



UNIVERSITY
OF LONDON



Leading
Women
1868–2018

Financial Statements 2017–18

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Preface

Founded for public benefit by Royal Charter in 1836, the University of London is recognised globally as a world leader in Higher Education and has long pioneered increasing access to education. Continuing to build on the founding values, our mission today is to provide access to higher education to all, regardless of race, ethnicity, class, gender, religion, physical ability or sexuality.

As innovators in education, our vision is to ensure the growth and inclusiveness of our uniquely flexible – and truly global – education. The University provides education that fits around students' commitments, allowing them to change their lives, the lives of their families and the community around them.


In 1868, we were the first British university to allow women access to a university education, the first to appoint a female professor in 1913 and, in 1948, we were the first university in the Commonwealth to appoint a female Vice-Chancellor. In 2018 the University has celebrated 150 years of access to higher education for women through our Leading Women celebrations.

Today, the University of London is a federation of 18 member institutions and nine specialist research institutes which make up the School of Advanced Study. We are the guardian of an extensive portfolio of property located primarily in Bloomsbury including the magnificent Art Deco Senate House on Russell Square, in the heart of London's Education Quarter. We also collaborate to deliver world-leading services including the Senate House Library, the Careers Group and CoSector. Since 1858, through our pioneering distance learning programmes, we have offered the opportunity to study for a degree to thousands of students in over 190 countries.

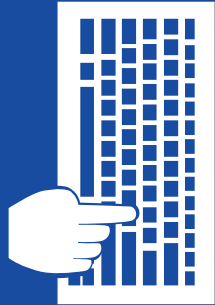
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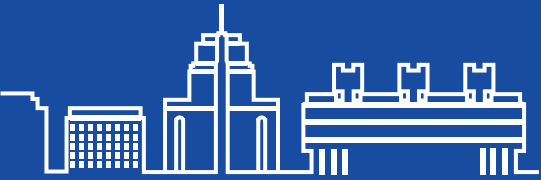
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The University in numbers

50,000
 students
(UoLW, SAS and ULIP)

1.5
million
MOOC learners




390,000
square metres of building owned


25,000

degrees awarded by the
University of London in 2017–18

1969

University of London
Institute in Paris incorporated
into the University of London

1868

the first women in the UK
admitted to special examinations
at the University of London

18
member
institutions



9
women sat
first special
examinations
in 1869



2 million
books in the collection



UNIVERSITY
OF LONDON

Overview / Financial Highlights

At the end of August 2018, Professor Sir Adrian Smith, who served as the Vice-Chancellor for more than six years, left with the University's thanks and best wishes to become the Director of The Alan Turing Institute. Professor Peter Kopelman, previously Principal of St George's, University of London and a Trustee of the University from 2011-2014, joined the University as interim Vice-Chancellor. The recruitment process to appoint a new Vice-Chancellor has recently been completed and Professor Wendy Thomson will take up her appointment in July 2019. Professor Thomson holds a tenured Professorship in Social Policy at McGill University and is currently Managing Director of Norfolk County Council, working with elected members to lead the transformation of services and development of new partnerships.

The University also bid farewell to Kim Frost, University Secretary who retired in June 2018 and Andrew Murphy, Chief Financial Officer who left to join Brunel University London in October 2018. Rosalind Frendo has been appointed as Director of Compliance and Secretary to the Board, with Lizzy Conder and Karen Kroger as Joint Acting Finance Directors until Andrew's successor is recruited.

The results for the 2017-18 financial year directly reflect the increased investment undertaken by the University as part of the 2014-19 University Strategy. The key highlights for the year are:

- Total Income rose by 0.4% to £174.7 million.
- Total Expenditure decreased by 1.2% to £172.4 million.
- Move to a surplus before other gains / losses of £2.3 million from a deficit before other gains / losses of £0.5 million in 2016-17.
- The retained surplus for the year has decreased to £7.9 million, down from £15.9 million in 2016-17.
- Net cash inflow from operating activities was £3.8 million compared to a cash inflow of £28.8 million in 2016-17 when the premium from the Eleanor Rosa House transaction had increased deferred income by £32.1 million.
- Cash and cash equivalents (which comprise cash, cash equivalents, deposits of the University, its subsidiaries and endowment with terms over 3 months, and long term borrowings) decreased by £3.7 million from a net funds position of £1.8 million at 1 August 2017 to net borrowings of £2.1 million at 31 July 2018.
- Capital investment in the year totalled £7.9 million

University strategy

The University strategy is one for growth and development underpinned by a renewed confidence, purpose and momentum. It outlines an ambitious programme of investment and development capable of fulfilling our future plans and ambitions. The strategic vision of the University is:

To make a unique contribution to learning and research-led scholarship through our unrivalled network of member institutions, our global reach and reputation, and the breadth of our high-quality innovative academic services and infrastructure.

This will be delivered through a number of strategic aims:

Aim 1: deliver academic excellence

Invest in our academic excellence to widen student access through flexible learning and fulfil an ambitious programme of research promotion and facilitation in the humanities.

Aim 2: provide innovative high-quality academic support and professional services

Develop, augment and commercialise our portfolio of services for the University's members and the education sector, with the aim to be the "go to" provider of student and academic support services.

Aim 3: property that is valued and relevant

Create a vibrant academic hub, through a property portfolio which balances the needs of the University of London member institutions with maximising income opportunities.

Aim 4: manage a high-performing organisation

Increase our investment in staff development, encourage a common purpose across our diverse activities and enhance our capacity where gaps exist, in order to deliver our plans.

A key component of the University Strategy 2014-19 is the sustainability of its financial position underpinned by robust financial management. As with any organisation, it is vital to prepare the University for future opportunities and challenges. The investment that delivers the University strategy is evident in the current financial position of the University and is a deliberate decision to meet the ambition inherent in the University strategy. This investment is across all areas of the University, in all of the strategic aims, in people and operational projects as well on the estate and other capital projects.

Our activities

The University of London is a federation of 18 independent member institutions of outstanding reputation, and a number of highly acclaimed central academic bodies and activities. These financial statements cover the activities of the central University. The central academic bodies include the University of London Worldwide, which offers distance learning courses to 50,000 students in 190+ countries; the School of Advanced Study (SAS), the UK's only national centre for the support and facilitation of research in the humanities; Senate House Library, and the University of London Institute in Paris (ULIP). The central University also provides a suite of innovative, high-quality academic support and professional services, and manages a valuable property portfolio providing academic space, student halls of residence and conference facilities.

2018 marked the 150th anniversary of women's access to higher education in the UK. In 1868, nine women were admitted to the University of London to enrol for a 'special examination' course. This was the first time in Britain that women had gained access to university education and, though it was to be over 10 years before they were admitted on equal terms with men to read for the same degree programmes, this modest event was an immensely significant moment for the University, for women and for society as a whole.

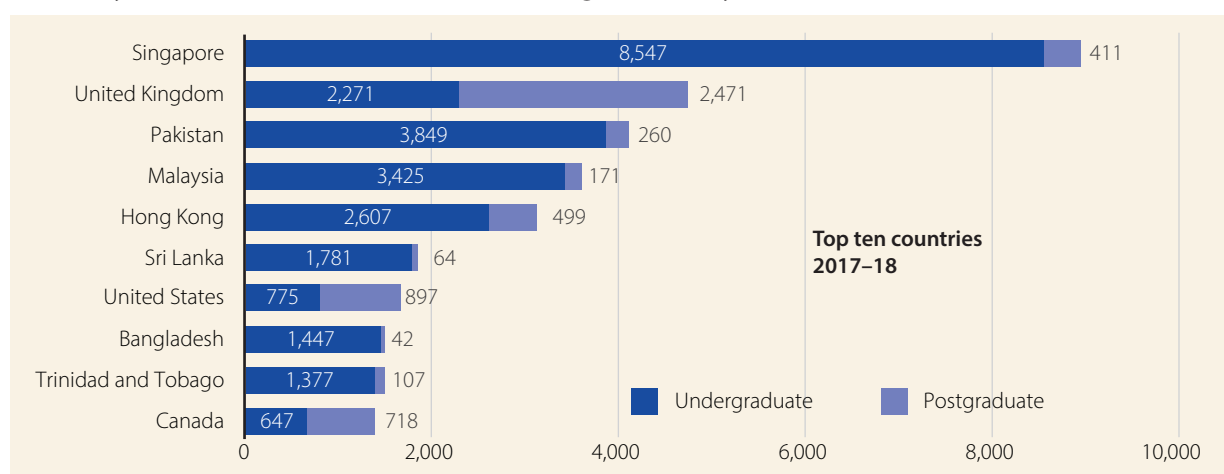
Throughout the year the University celebrated this anniversary with its Leading Women worldwide programme of events and activities including an online gallery of 150 Leading Women associated with the University. Highlights have included award of honorary degrees to Dr Rabia Rhuayan for her work advocating women's rights in Bangladesh and internationally; Professor Susan Dev OBE, the first female Professor of Accounting in the UK; and Gay McDougal from the US, who has spent her legal career addressing international human rights and racial discrimination. ULIP hosted a panel debate with Professor Sue Clayton of Goldsmiths, University of London and Dr Melissa Thackway of Paris Sciences Po and INALCO on the topic "May '68 to Time's Up: Fifty Years of Women in Revolt". The Development team hosted thought leadership events focusing on law and gender diversity in leadership at the residence of the High Commissioner in Kuala Lumpur in Malaysia and at the National Museum of Singapore.

A permanent commemoration of this landmark in higher education, designed by UCL student Arielle Tse, winner of the Leading Women Art Competition, will be placed in Torrington Square.

Aim 1: deliver academic excellence

The University of London's distance and flexible learning activities comprise over 50,000 students in more than 190 countries on credit-bearing study programmes at undergraduate and postgraduate level, and a further 1.5 million learners through its free open online courses (MOOCs), a growth of 300,000 in MOOC learners over the previous year.

University of London distance and flexible learning students by domicile



A number of new programmes were launched during the year bringing the portfolio of degree courses on offer to 89 compared to 87 in the previous year. These include the PG Certificate in Learning and Teaching in Higher Education, as well as the MA in Human Rights, and the BSc in Data Science and Business Analytics. New MOOCs launched included "Virtual Reality", and "An Introduction to: Who Wrote Shakespeare?". Work is also underway with the newest member of the University's federation, City, University of London, to deliver the MSc in Supply Chain Management and Global Logistics, set to begin in April 2019.

At the 2018 London graduation ceremony for its worldwide students in March, the Chancellor HRH The Princess Royal announced the launch of the newest degree in development, the online BSc Computer Science programmes. This innovative suite of programmes is being delivered in collaboration with Goldsmiths, University of London, and Coursera. While Coursera has enabled the University to deliver MOOC courses, this will be Coursera's first undergraduate degree, with the first cohort of students due to start in April 2019.

The University won a 2017 Digital Communications Award, in the category of 'Online Event and Live Communication' for the live webcast of the 2017 graduation ceremony, beating entries from Netflix, Fox News Germany and IBM.

Global Engagement is a key activity for the University. The University has created a new subsidiary, Senate House Worldwide Limited with a Singapore branch to support global engagement activities in Singapore and the ASEAN region. Working closely with Singapore Institute of Management (SIM), the first significant success for this investment has been earning recognition from the Ministry of Education in China of the University of London degrees awarded to Chinese graduates studying with the support of SIM.

The Global Engagement team's work in Africa has paved the way for the University to be officially recognised as the leading overseas distance education provider in Nigeria as well as the Bachelor of Law programme being recognised by the Council for Legal Education in Kenya.

Other major achievements in the year have been a new agreement with the Canadian Institute of Management to offer the Global MBA to its members, and a memorandum of understanding with the European University in Egypt.

Home to nine specialist institutes, the School of Advanced Study (SAS) champions the cause of humanities research through supporting individuals, organisations and networks both in the UK and globally; leads debates that stimulate new agendas and innovative thinking; and develops new resources and training. SAS's new academic offerings in 2017-18 include an online MA in Human Rights offered in collaboration with University of London Worldwide. This year's Postgraduate Taught Experience Survey indicated that 93% of SAS students were satisfied with the quality of their courses.

Highlights of SAS's many and varied research activities included a collaboration between the Institute of Philosophy, Google, and the Sorbonne that led to the creation of a ground-breaking device that will help deaf blind people communicate at a distance. Vincent Hayward, Leverhulme Visiting Professor, was honoured for this work at the Eurohaptics 2018 conference. The Warburg Institute and its partners have secured a second round of funding from the German Federal Ministry of Education for 'Bilderfahrzeuge: Warburg's Legacy and the Future of Iconology', a project investigating the migration of images, objects, texts, and ideas across geographical and chronological borders. The funding will be used to support young academics, facilitate pathways into international research, increase mobility, and improve cooperation between research organisations.

Professor David Cantor and his team in the School's Refugee Law Initiative won 'Research Project of the Year: Arts, Humanities and Social Sciences' in the Times Higher Education Awards for Pushing the boundaries: new dynamics of forced migration and transnational responses in Latin America. This three-year initiative was supported by an Economic and Social Research Council Future Research Leader grant.

Professor Barry Smith, Director of the Institute of Philosophy and Centre for the Study of the Senses has been working with chef, Ryan Riley on *Life Kitchen*, a cookery initiative set up in February 2018 to return the pleasure of eating to cancer patients. *Life Kitchen* won the Observer Food Monthly 2018 award for Best Ethical Food Project.

SAS's high-profile public engagement activities included a collaboration between the Institute of Philosophy and Tate Modern. Self-Impressions attracted 2,300 visitors who took part in hands-on experiments exploring self-image and self-expression. The Arts and Humanities Research Council funded Ministry of Information Project based in the Institute of English Studies organised 45 events as well as developing 12 research databases and producing 10 publications. The topical "fake news" event hosted by the Institute of Advanced Legal Studies (IALS) saw the BBC, Guardian and Reuters among others examining the media, law and policy implications of the Cambridge Analytica scandal.

The flagship Being Human festival expanded internationally in 2017 with a programme of over 300 events on the theme Lost and Found in Paris, Melbourne, Singapore and 56 UK locations. The festival highlights the ways in which the humanities inspire and enrich our everyday lives.

Being Human 2017

300

free events

70

universities and research
organisations

45

town and cities across the UK

31,000

visitors

Annual figures

ULIP's bilingual academic community in Paris is an ideal base from which to develop and extend close links with European and international students, academics and partners, in a world where the UK's relationship with Europe is changing. As well as offering its own undergraduate programmes, ULIP hosts postgraduate programmes and workshops, semester abroad students and public engagement events for a number of member institutions. A group is being set up to spend 2018-19 working collectively with member institutions on the business development opportunities that such a base in Europe offers.

Senate House Library holds one of the world's largest humanities collections with 50 special and 1,800 archival collections. It provides expert advice and access to thousands of printed books, journals, newspapers, databases and e-resources, and showcases a series of exhibitions to highlight its extraordinary treasures. The summer of 2018 saw the Library team complete the substantial task of radio tagging over 550,000 items in the open access collection in record time. This will enable the Library to move forward with plans to widen access opportunities.

The "Queer Between the Covers: Literature, Queerness and the Library" engagement season featured a Carol Ann Duffy poetry reading as part of the University's Leading Women campaign, a Polari Literary Salon, a Bloomsbury Walking Tour, an evening with the London LGBT Fourth Choir and the extremely popular 'Saving Gay's the Word and Being Gay in the 80s' in-conversation event.

