



UNIVERSITY OF LONDON

# ANNUAL REPORT AND FINANCIAL STATEMENTS 2010-11 UNIVERSITY OF LONDON CENTRAL INSTITUTES AND ACTIVITIES



UNIVERSITY OF LONDON

1836-2011

# 175

years of excellence





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# Financial report

## 31 July 2011

**On Monday 28 November 1836 – a day when Hamlet was playing at the Theatre Royal, shares were on sale for the new London, Rochester and Chatham Railway, and UCL was advertising for a professor of geography – the University of London was founded by Royal Charter.**

As Vice-Chancellor, I feel very privileged that, 175 years later, I am here to witness how this University – the third oldest in England – has grown and evolved with the times. It is a vibrant organisation that is in great shape as it looks boldly to the future.

The University of London was at the outset a small-scale affair. It awarded its first degrees in 1839 to 29 students studying at one of its two founding Colleges: UCL and King's College London. Today more than 22,000 students studying both in Colleges in London and through our distance-learning programme in 180 countries worldwide receive University of London degrees each year.

The University of London has always been at the forefront of change throughout its distinguished history. It was, for example, the first university in the UK to award degrees regardless of race, creed, political belief, gender or location. It was also the first to introduce science and modern languages to the curriculum.

This ability to change and adapt continues today against the backdrop of the radically changing environment for higher education.

What has not changed is the University of London's standing as a quality brand with a global reach that attracts tens of thousands of students to London every year. We support and underpin that in a wide range of ways including the following:

- The School of Advanced Study's excellence in promoting and facilitating research in the arts and the humanities throughout the UK attracts academics with international renown from all over the world.
- The University of London International Programmes is one of the oldest, largest and most-successful distance learning programmes in the world and provides affordable and accessible learning to over 50,000 students.
- Senate House Libraries, which constitutes one of the world's leading humanities and social science libraries with over 4 million volumes, welcomes over 500,000 visitors each year. These libraries are of incomparable depth as accessible, much of it open-shelf, collections in central London, as part of the greatest concentration of libraries anywhere in the world.
- The Careers Group, a leader in its field, provides services to 79 higher education institutions, 30 non-HE organisations and over 7,000 employers. It connects the best employers, both nationally and internationally, with over 150,000 students.
- The University of London Computer Centre is a leading IT services provider to the academic and public sectors. It has over 250 customers nationwide and has recently topped 1 million registered users of the Moodle virtual learning environment.

**The University of London is a federal organisation and is one of the oldest, largest and most-diverse universities in the UK. It consists of [19 autonomous Colleges](#) of outstanding reputation together with a number of prestigious Central Academic Bodies and Activities. The latter are collectively known as the 'central University'; together they serve and support both the interests of the Colleges and the broader achievements of UK higher education. The Central Academic Bodies and Activities strive to enhance the academic excellence of the federal University and to deliver highly effective, value-added services to the Colleges, while at the same time ensuring the financial sustainability of all its operations.**

# Financial report

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### Financial review

#### Scope of the Financial Statements

The Financial Statements comprise the consolidated results of the University and its trading subsidiary, Senate House Services Limited, which undertakes activities that, for legal or commercial reasons, are more appropriately channelled through a limited company. The subsidiary transfers all its profits to the University.

#### Financial overview

The University's Strategic Plan covers the period 2009–14.

The plan defines the strategic aims of the University as:

- 1 to maintain and enhance the academic excellence of the federal University;
- 2 to deliver highly effective services to Colleges, offering excellent value for money;
- 3 to ensure the financial sustainability of all University operations;
- 4 to fulfil the regional, national and international roles of the University; and
- 5 the creation and retention of a workforce with the necessary ethos, working practices and competences to deliver the Strategic Plan.

The financial strategy supporting the third aim of the University's Strategic Plan continues to be driven by a number of key financial indicators of which the most significant are:

- the need to generate a continuing recurrent surplus to support long-term sustainability;
- the maintenance of an adequate cash flow to support the working capital needs of the University and its capital and other investment needs; and
- a continuous capital investment in the University's estate, facilities and IT infrastructure in support of the University's Strategic Plan.

The financial results achieved over the last three years demonstrate the University's progress against these key indicators:

	2010–11	2009–10	2008–09
Income	<b>£145.8M</b>	£157.0M	£144.3M
Operating surplus/(deficit) for the year	<b>£4.1M</b>	£2.8M	£(2.4)M
Surplus/(deficit) as percentage of income	<b>2.8%</b>	1.8%	(1.7%)
Cash generated from operating activities	<b>£9.0M</b>	£8.1M	£0.6M
Average cash balance held during year	<b>£30.5M</b>	£15.6M	£10.1M
Capital expenditure	<b>£6.7M</b>	£13.8M	£17.2M
General reserve	<b>£93.2M</b>	£88.9M	£63.0M

The 2010–11 results indicate that the University has built further on the positive outcome of 2009–10 and that the restructuring programmes, which have spanned both the whole institution and various of its constituent parts, have had successful impacts enabling the University to rebuild its balance sheet and, once again, secure itself in a position of relative financial strength. The 2010-11 results have brought an enhanced operating surplus and level of cash generated which, coupled with ensuring that there is an ongoing level of capital investment, indicate our commitment and belief in continued financial sustainability.

The financial statements accordingly are prepared on a going-concern basis.

#### Business review

The University's consolidated Income and Expenditure Account for the year to 31 July 2011 is summarised as follows:

	2011 £M	2010 £M
Income	<b>145.8</b>	157.0
Expenditure	<b>(141.7)</b>	(154.2)
Operating surplus	<b>4.1</b>	2.8
Surplus on disposal of assets	<b>0.2</b>	23.3
<b>Surplus</b>	<b>4.3</b>	26.1

The University's consolidated net assets at 31 July 2011 were as follows:

	2011 £M	2010 £M
Deferred capital grants	18.0	18.5
Endowments	64.7	60.0
Revaluation reserve	40.5	33.5
General reserve	93.2	89.0
<b>Net assets</b>	<b>216.4</b>	<b>201.0</b>

The University's total income decreased by 7.1% in 2010-11 compared to 2009-10 whilst its total expenditure decreased by 8.1%.

The contraction in the University's overall operations is substantially due to a change in the basis of the operation of the London Deanery. With effect from 1 April 2011 the London Deanery's expenditure reflected in the University's income and expenditure account was limited to the direct costs of the provision by the University of their accommodation and associated services, and their payroll costs. All other Deanery expenditure from 1 April 2011 is directly accounted for within the London Strategic Health Authority.

The University's income and expenditure and operating surplus, excluding the London Deanery, was as follows:

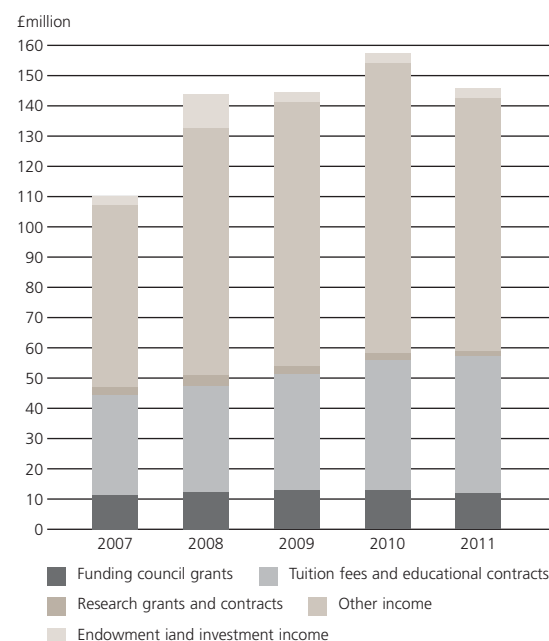
	2011 £M	2010 £M
Income	111.0	111.7
Expenditure		
Staff costs	(32.6)	(33.7)
Other costs	(74.3)	(75.2)
	(106.9)	(108.9)
<b>Operating surplus</b>	<b>4.1</b>	<b>2.8</b>

On this basis it can be seen that staff and other costs reduced from the previous year both in absolute terms and as a percentage of income. The University's FTE staff numbers fell from 755 to 744 and, as a percentage of income, staff costs reduced from 30.2% to 29.4%. Other costs likewise reduced as a percentage of income from 67.3% to 66.9%.

These improvements in the underlying performance of the University all reflect the ongoing impact of both its progressive corporate reorganisation programme and the specific divisional restructuring initiatives.

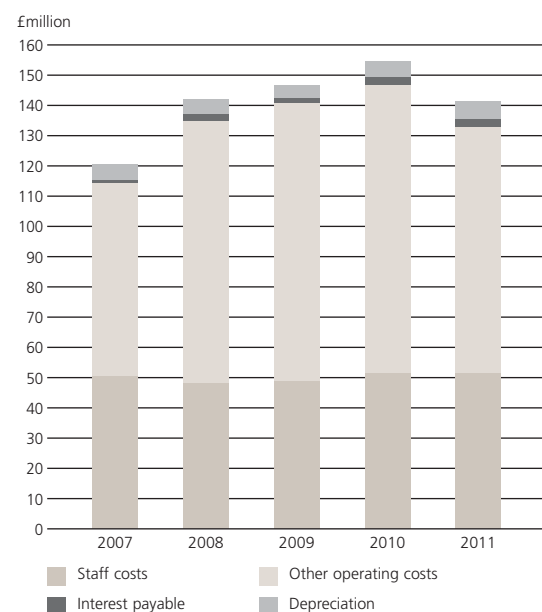
## Income

An analysis of the University's income over the last five years is set out in the chart below:



## Expenditure

An analysis of the University's expenditure over the last five years is set out in the chart below:

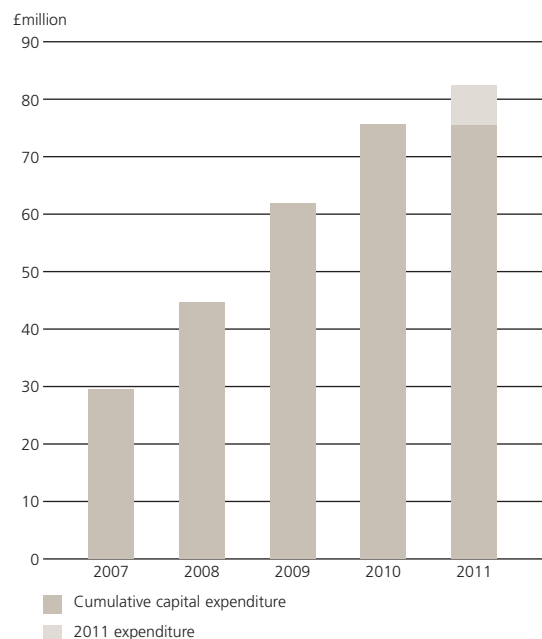


# Financial report

## 31 July 2011

### Capital expenditure

The chart below shows the cumulative capital expenditure of the University over the last five years:



The University has continued to invest consistently in improving and upgrading its teaching and research infrastructure, its student facilities and its estate generally. Over the last five years expenditure has averaged in excess of £16M per annum and, as at 31 July 2011, a further £1.6M of expenditure, financed from earlier asset sales, has been contracted to complete the current phase of the major refurbishment of Senate House.

