Courtauld Institute of Art and University College, London.

## 22 Reconciliation of Consolidated Surplus for the Year to Net Cash (Outflow)/Inflow from Operating Activities

Note	2004 £'000	2003 £'000
	Surplus on continuing operations after depreciation of assets at cost	740
10	Depreciation	1,861
	Loss/(Profit) on Disposal of Assets	(167)
17	Deferred Capital Grant released	(315)
6	Investment Income credited to Consolidated Revenue Account	(3,334)
11	(Gain) on Sale of Investments	(107)
11	Depreciation/(Appreciation) on Revaluation	
	Realised	(67)
	Unrealised	(550)
	Interest Payable	440
12	(Increase) in Stocks	(87)
13	Decrease in Debtors	1,431
14	Increase in Creditors	2,941
15	(Decrease)/Increase in other Long Term Liabilities	683
	Net Cash (Outflow)/Inflow from Operating Activities	3,469

## 23 Returns on Investments and Servicing of Finance

Note	2004 £'000	2003 £'000
18	Income from Endowments	2,458
6	Income from Short Term Investments	1,355
	Interest Payable	(440)
		3,373

## 24 Capital Expenditure and Financial Investment

Note	2004 £'000	2003 £'000
10	Tangible Assets acquired	(16,170)
11	Investments acquired	(4,816)
11	Endowment Assets acquired	(2,118)
	Receipts from sale of Assets	286
11	Receipts from sale of Investments	6,046
17	Deferred Capital Grants received	418
18	Endowments received	725
	Endowments transferred	(2,562)
		(18,191)

## 25 Financing

	Secured and Unsecured	
	2004 £'000	2003 £'000
1 August 2003	17,938	4,386
Additional Borrowing	6,950	13,950
Capital Repayments	(402)	(398)
31 July 2004	24,486	17,938

## 26 Analysis of Changes in Net Funds/(Debt)

	1 August 2003 £'000	Cash Flows £'000	Other Changes £'000	31 July 2004 £'000
Cash at Bank and in Hand				
Endowment Assets	5,122	(1,908)	-	3,214
Other	3,052	6,830	-	9,882
	8,174	4,922	-	13,096
Short Term Deposits	4,461	579	-	5,040
Endowment Assets - Short Term Deposits	1,125	2,098	-	3,223
Debt due within one year	(402)	402	(1,302)	(1,302)
Debt due after one year	(17,536)	(6,950)	1,302	(23,184)
	(4,178)	1,051	-	(3,127)

## 27 Pensions Liabilities

### Universities Superannuation Scheme (USS)

The University participates in the Universities Superannuation Scheme, a defined benefit scheme which is externally funded and contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate trustee-administered fund. It is not possible to identify each institution's share of the underlying assets and liabilities of the scheme, the costs recognised within the surplus for the year in the revenue account being equal to the contributions payable to the scheme for the year.

The latest actuarial valuation of the scheme was at 31 March 2002. The assumptions which have the most significant effect on the result of the valuation are those relating to the rate of return on investments (i.e. the valuation rate of interest) and the rates of increase in salary and pensions. In relation to the past service liabilities the financial assumptions were derived from market yields prevailing at the valuation date. It was assumed that the valuation rate of interest would be 5.0% per annum, salary increases would be 3.7% per annum and pensions would increase by 2.7% per annum. In relation to the future service liabilities it was assumed that the valuation rate of interest would be 6.0% per annum, including an additional investment return assumption of 1% per annum, salary increases would be 3.7% per annum and pensions would increase by 2.7% per annum. The valuation was carried out using the projected unit method.

At the valuation date, the market value of the assets of the scheme was £19,938 million and the value of the past service liabilities was £19,776 million leaving a surplus of assets of £162 million. The assets therefore were sufficient to cover 101% of the benefits which had accrued to members after allowing for expected future increases in earnings.

The institution contribution rate required for future service benefits alone at the date of the valuation was 14.25% of salaries but it was agreed that the institution contribution rate will be maintained at 14% of salaries. To fund this reduction of 0.25% for the period of 12 years from the date of the valuation (the average outstanding working lifetime of the current members of the scheme) required the use of £82.5 million of the surplus. This left a past surplus of £79.5 million (including the Supplementary Section) to be carried forward.

Surpluses or deficits which arise at future valuations may impact on the University's future contribution commitment. The next formal actuarial valuation is due at 31 March 2005 when the above rates will be reviewed.

The total pension cost of the University was £2,262,000 (2003 : £2,043,000), which is at the contribution rate of 14% of pensionable salaries.

The Vice-Chancellor, Sir Graeme Davies, is Chairman of the Board of USS.

### Superannuation Arrangements of the University of London (SAUL)

The University participates in a centralised defined benefit scheme for all qualified employees with the assets held in separate Trustee administered funds. The total cost of pension contributions for the University was £1,058,000 (2003 : £1,031,000).