Highlights of the Library's licencing and digitisation services include: the scanning of 800,000 images for Cengage Gale's Making of the Modern World III; genealogy website Ancestry launching content from Senate House Library and the Institute of Historical Research; seeing usage rise from c. 3,000 downloads per year to over 80,000 in the first two months. Content on borders, migration, human rights and revolution was launched online; and the digitisation pipeline secure for special collections and archives.

Strategic investment in the development of the Library's collection continues. In 2017-18 the focus was on high-value e-resources. The review of periodicals expenditure resulted in 800 new titles, and over half of the Library's current 1,250 subscriptions being delivered electronically and fully accessible remotely.

Aim 2: provide innovative high-quality academic support and professional services

The University provides a range of academic support and professional services that are a vital part of both its academic strategies and its mission to support the work of its member institutions. It delivers these services through a number of channels. The University has made a clear divide between the Careers Group (a membership-based 'not-for-profit' model) and CoSector, which primarily focuses on providing digital services, housing and employer recruitment services.

Senate House Library

47,363

registered readers

20,895

new registrations

159,190

visits

411,537

hours spent in the Library

Annual figures

The Careers Group is the largest provider of careers-related services in Europe, delivering a range of high-quality services at a value that individual institutions would find difficult to replicate individually. These services are primarily based within the member institutions and are managed in close partnership with them. The central team supports the work of member services by coordinating recruitment and resourcing, providing training and professional development, supporting research and evidence-based practice, overseeing the creation and curation of shared resources and undertaking special projects on behalf of member services and the Group as a whole.

The Careers Group continues to be recognised nationally as a practice and thought leader. Director Dr Bob Gilworth was elected President of AGCAS, the Association of Graduate Careers Advisory Services, the expert membership organisation for higher education student career development and graduate employment professionals.

In October 2017, the Careers Group launched a new pitch competition GradVenture, open to students and recent graduates of the University's member institutions, to offer a platform and funding prize to pre-revenue businesses that show potential to turn exceptional ideas into commercial reality. The inaugural edition of this annual competition saw seven finalists from University of London member institutions pitched for a chance to win a cash prize and a 1-1 mentor slot with a successful entrepreneur.

CoSector Digital Services

50

years of experience

300

UK customers

Supporting

1 million

higher & further education students

Annual figures

CoSector provides digital services, recruitment services, housing services, careers fairs and events. The purpose is to enhance and enrich the student experience, through its own products and services and supporting customers and partners in the education sector.

CoSector's offering ranges from Virtual Learning Environment (VLE) development and support, managed or co-location hosting, to highly skilled specialists in digital preservation and research technology. The digital services team has developed strategic partnerships during the year with Blackboard (accessibility software) and NashTech (additional VLE development capacity).

CoSector provides graduate internships, temporary and permanent jobs for students and graduates as part of its recruitment arm. In 2017-18 over 500 job seekers have been placed in temp, intern or graduate placements.

A dedicated team provides landlords, letting agents, institutions, students and staff with housing services, training and advice. CoSector has the largest student accommodation office in London catering for up to 140,000 students. 2017-18 saw the expansion of student homes bed spaces and introduction of landlord-tenant online portals.

The Careers Group

260+

careers staff

150,000

students supported

80+

training courses

17,000

jobs posted on JobOnline

Annual figures

CoSector also runs a number of undergraduate and graduate fairs, postgraduate study events and A-Level taster sessions each year. The fairs are open to the public and over 19,000 visitors and nearly 600 exhibitors took part in the events in 2017-18.

Aim 3: property that is valued and relevant

The University estate comprises over 140 properties, with a total floor area of approximately 390,000m² in London, Surrey and Paris. The University's estate, with the iconic Senate House at its heart, is not just an asset for the University but also for London and the wider community. Central to the estates strategy is safeguarding its heritage, encouraging public access to the buildings and gardens and enhancing academic activity, with the overall aim to provide the physical environment required by a world-class university in a changing environment.

Investment in improving the estate continues, notably, the refurbishment of Charles Clore House, part of the Grade II* listed building complex designed in the Brutalist style by the renowned British architect Sir Denys Lasdun and home to IALS. In addition, plans for a major refurbishment project of The Warburg Institute building have progressed.

Following the move of University of London professional staff to the refurbished lower ground floor, space used by member institutions in Senate House has increased with tenants including UCL, Goldsmiths, London School of Hygiene & Tropical Medicine, Royal Holloway, Birkbeck and Queen Mary University of London.

The University continues to invest in its halls of residence capacity with the aim to offer students quality accommodation that balances affordability with low travel times to their place of study. The new hall of residence project in Stratford, Eleanor Rosa House, is on schedule to be open for students in autumn 2019. This will see an additional 500 bed spaces added to the portfolio in the heart of Stratford and close to the new cultural and education district in Queen Elizabeth Olympic Park. The University's flagship hall of residence, The Garden Halls, won several industry awards in the year including Property Week's 2018 Hall of Residence of the Year.

The University with the support of London Higher, the British Property Federation and the Greater London Authority, developed and launched a digital mapping resource to support universities in their strategic estate planning. The resource overlays maps of individual buildings across London with data on regeneration areas, public transport accessibility, planned infrastructure along with widening participation indicators.

A facilities management (FM) review was initiated in 2017-18 to assess the performance and suitability of existing contracts with the aim to create high quality, efficient and value for money FM services that are underpinned by a sustainable workforce for the future. The Board of Trustees in October 2018 agreed to (1) bring reception, porters, AV and post room staff in-house by spring/summer 2019 to deliver joined up front of house services; (2) present an in-house bid for delivering buildings maintenance services and evaluate this against proposals received from external firms; (3) submit in-house comparator bids when remaining FM contracts come to an end to demonstrate through a transparent process that the University is sourcing its services in an efficient way that meets its values and core objectives.

Property

3,350

**students housed
(halls and private)**

47%

carbon reduction on 2010

19,045

members of Student Central

209ft

height of Senate House Tower

Annual figures

Student Central continues to provide student services, fitness opportunities and social outlets. A lifetime alumni membership was launched at the end of 2017-18 to further strengthen Student Central's position as a hub for former and current University of London students.

Sustainability has been and will be a key consideration for all major developments, refurbishments, strategic decisions and major tenders. Having met its 2020 carbon reduction target three years early, the University has set itself the target to become carbon neutral by 2036. The student engagement programme 'Reduce the Juice' keeps improving its reputation and won 'highly commended' at the 2017 Green Gown Awards. The University's commitment has been recognised with re-certification to ISO14001 standard for environmental management.

Opening up the University estate to the general public continues to be a central endeavour of the University. Senate House hosted around 900 visitors again for the ever-popular annual Open House event, and for the first time in many years Gordon Square featured in the Open Gardens Squares Weekend. The University also continues to support the annual Bloomsbury Festival, which draws together over 100 participating organisations promoting the arts and culture throughout Bloomsbury and beyond.

Aim 4: manage a high-performing organisation

The University made the strategic decision in 2016-17 to invest in its Information and Communications Technology (ICT) department. With new resources in place, ICT have commenced upon the delivery of many of the planned key programmes. Having successfully delivered the migration to a new HR Payroll system, ICT are now working with HR, Finance and Planning and SAS to improve processes, automation and integration of the main Enterprise Resource Planning system with other systems to simplify operations and improve customer experiences.

ICT have established a Business Systems and Development team in house to support the main business systems as part of the wider investment into the University's core systems. Staff have been recruited internally and externally to ensure services are reliable, secure and supported. Over the next year, further team developments will support these activities as well as improve the performance and customer focus of ICT services.

ICT have continued the cyber awareness campaign started in 2016. 99% of staff have now completed the mandatory training courses while the team seeks to find new and innovative ways to keep staff engaged and aware of the latest threats.

The Development Office increased its activities in philanthropy and engagement to support a number of initiatives across the University with the number of active donors doubling on the previous year. Fundraising activities support the University's "access to education" mission, funding student scholarships and bursaries, as well as initiatives such as the Vice-Chancellor's Circle, which provides unrestricted donations to support areas of greatest need. The importance of legacy income too cannot be overestimated with seven of the 11 largest donations received being gifts bequeathed in wills.

High Performing Organisation

1 million

alumni

893

staff FTE

70%

engagement rate
(staff survey)

700+

attendees to staff
development events

Annual figures

In line with the University's goal to increase donor numbers, the year ahead will see a focus on the Convocation Project as part of the University's Regular Giving Programme. This is a large-scale initiative to reconnect and engage with former members of the University of London Convocation, the association of graduates established by Charter in 1858, which ran until its closure in 2003.

The new University of London Bill passed its second reading in Parliament in October 2018. When the bill is enacted, the new Act will enable our member institutions to become universities in their own right while remaining part of the University of London. The Act strengthens the trust and understanding between the University and its members, opening up new opportunities for collaboration.

Scope of the Financial Statements

The Financial Statements comprise the consolidated results of the University and its trading subsidiaries, which undertake activities that for legal and commercial reasons are more appropriately channelled through a limited company.

Operating Results

	Year ended 31 July 2018 Consolidated £'000	Year ended 31 July 2017 Consolidated £'000	Year ended 31 July 2016 Consolidated £'000	Year ended 31 July 2015 Consolidated £'000
Total income	174,699	174,032	151,368	144,098
Total expenditure	172,363	174,505	155,054	148,913
Surplus/(Deficit) before other gains and losses	2,336	(473)	(3,686)	(4,815)
Loss on disposal of fixed assets	-	-	(671)	(77)
Gain on investments	5,573	16,708	13,029	18,995
Surplus before tax	7,909	16,235	8,672	14,103
Taxation	(6)	(385)	475	(72)
Total comprehensive income for the year	7,903	15,850	9,147	14,031

While the University continues the strategic investment to support the delivery of the four strategic aims, legacy income along with the release of some of the pension deficit provision, has seen the University return to a surplus before other gains or losses in 2017-18.

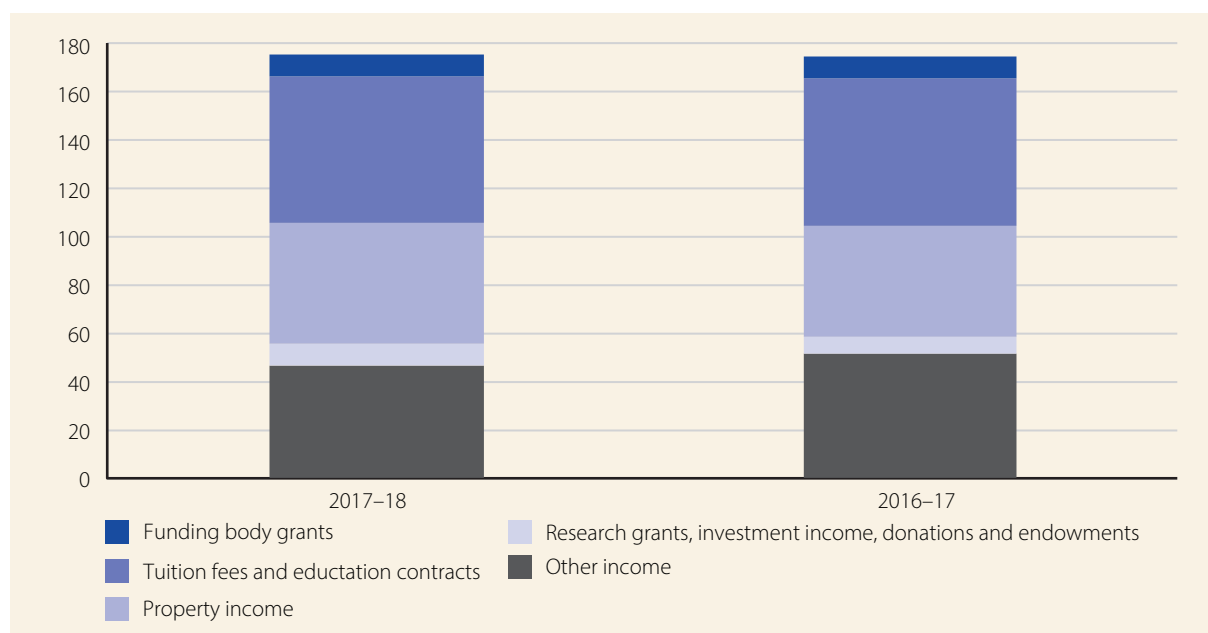
The surplus before tax is driven by the unrealised gain due to the increased market value of our assets that are held for investment purposes. These assets are primarily our investment properties in London and investments of the University's endowments, all of which are held for the long term.

The University's confidence in investment needs to be considered against ongoing uncertainty surrounding the higher education sector in the UK. Direct government funding represents a smaller proportion of revenue for the University compared to most other UK higher education institutions. However it still represents an important source of revenue, particularly in relation to the School of Advanced Study. The implications of the UK's decision to exit the European Union on the higher education sector continue to be uncertain, particularly a 'no deal' exit. The University will monitor, review and action accordingly as the UK moves towards the potential exit date. We expect there to be opportunities due to the nature of our organisation as well as threats.

The financial strategy remains to use our assets and operations to generate income, diversify our income sources where we are able, and to use this to support the ongoing investment in our academic operations and our service provided to the member institutions. The University is committed to maintaining and improving its financial sustainability and will take the required actions to do so in the coming years. There continues to be much work to do to provide the University with this increased income as well as a focus on ensuring that activities are delivered in as efficient a manner as possible.

Income

Total income for the year increased by 0.4% to £174.7 million in 2017-18 from £174.0 million in 2016-17.



Funding body grants, primarily from UK Research and Innovation (UKRI), previously HEFCE, saw a small decrease in year from £9.5 million in 2016-17 to £9.4 million in 2017-18. Other research grants and contracts income increased from £2.1 million in 2016-17 to £2.4 million in 2017-18.

Tuition fees and education contracts remain the University's largest source of income and were broadly flat on the prior year at £61.2 million. The largest element relates to the University's distance learning programmes where income grew slightly to £59.5 million.

The income generated from the University's residences, catering and conferences operations, which includes the intercollegiate student halls of residence, has grown by £4.3 million to £50.0 million mainly as a result of increase in leases income as new leases were granted in the year.