An analysis of the principal components of the capital expenditure over the five year period to 31 July 2011 is as follows:

	£M
Senate House	42.2
Halls of residence	26.1
SITS and Agresso systems	6.8
Heritage assets	2.2
Gordon, Torrington and Woburn Squares	1.1
Research vessel Actinia	0.5
Other projects, individually less than £1M	3.4
	82.3

The expenditure has been funded by asset sales (£37.4M), capital grants (£3.9M), additional borrowing (£33.7M), with the balance from working capital.

### Cash flow

The University's liquidity (comprising cash and current asset investments) as at 31 July 2011 was enhanced compared to the previous year reflecting the positive net cash flow from the University's operating activities.

Cash and current asset investments at the year-end amounted to £26.2M which represented the equivalent of 67 days of expenditure. At 31 July 2010 cash and current asset investments amounted to £23.6M, being the equivalent of 56 days expenditure.

Throughout the year, the University has continued to pursue a conservative treasury management policy with appropriate counterparty limits and security criteria in place. Accordingly, the University has avoided exposure to any instability and liquidity issues which have affected certain deposit-taking institutions.

### Investment performance

During 2010–11 the University's endowment funds were managed by Newton Investment Management Limited and are invested in the University's Unified Trust Fund which has the investment objective of maintaining income growth at least in line with inflation and providing some capital growth. The long-term objective for the Fund is to achieve a real return of 4% per annum.

On a total return basis the performance of the Fund for 2010–11 reflected the underlying market conditions and was a return of 13.7% (compared to the Fund's benchmark which showed a return of 11.9%). The Fund is behind benchmark over a 3-year period (3.8% annualised compared to 4.4%) but ahead of benchmark over both 5 years (5.9% compared to 5.6%) and 10 years (6.7% compared to 4.7%).

Since 31 July 2011 the financial markets have experienced a period of considerable turbulence. Compared to its 31 July 2011 value, as at 31 August 2011, the FTSE All Share Index fell by some 7.2% and, as at 30 September 2011, it had fallen by some 12.0%. As at 31 October 2011 values had improved. The index stood at a level which was 4.7% below its 31 July 2011 level and the Fund's market value was £63.4M – ie a decrease of 2.2% from the year-end.

The University's investment properties have been subject to a professional valuation as at 31 July 2011 which has been undertaken by Knight Frank LLP, Chartered Surveyors. The valuation has resulted in their carrying value being uplifted by £6.7M to £39.4M (i.e. an increase of 20.4%).



# Financial report

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### Our activities

#### Supporting world-class research

The focus of the School of Advanced Study this year was on implementing the School's Strategic Plan 2009–10 to 2012–13 and preparing for the next Higher Education Funding Council for England (HEFCE) review, which will take place during 2011–12.

The strategic objectives and priorities in the Plan deliver the School's mission to promote and facilitate research in the humanities and social sciences at a national and international level. These objectives, underpinned by excellent research and high-quality publications, include:

- **The continued development of innovative digital resource provision.** Millions of historical records became more accessible to the public in April 2011 through a JISC-funded collaborative project between the Institute of Historical Research and the Universities of Hertfordshire, Sheffield and London. '[Connected Histories](#)' provides a single point of access to a wide range of distributed digital resources relating to early modern and 19th-century British history.
- **Enhanced fellowship opportunities for outstanding visiting researchers.** In June 2011, the School was one of only 12 institutions in the UK to be awarded two funded Leverhulme Visiting Fellowships for early career scholars.
- **An events programme that maximises intellectual outreach to the academic and non-academic sectors.** The School developed and launched an iTunes U platform on behalf of the University in June 2011. This project has enabled the School and University to make events and other research resources freely available to new audiences around the world. In its first two months, the platform received over 15,000 visits.
- **National and international research and policy-making networks and collaborative opportunities.** The Network Centre for Research on the Senses was established in April 2011. The Network is a research partnership between the Centre for the Study of the Senses of the School's Institute of Philosophy, the Departments of Philosophy at Toronto, Harvard, and MIT and the Centre for the Study of Perceptual Experience at the University of Glasgow. Funded by the Social Sciences and Humanities Research Council of

Canada and by partner institutions, this is a philosophy-led, interdisciplinary, international network of researchers studying how the brain/mind integrates information from the senses.

Find out more at: [www.sas.ac.uk](http://www.sas.ac.uk)

#### Supporting global access and learning

The University of London International Academy – through its International Programmes branded courses – provides worldwide access to a University of London degree as it has done for more than 150 years. While the University's Colleges contribute subject matter expertise – leading on curriculum, assessment and the development of learning resources – the Academy leads on managing the student lifecycle and quality issues.

International Programmes continues to grow, with the number of students now exceeding 50,000 for the first time. Consistent with its mission of promoting access, the Academy introduced a series of scholarships for Laws students in African 'least-developed' countries.

During 2010–11, the International Academy took part in two Quality Assurance Agency (QAA) reviews. The first was the five-yearly institutional audit; the second looked at UK higher education international activity in Singapore. Both delivered very positive and constructive outcomes.

The International Academy has focused effort on delivering a more-efficient student lifecycle and improving the support available to students, teaching institutions and lead Colleges of the University in delivering the programmes. During the year the International Academy introduced an online registration process for both initial and continuing registrations, enabling students to receive study materials faster and more efficiently. Over 20,000 registrations had been processed by the end of September 2011.

In a year of major policy change in English higher education, the model used by the International Academy has been frequently quoted by government and the media, including in the recent White Paper. An adjournment debate in the House of Commons in October 2010 produced rare cross-party consensus around the value of the International Programmes approach to offering access to high-quality education.

Find out more at: [www.londoninternational.ac.uk](http://www.londoninternational.ac.uk)

### Studying French and francophone culture

The University of London Institute in Paris (ULIP) is devoted to the study of French and francophone culture through its contemporary programmes and profound insight into cultural history. It is based in central Paris and its staff comprise both French and British academics and visiting lecturers from Paris universities.

ULIP's Dean, Professor Andrew Hussey, was appointed to the Order of the British Empire in the Diplomatic Service and Overseas List of the 2011 New Year Honours for services to British and French cultural relations. He noted that: "This is official recognition of the unique environment that we have established in Paris at ULIP – bringing together the best of UK scholarship in a genuinely international atmosphere. None of this could have been achieved without the undergraduate and postgraduate students, dedicated staff and a collective belief that we are all engaged in a creative and exciting project."

Alongside the Institute's popular and successful BA and MA courses, there is a busy community of PhD students whose research interests range from Arab women's experiences in the francophone Maghreb and Belgian Situationism, to Michel Houellebecq and the stylistics of nihilism. The first ULIP international postgraduate student conference *Autour de l'extrême littéraire* took place in June 2011.

Progress towards delivery of a new suite of Master's programmes in Law and Business continues with the two College partners in the Consortium: Queen Mary and Royal Holloway. The first programme is due to launch in 2012.

*Paris–Amsterdam Underground* is a collaborative research initiative between the ASCA Cities Project at the University of Amsterdam and ULIP. Two major conferences were held during 2010–11, first in Amsterdam and then in Paris. Emerging from this initiative will be a book entitled *Paris–Amsterdam Underground: Essays on Cultural Resistance, Subversion, and Diversion*, to be published by Amsterdam University Press in 2012.

2010–11 has seen preparations for the establishment of *Francosphères*, ULIP's new biannual journal that will define and question the presence of French language and culture across frontiers and borders. An internationally renowned editorial team has been confirmed, first submissions received and publication of the first issue, in association with University of Liverpool Press, is due in early 2012.

ULIP's research and collaborations have focused partly on the Maghreb. Professor Hussey continued work in this field with a trip to Algiers in the summer of 2011, organised in collaboration with the British Embassy in Paris and the British Council. With partners across the Maghreb as well as Berlin, Amsterdam and elsewhere, Professor Hussey is also establishing a Centre for the Study of France and North Africa.

Find out more at: [www.ulip.lon.ac.uk](http://www.ulip.lon.ac.uk)

### Supporting marine science

The University Marine Biological Station Millport (UMBSM) – located on the eastern shore of Great Cumbrae Island in the Firth of Clyde, Scotland – provides undergraduate and postgraduate courses in marine biology and marine microbiology for the Colleges of the University and receives on a substantial scale visiting classes from higher education institutions across the UK and overseas. It is one of the country's leading fieldwork centres, renowned for the diversity of its marine environment.

The Marine Station, which has a distinguished history that dates back over a century, has come a long way since its origins as a floating laboratory on a 64 foot converted lighter. It is now setting its sights on the next phase of its development.

During 2010–11, a business plan was drawn up for the development of the facilities and commercial operations of the Marine Station.

Plans for constructing modern accommodation and study facilities were submitted for planning approval, which was granted. Fundraising has begun for the first phase of this rebuilding with encouraging initial success. This process continues.

The new research vessel RV *Actinia* has exceeded operational expectations in a successful year of service. Both RV *Aora* (22 metres) and RV *Actinia* (11 metres) have enabled the Marine Station to meet its teaching and research commitments and secure external contracts, mostly in connection with biological survey of sensitive marine areas and survey in relation to offshore renewable energy. Income was also generated by using the recompression chamber facility to treat diving casualties for the NHS.

Find out more at: [www.gla.ac.uk/marinstation](http://www.gla.ac.uk/marinstation)

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### Providing world-class libraries

It has been a year of considerable change for Senate House Libraries, which comprises Senate House Library and the seven libraries of the School of Advanced Study Institutes. Together they provide essential academic support across the Colleges of the Federal University, and to wider national and international audiences.

The year saw the appointment of a new Director, Christopher Pressler, in September 2010 and the creation of a new strategy – *Senate House Libraries Strategy 2011–13* – to reflect new priorities and a more outward-facing policy. The Strategy focuses on five key areas in which the libraries will deliver: staff, collections, services, partnerships and financial sustainability. It is overseen by a new governance board – the Senate House Libraries Board – which includes representatives from University of London Colleges, School of Advanced Study Institutes and the national library sector. Among the latter are Dr Dorothy Johnston, Keeper of Manuscripts at the University of Nottingham, and Chris Banks, University Librarian at the University of Aberdeen.

Focus on these five strategic areas allowed for the creation of a new Leadership Team. The Director's responsibilities in the strategy are specifically around partnerships, while other members are leading on staff development, research collections, digital environments and new services. Underpinning the strategy is a new operational plan that contains over 30 specific projects.

A financial review has taken place to clarify areas that have previously been of concern to key stakeholders and recommendations from the review are the primary area of work in the coming year.

2010–11 also saw the completion of the final stages of the library refurbishment. With the space now restored and providing a marvellous working environment for readers, it remained to finalise the moving of the books. This meant, over summer 2011, the transfer of 30km of books to different parts of the library, including a new home for the music collections in Goldsmiths and Middlesex South reading rooms, and for the Germanic collections in Middlesex North.