The scheme is subject to triennial valuation by professionally qualified and independent actuaries. The last available valuation was carried out as at 31 March 2002 using the projected unit credit method in which the actuarial liability makes allowance for projected earnings. The following assumptions were used to assess the past service funding position and future service liabilities:

Valuation method	Projected unit	
	Past Service	Future Service
Investment return on liabilities		
– before retirement	6.0% p.a.	7.0% p.a.
– after retirement	5.0% p.a.	5.0% p.a.
Salary growth*	4.2% p.a.	4.2% p.a.
Pension increases	2.7% p.a.	2.7% p.a.

\* excluding an allowance for promotional increases

The actuarial valuation applies to the scheme as a whole and does not identify surpluses or deficits applicable to individual Employers. As a whole, the market value of the scheme's assets was £941 million representing 121% of the liability for benefits after allowing for expected future increases in salaries.

The contribution rate required for future service benefits alone at the date of the valuation was 17.4% of salaries per annum.

Employers who have recently joined SAUL ("New Employers") and certain employee groups (as agreed by the Trustee of SAUL), pay 17.4% of salaries per annum until the second actuarial valuation after entry (or some other period as agreed with the Trustee). The past service surplus allows all other Employers to pay contributions at the rate of 10.5% of pensionable salaries per annum, subject to review at future valuations. The surplus also supports the continuation of the Employee contribution rate of 5% of salaries per annum, again subject to review.

The next formal actuarial valuation is due at 31 March 2005 when the above rates will be reviewed.

#### National Health Service Pension Scheme (NHS)

The NHS Pension 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 University of London to identify its share of the underlying scheme.

The Scheme is subject to a full valuation every five years. The results of the latest valuation at 31 March 1999 were published in 2003. Between valuations, the Government Actuary provides an update of the scheme liabilities on an annual basis. The latest assessment of the liabilities of the Scheme is contained in the Scheme Actuary report, which forms part of the annual NHS Pension Scheme (England and Wales) Resource Account, published each year.

Employers pension contribution costs are applied to operating expenses as and when they become due. Employer contribution rates are reviewed every four years following a scheme valuation carried out by the Government Actuary. On advice from the actuary the contribution may be varied from time to time to reflect changes in the scheme's liabilities. In 2003-04 employers paid 7% but the rate did not include the cost of pension indexation funded directly by the Treasury. In November 2002 Ministers announced the transfer of indexation costs to the Scheme costs. NHS employers were charged 14% from April 2004. The total employer contribution payable in 2003-04 was £463,000 (2003 : £277,000). Employees pay contributions of 6% (manual staff 5%) of their pensionable pay.

The Scheme is a "final salary" scheme. Annual pensions are normally based on 1/80<sup>th</sup> of the best of the last three years pensionable pay for each year of service. A lump sum normally equivalent to 3 years pension is payable on retirement. Annual increases are applied to pension payments at rates defined by the Pensions (Increase) Act 1971, and are based on changes in retail prices in the twelve months ending 30 September in the previous calendar year. On death, a pension of 50% of the members pension is normally payable to the surviving spouse.

Early payment of a pension, with enhancement, is available to members of the Scheme who are permanently incapable of fulfilling their duties effectively through illness or infirmity. A death gratuity of twice final year's pensionable pay for death in service, and five times their annual pension (subject to certain conditions) for death after retirement, is payable.

The Scheme provides the opportunity to members to increase their benefits through money purchase Additional Voluntary Contributions (AVCs) provided by an approved panel of life companies. Under the arrangement the University of London can make contributions to enhance an employee's pension benefits. The benefits payable relate directly to the value of the investments made.

#### Other Pension Arrangements

Members of staff, employed by the University of London in Paris, are contracted into the French State Social Security System for the purposes of accumulating pension benefit. The Schemes are unfunded and are equivalent to a defined contribution scheme in the United Kingdom. The University of London contributions in the year to 31 July 2004 were £231,000 (2003 £237,000).

## 28 Contingent Liability

At 31 July 2004 the University was committed to making payments to University College, London to facilitate their development of accommodation which will permit the vacation of part of the North Block of Senate House currently occupied by the School of Slavonic and East European Studies. Payments of £3,000,000 and £2,500,000 are contingent on the College firstly signing a construction contract and secondly vacating the North Block. In August 2004 £3,000,000 was paid to University College, London.



## University of London

### *Central Institutes*

The University of London Institute in Paris  
University Marine Biological Station, Millport

### *School of Advanced Study*

Institute of Advanced Legal Studies  
Institute of Classical Studies  
Institute of Commonwealth Studies  
Institute of English Studies  
Institute of Germanic and Romance Studies  
Institute of Historical Research  
Institute for the Study of the Americas  
The Philosophy Programme  
Warburg Institute

### *Central Activities*

The Careers Group, University of London  
Central Administrative and Support Services  
Central Institutions Health Service  
External Programme  
Intercollegiate Halls of Residence  
Kent, Surrey, Sussex Department of Postgraduate Medical and Dental Education  
London Department of Postgraduate Medical and Dental Education  
Senate House Library, University of London  
Student Accommodation and Property Management Office  
University of London Computer Centre