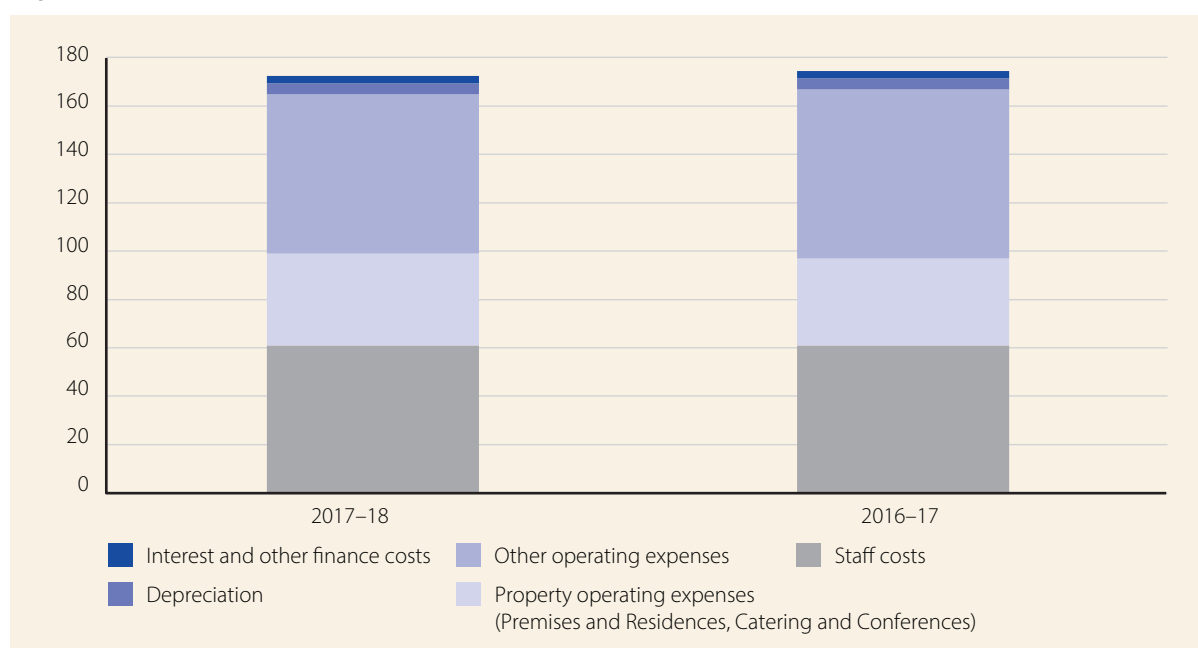
Other income has decreased from £50.6 million in 2016-17 to £45.9 million. There are a number of components:

- Income in relation to arrangements with Health Education England (HEE) decreased by £5.4 million to £12.2 million reflecting an ongoing decision by HEE to hire staff directly rather than through the University.
- Income from subscriptions from member institutions has increased slightly by £0.3 million from the prior year to £11.9 million. These payments are primarily for services provided to our member institutions and reflects an increase in the volume of services provided by the University.
- Other general income, which includes income generated from services provided to education establishments outside of the member institutions of the University has grown slightly by £0.2 million to £21.1 million.

Investment income, which relates to income generated from our endowments, our other investments and in the University is a reflection of the distributions from subsidiaries, remained broadly flat year on year at £3.8 million.

Donation and Endowment income totalled £1.9 million, a £0.8 million increase on the income received in the previous year.

Expenditure



Total expenditure decreased by 1.2% from £174.5 million in 2016-17 to £172.4 million in 2017-18.

Staff costs remain the largest individual component of expenditure (as other operating costs include a number of separate elements) and have only increased slightly by 0.5% on the prior year to £61.0 million. The cost of a nationally agreed pay increase from August 2017 of 1.7% paid to all staff has been offset by a reduction in the headcount of HEE staff as well as a reduction in the pension scheme costs as the previous provision continues to be released. Average full time equivalent staff numbers for the University (including subsidiaries) increased by 23 FTE to 893 this year but decreased overall by 54 to 1,032 when HEE staff are included.

Other operating expenditure has decreased to £103.2 million from £106.0 million in the prior year. This comprises the costs, other than staff costs, in relation to the academic activities, residences and catering, services and other activities across the University.

Depreciation costs increased by £0.4 million to £5.4 million reflecting the University deciding to change the use of a number of properties previously held for investment at fair value to being used operationally so held at net book value.

Interest costs decreased slightly to £2.8 million in 2017-18 from £2.9 million in 2016-17.

Capital Expenditure

The University has continued to invest in improving and upgrading its teaching and research infrastructure as well as its student facilities, halls of residences and its estate generally. During 2017-18, the University completed the refurbishment of the Senate House Lower Ground Floor and started the refurbishment plans for Charles Clore House.

In addition, the University continues to invest in the development of new distance learning programmes and the modernisation of its IT systems.

Balance Sheet

Net assets at July 2018 totalled £654.3 million, rising from £646.4 million at July 2017.

Intangible assets have increased to £5.8 million during the year, principally reflecting the continued investment in the development of new distance learning programmes. Following the decision to use two investment properties for student accommodation, fixed assets increased during the year by £13.3 million to £542.1 million. Investments have decreased by £6.8 million to £192.9 million for the same reason, offset by the increase in the market value of the underlying asset portfolio within the University endowment. Heritage assets have remained at their brought forward value of £13.0 million.

The provision for the University's share of the pension deficits decreased from £13.1 million to £11.5 million.

There are relatively small movements across other balance sheet items. Long term borrowing, included in creditors falling due after more than one year, has decreased by £0.2 million as repayment of the RBS loan began in 2018.

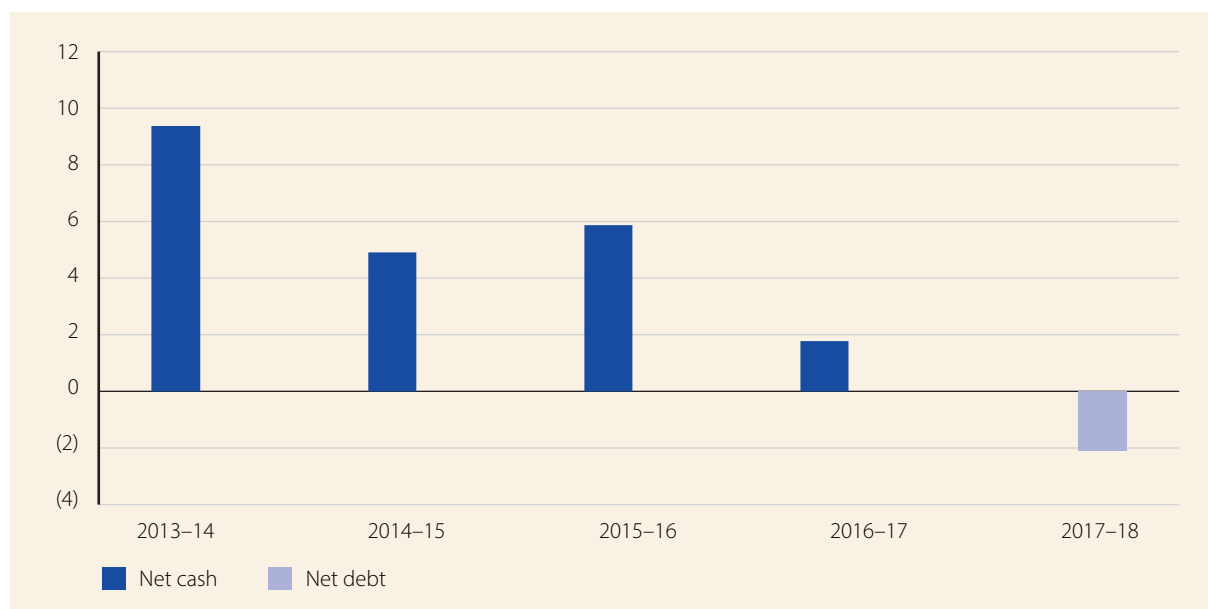
Cash Flow, Liquidity and Treasury Management

While the University generated £3.8 million from operating activities during the year, cash and cash equivalents have reduced by £3.7 million over the year to £44.9 million as capital expenditure has continued. This reflects the net cash inflow from operations, the net cash outflow on capital expenditure and the inflow generated from investment income and represents 95.2 days of expenditure.

Long term borrowings have decreased from £50.0 million to £49.8 million as the first portion of the loan repayment was made in 2018 and there will be small repayments each year going forwards.

Due to the expenditure in capital investment during 2017-18, the University moved from a net funds position of £1.8 million at 31 July 2017 to net debt of £2.1m for the first time in five years. The University is expecting annual operating cash to improve in future years as the financial benefits from investments undertaken in recent years flow through.

Liquidity position



As in prior years, the University has continued to pursue a conservative treasury management policy with appropriate counterparty limits and security criteria in place. The treasury management policy, which is agreed by the University's Investments Committee, accords priority to security and liquidity with yield considerations being subordinated to these. Following a selection process in 2016-17, Goldman Sachs Asset Management and Insight Investments were chosen as the University's Money Market Fund Managers. £38.1 million of operational cash was invested in Money Market Funds at year end.

Investment

The endowment funds are invested in the Unified Trust Fund (UTF). The funds within the UTF are invested in line with the agreed Investment Strategy, which provides for a balance between income and capital growth with a medium level of risk over the longer term. Following the triennial review completed in 2016-17, the primary objective is to achieve a total return, including dividends, interest, rent or other income, and capital appreciation, of RPI +3.5% to +4% per annum, gross of fees, over a rolling 5-year period. The investment strategy splits the fund into three distinct portfolios; Equity, which represents the largest of the three portfolios at approximately 73.9% of the fund at year end and is now managed by Longview LLP (38.1%) and Schroder Investment Management Limited (35.8%) following the transition from Newton Investment Management Limited in November 2017; 10.1% in the Charity Assets Trust, an Absolute Return Fund managed by Ruffer AIFM Limited; and 16.0% in Property which is invested in the Property Income Trust for Charities, a fund managed by Mayfair Capital Investment Management Limited rather than direct specific property investments.

On a total return basis the performance of the Fund for 2017-18 saw a return of 12.2% compared to the Fund's benchmark target return of 8.8%. The benchmarks for the fund reflect the asset holdings and the associated market conditions.

The University investment properties have been subject to a professional valuation as at 31 July 2018 undertaken by Knight Frank LLP, Chartered Surveyors. Excluding the properties reclassified as operating properties during the year, the valuation exercise resulted in the carrying value of the remaining investment properties increasing by £5.8m, an increase of 7.5% reflecting that the market for property similar to the University's remains strong despite the uncertainty of Brexit.

Principal Risks and Uncertainties

Our operations focus on our four strategic aims: our academic mission and the delivery of academic excellence; the provision of high-quality academic support and professional; property that is valued and relevant; and managing a high-performing organisation.

Whilst the University's Collegiate Council determines and advises the Board of Trustees on the collective member institutions' view, it is the Board of Trustees which is responsible for managing the risks and opportunities faced by the University. The University maintains a Strategic Risk Register which is regularly reviewed by the Board and a number of issues are identified as priorities.

The UK university sector continues to experience a period of unprecedented change with the backdrop of the uncertain level of public sector finances and funding for higher education. This has led to reductions in the level of central funding and increasing competition as universities vie for the best students and new providers enter the market. Initial inspection of our accounts reveal that the University's dependency on public funding is less than most other UK universities; these financial statements show that funding from UKRI accounted for 5.4% of total income.

However the University does receive specific Research England funding for the SAS's national role in promoting and facilitating research in the Arts and Humanities. The funding is on the basis of a rolling grant with an annual contestable percentage which is subject to the School meeting the objectives set by its Strategic Advisory Board. Aside from this, the University continues to invest in SAS to realise our own strategic objectives which underpin the University Strategy. It is not the University's intention that this ongoing investment should be used as a substitute for the loss of funding for SAS's national role.

A related risk is that of the future financial sustainability of Senate House Library. The University is investing in the implementation of a modernisation plan for the Library over the next four financial years. The plan will support additional spaces for study and other operational changes to support the Library's ambition to be a nationally recognised library for arts and humanities scholars and support the needs of our member institutions. The business plan that underpins this investment will ease the historical risk to the financial sustainability of the Library.

The future financial sustainability of ULIP is also a risk as the number of students wanting to study modern languages remains in decline. The University continues to focus on the diversification of the core programmes as well as working with member institutions on opportunities that a base in Europe can offer.

Distance learning programmes are a major source of income for the University. There are both opportunities and threats as the market for distance education is increasingly competitive with new institutions, new learning technologies and private capital accelerating the pace of change. The University is investing in developing new and existing programmes and infrastructure to ensure it continues to be a world-leading institution in this area.

Staff costs are the largest individual component of the University's expenditure. All members of Universities Superannuation Scheme face challenges in regards to the agreement on quantifying the current deficit and any changes to the structure of funding that deficit. Depending on the completion of the 2017 valuation and ongoing consultation, this may involve changes to contribution levels and changes in the timescale of the funding arrangements. This could lead to a larger provision and higher cash contributions. The University is participating in the current consultations and preparing to respond appropriately to any additional deficit funding requirements. USS is required to make a submission to the Pensions Regulator with details of the contributions they will be implementing by February 2019, so details are expected to become clear by then.

The development of the estate is a key theme in the University strategy. The University Estates Masterplan sets out the core estates strategy that will guide decisions and growth in the coming years. We are approaching the Bloomsbury estate as a whole, looking at the short, medium and long term space and growth requirements to

ensure that we plan properly for the future needs of the University, its member institutions and students. The ongoing challenge with such a large and historically prestigious estate remains to balance all the requirements needed to deliver the Masterplan and the objectives that are covered by the University Strategic Plan aim 3 to deliver property that is valued and relevant.

The outcome of the FM review presents the University with the immediate challenge of bringing reception, porters, AV and post room staff in-house by spring/summer 2019 without significantly increasing the costs of these front of house services or adversely impacting the diversity of the workforce. In the medium term, the University will prepare and test an in-house comparator bid when any of the remaining FM contracts come to an end while being mindful of unintended consequences that may arise as well as budgetary constraints.

Looking forward

The outlook for the University remains positive, despite the presence of risk and uncertainty. The unique nature of the University means that many of the challenges we face are different to those of other UK universities and we are less immediately impacted by the changing UK higher education regulatory environment.

Financial sustainability is a key component of the University Strategy. The University will continue to review all activities to ensure they are sustainable, affordable and fit for purpose. If the situation requires, the University will take appropriate action as it has done in the past.

The financial strategy will see the University take a number of actions in support of its strategy to grow and deliver financial sustainability:

Academic

- Widen the offering of distance learning programmes with the introduction of new programmes.
- Establishment of a working group with member institutions to explore opportunities for greater use of ULIP.
- Raising additional income for our academic work, including through fundraising activities and extra research income arising from our academic investment.

Services

- Additional income from new customers and new markets, and possibly from investment from new partners.

Property

- Greater financial return from our property assets, through realising new development opportunities and an increased income from rents and leases as opportunities arise.

Organisation

- Savings through better procurement, space utilisation and operational efficiencies.
- Investment in our IT to ensure we deliver improved customer service and enhanced efficiency.
- Continue the focus on engagement with and fundraising from alumni, trusts, foundations and other sources in the future.

Summary

2017-18 has been another year of strong growth and achievements. The University is in a sound financial position, committed to its core vision as outlined in its Strategy underpinned by the need to maintain financial sustainability. We continue to build upon the work undertaken in recent years to grow and diversify to deliver the ambitions of the University.

Public Benefit Statement

The University is an exempt charity under the terms of the Charities Act 2011. The Charity Commission for England and Wales 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 member institutions 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 2011.

The member institutions of the University, which are themselves all charities, have included within their respective financial statements for 2017-18 Public Benefit Statements in conformity with the reporting requirements of the Office for Students (OfS) Accounts Direction for 2017-18 (OfS 2018.26); 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 member institutions.

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 member institutions.

The University of London has a strong impact on changing people's lives through providing access to quality higher education around the world in a way that is affordable and flexible. For example, the University's LLB and LLM programmes have enabled women suffering from domestic violence to free themselves and others from life-destroying trauma while the University's partnership with the African Prisons Project has enabled life-changing education to be made freely available amongst African prisoners. Through Masters' programmes in Epidemiology, Infectious Diseases and Clinical Trials, graduates in Zimbabwe, partnered with researchers at the London School of Hygiene and Tropical Medicine, are paving the way for advanced drug technology and equitable delivery, and this in turn gives children infected with HIV an improved chance of a healthier life.