The Libraries of the central University of London constitute one of the world's most significant collections in the arts, humanities and social sciences. The University

is confident about its role, the purpose of these collections and its place in support of the national and international research effort. The coming year promises new governance, a sustainable financial plan, greater national engagement and a fully restored working environment.

Find out more at: [www.london.ac.uk/libraries](http://www.london.ac.uk/libraries)

### Supporting employability

The Careers Group, University of London, provides career development education, information, advice and guidance to higher education institutions, professional bodies and the business community.

During 2010–11, it introduced in the Colleges a range of new initiatives addressing the needs of students and alumni in the current challenging climate; elsewhere in the higher education sector it introduced a number of commercial and public-service facing initiatives and considerably expanded its reach and service provision.

In the Colleges, Goldsmiths Careers Service, for example, introduced a series of cross-College sessions involving employers from a range of professions; the King's College London team focused on developing new events for students and developing a strategic approach to employability; Queen Mary set up the College's first Volunteer Internship programme and helped develop teaching material to assist students with their CV writing skills; Royal Holloway Careers Service pursued a new strategic direction by delivering new placement-based activities to three academic departments; and at UCL the uncertainty around student fees combined with the constant media reporting about the lack of graduate jobs resulted in the team focusing on practical ways to help students gain good graduate-level employment. Two new initiatives were mock assessment centres and a new Masters 'QuickFix' careers programme.

Internships have been much in the news and The Careers Group launched a pilot of the [Step London Graduate Internship Programme](#) in June 2011. Designed to place graduates into paid internships with employers, it provides a sustainable model as the fee structure allows for both the graduate and The Careers Group to be remunerated. In the first four months of operation, 30 graduates were placed successfully.



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SENATE HOUSE AND LIBRARY



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It was the most popular year ever for the [London Taster Course Programme](#), which provides school pupils with a taste of what life at a university in London is like, with 11,865 applications for 134 courses.

Despite constant newspaper reports on the lack of jobs for graduates, The Careers Group increased the number of vacancies uploaded to its [JobOnline](#) website from 5,358 in 2010 to 6,280 in 2011.

Four more universities outsourced the collection, coding and collation of their returns for the Destination of Leavers from Higher Education (DLHE) survey, thus bringing the total to 30 institutions. [‘Destinations Interactive’](#), which takes the raw statistical data produced by universities for the survey and turns it into a web-based tool that allows practical and meaningful analysis down to the course level, was shortlisted for the prestigious Times Higher Education Award for Outstanding ICT Initiative of the Year 2011.

Find out more at: [www.careers.lon.ac.uk](http://www.careers.lon.ac.uk)

### Providing sector-leading technology solutions

University of London Computer Centre (ULCC) offers leading-edge information technology solutions and services including web development, desktop support, e-learning, digital preservation, networking and hosting.

The learning and teaching services that it provides have nearly 200 customers in the education sector and have continued to grow and attract new customers, including six University of London Colleges in the Bloomsbury area. ULCC now has over one million registered users of the core virtual learning environment, Moodle, consolidating its position as the largest provider of such managed and supported environments in the UK education sector.

ULCC has also signed up Manchester University Conferences and The Royal Veterinary College to a shared finance service based upon Agresso Business World and it is in discussion with a number of other institutions to develop this service further.

Both Moodle and Agresso are also provided to the Central University, the former being the platform for delivery of learning materials to the International Academy's students around the globe. These are good examples of ULCC's ability to offer the Central University the benefits of using

leading shared services, cost-effectively. ULCC's role in leading change was underlined by the continued success of the [Future of Technology in Education](#) (FOTE) conference. Held in October 2010, it attracted over 350 delegates from across the public/private divide with a creative mix of IT 'evangelists' and front-line 'troops'. This year's conference continued to evolve by being continuously live streamed and using mobile technology to remove the need for printed delegate packs.

Find out more at: [www.ulcc.ac.uk](http://www.ulcc.ac.uk)

### Supporting the environment

We introduced our [Carbon Management Plan](#) in January 2011, which commits us to a 20% reduction in carbon emissions from the central University's buildings by 2015. Over the course of the Plan the University's objective is to emit 2,561 fewer tonnes of carbon and save £1.4M.

The University is leading best practice in how large and complex organisations retrofit energy efficiency measures in existing buildings, in conjunction with regional partners such as the Greater London Authority. All energy efficiency measures that have been installed thus far will return their initial investment in four years or less.

The students in our halls of residence have made their contribution to reducing carbon emissions through a student-led and University-supported Carbon Contest. To date over 200 student Carbon Champions have pledged to lead efforts to reduce the carbon emissions of their respective hall.

In addition, the procurement of utilities has been enhanced by working with neighbouring Colleges through shared-services arrangements to ensure that what energy is consumed is charged at a competitive price. A new waste disposal contractor has been procured and the University has committed to completely diverting all waste from landfill by March 2012.

### Providing a modern working environment in an iconic heritage building

Senate House, built in 1936 as the first permanent home of the University of London, not only celebrated its 75th anniversary in 2011 but also saw the completion of our five-year project to refurbish, restore and upgrade most of the areas occupied by our staff. As a result, the building now combines modern office space, improved meeting

and teaching facilities and enhanced library resources within the framework of Charles Holden's landmark art deco building, the tallest secular structure in the UK when it opened.

These improvements have enabled the University both to optimise the efficiency of the space it occupies and to develop new business as a unique conference and events venue. In the last year it has welcomed everything from private dinners and large conferences to major Hollywood film companies and award ceremonies.

Our sights now move to the rewiring and refurbishment of the lower floors of the north block of Senate House, which have been vacated in preparation for their redevelopment. Plans are well under way and following initial surveys and enabling works, the refurbishment proper is expected to start on site in the summer of 2012. To accommodate this, the Institute of Historical Research temporarily relocated to the south block in summer 2011.

Find out more at: [www.senatehouseevents.co.uk](http://www.senatehouseevents.co.uk)

### Training doctors and dentists

The London Deanery works to improve the quality of patient care by ensuring that the supply of doctors and dentists are educated, trained and motivated to play their part in a first-class modern health service. It is responsible for the management of postgraduate medical and dental training for over 13,000 doctors and dentists across the capital and beyond.

Over the last year, London Deanery staff, trainees and initiatives received a wide range of awards and commendations.

The Simulation Technology-enhanced Learning Initiative (STeLI) won the 2011 British Medical Journal (BMJ) Award for Excellence in Healthcare Education; the careers unit's partnership project with C2, part of The Careers Group, provides an innovative careers support service for doctors in training and was recognised for a *Times Higher Education* Leadership and Management Award in the Outstanding Student Services Team category; and the Darzi Fellowship in Clinical Leadership programme, run jointly with NHS London, was runner-up in the Healthcare People Management Association (HPMA) Excellence in Human Resource Management Award in education, training or development.

The London Deanery was the only Deanery in the country selected for a fly-on-the-wall documentary series *Surgery School*, which was aired in September 2010 on ITV1. The series portrayed 10 high-flying trainee surgeons as they took their first steps in their attempt to break into the ranks of the surgical elite. Every year 2,000 young doctors apply to the London School of Surgery for training to become consultants and London Deanery trainees are among the hundred or so chosen. Surgery School provided a rare insight into the intense professional and lifestyle pressures trainees contend with in order to achieve their goal.

The Language and Communication Resource Unit (LaCRU), established in September 2010, assists doctors working in London to improve their English language and communication skills. Doctors are offered a choice of educational modules on language, communication skills, cultural competence and professional development. In partnership with Acute and Primary Care Trusts, LaCRU also supports the delivery of induction training and cultural adaptation courses for new international medical graduates (IMGs) and EU doctors coming to work in the NHS.

London Deanery became the first Deanery in the country to appoint Lay Chairs for its Specialty School Boards. The Lay Chairs were appointed through the NHS Appointments Commission. The School Boards were set up in 2008 to oversee how Speciality Schools are run. The Lay Chairs bring a unique, independent view to the way Schools are run.

Find out more at: [www.londondeanery.ac.uk](http://www.londondeanery.ac.uk)

## Risks and opportunities

The University of London is a unique institution and its operations centre around its central academic bodies and central activities which are performed and conducted on behalf of the federation of 19 self-governing and autonomous member Higher Education Institutions (HEIs) which comprise its member Colleges.

Whilst the University's Collegiate Council determines and advises the Board of Trustees on the collective College view it is the latter body which is charged with managing the risks and opportunities faced by the University.



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2010–11 has been characterised by the on-going progress of the reforms of public sector finances accompanied by the imposition of spending constraints. In the area of higher education this has culminated in the publication, in June, by the Department for Business Innovation & Skills (BIS) of its White Paper *Students at the Heart of the System*. This White Paper sets out BIS's proposals for "a higher education sector which is sustainably funded; delivers a better student experience; and contributes fully to the efforts to increase social mobility".

It is not necessary to repeat here the detail of the proposals save to say that they have the potential for giving rise to fundamental changes and turbulence in the sector. As far as our own Colleges are concerned, their strength and reputation means that they are well-placed to respond to the challenges and opportunities which these changes will bring. I anticipate that they will continue to prosper under the new regime, though they will nonetheless face the challenges of a more volatile environment. Other parts of the sector are likely to be more substantially affected and there is a prospect that the outcome will be to produce some quite significant changes to the configuration of UK higher education in the future.

The emergence of a more diverse sector, at least in certain subject areas, is a strong possibility with an expansion of private providers, on the one hand, and some Further Education (FE) colleges, on the other, who will seek to offer shorter and maybe cheaper degrees. Against this backdrop, the potential, in particular, of the University of London's International Academy is being given focused consideration as it is our view that the current developments in both the Higher Education (HE) and FE sectors present a significant opportunity for its International Programmes. Collegiate Council has committed itself to a programme of broadening the portfolio of degree programmes to respond to the needs of the emerging new UK market and to engage with an expanding range of teaching institutions across both the public and private sectors within the UK. As regards the latter, it is our view that access will be an important criterion in choosing with which institutions we will ourselves work closely.

More generally, the central University's role within the newly emerging environment remains focused on the delivery of highly-effective services offering value for money which will enable the member Colleges to offer a richer and more cost-effective range of services than they may have been able to otherwise. In a very real sense,

then, the challenges that the new environment presents to member Colleges provide an opportunity for the University to build further on its history of significant sharing of services and collaboration.

The University's own dependence on public funding is substantially less than most other UK Universities. The financial statements for the current year demonstrate this: funding from HEFCE accounted for 8.2% of total income and, when to this is added the contributions from the Colleges of £9.1M, the total direct and indirect reliance on public funding amounts to 14.4% of the total income of £146.8M. The English average for grants from HEFCE as a percentage of total income by comparison is around 34%.

The University's School of Advanced Study (SAS) was the subject of a detailed review, commissioned by HEFCE, of its activities and funding in the autumn of 2006. The principal recommendation of the report, which was implemented, was that the special funding supporting SAS for the purposes of national research promotion and facilitation in the humanities and social sciences should be renewed for the period August 2008-July 2013. The report recommended that the special funding (currently £8.4M annually) should be renewable for further five-year periods subject to the outcome of a review undertaken in the fourth year of funding. Accordingly, HEFCE will be undertaking this review during 2012 to inform the funding decision in respect of the period commencing August 2013. Whilst SAS has considerable experience of these periodic funding reviews, the outcome of the forthcoming exercise will be clearly be a critical factor in determining the future scale and scope of its operations.

During the year the University was subject to an audit undertaken by the Quality Assurance Agency for Higher Education (QAA). Its findings were positive and confirmed that in the view of the QAA, confidence can be reasonably placed both in the soundness of the University's current and likely future management of the academic standards of its awards and of the quality of the learning opportunities available to students.

The University is a key provider of student residential services, principally for the students of its Colleges. Its Halls and Housing Services divisions generate over 20% of the University's income (net of the London Deanery). The Halls accommodate over 3,000 students and Housing Services provided, last year, advice to over 35,000 students living in the private rental sector. The provision

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of first-class student services, including residential services, is of critical importance to the University and its Colleges and, having regard to this, the University is currently appraising a range of options centred on upgrading and expanding its offering of student residences. We regard the expansion of this area of our operations as important, in part because residential accommodation is of such importance to present and future students, and also as it can provide a cushion to shield our academic divisions that are in receipt of public funding from the impact of any future reductions therein.

The University conducts regular reviews of its prospective medium-term financial out-turns by way of using various planning scenarios including funding expectations, student numbers and research activities, overheads and pay-related costs. This enables us to respond, should the need arise, to changes and to ensure that our financial sustainability is unimpaired. We continue with our focus on the cost base and to implement cost-efficiency measures. Our Business Change Programme, which completed its principal tasks during 2010–11, has secured net savings, on an annualised basis, from 2011–12 onwards of some £2M which is equivalent to a reduction in the cost base (net of the Deanery) of just under 2%.

### Public benefit

The University is an exempt charity under the terms of the Charities Act 2006. The Charities Commission has issued guidance on public benefit requiring that there must be clearly identified benefits related to the aims of the charity; that the benefits must be to the public, or to a section of the public; that where the benefit is to a section of the public, the opportunity to benefit must not be unreasonably restricted by geographical or other restrictions or by the ability to pay fees; and that people in poverty must not be excluded from the opportunity to benefit.

The objects of the University of London, carried out through the Colleges primarily, and also through its Central Academic Bodies and Central Activities (to which these financial statements specifically relate), are, for the public benefit, to promote education of a university standard and the advancement of knowledge and learning by teaching and research; and to encourage the achievement and maintenance of the highest academic standards.

The University makes a significant contribution, not just to the advancement of education, but also in a variety of ways to all of the other specific categories of charitable purposes set out in the Charities Act 2006.

The Colleges of the University, which are all themselves exempt charities, have included within their respective financial statements for 2010–11 Public Benefit statements in conformity with the reporting requirements of the HEFCE Accounts Direction for 2010–11 and reference thereto should be made in considering the public benefits delivered by the University, given that its primary purpose is to serve and further the interests of its Colleges.

The ways in which the central University advances the categories of charitable purposes are in many cases self-evident from the variety of academic disciplines associated with its Institutes and Colleges.

To provide an example, the University of London International Academy (UoLIA), through its associated International Programmes delivers programmes in a wide range of disciplines and subject areas. These include an MSc in Poverty Reduction, an MSc in Applied Educational Leadership and Management, a BA in Theology, MSc programmes in Clinical Trials, Epidemiology, Infectious Diseases and Public Health, an MSc in Citizenship Education, BAs in English, History, Philosophy and Classics, LLM and LLB degrees, an MSc in Environmental Management and an MSc in Livestock Health and Production.

UoLIA's International Programmes are priced competitively at a level that facilitates access for students both in the UK and overseas. Thus the cost of a typical three-year undergraduate programme is some £3,400 whilst an MSc or postgraduate diploma may vary in cost between £4,870 to £7,360.

The University, on behalf of the federation, manages a range of trust funds and endowments. The endowment funds as shown in the balance sheet at 31 July 2011 were carried at their market value which was £64.7M and the sums expended during the year from these funds amounted to £2.8M. This expenditure represents payments in respect of fellowships and scholarships, prizes, and chairs and lectureship funds as well as a range of other awards to assist students and researchers within the Colleges and UoLIA thereby providing opportunities to those whose means may otherwise inhibit them from participating in teaching and research activities. The University's trust funds are also utilised to fund an ongoing series of prestigious public lectures, recitals and readings generally in areas connected with the arts and humanities.

Through its Careers Group, the University promotes access to tertiary education for students from a wide range of backgrounds. This work aims at raising levels of aspirations amongst young people so that they may consider how best to fulfil their potential. During 2010-11 the Careers Group organised a series of Undergraduate Open Days (attended by over 6,200 visitors) for prospective students and a Postgraduate Open Evening. A Taster Course programme, to provide potential students with the experience of first-degree courses, was also organised and attended by over 11,000 students and spanned 134 separate taster courses.

The Careers Group has also worked in the science, medical and education sectors for professional associations including the British Medical Association and various NHS trusts. It has provided a range of organisational development, redundancy and career transition support for the education sector and has launched a schools and colleges careers website service.

The University's Marine Biological Station at Millport is the UK's national facility for Marine Biology Fieldwork and provides facilities and logistical support for field teaching by universities throughout the UK and for visiting groups of European students. As well as teaching, the Station's research profile is focused on cutting-edge research into topical issues in Marine Biology, Microbiology, Ecology and Environmental Management. The Station incidentally provides recreational sport facilities for sub aqua and other groups; lectures by its academics and practical sessions are provided to local voluntary groups, school groups, recreational and study groups; access to its library facilities is available to any members of the public as are the Museum and Aquarium. The Hyperbaric Chamber advances health and the saving of lives, and is used to train the police, fire, rescue and ambulance services. The Station is open to, and welcomes, the general public and school groups to which it endeavours to provide an insight into the nature of marine life and awareness of marine environmental issues.

The School of Advanced Study is unique as the only institution in the UK nationally funded to promote and facilitate research in the humanities and social sciences. The School's events programme which comprises a wide range of seminars, workshops, lectures and conferences is unrivalled in scale, focus and quality. During 2010-11 some 1,400 events were organised attracting an audience of over 30,000 members drawn from the UK, internationally and the London area. The majority of the events are free and open to the public and all are

welcomed and encouraged to take advantage of the access to the current research and interdisciplinary cross-fertilisation that these events afford.

The London Deanery is responsible for the management and delivery of postgraduate medical education for all doctors and dentists, and the continuing professional development of all doctors and dentist, excluding consultants, in London. It operates in a unique and diverse environment which has 15.4% of the total NHS workforce, some of the world's leading medical centres of excellence and responsibility for the postgraduate education and training of over 13,000 doctors and dentists in training grades. Clearly all its work is highly focused on furthering the public benefit, but the Deanery also provides a service and guidance for doctors and dentists with personal and professional difficulties by way of a confidential self-referral assessment and counselling service, mentoring and executive coaching.

## Looking forward

We live in challenging times for universities. The University of London and its Colleges are no different. We are, however, well-placed to face these challenges, not least because of our long history of working together. There are real opportunities to expand these collaborations for the benefit of the Colleges and the wider higher education community. The University of London has proved itself a dynamic institution through its 175 year history, and this review of our finances and activities demonstrates how we are once again adapting to the changing political and economic landscape. This will be my last report on the financial statements as Vice-Chancellor. At the end of the current academic year I will, including my time as Warden of Goldsmiths, have occupied senior positions at the University for seven years and, for personal reasons, I have announced that I will then be standing down. I know that, whoever takes over this role as my successor (and the process is already in train), will find it a highly stimulating and rewarding one and I am confident that the University will be able to address the challenges of the future from a position of relative financial strength.

### **Professor Geoffrey Crossick**

Vice-Chancellor  
University of London  
21 November 2011

# Corporate governance statement

**The following statement is given to assist readers of the financial statements to obtain an understanding of the governance procedures of the University. The University endeavours to conduct its business:**

- **in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership), and**
- **in full accordance with the guidance to the University which has been provided by the Committee of University Chairmen in its “Guide for Members of Governing Bodies of Universities in England and Wales”.**

The University is an independent corporation which was incorporated originally by Royal Charter in 1836 and is, at present, incorporated by Royal Charter granted in 1863. It is now governed by the University of London Act 1994 and by the Statutes made under that Act, approved by the Privy Council on 11 June 2008 and effective from 1 August 2008, which set out its objectives, powers and framework of governance. The University of London is a federal university and, as well as the central academic bodies and activities included in these financial statements, comprises a further 19 autonomous Colleges each of which is an HEI and a self-governing incorporated body with its own legal identity and which receives its funding from HEFCE independently from the University itself.

The University's **Board of Trustees**, the governing and executive body of the University, comprises nine appointed independent persons, all of whom are non-executive, the Vice-Chancellor and four Heads of Colleges, appointed by the **Collegiate Council**. The role of the Chair of Board of Trustees is separated from the role of the University's chief executive, the Vice-Chancellor. The powers of the Board of Trustees are set out in the Statutes of the University, by its Statement of Responsibilities and under the Financial Memorandum with the Higher Education Funding Council for England. The Board of Trustees, which normally meets not less

than six times a year, holds to itself, inter alia, responsibility for the ongoing strategic direction of the University, approval of major developments and the receipt of regular minutes from its Committees on the day to day operations of its business and of its subsidiary company.

The Board of Trustees is supported by the **Collegiate Council** which comprises the Heads of the Colleges of the University, the Dean of the School of Advanced Study and, its chairman, the Vice-Chancellor. The Collegiate Council is responsible for determining and advising the Board of Trustees on the collective view of the Colleges in respect of all matters concerning the University of London as an incorporated body including its strategic direction, and is responsible for ensuring the proper discharge of its academic affairs.

The Collegiate Council, inter alia, approves the strategic plans of the University's constituent academic bodies and activities and recommends to the Board of Trustees the University's annual budgets for these bodies and activities. It monitors performance against these plans and budgets and makes proposals and recommendations to the Board of Trustees regarding the resources and services provided by the University to the Colleges and on the funding of those services.

The University's Statutes provide that the Board of Trustees shall appoint an Audit and Risk Committee and that the Board of Trustees and the Collegiate Council may from time to time establish additional standing, special and advisory committees, sub-committees or boards. The Committees which the Board of Trustees has established, in addition to the Audit and Risk Committee, include Nominations, Remuneration, Investments and Safety. All of these Committees are formally constituted with terms of reference and include members drawn from the independent membership of the Board of Trustees.

The **Audit and Risk Committee**, which meets at least four times a year, is responsible for meeting with the external auditors to discuss audit findings, and with the internal auditors to consider their detailed internal audit reports and recommendations for the improvement of the University's systems of internal control, together with management's responses and implementation plans.