The University of London offers 89 degree programmes cover a wide range of subjects including Poverty Reduction, Applied Educational Leadership and Management, Environmental Management, Professional Accountancy, English, History and Classics. The launch of the MA in Human Rights, the Global MBA, the BSc in Data Science and Business Analytics and the PG Certificate in Learning and Teaching in Higher Education sees the provision expand further. The University is working on developing more new programmes including an innovative suite of BSc Computer Science programmes. All programmes are priced competitively and structured flexibly to enable students, both in the UK and overseas, to access them.

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 2018 were carried at their market value, which was £90.7 million, and the sums expended during the year from these funds amounted to £2.6 million (see Note 23 of the Financial Statements). 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 member institutions and central academic bodies, thereby providing opportunities to those whose means may otherwise inhibit them from participating in teaching and research activities. A number of trust funds support the development of collections held by Senate House Library; and the 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.

Public Benefit Statement

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 2017-18 approximately 2,200 events were organised attracting over 78,000 audience members drawn from the UK (including London) and internationally. 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.

Senate House Library is the central library for the University of London and the School of Advanced Study. It provides access to millions of books, journals, special collections, archives and digital resources to support research across the arts, humanities and social sciences. There are 47,363 registered members, who visited nearly 160,000 times, spending over 400,000 hours in the Library. The Library runs two engagement seasons each year, with 1,400 non-members visiting the exhibitions and a further 700 attending a range of lectures, readings, walks, workshops and performances. Over 176,000 users were reached around the world via its website, including bespoke digital content created to support Senate House Library's engagement programmes.

Student Central's mission is to provide student-led clubs and societies, events, services and facilities to University of London students and the wider London student-community. The facilities include a gym; the largest swimming pool in central London; and a venue for live music events. Students of the member institutions and central activities are entitled to free membership and, in addition to its other activities, Student Central organises University-wide student sports competitions. During 2017-18 Student Central attracted a membership of over 19,000.

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 provided by the Committee of University Chairs in its “Higher Education Code of Governance (revised June 2018)”.

The Board of Trustees, as the charity trustees of the University, confirm that they have complied with the duty in section 17 of the Charities Act 2011, to have due regard to the public benefit guidance published by the Charity Commission for England and Wales. The Public Benefit Statement section above provides details of the reasons for this confirmation.

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 in 2008 under that Act, and subsequently amended in 2015, which set out its objectives, powers and framework of governance.¹ The University of London is a federal university and, as well as the central academic bodies and central activities included in these financial statements, comprises a further 18 member institutions, each of which is a higher education institution (HEI) and a self-governing incorporated body with its own legal identity, and each of which receives funding from the Office for Students (OfS) independently from the University itself.

The University’s **Board of Trustees**, the governing body of the University, comprises eleven appointed independent persons – all of whom are non-executive; the Vice-Chancellor; the Deputy Vice-Chancellor; and four Heads of member institutions, 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 and under the OfS “Terms and Conditions of Funding for higher education institutions for the period to 31 July 2019 (OfS 2018.15)”. The Board of Trustees, which normally meets six times a year, holds to itself, inter alia, responsibility for the ongoing strategic direction of the University, approval of major developments, the appointment of the Vice-Chancellor and the receipt of regular reports from its committees on the day-to-day operations of its business and of its wholly-owned subsidiary companies.

The Board of Trustees is supported by the **Collegiate Council**, which comprises the Heads of the member institutions of the University; the Vice-Chancellor; the Deputy Vice-Chancellor; the Dean and Chief Executive of the School of Advanced Study; and the Chief Executive of University of London Worldwide. The Collegiate Council is chaired by the Vice-Chancellor. The Collegiate Council is responsible for determining, and advising the Board of Trustees on the collective view of the member institutions in respect of all matters concerning the University of London as an incorporated body, including its strategic direction. It is also responsible for ensuring the proper discharge of the University’s academic affairs.

The Collegiate Council, inter alia, approves the strategic plans of the University’s central academic bodies and central 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 member institutions, and on the funding of those services.

The University’s Statutes provide that the Board of Trustees shall appoint an Audit and Risk Assurance 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

¹ A new University of London Bill is currently under consideration by Parliament. Subject to Royal Assent being obtained, the proposed new Act will enable each member institution to apply for university status in its own right while remaining within the University of London federation. Revised University Statutes, amended to align with the new Act, were approved by the Privy Council at its meeting on 11 October 2017 and will come into effect once Royal Assent is received.

Corporate Governance Statement

established, in addition to the Audit and Risk Assurance Committee, are: Nominations, Remuneration, Estates, Ethical Acceptance of Donations, Equality and Diversity, Investments, Safety, and Trust Funds. 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 Assurance 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.

The Committee also receives reports on value for money; monitors adherence to regulatory requirements; and considers reports from OfS as they affect the University's activities. The Committee advises the Board of Trustees on the appointment and remuneration of the external and internal auditors, with whom it meets 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 report and 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 openly and appropriately. Additionally, details of vacancies are circulated to Heads and to Secretaries of member institutions.

The **Remuneration Committee** determines the remuneration of the Vice-Chancellor and other senior staff. The Vice Chancellor is not a member of this Committee.

The **Estates Committee** is responsible for a number of estates-related matters and also advises the Board of Trustees on matters relating to the University's estate, including specific projects and wider estates strategy.

The **Ethical Acceptance of Donations Committee** reviews potential donations referred to it, in accordance with the University's Ethical Acceptance of Donations Policy.

The **Equality and Diversity Committee** seeks to promote equality and diversity among staff and students. Its responsibilities include developing and ensuring implementation of the University's Equality Strategy and related policies; monitoring and making recommendations in response to developments in legislation; and reporting to the Board of Trustees on equal opportunities monitoring and developments in equality and diversity.

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 **Trust Funds Committee** makes allocations from the University's endowment funds to support educational activities at the University and at the member institutions. It also acts as an oversight Committee ensuring that allocated monies are spent in accordance with the terms of each trust fund.

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 for maintaining and promoting the efficiency and good order of the University. The Vice-Chancellor is also, under the OfS Terms and Conditions of Funding for higher education institutions, the designated Accountable Officer of the University and in that capacity, can be summoned to appear before the Public Accounts Committee of the House of Commons.

Membership and Responsibilities of the Board of Trustees

Membership

Period 1 August 2017 to 28 November 2018 (unless otherwise stated):

Independent Members	Period of office
Jane Andrewartha	
Stella Beaumont	
Abdul Bhanji	From 1 August 2018
Emma Burns	To 31 July 2018
Philip Clark	
Sir Richard Dearlove (Chair)	
Andrew Halper	
Kieran Murphy	
Andrew Ratcliffe	
Malcolm Roberts	
Mark Storey	
Rosalyn Wilton	
Vice-Chancellor	
Professor Sir Adrian Smith	To 31 August 2018
Professor Peter Kopelman	From 1 September 2018
Deputy Vice-Chancellor	
Professor Edward Byrne, President and Principal of King's College London	
Representative Head of member institution	
Professor Michael Arthur, President and Provost of UCL	
Professor Paul Layzell, Principal of Royal Holloway, University of London	
Patrick Loughrey, Warden of Goldsmiths, University of London	
Professor Stuart Reid, Principal of the Royal Veterinary College	

Membership and Responsibilities of the Board of Trustees

Responsibilities

In accordance with the Charter and Statutes of the University of London, the Board of Trustees (the Board) of the University is responsible for the administration and management of the affairs of the University, including ensuring that an effective system of internal control is maintained, and is also 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 which enable it to ensure that the financial statements are prepared in accordance with the University's Statutes, the Statement of Recommended Practice: Accounting for Further and Higher Education (2014), and all other relevant accounting and financial reporting standards. In addition, in the OfS Terms and Conditions of Funding for higher education institutions, 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 preparing the consolidated financial statements 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, and for this reason, the going concern basis continues to be adopted in the preparation of the financial statements.

The Board has taken reasonable steps to:

- ensure that funds from OfS are used only for the purposes for which they have been given and in accordance with OfS's Terms and Conditions of Funding and any other conditions which it 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;

Membership and Responsibilities of the Board of Trustees

- a formalised treasury management policy;
- comprehensive financial regulations, detailing financial controls and procedures, approved by the Audit and Risk Assurance Committee and the Board;
- a professional Internal Audit Provider, whose annual programme is approved by the Audit and Risk Assurance 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, and 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.

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 OfS Terms and Conditions of Funding for higher education institutions.

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 2018 and up to the date of approval of the financial statements, and accords with OfS 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 regularly (usually on six occasions a year) to consider the plans and strategic direction of the University.
- We receive periodic reports concerning internal control from the Chair of the Audit and Risk Assurance Committee, 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.
- The Audit and Risk Assurance Committee receives regular reports from the internal audit service, including its independent opinion on the adequacy and effectiveness of the University's system of internal control, together with recommendations for improvement.
- 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 by 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 the Audit Code of Practice (Annex C to the OfS Terms and Conditions of Funding for higher education institutions). 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 Auditor's Report to the Board of Trustees of the University of London

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of University of London (the 'University') and its subsidiaries (the 'group'):

- give a true and fair view of the state of the group's and the University's affairs as at 31 July 2018 and of the group's and the University's income and expenditure, gains and losses and changes in reserves and cash flows for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Statement of Recommended Practice: Accounting for Further and Higher Education.

We have audited the financial statements which comprise:

- the group and University statement of comprehensive income and expenditure;
- the group and University balance sheet;
- the group and University statement of changes in reserves;
- the group cash flow statement;
- the statement of accounting policies; and
- the related notes 1 to 30, and annex.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice) and the Statement of Recommended Practice: Accounting for Further and Higher Education.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs(UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group and the University in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the governing body's use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the governing body has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's and the University's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Independent Auditor's Report to the Board of Trustees of the University of London

Other information

The governing body is responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Responsibilities of the governing body

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, and for such internal control as the governing body determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the governing body is responsible for assessing the group's and the University's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the governing body either intends to liquidate the group or the University or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Independent Auditor's Report to the Board of Trustees of the University of London

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Office for Students ('OfS') "Regulatory Advice 9: Accounts Direction"

In our opinion, in all material respects:

- funds from whatever source administered by the University for specific purposes during the year ended 31 July 2018 have been applied to those purposes and managed in accordance with relevant legislation;
- funds provided by the OfS and Research England have been applied in accordance with the terms and conditions of the Accounts Direction and any other terms and conditions attached to them during the year ended 31 July 2018; and
- the requirements of the OfS's accounts direction have been met.

Use of our report

This report is made solely to the governing body in accordance with the charter and statutes of the University and the Accounts Direction issued by the Office for Students dated 19 June 2018. 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 trustees as a body, for our audit work, for this report, or for the opinions we have formed.

Deloitte LLP
Statutory Auditor
St Albans, United Kingdom
28 November 2018

Statement of the University's Principal Accounting Policies

Nature and location of University

The University of London is a corporation established by Royal Charter in the United Kingdom in 1836. The headquarters of the University and the registered office of its subsidiary undertakings is Senate House, Malet Street, London, WC1E 7HU.

Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2015 and in accordance with Financial Reporting Standards (FRS) 102. The University is a public benefit entity and therefore has applied the relevant public benefit requirement of FRS 102. The financial statements conform to guidance published by the Higher Education Funding Council for England and the Office for Students.

The activities of the University, together with the factors likely to affect their future performance and position are as set out in the Strategic Report on pages 6-21. Having regard to the University's considerable assets and financial resources, its Board of Trustees believes it is well placed to manage its risks successfully notwithstanding the current economic conditions and future uncertainties associated therewith. The Board of Trustees has a reasonable expectation that the University has adequate resources to continue in operational existence for the foreseeable future. Thus it continues 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 derivative financial instruments.

Basis of consolidation

The consolidated financial statements include the University and subsidiary undertakings. Intra-group sales and profits are eliminated fully on consolidation.

Related party transactions

The University is partly funded by subscriptions from the Member Institutions within the federation and by charges for specific services supplied by the University to Member Institutions. Heads of Member Institutions within the federation are ex officio members of the Collegiate Council. The Member Institutions are not related parties because of their autonomy as independent higher education institutions.

Taxation

The University is an exempt charity under section 22 and Schedule 3 to the Charities Act 2011 and as such is a charitable company within the meaning of Part 11 of the Corporation Tax Act 2010 (CTA). Accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 of Part 11 of the CTA 1990 or section 256 of the Taxation of Chargeable Gains Act 1992 to the extent that such income or gains are applied only to 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 territories in which they are established 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.

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 Statement of Comprehensive Income.

Statement of the University's Principal Accounting Policies

Intangible assets

Course, website and software development expenditure is charged to the Statement of Comprehensive Income in the year incurred unless it meets the recognition criteria for capitalisation as set out in FRS 102: 18.4 and 18.8H. When the recognition criteria have been met then such expenditure is capitalised as an intangible asset under construction. When the asset becomes available for use, the expected useful economic life of the asset is estimated, and it is amortised on a straight line basis over its useful life, with amortisation being an expense in the Statement of Comprehensive Income. 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. The useful economic life of a new intangible asset does not exceed five years unless there is strong justification for this. Once the original intangible asset has started being amortised, if there is subsequent development work capitalised on that asset, this will be assessed by management. If it is deemed to be intrinsically related to the original development work capitalised, it will be amortised over the remaining life of the original intangible asset. If it is deemed to represent future economic benefit separate to that of the original development work, it will be capitalised separately and amortised over the new asset's useful life.

The useful economic lives of the intangible assets are as follows:

- Course development: 5 years
- Website development: 5 years
- Software: 5 years

Tangible fixed assets

Tangible fixed assets are operational assets whose risks and rewards belong to the University of London. This consists of both assets owned by the University and assets held by the University on a finance lease where the University is the lessee. Refurbishment costs incurred in relation to buildings after initial measurement are capitalised to the extent that they increase the expected future economic benefits of the asset in question to the University. Assets which are let out on finance leases where the University is the lessor and investment property are excluded.

Property

The University has the following classes of property assets and bases of recognition:

- Freehold land: recognised at fair value as deemed cost (ie. fair value at 1 August 2014) and not depreciated due to its infinite useful economic life (UEL)
- Freehold buildings & refurbishment: Buildings, including any refurbishment prior to 1 August 2014, are recognised at fair value as deemed cost (ie. fair value at 1 August 2014) and depreciated to their estimated residual value over the useful economic life of the asset. Building additions subsequent to 1 August 2014 are recognised at cost and depreciated over the useful economic life of the building. Capital refurbishment subsequent to 1 August 2014 other than separately identifiable items of plant and equipment, to the extent that it increases future economic benefit to the University, is recognised at cost and depreciated over the useful economic life of the refurbishment asset.
- Long leasehold buildings & refurbishment: Buildings held on a finance lease where the University is the lessee are recognised at inception of the lease as the lower of (i) the fair value of the building and (ii) the present value of the minimum lease payments. This is depreciated over the lower of the useful economic life of the asset and the lease term. Capital refurbishment other than separately identifiable items of plant and equipment, to the extent that it increases future economic benefit to the University, is recognised at cost and depreciated over the useful economic life of the refurbishment asset.

Statement of the University's Principal Accounting Policies

The useful economic lives of the property assets are as follows:

- Land: infinite
- Buildings: 100 years
- Refurbishment costs: 3-20 years

Assets under construction

Assets under construction are not depreciated. A quarterly review of assets under construction is undertaken to assess whether the assets under construction are available for use, at which point they become depreciable assets and are reclassified appropriately.

Plant and equipment

Single items of plant and equipment costing £10,000 or more, or multiple items of plant and equipment whose functionality is intrinsically linked and which together cost £10,000 or more, are capitalised as plant and equipment assets. Capitalised assets are depreciated over their useful economic life. Single items under £10,000 are written off in the year of acquisition. Groups of items purchased together which individually cost under £10,000 and together cost £10,000 or more, but whose functionality is not intrinsically linked, are also written off in the year of acquisition.