# Corporate governance statement

The Committee also receives reports on value for money 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 advises the Board of Trustees on the appointment and remuneration of the external and internal auditors with whom it meets on their own for independent discussions. Whilst senior executives attend the meetings of the Committee as necessary, they are not members of the Committee. The Committee considers, and recommends to the Board of Trustees, comprehensive Financial Regulations for the conduct of the financial affairs of the University and reviews the University's annual financial statements together with the accounting policies.

The **Nominations Committee** considers nominations for independent vacancies on the Board of Trustees. In line with the University's commitment to access and equal opportunities, the Committee seeks to achieve a balance of membership on the Board of Trustees in terms of gender, age, ethnicity and disability and this is an important consideration for the Committee in selecting members of the Board of Trustees. Vacancies are advertised on the public appointments section of the Appointments Commission website and other websites as appropriate. Additionally, details of vacancies are circulated to Heads of Colleges and Chairs of College governing bodies.

The **Remuneration Committee** determines the remuneration of the Vice-Chancellor and other senior staff and the **Investments Committee** is responsible for matters relating to the investments of the University, including recommending to the Board of Trustees the appointment of investment managers. The **Safety Committee** is responsible for reviewing and taking action as appropriate on the University's safety policies which ensure the health and safety of employees, students, visitors and others who may be affected by the University's activities.

The principal academic and administrative officer of the University is the Vice-Chancellor, who is responsible to the Board of Trustees for securing the implementation of the decisions of the Board and maintaining and promoting the efficiency and good order of the University. The Vice-

Chancellor is also, under the terms of the Financial Memorandum between the University and the Higher Education Funding Council for England, the designated Accounting Officer of the University and in that capacity can be summoned to appear before the Public Accounts Committee of the House of Commons.

The Ordinances of the University specify that the University's Chief Operating Officer should normally act as Secretary of the Board of Trustees, and any enquiries about the constitution and governance of the University should be addressed to the Chief Operating Officer.

# Membership and responsibilities of the Board of Trustees

## Membership

Period 1 August 2010 to 21 November 2011 (unless otherwise stated):

Independent Members	Period of Office
Dame Jenny Abramsky (Chair)	
Mr David Beever	
Mr Abdul Bhanji	
Ms Emma Burns	Appointed 29 November 2010
Mr Steven Fogel	
Ms Judith Evans	Resigned 30 September 2010
His Honour Judge Grainger	
Mr Edward Hartill	
Mr Maxwell Hutchinson	
Mrs Suzanne McCarthy	

## Vice-Chancellor

Professor Geoffrey Crossick	Appointed 1 September 2010
Sir Graeme Davies	Resigned 31 August 2010

## Representative Heads of Colleges

Professor Jonathan Freeman-Attwood, Principal of the Royal Academy of Music	Appointed 15 January 2011
Professor Peter Kopelmann, Principal of St George's, University of London	Appointed 1 January 2011
Professor David Latchman, Master of Birkbeck, University of London	
Professor Peter Rigby, Chief Executive of the Institute of Cancer Research	Resigned 14 January 2011
Professor Sir Richard Trainor, Principal and President of King's College London	
Professor Geoff Whitty, Director of the Institute of Education, University of London	Resigned 31 December 2010

## Responsibilities

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

The Board 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 all other relevant accounting and financial reporting 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 Board, through its head of institution and accountable officer (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 Board 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 Board 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.



## Membership and responsibilities of the Board of Trustees

The Board 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 Board;
- a formalised treasury management policy;
- comprehensive Financial Regulations, detailing financial controls and procedures, approved by the Audit and Risk Committee and the Board;

- a professional Internal Audit Provider, whose annual programme is approved by the Audit and Risk Committee; and
- an ongoing process designed to identify the principal risks (whether business, operational, compliance or financial) 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. The reporting method uses a system whereby risks are ranked in terms of likelihood and impact, and are reviewed and periodically reported to the Board to ensure that procedures are in place for the identified risks to be managed.

The Audit and Risk Committee, on behalf of the Board, 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 misstatement of loss.

# Statement of internal control by the Board of Trustees

**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 Board 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 2011 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:

- We meet no less than three times a year to consider the plans and strategic direction of the University.
- We receive periodic reports from the Chair of the Audit and Risk 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.
- We have established a Risk Management Steering Group reporting to the Audit and Risk Committee, to oversee risk management.
- The Audit and Risk 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.
- Facilitated workshops are held to identify and to keep up to date the record of risks facing the University.
- A programme of risk awareness training.
- A robust risk prioritisation methodology based on risk ranking and cost-benefit analysis has been established.
- An organisation-wide risk register is maintained.
- Reports are received from budget holders, department heads and project managers on internal control activities.

The review of the Board of the effectiveness of the system of internal control is informed by the work of the internal auditors, Uniac. They operate to the standards defined in "Accountability and Audit: HEFCE Code of Practice".

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.

# Independent auditors' report to the Board of Trustees of the University of London

**We have audited the financial statements of the University of London for the year ended 31 July 2011 which comprise the consolidated income and expenditure account, the statement of total consolidated recognised gains and losses, the Group and University balance sheets, the consolidated cash flow statement and the related notes 1 to 29. 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) and the Statement of Recommended Practice: Accounting for Further and Higher Education.**

This report is made solely to the governing body in accordance with the charter and statutes of the University and the financial memorandum effective August 2010. Our audit work has been undertaken so that we might state to the governing body 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 board of governors as a body, for our audit work, for this report, or for the opinions we have formed.

## **Respective responsibilities of the governing body and auditor**

As explained more fully in the Governing Body's Responsibilities Statement, the governing body is responsible for the preparation of the financial statements that 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**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements

are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the University's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the governing body; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and University's affairs as at 31 July 2011 and of its surplus for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and the Statement of Recommended Practice: Accounting for Further and Higher Education.

## **Opinion on other matters prescribed by the Higher Education Funding Council for England Audit Code of Practice**

In our opinion:

- in all material respects, income from the funding council, grants and income for specific purposes and from other restricted funds administered by the University during the year ended 31 July 2011 have been applied for the purposes for which they were received; and
- in all material respects, income during the year ended 31 July 2011 has been applied in accordance with the University's statutes and, where appropriate, with the financial memorandum and with the funding council.

# Independent auditors' report to the Board of Trustees of the University of London

## **Matter on which we are required to report by exception**

We have nothing to report in respect of the following matter where the Higher Education Funding Council for England Audit Code of Practice requires us to report to you if, in our opinion:

- the Statement of Internal Control is inconsistent with our knowledge of the University.

## **Deloitte LLP**

Chartered Accountants and Statutory Auditor  
St Albans, UK  
29 November 2011



# 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 2007* and in accordance with applicable United Kingdom Accounting Standards. They conform to guidance published by the Higher Education Funding Council for England.

The University's activities, together with the factors likely to affect their future performance and position is set out in the Financial Report on pages 3 to 17. Having regard to the University's considerable assets and financial resources, its Board of Trustees believe it is well placed to manage its risks successfully notwithstanding the current economic conditions and future uncertainties associated therewith. The Board of Trustees have a reasonable expectation that the University has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

## 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 Collegiate Council. The Colleges are not related parties because of their autonomy as independent higher education institutions.

## 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 University of London Institute in Paris in euros are recorded initially in the accounting record maintained in Paris and recorded in the financial statements 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 income and expenditure account.

## Recognition of income and expenditure

Fee income is stated gross and credited to the income and expenditure account over the period the students are studying. Bursaries and scholarships are accounted for gross as expenditure and not deducted from income.

Income from research grants, contracts and other services rendered (including the Deaneries and London Higher) 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. Unspent balances are carried forward.

All income from short-term deposits is credited to the income and expenditure account in the period in which it is earned.

Donations with restrictions are recognised when relevant conditions have been met, generally when expenditure is incurred on specific purposes. Donations which are to be retained for the benefit of the University are recognised in the statement of total gains and losses and in endowments. Other donations are recognised by inclusion as other income in the income and expenditure account.

Income from endowments not expended in accordance with the restrictions of the endowment is transferred from the income and expenditure account to endowments and recognised therein as accumulated income.

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.

### **Cash flows and liquid resources**

Cash flows comprise increases or decreases in cash. Cash includes cash in hand and deposits repayable on demand. Deposits are repayable on demand if they are in practice available within 24 hours or one working day without penalty.

Liquid resources comprise assets held as a readily disposable store of value. They include sums on short-term deposits with recognised banks and building societies and government securities.

### **Endowment funds**

Where charitable donations are to be retained for the benefit of the University as specified by the donors, these are accounted for as endowments. The University distinguishes two types:

- 1 Restricted permanent endowments – where the donor has specified that the fund is to be permanently invested to generate an income stream to be applied to a particular objective; and
- 2 Restricted expendable endowments – where the donor has specified a particular objective other than the purchase or construction of tangible fixed assets, and the University can convert the donated sum into income.

### **Land and buildings**

Land and buildings are stated at cost less amounts written off to reflect any permanent impairment in value. Depreciation rates have been reviewed during the year. Depreciation is charged on the capital cost or valuation of the buildings. Non-residential freehold properties and subsequent refurbishments are depreciated over 50 years and residential properties and subsequent refurbishments are depreciated over 30 years. For leasehold properties, the depreciation term is the period of the lease, if lower than the freehold rates. Where buildings are acquired with the aid of specific grants the related grants are credited to a deferred capital grants 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. Assets in the course of construction are not depreciated. Developmental interest incurred directly as a consequence of major capital developments is capitalised as part of the capital costs of the related asset.

### **Heritage assets**

The University has received gifts and bequests of works of art, library collections and other decorative items and has also purchased works of art with funds from specific benefactions and public grants. In accordance with HE SORP, all acquisitions since 1 August 1998 have been capitalised at cost, or in the case of donated assets, at valuation where reasonably obtainable. In line with the accounting policy for other tangible assets, the threshold for capitalising assets is £20,000. Heritage assets are not depreciated since their long economic life and high residual value mean that any depreciation would not be material.

# Statement of the University's principal accounting policies

## Other tangible assets – equipment

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	4–7 years
Other plant and machinery	5–20 years
Boats and boat equipment	10–25 years

Assets of all categories did not commence depreciation until 1990. Prior to this date no assets were depreciated.

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 grants 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.

## Intangible assets

Course development expenditure within the University of London International Academy is charged to the income and expenditure account in the year incurred unless it meets the recognition criteria for capitalisation as set out in SSAP 13 – Accounting for research and development. When the recognition criteria has been met then such expenditure on course development is capitalised and the resultant intangible asset written down and charged to the income and expenditure account, when it becomes available for use, on a straight line basis over a period of five years, the expected economic life of the course. An impairment test is carried out annually and where it is judged that the carrying value of the intangible asset exceeds the likely future economic benefit, then it is written down appropriately.

## Investments

Both fixed asset investments and endowment asset investments are stated at market value in the balance sheet.

## Current asset investments

Current asset investments comprise money on term deposit and money market funds which are shown at the lower of cost and net realisable value.

## Investment properties

In accordance with SSAP 19 *Accounting for Investment properties*, investment properties are revalued annually at a valuation determined by the Board of Trustees with the assistance of qualified external valuers. Changes in the market value of investment properties are taken to the statement of total recognised gains and losses. No depreciation is provided in respect of investment properties.

## Stocks

Stocks, which principally comprise study materials for resale, are valued at the lower of cost or net realisable value, after making due provision for obsolete and slow-moving items.

**Provisions and contingent liabilities**

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.

Contingent liabilities are disclosed by way of 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.

**Pension schemes**

The University participates in the University Superannuation Scheme (USS) and the Superannuation Arrangements of the University of London (SAUL). These are externally funded defined benefits schemes which are contracted out of the State Second Pension. The liabilities of both these schemes are valued every three years by professionally qualified independent actuaries using the projected unit method, the rates of contribution payable being determined by the trustees on the advice of the actuaries. In the intervening years, the actuaries review the progress of the schemes. Pension costs are assessed in accordance with the advice of the actuaries, based on the latest actuarial valuation of the schemes, 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 contributes to the National Health Service Superannuation Scheme (NHSS), an unfunded defined benefit scheme for the academic and non-academic staff at the London and Kent, Surrey and Sussex (KSS) Deaneries.

The University contributes to the French State Social Security System, an unfunded defined contribution scheme for the academic and non-academic staff at the University of London Institute in Paris.

The University complies with FRS17 *Retirement Benefits*. Its defined benefit schemes (USS, SAUL and NHSS) are all multi-employer schemes and, accordingly, given that it is not possible to identify the University's underlying share of their assets and liabilities, are accounted for as if they were defined contribution schemes.



# Consolidated income and expenditure account

for the year ended 31 July 2011

Note		2011 £'000	2010 £'000
	<b>Income</b>		
1	Funding body grants	11,972	12,930
2	Tuition fees and educational contracts	43,592	42,861
3	Research grants and contracts	1,516	2,430
4	Other income	85,653	96,263
5	Endowment and investment income	3,044	2,561
		145,777	157,045
	<b>Expenditure</b>		
6	Staff costs	(51,497)	(51,758)
7	Other operating expenses	(79,547)	(93,625)
8	Interest payable	(2,710)	(2,522)
9	Restructuring costs	(1,813)	(1,484)
10	Depreciation	(6,097)	(4,830)
		(141,664)	(154,219)
	<b>Surplus on continuing operations after depreciation of assets at cost</b>	<b>4,113</b>	<b>2,826</b>
	Exceptional items:		
	Surplus on disposal of fixed assets	148	23,286
	<b>Surplus after depreciation, exceptional items and disposal of assets</b>	<b>4,261</b>	<b>26,112</b>
	Transfer to accumulated income within endowments	(29)	(166)
	<b>Surplus for the year transferred to reserves</b>	<b>4,232</b>	<b>25,946</b>

The consolidated income and expenditure relates wholly to continuing activities.

There is no difference between the surplus stated above and the historical cost equivalent.

# Statement of consolidated total recognised gains and losses

for the year ended 31 July 2011

Note	2011 £'000	2010 £'000
Surplus after depreciation, exceptional items and disposal of assets	4,261	26,112
12 Appreciation of endowment asset investments	4,249	4,965
12 Appreciation of fixed asset investments	281	307
12 Appreciation of investment properties	6,671	4,972
17 New endowments	446	536
<b>Total recognised gains and losses relating to the year</b>	<b>15,908</b>	<b>36,892</b>
Reconciliation		
Opening reserves and endowments	182,525	
Total recognised gains and losses relating to the year	15,908	
<b>Closing reserves and endowments</b>	<b>198,433</b>	

# Balance sheets

as at 31 July 2011

Note	Consolidated		University		
	2011 £'000	2010 £'000	2011 £'000	2010 £'000	
	<b>Fixed assets</b>				
10	Tangible assets	160,717	160,162	158,491	157,927
11	Intangible assets	312	361	312	361
12	Investments	43,242	36,290	43,242	36,290
12	Endowment assets	64,732	60,008	64,732	60,008
		<b>269,003</b>	<b>256,821</b>	<b>266,777</b>	<b>254,586</b>
	<b>Current assets</b>				
	Stocks	1,125	1,584	1,125	1,584
13	Debtors	11,663	10,557	12,610	12,048
	Current asset investments	15,000	10,000	15,000	10,000
	Cash at bank and in hand	11,171	13,598	11,077	12,712
		<b>38,959</b>	<b>35,739</b>	<b>39,812</b>	<b>36,344</b>
14	Creditors: amounts falling due within one year	(31,259)	(31,174)	(29,975)	(29,714)
	<b>Net current assets</b>	<b>7,700</b>	<b>4,565</b>	<b>9,837</b>	<b>6,630</b>
	<b>Total assets less current liabilities</b>	<b>276,703</b>	<b>261,386</b>	<b>276,614</b>	<b>261,216</b>
15	Creditors: amounts falling due after more than one year	(60,250)	(60,377)	(60,250)	(60,377)
	<b>Total net assets</b>	<b>216,453</b>	<b>201,009</b>	<b>216,364</b>	<b>200,839</b>
	<b>Represented by</b>				
16	Deferred capital grants	18,020	18,484	18,020	18,484
17	Permanent endowments	57,271	53,313	57,271	53,313
17	Expendable endowments	7,461	6,695	7,461	6,695
18	Revaluation reserve	40,528	33,576	40,528	33,576
19	General reserves	93,173	88,941	93,084	88,771
	<b>Total funds</b>	<b>216,453</b>	<b>201,009</b>	<b>216,364</b>	<b>200,839</b>

Approved by the Board of Trustees on 21 November 2011 and signed on its behalf by:

**Dame Jenny Abramsky**  
Chairman, Board of Trustees

**Richard Cryer**  
Director of Finance

**Professor Geoffrey Crossick**  
Vice-Chancellor

The notes on pages 37 to 52 form part of these financial statements.

# Consolidated cash flow statement

for the year ended 31 July 2011

Note		2011 £'000	2010 £'000
22	Net inflow from operating activities	8,994	8,089
23	Returns on investments and servicing of finance	334	39
24	Capital expenditure and financial investment	(11,501)	11,811
	Cash (outflow)/inflow before management of liquid resources and financing	(2,173)	19,939
25	Management of liquid resources	(35)	(10,352)
26	Financing	(219)	(190)
	<b>(Decrease)/increase in cash</b>	<b>(2,427)</b>	<b>9,397</b>
<b>Reconciliation of net cash flow to movement in net debt</b>			
25	(Decrease)/increase in cash for the period	(2,427)	9,397
25	(Decrease)/increase in short term deposits	(4,965)	352
25	Increase in current asset investments	5,000	10,000
25	Decrease in net loan finance	219	190
	Change in net funds	(2,173)	19,939
	Net debt at 1 August	(28,297)	(48,236)
	<b>Net debt at 31 July</b>	<b>(30,470)</b>	<b>(28,297)</b>

# Notes to the financial statements

for the year ended 31 July 2011

## 1. Funding body grants

	2011 £'000	2010 £'000
Higher Education Funding Council for England – recurrent	11,575	12,559
Release of deferred capital grants (note 16)		
Buildings	353	333
Equipment	44	38
	<b>11,972</b>	<b>12,930</b>

## 2. Tuition fees and education contracts

	2011 £'000	2010 £'000
University of London International Academy and overseas student fees	42,780	42,054
Home full time postgraduate fees	526	486
Part time fees	286	321
	<b>43,592</b>	<b>42,861</b>

## 3. Research grants and contracts

	2011 £'000	2010 £'000
Research councils	555	686
UK-based charities	348	526
UK Government bodies	252	817
EU Government and other bodies	161	146
Other	200	255
	<b>1,516</b>	<b>2,430</b>

# Notes to the financial statements

for the year ended 31 July 2011

## 4. Other operating income

	2011 £'000	2010 £'000
Colleges: subscriptions and charges	9,086	9,440
Residences and catering	23,410	22,342
Estates revenue	3,599	2,812
Other general income	14,299	13,705
Services rendered by the Deaneries	34,548	44,960
Examination services for Colleges	81	230
Donations	490	2,019
Deferred capital grants (note 16)	140	755
	<b>85,653</b>	<b>96,263</b>

## 5. Endowment and investment income

	2011 £'000	2010 £'000
Transferred from permanent endowments (note 17)	2,165	2,028
Transferred from expendable endowments (note 17)	679	365
Other interest receivable	200	168
	<b>3,044</b>	<b>2,561</b>

**6. Staff costs**

	2011 £'000	2010 £'000
Salaries	40,489	40,752
Social security costs	3,421	3,410
Other pension costs	7,587	7,596
	<b>51,497</b>	<b>51,758</b>

The above is analysed as follows:

University	32,628	33,706
Deaneries	18,869	18,052
	<b>51,497</b>	<b>51,758</b>

Emoluments of the Vice-Chancellor Sir Graeme Davies (to 31 August 2010)

Salary	14	163
Benefits in kind	1	11
	<b>15</b>	<b>174</b>

Professor Geoffrey Crossick (from 1 September 2010)

Salary	124	–
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	2011 Number of staff	2010 Number of staff
Average staff numbers by category expressed as full time equivalents		
University	744	755
Deaneries	321	295
	<b>1,065</b>	<b>1,050</b>

Remuneration of other higher paid staff, excluding employer's pension contributions

	University		Deaneries and London Higher	
	2011 Number of staff	2010 Number of staff	2011 Number of staff	2010 Number of staff
£100,000–£109,999	1	–	3	–
£110,000–£119,999	–	1	1	1
£120,000–£129,999	1	1	2	1
£130,000–£139,999	2	1	2	3
£140,000–£149,999	–	–	1	2
£150,000–£159,999	–	–	–	1
£170,000–£179,999	–	–	–	1
£210,000–£219,999	–	–	1	–

	2011 £'000	2010 £'000
Included in the remuneration of other higher paid staff are compensation payments		
University	159	180
Deanery	110	–

# Notes to the financial statements

for the year ended 31 July 2011

## 7. Expenditure by activity

	Staff costs £'000	Other operating costs £'000	Depreciation £'000	Interest payable £'000	2011 £'000	2010 £'000
Academic departments	6,680	3,036	211	–	9,927	9,917
Academic services	7,374	4,411	458	–	12,243	11,832
University of London International Academy	7,005	29,475	1,023	–	37,503	38,071
Central services	4,347	4,806	346	–	9,499	11,091
General education expenses	336	2,244	–	–	2,580	2,844
Staff and students	3,469	1,444	–	–	4,913	4,934
Maintenance	1,382	5,880	2,022	913	10,197	8,820
Residences and catering	1,197	11,986	2,037	1,797	17,017	17,840
Research grants	838	383	–	–	1,221	2,057
Services rendered by the Deaneries	18,869	15,882	–	–	34,751	45,329
	<b>51,497</b>	<b>79,547</b>	<b>6,097</b>	<b>2,710</b>	<b>139,851</b>	<b>152,735</b>