The useful economic lives of the plant and equipment assets are as follows:

- Motor vehicles: 3 years
- Computing equipment: 3-5 years
- Boats and boating equipment: 10-25 years
- Other plant and machinery: 5-20 years

In cases where the asset class has a potential range of useful economic lives, the assets are assessed on an individual basis and assigned the most appropriate useful economic life from within that range.

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

Leases: University as lessee

When the University enters into any lease agreements as lessee, the lease is reviewed. If there are any indicators of a finance lease implicit in the lease as set out in FRS 102: 20, a management decision is made over whether the lease is a finance lease or an operating lease.

Finance lease

When a lease is deemed to be a finance lease, the associated asset is recognised as an asset of the University of London. The amount recognised is the lower of the fair value and the present value of minimum lease payments at the time of inception of the lease. This is then depreciated over the lower of the life of the lease and the UEL of the asset class to which it belongs.

Operating lease

When a lease is deemed to be an operating lease, the cost of lease payments and the reduction of cost of any lease incentives are recognised on a straight-line basis over the life of the lease. The leased asset is not recognised as the University's asset.

Leases: University as lessor

When an asset owned by the University of London is let out, the lease is reviewed. If there are any indicators of a finance lease implicit in the lease as set out in FRS 102: 20, a management decision is made over whether the lease is a finance lease or an operating lease.

Statement of the University's Principal Accounting Policies

Finance lease

When a lease is deemed to be a finance lease, the associated tangible fixed asset is derecognised, and a finance lease receivable is recognised. The finance lease receivable consists of the present value of the residual value of the asset on reversion to the University at the end of the lease, and the present value of any rental income receivable throughout the life of the lease. A rate deemed to be appropriate is used to calculate the finance income, and equivalent increase in finance lease receivable, during the life of the lease. Any rental income received is recognised as a reduction in finance lease receivable. The finance lease receivable is reviewed annually for impairment.

Operating lease

When a lease is deemed to be an operating lease, income from lease payments and reduction of income of any lease incentives are recognised on a straight-line basis over the life of the lease. The leased asset remains the University's asset, and depreciation and any other costs associated with the asset are recognised as an expense.

Heritage assets

The University has received gifts and bequests of works of art, library collections and other decorative items. The University has also purchased works of art, rare books and manuscripts with funds from specific benefactions and public grants. All of these assets are held and maintained principally for their contribution to knowledge and culture.

Heritage assets are recognised at cost of acquisition or, in the case of donated assets, valuation at the date of donation. Where a valuation cannot be obtained at a cost which is commensurate with the benefits to users of the financial statements, the donated asset is not recognised but is disclosed in the note to the accounts. Historic assets which are used by the University are accounted for as tangible fixed assets.

Heritage assets are not depreciated since their long economic life and high residual value mean that any depreciation would not be material. Heritage assets are assessed annually for impairment.

Investments

Investment properties

Investment properties are land and buildings owned by the University of London which are held for capital appreciation or rental income. All assets let out under finance leases are excluded.

Investment properties are held at fair value, and are revalued annually with the assistance of qualified external valuers. Any revaluation gain or loss is taken to income or expenditure. No depreciation is provided in respect of investment properties.

Subsidiaries

Investment in subsidiaries is held at the carrying amount which is deemed to be the net asset value of the subsidiary, less any impairment.

Other non-current investments

Other non-current investments are held at fair value and revalued at the end of each reporting period, with changes in fair value being recognised in the Statement of Comprehensive Income.

Current asset investments

Current asset investments comprise money on term deposits of longer than three months which is stated at the lower cost and net realisable value, and money market funds which are shown at market value in the Balance Sheet.

Statement of the University's Principal Accounting Policies

Stocks

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

Financial instruments

Basic financial instruments comprise cash, demand and fixed-term deposits, loans receivable and payable and bonds. Such instruments are recognised at the transaction price and held at amortised cost using the effective interest rate method or cost. They are subject to an annual impairment review.

Investments in non-convertible preference shares and non-puttable ordinary and preference shares are measured at fair value where publicly traded or their value can otherwise be reliably measured. Otherwise they are measured at cost less impairment.

Complex financial instruments include options, rights, warrants, futures and forward contracts and interest rate swaps that can be settled in cash or by exchanging another financial instruments, hedging instruments and asset-back securities. Complex financial instruments are recognised initially and held at fair value with changes in fair value taken directly to the Statement of Comprehensive Income.

Cash flows and liquid resources

Cash flows comprise increases or decreases in cash. Cash includes cash in hand and deposits repayable within three months. Deposits repayable in more than three months are held as current asset investments.

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; and an inability to measure the economic outflow.

Pensions

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.

The University contributes to the National Health Service Pension Scheme (NHSPS), an unfunded defined benefit scheme for the academic and non-academic staff at the Local Education and Training Boards (LETBs), which replaced the London and Kent, Surrey and Sussex (KSS) Deaneries in April 2013.

The University complies with FRS 102 28.11. Its defined benefit schemes (USS, SAUL and NHSPS) are all multiemployer 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. Contributions to defined contribution schemes, or schemes treated as defined contribution schemes, are recognised as an expense where already paid by year end, or are recognised as a liability where not paid by year end.

Statement of the University's Principal Accounting Policies

The University also complies with FRS 28.11A. The University has entered into agreements with USS and SAUL to fund their deficits, and recognises a liability for the contributions payable that arise from these agreements. The expense resulting from this liability and any movements in this liability are recognised in the Statement of Comprehensive Income. NHSPS does not meet the criteria of FRS 102 28.11A so no liability is recognised.

The University also 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; to Aegon, a defined contribution scheme, for the staff of CoSector Limited; to the Singapore Central Provident fund, a defined contribution system, for the staff of Senate House Worldwide Limited Singapore branch; and to the National Employment Savings Trust, a defined contribution scheme, for individuals employed via CoSector's Temp Agency.

Grants

All grants are accounted for under the performance model.

Capital grants with performance conditions for both land and buildings, and revenue grants with performance conditions, from both Funding Bodies and from other sources, are recognised initially as deferred income, and then released to the Statement of Comprehensive Income on entitlement.

Capital grants with restrictions but without performance conditions for both land and buildings, and revenue grants with restrictions but without performance conditions, from both Funding Bodies and from other sources, are recognised in the Statement of Comprehensive Income on entitlement, and are subsequently recorded within restricted reserves.

Donations and endowments

Donations with performance conditions are recognised as deferred income, and recognised in the statements of comprehensive income on entitlement to income when the performance conditions are met.

Unrestricted donations are recognised in the Statement of Comprehensive Income on entitlement to income and form part of the movement of unrestricted reserves.

Restricted donations which can be spent on the specified activity within a short period of time are recognised in the Statement of Comprehensive Income on entitlement to income and form part of the movement of restricted reserves. Expenditure incurred on the activity to which the donation was restricted, to the value of that donation, also forms part of the movement of restricted reserves.

Restricted donations which could not be spent within a short period of time are recognised as expendable endowments.

Expendable endowments comprise restricted donations to the University which could not be spent within a short period of time and Trusts of which the University is a Trustee with no permanent restrictions on capital. Income is recognised in the Statement of Comprehensive Income on entitlement. Donation income, any investment income arising from investment of the funds, and expenditure incurred in line with the purpose of the donation or Trust, form part of the creation of, and movement in, expendable endowment reserves. Endowment assets may be held as non-current investments or cash.

Permanently restricted endowments comprise donations to the University and Trusts of which the University is a Trustee 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. Income is recognised in the Statement of Comprehensive Income on entitlement. Donation income, any investment income arising from investment of the funds, and expenditure incurred in line with the purpose of the donation or Trust, form part of the creation of, and movement in, permanent endowment reserves.

Statement of the University's Principal Accounting Policies

Other items of total comprehensive income

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

All income from short-term deposits is credited to the Statement of Comprehensive Income in the period in which it is earned.

Service concessions

Where the University is the grantor in a service concession arrangement, infrastructure assets are recognised on the Balance Sheet at the present value of the minimum lease payments when the assets are brought into use with a corresponding financial liability. Payments under the service concession arrangement are allocated between service costs, finance charges and financial liability repayments to reduce the financial liability to nil over the life of the arrangement. Where the University does not recognise a liability to make payments, it does not recognise an infrastructure asset.

Consolidated Statement of Comprehensive Income

For the year ended 31 July 2018

		Year ended 31 July 2018		Year ended 31 July 2017	
		Consolidated	University	Consolidated	University
	Notes	£'000	£'000	£'000	£'000
Income					
Tuition fees and education contracts	1	61,242	61,242	61,177	61,177
Funding body grants	2	9,382	9,382	9,515	9,515
Research grants and contracts	3	2,401	2,401	2,095	2,095
Property income	4	50,028	46,591	45,672	42,531
Other income	5	45,886	43,017	50,561	44,567
Investment income	6	3,847	5,168	3,952	5,213
Donations and endowments	7	1,913	1,913	1,060	1,060
Total income		174,699	169,714	174,032	166,158
Expenditure					
Staff costs	8	60,963	60,194	60,687	59,958
Other operating expenses	10	103,204	99,567	106,000	98,895
Depreciation	13	5,436	5,304	4,950	4,795
Interest and other finance costs	9	2,760	2,760	2,868	2,868
Total expenditure	10	172,363	167,825	174,505	166,516
Surplus/(Deficit) before other gains and losses		2,336	1,889	(473)	(358)
Gain on investments	16	5,573	5,727	16,708	16,208
Surplus before tax		7,909	7,616	16,235	15,850
Taxation	11	(6)	-	(385)	-
Total comprehensive income for the year		7,903	7,616	15,850	15,850
Represented by					
Endowment comprehensive income for the year		7,126	7,126	3,689	3,689
Restricted comprehensive income for the year		(84)	(84)	70	70
Unrestricted comprehensive income for the year		861	574	12,091	12,091
		7,903	7,616	15,850	15,850

All surplus for the year is attributable to the University

All comprehensive income for the year is attributable to the University

All items of income and expenditure relate to continuing activities

Consolidated and University Statement of Changes in Reserves

For the year ended 31 July 2018

Consolidated	Income and expenditure account			Total £'000
	Endowment £'000	Restricted £'000	Unrestricted £'000	
Balance at 1 August 2016	79,905	223	550,449	630,577
Surplus from the income and expenditure statement	7,541	463	7,846	15,850
Release of restricted funds spent in year	(3,852)	(393)	4,245	-
Total comprehensive income for the year	3,689	70	12,091	15,850
Balance at 1 August 2017	83,594	293	562,540	646,427
Surplus from the income and expenditure statement	9,688	460	(2,245)	7,903
Release of restricted funds spent in year	(2,562)	(544)	3,106	-
Total comprehensive income for the year	7,126	(84)	861	7,903
Balance at 31 July 2018	90,720	209	563,401	654,330
University	Income and expenditure account			Total £'000
	Endowment £'000	Restricted £'000	Unrestricted £'000	
Balance at 1 August 2016	79,905	223	550,449	630,577
Surplus from the income and expenditure statement	7,541	463	7,846	15,850
Release of restricted funds spent in year	(3,852)	(393)	4,245	-
Total comprehensive income for the year	3,689	70	12,091	15,850
Balance at 1 August 2017	83,594	293	562,540	646,427
Surplus from the income and expenditure statement	9,688	460	(2,532)	7,616
Release of restricted funds spent in year	(2,562)	(544)	3,106	-
Total comprehensive income for the year	7,126	(84)	574	7,616
Balance at 31 July 2018	90,720	209	563,114	654,043

Consolidated and University Balance Sheet

For the year ended 31 July 2018

	Notes	At 31 July 2018		At 31 July 2017	
		Consolidated £'000	University £'000	Consolidated £'000	University £'000
Non-current assets					
Intangible assets	12	5,769	5,769	4,041	4,041
Fixed assets	13	542,109	541,945	528,820	528,616
Heritage assets	13, 14	12,961	12,961	12,961	12,961
Non-current investments	16	192,872	193,415	199,715	200,104
		753,711	754,090	745,537	745,722
Current assets					
Stock	17	869	869	631	631
Trade and other receivables	18	20,195	22,148	18,571	21,053
Cash and cash equivalents	25	44,941	41,637	48,667	46,105
		66,005	64,654	67,869	67,789
Creditors: amounts falling due within one year	19	(37,550)	(36,865)	(36,863)	(36,968)
Net current assets		28,455	27,789	31,006	30,821
Total assets less current liabilities		782,166	781,879	776,543	776,543
Creditors: amounts falling due after more than one year	20	(115,480)	(115,480)	(116,990)	(116,990)
Provisions					
Pension provisions	21	(11,533)	(11,533)	(13,126)	(13,126)
Other provisions	21	(823)	(823)	-	-
Total net assets		654,330	654,043	646,427	646,427
Restricted reserves					
Income and expenditure reserve - endowment reserve	23	90,720	90,720	83,594	83,594
Income and expenditure reserve - restricted reserve	24	209	209	293	293
Unrestricted reserves					
Income and expenditure reserve - unrestricted		563,401	563,114	562,540	562,540
Total reserves		654,330	654,043	646,427	646,427

The financial statements were approved by the Board of Trustees on 28 November 2018 and were signed on its behalf on that date by:

Rosalyn Wilton,
Deputy Chair, Board of Trustees

Professor Peter Kopelman,
Vice-Chancellor

Consolidated Cash Flow Statement

For the year ended 31 July 2018

	Notes	Year ended 31 July 2018 £'000	Year ended 31 July 2017 £'000
Cash flow from operating activities			
Surplus for the year		7,903	15,850
Adjustment for non-cash items			
Depreciation	13	5,436	4,950
Amortisation of intangibles	12	780	306
Loss/(gain) on investments	16	(5,304)	(15,733)
Decrease/(increase) in stock	17	(238)	502
Decrease/(increase) in debtors	18	(1,624)	(4,143)
Increase/(decrease) in creditors	19, 20	(823)	31,656
Increase/(decrease) in pension provision	21	(1,593)	(2,938)
Increase/(decrease) in other provisions	21	823	-
Adjustment for investing or financing activities			
Investment income	6	(3,847)	(3,952)
Interest payable	9	2,545	2,537
Capital grant income	2	(210)	(221)
Net cash inflow from operating activities		3,848	28,814
Cash flows from investing activities			
Capital grants receipts	2	210	221
Withdrawal of deposits (at commencement of use of money market funds)		-	39,792
Investment income	6	3,847	3,952
Payments made to acquire fixed assets	13	(5,436)	(28,066)
Payments made to acquire intangible assets	12	(2,508)	(2,530)
New non-current asset investments	16	(1,142)	(3,238)
		(5,029)	10,131
Cash flows from financing activities			
Interest paid	9	(2,545)	(2,537)
		(2,545)	(2,537)
Increase/(Decrease) in cash and cash equivalents in the year		(3,726)	36,408
Cash and cash equivalents at beginning of the year	25	48,667	12,259
Cash and cash equivalents at end of the year	25	44,941	48,667

Notes to the Financial Statements

For the year ended 31 July 2018

	Notes	Year ended 31 July 2018		Year ended 31 July 2017	
		Consolidated £'000	University £'000	Consolidated £'000	University £'000
1 Tuition fees and education contracts					
Distance learning students		59,523	59,523	59,435	59,435
Full-time home and EU students		341	341	332	332
Full-time overseas students		453	453	251	251
Part-time students		925	925	1,159	1,159
		61,242	61,242	61,177	61,177
2 Funding body grants					
Recurrent grant					
Research England (formerly HEFCE)		9,172	9,172	9,294	9,294
Capital grant		210	210	221	221
		9,382	9,382	9,515	9,515
3 Research grants and contracts					
Research councils		845	845	1,094	1,094
Research charities		697	697	475	475
Government (UK and overseas)		592	592	464	464
Other		267	267	62	62
		2,401	2,401	2,095	2,095
4 Property income					
Residences, catering and conferences		43,002	39,565	40,766	37,625
Estates revenue		7,026	7,026	4,906	4,906
		50,028	46,591	45,672	42,531
5 Other income					
Member institutions: Subscriptions and charges		11,918	11,918	11,550	11,550
Other revenue grants		655	655	505	505
Other income		21,129	18,260	20,870	14,876
Arrangements with HEE		12,184	12,184	17,636	17,636
		45,886	43,017	50,561	44,567
6 Investment income					
Investment income on endowments	23	2,650	2,650	2,649	2,649
Other investment income		1,197	2,518	1,303	2,564
		3,847	5,168	3,952	5,213
7 Donations and endowments					
Donations with restrictions	23, 24	363	363	643	643
Unrestricted donations		1,550	1,550	417	417
		1,913	1,913	1,060	1,060

Notes to the Financial Statements

For the year ended 31 July 2018

8 Staff costs

	Year ended 31 July 2018		Year ended 31 July 2017	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Staff costs :				
Salaries	47,015	46,348	48,052	47,474
Other staff costs	29	27	96	51
Social security costs	5,477	5,406	5,126	5,061
Movement on USS provision	(1,033)	(1,033)	(2,791)	(2,791)
Movement on SAUL provision	(788)	(788)	(419)	(419)
Other pension costs	10,263	10,234	10,623	10,582
Total	60,963	60,194	60,687	59,958
The above is analysed as follows:				
University and subsidiaries	48,900	48,131	44,107	43,378
HEE	12,063	12,063	16,580	16,580
Total	60,963	60,194	60,687	59,958

	2018 No.	2017 No.
Average full time equivalent staff numbers:		
University and subsidiaries	893	870
HEE	139	216
	1,032	1,086

Number of staff whose basic pay is over £100,000:

	2018 No.	2017 No.
£100,000 to £104,999	2	-
£110,000 to £114,999	-	1
£115,000 to £119,999	1	2
£120,000 to £124,999	1	1
£135,000 to £139,999	1	-
£140,000 to £144,999	1	-
£145,000 to £149,999	-	2
£150,000 to £154,999	1	-
£155,000 to £159,999	1	-
£160,000 to £164,999	1	-
£165,000 to £169,999	1	-
£175,000 to £179,999	-	1
£220,000 to £224,999	1	-
£225,000 to £229,999	-	1
	11	8

Notes to the Financial Statements

For the year ended 31 July 2018

8 Staff costs continued

Total remuneration of the Vice-Chancellor

	Year ended 31 July 2018 £	Year ended 31 July 2017 £
Basic salary	168,385	175,307
Performance related pay, bonuses and other remuneration	-	-
Taxable and non-taxable benefits	-	-
Pension contributions	-	-
	168,385	175,307

The Vice-Chancellor's remuneration has been determined by the University's Remuneration Committee. The Committee is responsible for reviewing the Vice-Chancellor's performance against expectations set by the Chair of the Board of Trustees. The Vice-Chancellor's remuneration currently falls between the mean and upper quartile of basic pay for Heads of Institution in the UCEA 2017 Senior Staff Remuneration Survey (Pre-92 universities by institutional income). The Vice-Chancellor in post during 2017/18 received no additional remuneration or benefit in kind.

The Vice-Chancellor of the University of London is unique as it combines the role of chief-executive of a prestigious high-performing organisation with convening a federal community of eighteen other independent institutions. The University collaborates to deliver a range of world-leading education-based services and through its online, blended and flexible learning programmes, reaches out to thousands of students across 190 countries globally. The University also has a significant property portfolio. The University employs over 1,000 staff and generates annual income in excess of £170 million.

As such, the role of Vice-Chancellor requires particular skills as well as personal standing, gravitas and influence. The pool of potential candidates for the role is consequently limited and therefore offering a competitive reward package is essential to attract and retain the best people.

In the year 2017/18, the Vice-Chancellor has been responsible for driving forward a distinctive strategy for the University regionally, nationally and globally, to ensure its continued role as a leader and innovator in the rapidly changing higher education landscape. The Vice-Chancellor has lead on operations of significant complexity and ones which are unique within the UK HE sector given the University's federal structure.

The Vice-Chancellor has demonstrated a broad and deep understanding of both UK academic institutions and their stakeholders, and the environment and challenges for higher education nationally and globally. The Vice-Chancellor has exerted influence and exercised diplomacy across a diverse range of stakeholders based, within the University's federated membership (working through a collegiate, committee based decision making structure); throughout the wider UK HE sector and within UK parliament; and within foreign governments and the University's academic partners overseas.

The Vice-Chancellor has promoted the interests of the University, its federal members and UK HE sector in different settings to varied national and international audiences and, on behalf of the University, engaged in a variety of fundraising and development activities.

The Vice Chancellor's full-time equivalent basic salary during the year was 8.1 times the median pay of staff, where the median pay is calculated on a full-time equivalent basis for the salaries paid by the provider to its staff (2017: 8.1).

The Vice Chancellor's full-time equivalent total remuneration during the year was 7.9 times the median total remuneration of staff, where the median total remuneration is calculated on a full-time equivalent basis for the total remuneration by the provider to its staff (2017: 8.1).

The median pay and median total remuneration of staff is based on the full-time equivalent salaries of all staff included in the Staff Return submitted to HESA. This excludes agency staff, self-employed contractors, honorary contracts where the contract is not deemed to be a contract of employment, staff employed directly by CoSector Limited, contractors paid via a personal services company, overseas staff, staff employed via the CoSector Temp Agency, and examiners. The University collects FTE data in order to submit the Staff Return to HESA, and these categories of staff are not included in the HESA Staff Return. As a result these categories of staff have been excluded from the calculation of median pay because FTE data has not been collected and verified for them and the data is not held in an easily accessible format that could be collated within the timescales available.

Notes to the Financial Statements

For the year ended 31 July 2018

8 Staff costs continued

Compensation for loss of office

Compensation for loss of office of the following amounts, paid to the following numbers of staff, is included within Salaries and Other staff costs:

	Year ended 31 July 2018		Year ended 31 July 2017	
	£'000	No. of staff	£'000	No. of staff
University and subsidiaries	314	20	391	14
HEE	623	19	993	29

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the University. Staff costs includes compensation paid to key management personnel and employer's pension contributions.

Key management personnel are deemed to be the seven (2017: six) members of staff who, along with the Vice-Chancellor, are members of the Vice Chancellor's Executive Group, and the members of the Board of Trustees, none of whom are remunerated for their services (see note 28).

	Year ended 31 July 2018 £'000	Year ended 31 July 2017 £'000
Key management personnel compensation	1,120	986

9 Interest and other finance costs

	Year ended 31 July 2018		Year ended 31 July 2017	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Loan interest	2,545	2,545	2,537	2,537
Exchange differences	(13)	(13)	58	58
Net charge on pension scheme 22	228	228	273	273
	2,760	2,760	2,868	2,868

Notes to the Financial Statements

For the year ended 31 July 2018

10 Analysis of total expenditure by activity

	Year ended 31 July 2018		Year ended 31 July 2017	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Academic and related expenditure	24,352	24,340	24,079	24,079
University of London Worldwide (formerly UoLIA)	54,018	53,924	53,965	53,965
Premises	15,602	15,602	15,643	15,643
Residences, catering and conferences	32,310	30,324	29,396	27,838
Administration and central services	11,403	11,782	9,172	9,095
Research grants and contracts	2,113	2,113	2,013	2,013
Other expenses	20,381	17,556	22,601	16,247
Arrangements with HEE	12,184	12,184	17,636	17,636
	172,363	167,825	174,505	166,516
Other operating expenses include:				
External auditor's remuneration for auditing the consolidated financial statements	115		110	
External auditor's remuneration for other assurance services	46		24	
External auditor's remuneration for tax-related services	-		6	
External auditor's remuneration for other services	2		19	
Operating lease rentals				
Land and buildings	1,942		1,773	
Other	180		132	
Stock recognised as an expense	321		396	

Analysis of total consolidated expenditure by activity and by nature

	Staff costs 2018 £'000	Other operating expenses 2018 £'000	Depreciation 2018 £'000	Finance costs 2018 £'000	Total expenditure 2018 £'000	Total expenditure 2017 £'000
Academic and related expenditure	14,171	9,921	260	-	24,352	24,079
University of London Worldwide	12,901	41,117	-	-	54,018	53,965
Premises	1,370	10,869	3,363	-	15,602	15,643
Residences, catering and conferences	1,513	26,996	1,393	2,408	32,310	29,396
Administration and central services	6,666	4,364	22	351	11,403	9,172
Research grants and contracts	1,168	944	-	1	2,113	2,013
Other expenses	11,111	8,872	398	-	20,381	22,601
Arrangements with HEE	12,063	121	-	-	12,184	17,636
	60,963	103,204	5,436	2,760	172,363	174,505

Notes to the Financial Statements

For the year ended 31 July 2018

11 Taxation

	2018 Consolidated £'000	2017 Consolidated £'000
Recognised in the Statement of Comprehensive Income		
Current tax		
Current UK and overseas tax	6	-
Adjustment in respect of previous years	-	-
Research and development tax credits	-	-
Current tax expense	6	-
Deferred tax		
Origination and reversal of timing differences	-	385
Reduction in tax rate	-	-
Recognition of previously unrecognised tax losses	-	-
Deferred tax expense	-	385
Total tax expense	6	385

12 Intangible assets

	Course development £'000	Assets in the course of construction £'000	Website development £'000	Software £'000	Total £'000
University and Consolidated					
Opening balance at 1 August 2017	1,711	2,057	215	58	4,041
Additions in the year	-	2,524	-	-	2,524
Transfers	1,874	(3,116)	-	1,242	-
Disposals	-	(16)	-	-	(16)
Amortisation charge for the year	(554)	-	(43)	(183)	(780)
Closing balance at 31 July 2018	3,031	1,449	172	1,117	5,769

Amortisation is included with Other operating expenses in the Consolidated Statement of Comprehensive Income.

Notes to the Financial Statements

For the year ended 31 July 2018

13 Fixed assets

	Freehold land £'000	Freehold buildings £'000	Leasehold land and buildings £'000	Assets in the course of construction £'000	Plant and equipment £'000	Heritage assets £'000	Total £'000
Consolidated							
Cost or valuation							
At 1 August 2017	162,890	347,445	26,202	1,147	9,775	12,961	560,420
Additions	-	-	76	5,103	257	-	5,436
Transfers	371	1,387	-	(1,999)	241	-	-
Disposals	-	-	-	-	-	-	-
Reclassification of property	2,072	11,217	-	-	-	-	13,289
At 31 July 2018	165,333	360,049	26,278	4,251	10,273	12,961	579,145
Depreciation							
At 1 August 2017	-	(10,418)	(2,235)	-	(5,986)	-	(18,639)
Charge for the year	-	(4,004)	(528)	-	(904)	-	(5,436)
Disposals	-	-	-	-	-	-	-
Reclassification of property	-	-	-	-	-	-	-
At 31 July 2018	-	(14,422)	(2,763)	-	(6,890)	-	(24,075)
Net book value							
At 31 July 2018	165,333	345,627	23,515	4,251	3,383	12,961	555,070
At 31 July 2017	162,890	337,027	23,967	1,147	3,789	12,961	541,781
University							
Cost and valuation							
At 1 August 2017	162,890	347,445	26,202	1,147	9,417	12,961	560,062
Additions	-	-	76	5,103	165	-	5,344
Transfers	371	1,387	-	(1,999)	241	-	-
Disposals	-	-	-	-	-	-	-
Reclassification of property	2,072	11,217	-	-	-	-	13,289
At 31 July 2018	165,333	360,049	26,278	4,251	9,823	12,961	578,695
Depreciation							
At 1 August 2017	-	(10,418)	(2,235)	-	(5,832)	-	(18,485)
Charge for the year	-	(4,004)	(528)	-	(772)	-	(5,304)
Disposals	-	-	-	-	-	-	-
Reclassification of property	-	-	-	-	-	-	-
At 31 July 2018	-	(14,422)	(2,763)	-	(6,604)	-	(23,789)
Net book value							
At 31 July 2018	165,333	345,627	23,515	4,251	3,219	12,961	554,906
At 31 July 2017	162,890	337,027	23,967	1,147	3,585	12,961	541,577

Notes to the Financial Statements

For the year ended 31 July 2018

14 Heritage assets

The University has a large collection of heritage assets that are held and maintained principally for their contribution to knowledge and culture.

The University of London Artworks Collection includes historic paintings, prints, drawings, photographs, silverware, ceramics, textiles, sculptures and artefacts in various materials. Many items illustrate the history and development of the University of London and prominent individuals. This collection numbers over 400 pieces and is a mixture of acquired and donated artwork. Coram James valued this collection during the year ended 31 July 2016 as worth £2,416,300. The collection is normally on display at various locations on the University's premises, or in the case of some of the more delicate items, viewable by appointment. More details can be found at <http://www.senatehouselibrary.ac.uk/our-collections/special-collections/university-london-artworks-collection>

The University of London Senate House Library holds the highest proportion of special collections, manuscripts and archives of any UK University Library. The Collections are open to all Library members and available to view on request in the Special Collections Reading Room. The diverse nature of the assets held, the number of assets held and the lack of comparable market values, means the University considers that the costs of valuing each item in the special collection would be onerous and not commensurate with the benefits to users of the financial statements. More details can be found at <http://www.senatehouselibrary.ac.uk/our-collections/special-collections/>

For insurance purposes, 19 of the books and manuscripts considered by the Historical Collections Department to be the most cultural significant or rarest, were valued by Dominic Winter during the year ended 31 July 2016. The total value of this collection according to Dominic Winter's valuation is £10.545m.

No new heritage assets have been purchased or donated in the previous four accounting periods. No assets have been purchased or donated during the year to 31 July 2018. During the year ended 31 July 2017, a legacy donation of 22 works of art valued at a total of £4,695 was received. This value did not meet the minimum value of the University's capitalisation policy so was not capitalised.

Heritage Assets are assessed annually to consider whether there are indicators of impairment in the years where no professional valuation has taken place. In the years, where a professional valuation has taken place, the new valuations are compared to the carrying amounts to identify any indications of impairment. It has been determined that there is no need for impairment.

15 Service concession arrangements

The University has two off-Balance Sheet arrangements, one where service delivery has commenced, and one where it has not yet commenced.

The Garden Halls (Cartwright Gardens)

On 4 July 2014 the University entered into a 52-year contract with a third party provider for the provision and maintenance of The Garden Halls, a Halls of Residence providing accommodation to 1,200 students.

The halls were brought into use in September 2016 and the contract will finish on 31 August 2066.

At the end of the concession period, the University will retain beneficial ownership of the halls of residence.

Under the arrangement, the University has no minimum guaranteed payment and therefore no asset and liability to recognise on the Balance Sheet.