	2011 £'000	2010 £'000
External auditors' remuneration		
– Fees payable for audit of financial statements	62	70
– Non audit services	7	23
Internal auditors' remuneration	90	125
Hire of plant and machinery – operating leases	22	16
Hire of other assets – operating leases	270	210

## 8. Interest payable

	2011 £'000	2010 £'000
On loans repayable within one year	–	107
On loan repayable before one year to five years	130	–
On loans not wholly repayable within five years	2,580	2,415
	<b>2,710</b>	<b>2,522</b>

## 9. Restructuring costs

	2011 £'000	2010 £'000
Agreed costs of redundancy and early retirement scheme	1,183	1,081
Compensation for loss of tenancy	–	403
	<b>1,813</b>	<b>1,484</b>

**10. Tangible fixed assets**

Consolidated	Land and buildings				Equipment	Heritage assets	Total
	Freehold	Long leasehold	Short leasehold	Under construction			
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation							
1 August 2010	169,786	617	6,298	6,750	10,166	2,261	195,878
Additions during the year	5	–	–	4,867	1,844	–	6,716
Completed during the year	1,103	–	439	(4,365)	2,823	–	–
Disposals during the year	–	–	–	–	(84)	–	(84)
31 July 2011	170,894	617	6,737	7,252	14,749	2,261	202,510
Depreciation							
1 August 2010	27,128	178	3,394	–	5,016	–	35,716
Additions during the year	–	–	–	–	7	–	7
Charge for the year	3,943	8	183	–	1,963	–	6,097
Disposals during the year	–	–	–	–	(27)	–	(27)
31 July 2011	31,071	186	3,577	–	6,959	–	41,793
<b>Net book value 31 July 2011</b>	<b>139,823</b>	<b>431</b>	<b>3,160</b>	<b>7,252</b>	<b>7,790</b>	<b>2,261</b>	<b>160,717</b>
Net book value 1 August 2010	142,658	439	2,904	6,750	5,150	2,261	160,162
<b>University</b>							
	Freehold	Long leasehold	Short leasehold	Under construction	Equipment	Heritage assets	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation							
1 August 2010	169,686	617	6,298	6,668	5,792	2,261	191,322
Additions during the year	5	–	–	4,560	1,598	–	6,163
Completed during the year	1,103	–	439	(4,282)	2,740	–	–
Disposals during the year	–	–	–	–	–	–	–
31 July 2011	170,794	617	6,737	6,946	10,130	2,261	197,485
Depreciation							
1 August 2010	27,054	178	3,394	–	2,769	–	33,395
Additions during the year	–	–	–	–	7	–	7
Charge for the year	3,934	8	183	–	1,467	–	5,592
Disposals during the year	–	–	–	–	–	–	–
31 July 2011	30,988	186	3,577	–	4,243	–	38,994
<b>Net book value 31 July 2011</b>	<b>139,806</b>	<b>431</b>	<b>3,160</b>	<b>6,946</b>	<b>5,887</b>	<b>2,261</b>	<b>158,491</b>
Net book value 1 August 2010	142,632	439	2,904	6,668	3,023	2,261	157,927

# Notes to the financial statements

for the year ended 31 July 2011

## 10. Tangible fixed assets continued

### Heritage assets

Heritage Assets, recognised at valuation, exclude historic assets which are used by the University and comprise a collection of donated pictures and other artefacts. The collection is normally on display at the University's premises.

The University's external valuer, Bonhams, valued the major part of this collection in 2004 and the remainder in 2010 on the basis of the price of each item if purchased on appropriate retail premises.

## 11. Intangible assets

	2011 £'000	2010 £'000
Consolidated and University		
Cost		
1 August	552	458
Additions during the year	76	94
31 July	628	552
Amortisation		
1 August	191	99
Charge for the year	125	92
31 July	316	191
<b>Net book value 31 July</b>	<b>312</b>	<b>361</b>

Intangible assets represent course development expenditure within the University of London International Academy.

## 12. Consolidated and University investments

At market value	Endowment	Investment	Other	2011	Endowment	Investment	Other	2010
	investments	properties	investments	Total	investments	properties	investments	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
1 August	51,307	32,691	3,599	87,597	45,992	27,719	3,287	76,998
Additions	5,440	–	266	5,706	350	–	5	355
Disposals	–	–	(266)	(266)	–	–	–	–
Revaluation	4,249	6,671	281	11,201	4,965	4,972	307	10,244
	<b>60,996</b>	<b>39,362</b>	<b>3,880</b>	<b>104,238</b>	<b>51,307</b>	<b>32,691</b>	<b>3,599</b>	<b>87,597</b>
Short term deposits and cash	3,736	–	–	3,736	8,701	–	–	8,701
<b>31 July</b>	<b>64,732</b>	<b>39,362</b>	<b>3,880</b>	<b>107,974</b>	<b>60,008</b>	<b>32,691</b>	<b>3,599</b>	<b>96,298</b>
Investments held are analysed as follows:								
Unified Trust Fund holdings	60,996	–	3,880	64,876	51,307	–	3,333	54,640
Cash instruments	–	–	–	–	–	–	266	266
Properties	–	39,362	–	39,362	–	32,691	–	32,691
	<b>60,996</b>	<b>39,362</b>	<b>3,880</b>	<b>104,238</b>	<b>51,307</b>	<b>32,691</b>	<b>3,599</b>	<b>87,597</b>
<b>At cost</b>								
Unified Trust Fund holdings	31,226	–	2,211	33,437	25,786	–	1,945	27,731
Cash instruments	–	–	–	–	–	–	266	266
Properties	–	502	–	502	–	502	–	502
	<b>31,226</b>	<b>502</b>	<b>2,211</b>	<b>33,939</b>	<b>25,786</b>	<b>502</b>	<b>2,211</b>	<b>28,499</b>

### 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 Limited, a company registered in England and Wales. The principal activity of the company is the provision of operational services to the University of London and its Colleges.

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

UMBSM Services Limited, which is incorporated in Scotland with an issued share capital of £1 wholly owned by the University of London, has also not traded in the year.

### Investment properties

The investment properties were valued at 31 July 2011 by Knight Frank LLP, Chartered Surveyors. The valuation method adopted has been to capitalise both the term at passing rent and the reversionary interest at market rent. Appropriate yields have been applied to the term and reversion respectively in order to provide an investment value of the University's interest in the land and buildings after making allowance for purchaser's costs.

# Notes to the financial statements

for the year ended 31 July 2011

## 13. Debtors

	Consolidated		University	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Trade debtors	8,060	4,132	7,174	3,413
Other debtors	383	636	383	636
Prepayments and accrued income	3,220	5,789	2,894	5,391
Amounts owed by group undertaking	–	–	2,159	2,608
	<b>11,663</b>	<b>10,557</b>	<b>12,610</b>	<b>12,048</b>

## 14. Creditors: amounts falling due within one year

	Consolidated		University	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Trade creditors	12,306	11,191	11,811	10,817
Finance lease and other long term loans	127	219	127	219
Grants received in advance	1,213	672	1,213	672
Other taxation and social security	2,376	2,332	2,394	2,132
Accruals and deferred income	15,237	16,760	14,430	15,874
	<b>31,259</b>	<b>31,174</b>	<b>29,975</b>	<b>29,714</b>

**15. Creditors: amounts falling due after more than one year**

	2011 £'000	2010 £'000
<b>Consolidated and University</b>		
Bank loans	60,000	60,000
Finance lease	–	127
Other loans	250	250
	<b>60,250</b>	<b>60,377</b>

**BORROWINGS**

	Bank loans		Finance leases		Other loans	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000	2011 £'000	2010 £'000
<b>Consolidated and University</b>						
Obligations are repayable as follows:						
Between one and two years	–	–	–	127	–	–
Between two and five years	10,000	–	–	–	–	–
Over five years	50,000	60,000	–	–	250	250
Total over one year	60,000	60,000	–	127	250	250
Within one year (note 14)	–	–	127	219	–	–
Total due	60,000	60,000	127	346	250	250

**BANK LOANS**

Lender	Date loan obtained	Final repayment due date	Interest rate	Balance outstanding	Balance outstanding
				2011 £'000	2010 £'000
RBS (unsecured)	2007	2047	Fixed 5.1%	50,000	50,000
Barclays (unsecured)	2010	2015	0.95% over LIBOR	10,000	10,000
Total over one year				<b>60,000</b>	<b>60,000</b>

The first repayment on the RBS unsecured loan is due in 2018. The Barclays loan is repayable on 30 September 2015.

**Finance Lease**

In February 1991 the University, for a consideration of £900,000, created a leasehold interest in respect of the former Courtauld Gallery in Woburn Square for a term of 60 years in favour of University College London (UCL). Part of the lease premium (£750,000) was funded by way of a finance lease for a 21 year period which the University arranged on behalf of UCL. Under this arrangement UCL meets the financing costs incurred by the University over the period of the lease. At 31 July 2011 the amount outstanding under this arrangement was £127,000 and is included in Creditors: amounts falling due within one year. There is an equivalent balance of £127,000 being the amount due from UCL included in Debtors.

# Notes to the financial statements

for the year ended 31 July 2011

## 16. Deferred capital grants

<b>Consolidated and University</b>	<b>Government and agencies HEFCE £'000</b>	<b>Other grants and benefactions £'000</b>	<b>Total £'000</b>
Land and buildings	13,183	4,824	18,007
Equipment	322	155	477
1 August 2010	13,505	4,979	18,484
Buildings	73	–	73
Equipment	–	–	–
Additions	73	–	73
Buildings	353	131	484
Equipment	44	9	53
Released to income and expenditure account	397	140	537
Buildings	12,903	4,693	17,596
Equipment	278	146	424
<b>31 July 2011</b>	<b>13,181</b>	<b>4,839</b>	<b>18,020</b>

## 17. Endowments

<b>Consolidated and University</b>	<b>Restricted permanent £'000</b>	<b>Restricted expendable £'000</b>	<b>Total 2011 £'000</b>	<b>Total 2010 £'000</b>
Capital	46,434	5,225	51,659	46,159
Accumulated income	6,879	1,470	8,349	8,182
At 1 August	53,313	6,695	60,008	54,341
New endowments	20	426	446	536
Investment income	2,165	679	2,844	2,393
Expenditure	(2,213)	(602)	(2,815)	(2,227)
Increase in market value of investments	3,986	263	4,249	4,965
<b>31 July</b>	<b>3,958</b>	<b>766</b>	<b>4,724</b>	<b>5,667</b>
Represented by:				
Capital	50,104	5,914	56,018	51,659
Accumulated income	7,167	1,547	8,714	8,349
	<b>57,271</b>	<b>7,461</b>	<b>64,732</b>	<b>60,008</b>

**Linked charities**

Following HEFCE becoming the principal regulator for charities administered by Higher Education Institutions, additional disclosure is required in the case of those exempt charities that are administered by or on behalf of the University which fall within paragraph (w) of Schedule 2 of the Charities Act 1993.