Eleanor Rosa House (formerly known as Duncan House)

On 20 December 2016 the University entered into a 53-year contract with a third party provider for the provision and maintenance of Eleanor Rosa House, a Halls of Residence providing accommodation to 511 students.

The halls are expected to be brought into use in September 2019 and the contract will finish on 31 August 2069.

At the end of the concession period, the University will retain beneficial ownership of the halls of residence.

Under the arrangement, the University has no minimum guaranteed payment and therefore no asset and liability to recognise on the Balance Sheet.

Notes to the Financial Statements

For the year ended 31 July 2018

16 Non-current investments

	Subsidiary companies £'000	Freehold investment properties £'000	Other non-current investments £'000	University investment in Unified Trust Fund £'000	Endowments investment in Unified Trust Fund £'000	Total £'000
Consolidated						
At 1 August 2017		98,047	7,138	10,936	80,498	196,619
Additions		-	282	172	-	454
Property reclassification		(13,289)	-	-	-	(13,289)
Transfers from cash		-	-	-	688	688
Revaluation		(2,043)	-	909	6,707	5,573
At 31 July 2018		82,715	7,420	12,017	87,893	190,045
Short term deposits and cash					2,827	2,827
		82,715	7,420	12,017	90,720	192,872
University						
At 1 August 2017	389	98,047	7,138	10,936	80,498	197,008
Additions	-	-	282	172	-	454
Property reclassification	-	(13,289)	-	-	-	(13,289)
Transfers from cash	-	-	-	-	688	688
Revaluation	-	(2,043)	-	909	6,707	5,573
Subsidiaries' net assets movement	154	-	-	-	-	154
At 31 July 2018	543	82,715	7,420	12,017	87,893	190,588
Short term deposits and cash					2,827	2,827
	543	82,715	7,420	12,017	90,720	193,415

The holdings in the Unified Trust Fund are held at market value.

Other non-current investments consist of:

	Consolidated and University £'000
UPP Cartwright Gardens (Holdings) Limited share capital and premium	211
UPP Cartwright Gardens (Holdings) Limited loan	4,533
UPP Duncan House (Holdings) Limited share capital and premium	157
UPP Duncan House (Holdings) Limited loan	2,519
	7,420

Notes to the Financial Statements

For the year ended 31 July 2018

16 Non-current investments continued

Investment in subsidiary companies at net asset value

The University of London owns 100% of the issued share capital (one £1 ordinary share) of Senate House Services Limited, a company registered in England and Wales. The company number is 03214601. The company did not trade during this period. At 31 July 2018 Senate House Services Limited had net liabilities of £287,000 and accordingly, in the Balance Sheet of the University at this date, the value of investments, including the subsidiary, is decreased by this amount.

CoSector Limited is a company registered in England and has an issued share capital of 6,000 £1 ordinary shares, with the University of London as its sole shareholder. The company number is 09589872. The principal activity of the company during the year was the provision of operational services to the University of London and third parties. At 31 July 2018 CoSector Limited had net assets of £819,000 and accordingly, in the Balance Sheet of the University at this date, the value of investments, including the subsidiary, is increased by this amount.

Senate House Services One Limited is a company registered in England and has an issued share capital of one £1 ordinary share, with the University of London as its sole shareholder. The company number is 10236705. The principal activity of the company is the provision of operational services to third parties. At 31 July 2018 Senate House Services One Limited had net assets of nil, so there is no impact on the Balance Sheet of the University.

Senate House Worldwide Limited is a company registered in England and has an issued share capital of one £1 ordinary share, with the University of London as its sole shareholder. The company number is 10756718. The company was incorporated on 5 May 2017. The principal activity of the company is the provision of operational services to the University of London. At 31 July 2018 Senate House Worldwide Limited had net assets of £13,000 and accordingly, in the Balance Sheet of the University at this date, the value of investments, including the subsidiary, is increased by this amount.

Prosum Shared Services Limited is a company registered in England and has an issued share capital of one £1 ordinary share, with the University of London as its sole shareholder. The company number is 07960364. The company has not traded in the year.

Investment properties

The investment properties (all freehold) were valued at 31 July 2018 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.

Transfers out of investments properties

Two investment properties were reclassified as operating properties during the year and transferred to PPE (see note 13). The decision was made in December 2017 that Handel Mansions, which had previously been let out as an investment property, would be refurbished as a halls of residence and let out as part of the University's accommodation offering to students. 74-80 Gower Street was previously intended to be let out on commercial terms so was classified as an investment property, but during the year it was established that this would not be possible, and during the year it was let predominantly to students. The intention is to let it out as part of the University's accommodation offering to students.

Notes to the Financial Statements

For the year ended 31 July 2018

17 Stock

	Year ended 31 July 2018		Year ended 31 July 2017	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Finished goods	869	869	631	631
	869	869	631	631

18 Trade and other receivables

	Year ended 31 July 2018		Year ended 31 July 2017	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Amounts falling due within one year:				
Research grants receivables	132	132	210	210
Other trade receivables	7,057	6,025	8,122	6,232
Other receivables	1,369	1,363	1,026	1,026
Prepayments and accrued income	11,637	11,303	9,213	8,537
Amounts due from subsidiary companies	-	3,325	-	5,048
	20,195	22,148	18,571	21,053

19 Creditors: amounts falling due within one year

	Year ended 31 July 2018		Year ended 31 July 2017	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Trade payables	2,224	2,149	1,309	1,292
Social security and other taxation payable	2,160	2,104	885	804
Accruals and deferred income	29,607	28,888	31,747	31,104
Other payables	3,026	3,010	2,659	2,561
Bank loans repayable within one year	533	533	263	263
Amounts due to subsidiary companies	-	181	-	944
	37,550	36,865	36,863	36,968

Deferred income with performance related conditions

Included within accruals and deferred income are the following items of income which have been deferred until specific performance related conditions have been met.

	Year ended 31 July 2018		Year ended 31 July 2017	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Grant income	1,285	1,285	686	686
	1,285	1,285	686	686

Notes to the Financial Statements

For the year ended 31 July 2018

20 Creditors: amounts falling due after more than one year

	Year ended 31 July 2018		Year ended 31 July 2017	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Deferred income	65,644	65,644	67,003	67,003
Unsecured loans	49,836	49,836	49,987	49,987
	115,480	115,480	116,990	116,990
Analysis of unsecured loans:				
Due within one year or on demand (note 19)	533	533	263	263
Due between one and two years	740	740	533	533
Due between two and five years	2,190	2,190	1,948	1,948
Due in five years or more	46,906	46,906	47,506	47,506
Due after more than one year	49,836	49,836	49,987	49,987
Total unsecured loans	50,369	50,369	50,250	50,250

Included in loans are the following:

Lender	Amount £'000	Term	Interest rate %	Borrower
RBS	49,737	2047	5.10	University

Repayment on the RBS unsecured loan started in the year.

	Year ended 31 July 2018		Year ended 31 July 2017	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Analysis of deferred income:				
Long term Halls deferred income to be released within one year	1,362	1,362	1,365	1,365
Other deferred income to be released within one year	11,050	10,541	10,564	10,140
Included within Accruals and Deferred income in note 19	12,412	11,903	11,929	11,505
Long term Halls deferred income to be released between one and two years	1,362	1,362	1,365	1,365
Long term Halls deferred income to be released between two and five years	4,086	4,086	4,095	4,095
Long term Halls deferred income to be released in five years or more	60,196	60,196	61,543	61,543
To be released after more than one year	65,644	65,644	67,003	67,003
Total deferred income	78,056	77,547	78,932	78,508

Included in deferred income is the following transaction:

On 20 December 2016 the University entered into a 53-year partnership with University Partnership Programme (UPP) to build a new Halls of Residence in Stratford. The University granted a 53-year head lease to UPP in return for a cash premium received during the year. This transaction is reflected in this year's financial statements in the following places:

	Year ended 31 July 2018 £'000	Year ended 31 July 2017 £'000
Purchase of freehold land	-	20,049
Other investments addition	-	2,676
Cash at bank	-	9,355
Released to the CSCI	(1,362)	(360)
Deferred income movement	(1,362)	31,720

Notes to the Financial Statements

For the year ended 31 July 2018

21 Provisions for liabilities

Consolidated

	Obligation to fund deficit on USS pension £'000	Obligation to fund deficit on SAUL pension £'000	Total pensions provisions £'000	Other provisions £'000	Total provisions £'000
At 1 August 2017	12,338	788	13,126	-	13,126
Movements in 2017–18	(805)	(788)	(1,593)	823	(770)
At 31 July 2018	11,533	-	11,533	823	12,356

University

	Obligation to fund deficit on USS pension £'000	Obligation to fund deficit on SAUL pension £'000	Total pensions provisions £'000	Other provisions £'000	Total provisions £'000
At 1 August 2017	12,338	788	13,126	-	13,126
Movements in 2017–18	(805)	(788)	(1,593)	823	(770)
At 31 July 2018	11,533	-	11,533	823	12,356

USS deficit

The obligation to fund the past deficit on the Universities' Superannuation Scheme (USS) arises from the contractual obligation with the pension scheme for total payments relating to benefits arising from past performance. Management have assessed future employees within the USS scheme and salary payment over the period of the contracted obligation in assessing the value of this provision.

SAUL deficit

The obligation to fund the past deficit on the Superannuation Arrangements of the University of London (SAUL) arises from the contractual obligation with the pension scheme for total payments relating to benefits arising from past performance. Management have assessed future employees within the SAUL scheme and salary payment over the period of the contracted obligation in assessing the value of this provision.

Other provisions

Other provisions are provisions which have arisen in the year where potential liabilities have been identified but the timing of any associated payments is uncertain. Payments associated with these provisions are expected to be made during the year to 31 July 2019. £423k relates to UK and overseas tax liabilities in regards to past transactions that the University is currently in the process of agreeing with the relevant tax authority, and £400k relates to legal claims against the University, which the University is in the process of appealing.

Notes to the Financial Statements

For the year ended 31 July 2018

22 Pension schemes

Different categories of staff were eligible to join one of three principle different schemes:

- Universities Superannuation Scheme (USS)
- Superannuation Arrangements of the University of London (SAUL)
- National Health Service Pension Scheme (NHSPS)

The two main schemes, being USS and SAUL, are both defined-benefit schemes contracted out of the State Second Pension (S2P) the assets of which are held in separate trustee administered funds.

The charge to the Consolidated Statement of Comprehensive Income is analysed as follows:

	Year ended 31 July 2018 £'000	Year ended 31 July 2017 £'000
USS	7,018	6,966
SAUL	2,595	3,185
NHSPS	460	455
Other pension schemes	190	17
	10,263	10,623

(i) The Universities Superannuation Scheme

The total cost charged to the profit and loss account is £7,018k (2017: £6,966k).

The latest available complete actuarial valuation of the Retirement Income Builder section of the Scheme is at 31 March 2014 (the valuation date), which was carried out using the projected unit method. The valuation as at 31 March 2017 is underway but not yet completed.

Since the institution cannot identify its share of Retirement Income Builder Section of the Scheme assets and liabilities, the following disclosures reflect those relevant for the section as a whole.

The 2014 valuation was the third valuation for USS under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. At the valuation date, the value of the assets of the scheme was £41.6 billion and the value of the scheme's technical provisions was £46.9 billion indicating a shortfall of £5.3 billion. These figures will be revised once the 2017 Scheme Valuation is complete.

In accordance with the requirements of the SORP, the University currently recognises a provision for its obligation to fund past deficits arising within the Universities Superannuation Scheme (USS). The recovery plan in the 2014 actuarial valuation requires employers to contribute 2.1% of salaries towards repairing the deficit over a period of 17 years, of which 14 years remain. Details of this provision, which has been discounted at a rate of 2.19% as at 31 July 2018, are included in note 21 to the financial statements.

The 2017 actuarial valuation of USS has been undertaken but this has not yet been formally completed. The 2017 valuation has set out the challenges currently facing the scheme and the likelihood of significant increases in contributions being required to address these challenges.

In the judgement of the University, as the 2017 valuation has not formally completed, and there remains various stages of consultation around the key factors specifically relating to the funding of the past deficit, including the level of contributions required, the period of the recovery plan and the level of asset performance over the period, it remains appropriate to continue to account for the past deficit obligation in accordance with the plan agreed after the 2014 actuarial valuation.

Defined benefit liability numbers for the scheme have been produced using the following assumptions:

	2018	2017
Discount rate	2.64%	2.57%
Pensionable salary growth	N/A	N/A
Pension increases (CPI)	2.02%	2.41%

Notes to the Financial Statements

For the year ended 31 July 2018

22 Pension schemes continued

The main demographic assumption used relates to the mortality assumptions. These assumptions have been updated for the 31 March 2018 accounting position, based on updated analysis of the Scheme's experience carried out as part of the 2017 actuarial valuation. The mortality assumptions used in these figures are as follows:

	2018	2017
Mortality base table	Pre-retirement: 71% of AMC00 (duration 0) for males and 112% of AFC00 (duration 0) for females.	Pre-retirement: 98% of SAPS S1NA "light" YOB unadjusted for males.
	Post retirement: 96.5% of SAPS S1NMA "light" for males and 101.3% of RFV00 for females.	Post retirement: 99% of SAPS S1NA "light" YOB with a -1 year adjustment for females.
Future improvements to mortality	CMI_2016 with a smoothing parameter of 8.5 and a long term improvement rate of 1.8% pa for males and 1.6% pa for females.	CMI_2014 with a long-term rate of 1.5% pa.

The current life expectancies on retirement at age 65 are:

	2018	2017
Males currently aged 65 (years)	24.5	24.4
Females currently aged 65 (years)	26.0	26.6
Males currently aged 45 (years)	26.5	26.5
Females currently aged 45 (years)	27.8	29.0

	2018	2017
Scheme assets	£63.6bn	£60.0bn
Total scheme liabilities	£72.0bn	£77.5bn
FRS 102 total scheme deficit	£8.4bn	£17.5bn
FRS 102 total funding level	88%	77%

There is a significant risk that the year-end provision as calculated will not reflect the position following the final outcome of negotiations, potentially by a very significant amount depending upon what is finally agreed as regards future deficit contributions and their duration. The University expects to have greater clarity in this respect during the next financial year. Based on the inputs to the model, the following sensitivity analysis outlines the potential impact on the existing provision of £11.5 million (assuming the same discount rate of 2.19%):

- A 1% increase in deficit contributions would lead to an increase of £5.5 million to £17.0 million
- A 3.9% increase in deficit contributions would lead to an increase of £21.4 million to £33.0 million
- An extension of the period of deficit contributions from 13 to 17 years, using the same rate of contribution of 2.1%, would lead to an increase of £3.8 million to £15.3 million
- An extension of the period of deficit contributions from 13 to 20 years, using the same rate of contribution of 2.1%, would lead to an increase of £6.7 million to £18.2 million

(ii) Superannuation Arrangements of the University of London

The Superannuation Arrangements of the University of London ("SAUL") is a centralised defined benefit scheme within the United Kingdom and is contracted-out of the Second State Pension (prior to April 2016). SAUL is an independently-managed pension scheme for the non-academic staff of over 50 colleges and institutions with links to higher education.

The total cost charged to the profit and loss account is £2,595k (2017: £3,185k).

Since the institution cannot identify its share of scheme assets and liabilities, the following disclosures reflect those relevant for the scheme as a whole.