The University administers a number of linked charities, of which all but one (Teachers of Anatomy, see note c below) were previously included in the financial statements.

	Note	Number of Trusts	Opening Fund Balance £'000	Income £'000	Capital Appreciation £'000	New Capital £'000	Expenditure £'000	Closing Fund Balance £'000
<b>Individual Charities</b>								
Scholarship Fund	a		9,108	382	678	20	865	9,323
Chadburn Lectures	b		6,797	262	408	–	74	7,393
Teachers of Anatomy	c		–	361	–	–	268	93
Maplethorpe	d		4,163	175	323	–	167	4,494
Perrin	e		2,601	108	194	–	–	2,903
<b>Summarised Charities</b>								
Research Support		93	25,874	1,075	1,570	426	924	28,021
General central		12	5,677	247	676	–	184	6,416
University support:								
Bursary/Scholarship		20	4,597	185	314	–	282	4,814
Prize funds		8	1,191	49	86	–	51	1,275
			60,008	2,844	4,249	446	2,815	64,732

**a Scholarship Fund**

The Charity Commission approved a new scheme on 9 February 2011 for the use of these combined charitable trusts. The income is to be distributed to the Colleges of the University of London for three purposes; by awarding prizes, to undertake research, to provide studentships.

**b Chadburn Lectureship in Medicine**

This trust is to support up to two Lectureships on a part time basis to provide opportunities for Doctors in training whose personal circumstances preclude a full time commitment to their careers.

**c Teachers of Anatomy**

This trust is to promote the study of anatomy within institutions of medical education in South East England by providing cadavers for the purpose of teaching and research in anatomy. The trust had not been included in the financial statements before, and accordingly its income as included above (£361,000) includes its opening fund balance of £137,000.

**d Maplethorpe**

This trust is to support up to two Lectureships in the study of pharmacy.

**e Perrin**

This trust is for the furtherance of astronomical knowledge and the study of astronomy.

# Notes to the financial statements

for the year ended 31 July 2011

## 18. Revaluation reserves

	2011 £'000	2010 £'000
<b>Consolidated and University</b>		
1 August	33,576	28,297
Appreciation of long term investments (note 12)	281	307
Revaluation of investment properties (note 12)	6,671	4,972
<b>31 July</b>	<b>40,528</b>	<b>33,576</b>

## 19. General reserves

	Consolidated		University	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
1 August	88,941	62,995	88,771	62,779
Transfer from income and expenditure	4,232	25,946	4,313	25,992
<b>31 July</b>	<b>93,173</b>	<b>88,941</b>	<b>93,084</b>	<b>88,771</b>

## 20. Access funds

	2011 £'000	2010 £'000
1 August	–	–
Net received from HEFCE	2	2
Disbursed to students	(2)	(2)
<b>31 July</b>	<b>–</b>	<b>–</b>

These Funding Council grants are solely for students. The University acts as paying agent. The grants and related disbursements are therefore excluded from the income and expenditure 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	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Expiry date:				
Less than one year	–	–	–	3
Between one and five years	230	172	24	13
More than five years	186	186	–	–

**22. Reconciliation of consolidated surplus for the year to net cash inflow from operating activities**

	<b>2011 £'000</b>	<b>2010 £'000</b>
Surplus on continuing operations after depreciation and disposal of assets	4,261	26,112
Items not involving cash movements:		
Depreciation	6,097	4,830
Amortisation of intangible assets	125	92
Deferred capital grants released	(537)	(1,126)
Decrease in stocks	459	454
(Increase)/decrease in debtors	(1,106)	3,189
Increase/(decrease) in creditors	177	(1,561)
Decrease in provisions	–	(976)
Items which are not operating activities:		
Surplus on disposal of tangible assets	(148)	(22,886)
Interest payable	2,710	2,552
Endowment and investment income	(3,044)	(2,561)
<b>Net cash inflow from operating activities</b>	<b>8,994</b>	<b>8,089</b>

**23. Returns from investments and servicing of finance**

	<b>2011 £'000</b>	<b>2010 £'000</b>
Income from endowments	2,844	2,393
Income from short term investments	200	168
Interest payable	(2,710)	(2,522)
<b>Net cash inflow from returns on investments and servicing of finance</b>	<b>334</b>	<b>39</b>

# Notes to the financial statements

for the year ended 31 July 2011

## 24. Capital expenditure and financial investment

	2011 £'000	2010 £'000
Tangible assets acquired	(6,709)	(13,768)
Intangible assets acquired	(76)	(94)
Investments acquired	–	(5)
Endowment assets acquired	(5,440)	(350)
Receipts from sale of tangible assets	205	24,893
Deferred capital grants received	73	599
Endowments received	446	536
	<b>(11,501)</b>	<b>11,811</b>

## 25. Analysis of changes in net debt

	1 August 2010 £'000	Cashflows £'000	Transfers £'000	31 July 2011 £'000
Cash at bank and in hand	13,598	(2,427)	–	11,171
Endowment assets – short term deposits	8,701	(4,965)	–	3,736
	22,299	(7,392)	–	14,907
Current asset investments	10,000	5,000	–	15,000
Debt due within one year	(219)	219	(127)	(127)
Debt due after one year	(60,377)	–	127	(60,250)
Net debt	(28,297)	(2,173)	–	(30,470)

Management of liquid resources comprises endowment assets – short term deposits and current asset investments.

## 26. Financing

	2011 £'000	2010 £'000
1 August	60,596	60,786
Capital repayments	(219)	(190)
<b>31 July</b>	<b>60,377</b>	<b>60,596</b>

## 27. Pension obligations

### Pension Schemes

The University's staff participate in three principal pension schemes: the Universities Superannuation Scheme (USS), the Superannuation Arrangements of the University of London (SAUL) and the National Health Service Scheme (NHSS). These three schemes are all multi-employer schemes with the assets of USS and SAUL being held in separate trustee administered funds. It is not possible to identify the University's share of the underlying assets and liabilities accurately and therefore contributions are accounted for, as permitted by FRS 17, as if they were defined contribution schemes with the cost recognised for the year in the income and expenditure account being equal to the contributions.

The schemes, which are defined benefit arrangements, are externally funded and contracted out of the State Second Pension (S2P) and both USS and SAUL are valued every three years by professionally qualified independent actuaries using the projected unit method.

### USS

The most recent actuarial valuation of the scheme was at 31 March 2008 using the projected unit method and the key assumptions and data were as follows:

	Past service	Future service
Investment returns per annum	6.4%	6.4%
Salary scale increases per annum	4.3%	4.3%
Pension increases per annum	3.3%	3.3%
<b>Market value of assets at date of last valuation</b>	<b>£28,842.6M</b>	
Regular contribution rates to 30 September 2009 –		
employer	14.0%	
employee	6.35%	
Regular contribution rate from 1 October 2009 –		
employer	16.0%	
employee	6.35%	
Proportion of members' accrued benefits covered by the actuarial value of assets at 31 March 2008	103%	
Estimated proportion of members' accrued benefits covered by the actuarial value of assets at 31 March 2011	98%	

### SAUL

The most recent actuarial valuation of the scheme was at 31 March 2008 using the projected unit method and the key assumptions and data were as follows:

	Past service	Future service
Investment returns per annum	6.9%	7.0%
Salary scale increases per annum	4.85%	4.85%
Pension increases per annum	3.35%	3.35%
<b>Market value of assets at date of last valuation</b>	<b>£1,266M</b>	
Regular contribution rates –		
employer	13.0%	
employee	6.00%	
Proportion of members' accrued benefits covered by the actuarial value of assets at 31 March 2008	100%	
Estimated proportion of members' accrued benefits covered by the actuarial value of assets at 31 March 2010	90%	

# Notes to the financial statements

for the year ended 31 July 2011

## NHSS

The NHS Pension Scheme (NHSS) 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 to identify its share of the underlying scheme assets and liabilities. The University 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 to its accounts the contributions payable to the scheme for the year. The NHS Pension Scheme is funded centrally by the Treasury on a current cost basis.

## Other pension arrangements

Members of staff, employed by the University of London Institute 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. Accordingly, the University accounts for its pension costs in respect of these schemes, as permitted by FRS 17 *Retirement Benefits*, by charging to its accounts the contributions payable for the year.

## 28. Capital commitments

Consolidated and University	2011 £M	2010 £M
Contracted at 31 July	1.6	5.9
Authorised but not contracted at 31 July	–	–
	<b>1.6</b>	<b>5.9</b>

## 29. Related party transactions

Due to the nature of the University's operations and the composition of the Board of Trustees and the Collegiate Council it is inevitable that transactions will take place with organisations in which a member of the Board or Council may have an interest. The Corporate Governance Statement (page 18) sets out in more detail the relationship between the University and its Colleges. All transactions involving organisations in which a member of the Board or Council may have an interest are conducted at arm's length in accordance with the University's financial regulations and normal procurement procedures and none of these transactions fall to being disclosed as being with related parties as defined by FRS 8 Related Party Disclosures. In line with the Committee of University Chairman guidance, all members of the Board and the Collegiate Council are required to complete a register of interests to record any areas of potential conflict with the interests of the University.

Trustees are not entitled to and did not receive any remuneration for their services. Three Trustees received a total of £2,000 (2009–10: 1 Trustee £1,000) representing the reimbursement of travel and subsistence expenses incurred in attending Board of Trustees and Committee meetings and events in their official capacity.

## About us

**The University of London is a federal University and is one of the oldest, largest and most diverse universities in the UK. Established by Royal Charter in 1836, the University is recognised globally as a world leader in Higher Education.**

**It consists of 19 self-governing Colleges of outstanding reputation, together with a range of prestigious central academic bodies and activities.**

### **The Colleges**

Birkbeck University of London  
 The Central School of Speech and Drama  
 Courtauld Institute of Art  
 Goldsmiths University of London  
 Heythrop College  
 The Institute of Cancer Research  
 Institute of Education University of London  
 King's College London  
 London Business School  
 The London School of Economics and Political Science  
 The London School of Hygiene and Tropical Medicine  
 Queen Mary University of London  
 Royal Academy of Music  
 Royal Holloway University of London  
 The Royal Veterinary College  
 St George's University of London  
 The School of Oriental and African Studies  
 The School of Pharmacy  
 UCL

### **Central Academic Bodies**

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 of Musical Research  
 Institute of Philosophy  
 Institute for the Study of the Americas  
 Warburg Institute  
 University of London Institute in Paris  
 University of London International Academy  
 University Marine Biological Station, Millport

### **Central Activities**

The Careers Group, University of London  
 Central Administrative and Support Services  
 Intercollegiate Halls of Residence  
 Postgraduate Medical and Dental Deaneries  
 Senate House Libraries  
 University of London Computer Centre  
 University of London Housing Services  
 University of London Union

**The financial statements consolidate the central institutes and central activities of the University with the exception of the University of London Union.**

**Annual Report and  
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