Notes to the Financial Statements

For the year ended 31 July 2018

22 Pension schemes continued

Under Section 222 of the Pensions Act 2004, every scheme is subject to the Statutory Funding Objective, which is to have sufficient and appropriate assets to cover its Technical Provisions, which represent the current value of benefits to which members are entitled based on pensionable service to the valuation date. The latest available full actuarial valuation of the scheme was at 31 March 2017. At the valuation date, the value of the assets of the scheme was £3,205 million and the value of the scheme's technical provisions was £3,149 million indicating a surplus of £56 million. The assets therefore were sufficient to cover 102% of the benefits which had accrued to members after allowing for expected future increases in earnings. Informal reviews of SAUL's position, reflecting changes in market conditions, cash flow information and new accrual of benefits, are carried out between formal valuations.

Most recent valuations of the Scheme available year ended

	2018	2017
Scheme assets	£3,205m	£2,489m
Total scheme liabilities	£3,149m	£2,692m
FRS 102 total scheme surplus / (deficit)	£56m	£(203)m
FRS 102 total funding level	102%	92%

Defined benefit liability numbers for the scheme have been produced using the following assumptions:

Financial assumptions

	31 March 2017		31 March 2014	
	Technical Provisions	Future Service Costs	Technical Provisions	Future Service Costs
Discount rate:				
Pre-retirement	4.06% pa	4.03% pa	5.96% pa	6.04% pa
Post-retirement (non-CDF)	1.96% pa	1.93% pa	3.86% pa	3.94% pa
Post-retirement (CDF pensioners)	2.22% pa	N/A	N/A	N/A
Price inflation (RPI)	3.39% pa	3.35% pa	3.57% pa	3.60% pa
Price inflation (CPI)	2.49% pa	2.45% pa	2.72% pa	2.75% pa
Salary increases	3.49% pa	3.49% pa	3.72% pa	3.72% pa
Pension increases in payment (Excess over GMP):				
Pre 2016 (CPI)	2.49% pa	N/A	2.72% pa	2.75% pa
Post 2016 (CPI max 2.5%)	1.77% pa	1.70% pa	N/A	N/A

Demographic Assumptions

	31 March 2017	31 March 2014
Retirement:		
Active final salary Members	All at age 62	All at age 62
Other Members	Earliest age unreduced	Earliest age unreduced
Mortality – base table	S2PA year of birth tables weighted 100% for males and 94% for females	S2PA year of birth tables adjusted by +0.4 years for males and -0.4 years for females
Mortality – future improvements	CMI 2016 projections with a long-term improvement rate of 1.75% p.a.	CMI 2013 projections with a long-term improvement rate of 1.5% p.a.

The mortality assumptions used for the 31 March 2017 valuation result in the following life expectancies.

Life expectancy for a male aged 65 now	22.4 years
Life expectancy at 65 for a male aged 45 now	24.5 years
Life expectancy for a female aged 65 now	24.8 years
Life expectancy at 65 for a female aged 45 now	26.9 years

Notes to the Financial Statements

For the year ended 31 July 2018

22 Pension schemes continued

(iii) National Health Service Pension Scheme

The NHS Pension Scheme (NHSPS) 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 102 Section 28, 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. The University has no contractual obligation to fund any deficit of the NHSPS and therefore recognises no related liability.

Notes to the Financial Statements

For the year ended 31 July 2018

23 Endowment reserves

Restricted net assets relating to endowments are as follows:

	Restricted permanent endowments £'000	Expendable endowments £'000	2018 Total £'000	2017 Total £'000
Balances at 1 August 2017				
Capital	69,046	11,452	80,498	76,225
Accumulated income	2,302	794	3,096	3,680
	71,348	12,246	83,594	79,905
Donations	3	110	113	180
Project income	10	208	218	887
Investment income	2,230	420	2,650	2,649
Expenditure	(1,783)	(779)	(2,562)	(3,852)
Increase in market value of investments	5,643	1,064	6,707	3,825
Total endowment comprehensive income for the year	6,103	1,023	7,126	3,689
Restricted permanent capital being reclassified as expendable during the year	(1,338)	1,338	-	-
Restricted permanent accumulated income being reclassified as expendable during the year	(90)	90	-	-
At 31 July 2018	76,023	14,967	90,720	83,594
Transfers from accumulated income to capital in the year	594	94	688	448
Represented by:				
Capital	73,945	13,948	87,893	80,498
Accumulated income	2,078	749	2,827	3,096
	76,023	14,697	90,720	83,594

Notes to the Financial Statements

For the year ended 31 July 2018

23 Endowment reserves continued

Connected Institutions

	Note	Opening Fund Balance £'000	Income £'000	Capital Appreciation £'000	Expenditure £'000	Closing Fund Balance £'000
Individual Charities						
University of London Studentship Fund	a	7,415	236	597	(240)	8,008
University of London Research Fund	a	5,209	165	420	(169)	5,625
University of London Prize Fund	a	574	18	46	(18)	620
Convocation	b	3,237	138	253	(149)	3,479
Chadburn Lectures	c	11,848	385	972	(125)	13,080
Teachers of Anatomy	d	195	276	-	(331)	140
Maplethorpe	e	6,180	202	512	-	6,894
Perren	f	3,820	121	307	(100)	4,148
Frost Chair	g	3,077	98	248	(98)	3,325
Summarised Charities						
	No. of Trusts					
Research Support	80	33,530	1,069	2,673	(1,063)	36,209
Bursary/Scholarship	18	6,259	198	501	(181)	6,777
General central University support	14	251	10	15	(16)	260
Other prize funds	8	1,999	65	163	(72)	2,155
		83,594	2,981	6,707	(2,562)	90,720

Analysis by asset

	At 31 July 2018 £'000	At 31 July 2017 £'000
Current and non-current asset investments	87,893	80,498
Cash & cash assets	2,827	3,096
	90,720	83,594

Notes to the Financial Statements

For the year ended 31 July 2018

23 Endowment reserves continued

a University of London 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 member institutions of the University of London for three purposes; by awarding prizes, to undertake research, to provide studentships.

b Convocation

This trust receives donations from University of London alumni and is used to support federal student services.

c 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.

d 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.

e Maplethorpe

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

f Perren

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

g Frost Chair

This trust is to support an academic Chair in Ophthalmology.

h Warburg Institute

The Warburg Institute is a constituent part of the School of Advanced Study specialising in cultural history, art history and history of ideas in the Renaissance. The Warburg Institute operates as an integral part of the operation of the University of London and therefore the income and expenditure of the Warburg Institute are included within University income and expenditure account. The designated reserves of the Warburg Institute are included within University reserves.

i ULBC Trust Limited

ULBC Trust Limited is a charitable company limited by guarantee set up in January 2009 to advance education at the University of London by supporting and encouraging the University of London boat club and the rowing clubs of member institutions. The company had been treated as an exempt charity under paragraph 28 of the Charities Act 2011 but, following a review by the University, the charity trustees of ULBC Trust Limited decided to register the charity with the Charity Commission for England and Wales. The registration took effect on 17 September 2017. The financial results, details of which are available via Companies House, have not been consolidated into the University results.

Notes to the Financial Statements

For the year ended 31 July 2018

24 Restricted reserves

Reserves with restrictions are as follows:

	Unspent capital grant £'000	Donations £'000	2018 Total £'000	2017 Total £'000
Balances at 1 August	-	293	293	223
New donations	210	250	460	463
Expenditure	(210)	(334)	(544)	(393)
Total restricted comprehensive income for the year	-	(84)	(84)	70
At 31 July	-	209	209	293

	2018 Total £'000	2017 Total £'000
Analysis of other restricted funds/donations by type of purpose:		
Scholarships and bursaries	-	1
Research support	77	118
General	132	174
	209	293

25 Cash and cash equivalents

	At 1 August 2017 £'000	Cash flows £'000	At 31 July 2018 £'000
Consolidated			
Cash and cash equivalents	48,667	(3,726)	44,941
	48,667	(3,726)	44,941

	At 1 August 2017 £'000	Cash flows £'000	At 31 July 2018 £'000
Consolidated			
Cash and cash equivalents	48,667	(3,726)	44,941
Endowment assets - short term deposits and cash	3,096	(269)	2,827
Other investments - short term deposits and cash	-	-	-
	51,763	(3,995)	47,768
Current asset investments	-	-	-
Debt due after one year	(49,987)	151	(49,836)
	1,776	(3,844)	(2,068)

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

Due to some of the consolidated cash and cash equivalents balance being held by subsidiaries, the University-only figures are lower than the consolidated figures, £2,562,000 lower at 1 August 2017, and £3,304,000 lower at 31 July 2018.

Notes to the Financial Statements

For the year ended 31 July 2018

26 Capital and other commitments

Provision has not been made for the following capital commitments at 31 July 2018:

	Year ended 31 July 2018		Year ended 31 July 2017	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Commitments contracted for property projects	451	451	689	689
	451	451	689	689

27 Lease obligations

Total rentals payable and receivable under operating and finance leases:

	Year ended 31 July 2018			Year ended 31 July 2017	
	Land and Buildings finance lease £'000	Land and Buildings operating lease £'000	Other operating leases £'000	Total £'000	Total £'000
Payable during the year	1	1,942	180	2,123	1,906
Future minimum lease payments due:					
Not later than 1 year	1	2,082	167	2,250	1,972
Later than 1 year and not later than 5 years	3	202	98	303	259
Later than 5 years	15	-	-	15	16
Total lease payments due	19	2,284	265	2,568	2,247
Future minimum lease receipts due:					
Not later than 1 year	10	1,238	-	1,248	1,161
Later than 1 year and not later than 5 years	40	2,462	-	2,502	3,017
Later than 5 years	822	1,562	-	2,384	2,394
Total lease receipts due	872	5,262	-	6,134	6,572

28 Related parties

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 (pages 24 and 25) 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. 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. Two Trustees received a total of £3,946 (2016-17: 3 Trustees £3,420) representing the reimbursement of travel and subsistence expenses incurred in attending Board of Trustees and Committee meetings and events in their official capacity.

Notes to the Financial Statements

For the year ended 31 July 2018

29 Accounting estimates and judgements

Estimates

Estimates used to calculate pension deficit liability

The changes in salary costs and staff numbers have been assessed using the forecast impact of the University's strategic plans on the number of staff employed, and known statutory and other increases to pay. The discount rate used is considered to be the equivalent of that of a high quality corporate bond.

Judgements

Treatment of pension schemes

FRS 102 makes the distinction between a Group Plan and a multi-employer scheme. A Group Plan consists of a collection of entities under common control typically with a sponsoring employer. A multi-employer scheme is a scheme for entities not under common control and represents (typically) an industry-wide scheme such as those provided by USS and SAUL. The accounting for a multi-employer scheme where the employer has entered into an agreement with the scheme that determines how the employer will fund a deficit results in the recognition of a liability for the contributions payable that arise from the agreement (to the extent that they relate to the deficit) and the resulting expense is recognised in profit or loss. The University is satisfied that the schemes provided by USS and SAUL meet the definition of a multi-employer scheme and has therefore recognised the discounted fair value of the contractual contributions under the funding plan in existence at the date of approving the financial statements.

USS deficit funding arrangements

There is uncertainty around future funding arrangements for the USS deficit, the 2017 valuation of which has not yet formally completed. The 2017 valuation has set out the likelihood of significant increases in contributions being required, though consultation on the funding of the past deficit has not yet concluded. The University believes until the valuation and consultation are complete, it remains appropriate to continue to account for the past deficit obligation in accordance with the plan agreed after the 2014 actuarial valuation. Further sensitivity analysis has been undertaken in note 22(i).

Useful lives of fixed assets

Items of plant and equipment are assessed on purchase to establish their useful life. Considerations include past experience of similar assets, supplier warranties and projected replacement dates.

Refurbishment assets are assessed on completion to establish their useful life. Considerations include the time elapsed since the last refurbishment of that underlying asset, and its projected future refurbishment dates.

Freehold buildings were assessed to have a useful life of 100 years at 1 August 2014. This is based on the nature of the buildings, which are in conservation areas, and many of which are listed. It is also based on the age and condition of the buildings, many of which have existed for over 100 years, and most of which have existed for a significant period of time. The buildings are reassessed annually and the remaining useful life updated, if applicable.

Investment properties

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.

30 Post Balance Sheet Event

On 26 October 2018, the High Court handed down a judgment involving the Lloyds Banking Group's defined benefit pension schemes. The judgment concluded the schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits. The issues determined by the judgment arise in relation to many other defined benefit pension schemes. The provisions for pension liabilities included within the financial statements at note 21 will only be impacted to the extent the change in benefits increases the demand for additional cash financing.

Annex to the Financial Statements

For the year ended 31 July 2018

Remuneration Committee Annual Statement

In preparing the financial statements, the University has had regard to the CUC Remuneration Code (the “Code”), published in June 2018. The University has confirmed its intent to comply with the Code going forward and indeed considers that it is already compliant in a majority of areas. The pay multiple of the Vice-Chancellor and the median earnings of staff is disclosed in note 8 to the financial statements. The University has had a Remuneration Committee (the “Committee”) prior to the publication of the Code. Below is a report on the current constitution and mode of operation of the Committee, and the Committee’s latest report to the Board of Trustees.

Constitution

The Remuneration Committee, which shall be appointed by the Board of Trustees, shall comprise:

- One independent member of the Board of Trustees (Chair).
- The Chair of the Board of Trustees.
- The Deputy Chair of the Board of Trustees.
- One Head of College on the Board of Trustees.
- The Committee may co-opt an additional external member with appropriate specialist expertise in the field of remuneration.

Mode of Operation

The Vice-Chancellor is not a member of the Committee, but may be invited to attend and participate in its meetings to advise the Committee as required on his/her direct reports. The Vice-Chancellor, the Secretary and any other officer or member attending shall not be present when their remuneration and terms and conditions of employment are being considered.

Report to the Board of Trustees

At its last meeting on 27 November 2017, the membership of the Remuneration Committee was as follows:

Constituency	Member
The Chair of the Board of Trustees (Chair ¹)	Sir Richard Dearlove
The Deputy Chair of the Board of Trustees	Vacant
Vice-Chancellor	Professor Sir Adrian Smith ²
One independent member of the Board of Trustees	Mrs Stella Beaumont
One Head of College on the Board of Trustees	Professor Stuart Reid

The University Secretary at the time, Kim Frost, was Secretary to the Committee, and Chris Cobb (Pro Vice-Chancellor (Operations)) was also in attendance; they were present at the meeting except for items in which they had an interest.

The Committee reviewed the salary, emoluments, allowances and other financial benefits payable by the University to senior officers; reviewed the emoluments paid to the Deputy Vice-Chancellor; reviewed the salaries of Deans, Directors and equivalent senior staff; received from the Vice-Chancellor a report on other staff employed by the University on Level 10 of the academic-related salary scale or its equivalent; received the report of the Equal Pay Review with specific reference to the section on senior staff and discussed actions to address the issues identified; received the report on the Gender Pay Gap and discussed actions to address the issues identified; and reviewed any severance payments made to senior staff.

At the meeting it was agreed that the constitution of the Committee should be changed to remove the Vice-Chancellor as a member of the Committee entirely. It was also agreed to amend the constitution to enable the Committee to co-opt an additional external member with appropriate specialist expertise in the field of remuneration. These amendments were subsequently approved by the Board of Trustees and have been formally made.

¹ In its October 2018 meeting the Board of Trustees approved that the position of Chair of the Remuneration Committee would be held by the independent member of the Board of Trustees, not the Chair, in line with the Code.

² the Vice-Chancellor was not a member of the committee when his own salary was under consideration, nor was he present.

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