

Annual Report and Financial Statements 2013–14

University of London Central Institutes and Activities





The University of London is a federal organisation and is one of the oldest, largest and most diverse universities in the UK. It consists of 18 autonomous Colleges of outstanding reputation, together with a number of prestigious academic bodies based at Senate House. Together they serve and support both the interests of the Colleges and the broader achievements of UK higher education. With the central professional services they strive to enhance the academic excellence of the federal University and to deliver highly effective, value-added services to the Colleges, while at the same time ensuring the financial sustainability of all its operations.

Contents

2	Vice-Chancellor's review
8	Public benefit statement
9	Financial review
15	Corporate governance statement
17	Membership and responsibilities of the Board of Trustees
19	Statement of internal control by the Board of Trustees
20	Independent auditors' report to the Board of Trustees of the University of London
21	Statement of the University's principal accounting policies
25	Consolidated income and expenditure account
26	Statement of consolidated total recognised gains and losses
27	Balance sheets
28	Consolidated cash flow statement
29	Notes to the financial statements

Vice-Chancellor's review

It has been a time of significant change at the University as we prepared to put into effect the actions contained in our recently published five-year strategy and there is renewed energy and purpose at the University as we adopt a confident strategy for growth.

School of Advanced Study

SAS celebrated a significant number of achievements during the year in support of its mission to support, facilitate and promote research in the humanities nationally and internationally. There was investment in Big Data with the Digital Transformations projects, funded by the Arts and Humanities Research Council (AHRC). The 'Big Data for Law' project at the Institute of Advanced Legal Studies will develop a big data toolkit to help researchers analyse and map the vast amount of new or modified legislature which is added to the statute book each month. 'Big UK Domain Data for the Arts and Humanities (BUDDHA)' and 'Digging into Linked Parliamentary Data' – a collaborative research project involving the UK, Canada and Netherlands, which won a share of more than £3M worth of grant funding – are being led by the Institute of Historical Research.

'Make Do and Mend': A Publishing and Communications History of the Ministry of Information, 1939–45, a major four-year AHRC-funded research project from the Institute of English Studies, in collaboration with King's College London and The National Archives, began in January. The project will investigate the publication and communication history of Britain's wartime Ministry of Information.

At the Warburg Institute, significant funding was awarded to the Bilderfahrzeuge project, building on Aby Warburg's legacy. It sets out to explore the migration of ideas in a broad historical and geographical context. It is funded by the German ministry of higher education and science, and was realised in co-operation with a number of

prestigious European Institutes. At the time of writing, we have just received the High Court judgement which we hope will clarify the intentions of the Warburg's 1944 Trust Deed, and we are studying its implications.

In other Institutes, the Institute of Philosophy secured a £1.9M grant for ground-breaking research in the senses, and Professor Geoffrey Crossick, SAS Distinguished Senior Fellow, led a new project to investigate monographs and open access. SAS also launched the Human Mind Project, led by Professor Sir Colin Blakemore, which highlights the contribution of the arts and humanities to the study of human nature, and the importance of a comprehensive, interdisciplinary approach to the study of the mind, integrating science and the humanities.

SAS has implemented many new initiatives this year. It has been planning with the British Academy and the AHRC for a major international humanities festival entitled Being Human which is taking place in November 2014. An agreement has been entered into with UN-HABITAT and the Institute of Advanced Legal Studies to begin the Urban Law Initiative.

SAS became a signatory to the National Co-ordinating Centre for Public Engagement's Manifesto for Public Engagement. In doing so it acknowledged a longstanding commitment to engaging the public as part of its national mission to support, facilitate and promote humanities research. The School also continued to support the Bloomsbury Festival, through the Bloomsbury Festival Cultural Engagement Project (an AHRC-funded project led by SAS).

In the teaching and training areas of its activities SAS saw the London Arts and Humanities Partnership (LAHP) launched in May 2014, in partnership with King's College London and UCL and in associate partnership with Queen Mary. SAS is the administrative and research training hub for the partnership. The LAHP AHRC Doctoral Training Partnership will offer up to 80 multi-institutional postgraduate research studentships each year. New

Vice-Chancellor's review *continued*

courses were launched during the year, with the first ever distance learning masters in refugee studies from the Human Rights Consortium's Refugee Law Initiative and a new MA in Garden and Landscape History launched in the Institute of Historical Research.

SAS continued to develop its events programme with increases in delegate numbers and geographical reach of events. In addition, the School has seen growth in widening access through views and podcasts.

Throughout the year, the School has continued to attract externally funded Fellows, including the Marie Curie, Mellon, Deyermond and Kress fellowships. Two major research libraries – of the Institute of Historical Research and the Institute of Classical Studies – were re-integrated with their Institutes. The Institute of Advanced Legal Studies (IALS) launched the Student Law Review – an open-access journal run by IALS PhD students.

In July 2014 the Board of Trustees agreed an investment package of £3.6M over five years which will enable SAS to increase academic capacity and reinforce its role at the centre of humanities, both nationally and globally.

International Programmes

In another year of sustained development and progress for the University of London International Programmes, we saw significant achievements against a backdrop of increasing expectations from students and competitive pressures from a growing international market. Competition had an impact on the numbers of continuing active students, which remained broadly at the same level of c.54,000 students as compared to the previous year.

In this challenging market we were encouraged by a good financial performance which saw income for the year grow to £53.8M, an increase of 4.3% year on year. This, coupled with significant cost reduction, has enabled a year on year increase in

payments to Colleges of 4.4% to over £21M for collaborative activity.

We have seen improving trends in student satisfaction for student lifecycle activities and the designation of the International Programmes with HEFCE allowing students in the UK to access government funding. Continuing development of our technology capability for both learning and student administration is rapidly improving our student experience and increasing our efficiency.

2013–14 was also a year of significant progress for contractual engagement with the federal Colleges with 10 out of 12 lead College collaborations now within a common contractual framework.

A strong new academic programme of activity is in development, focused in particular on vocational education for global markets. There was continued success for our MOOC programmes on the Coursera platform, which attracted 301,347 student registrations in the year, up 25,000 on the previous year.

Senate House Library

In August 2014 the Senate House Library welcomed Jackie Marfleet as its new Senate House Librarian. Jackie came to us with more than 20 years of experience within the library, information and knowledge management sectors. She joined the University from the National Archives, and has held roles at Ernst & Young, JPMorgan, KPMG and the British Library.

During the year, the Senate House Library's engagement numbers remained exceptionally strong. We received 150,000 visits from 40,000 registered users, with staff continuing their exemplary work in supporting the increasing number who rely on the Library's resources. Over 4,000 enquiries were answered, and the Library catalogue and website each received one million visits.

The funding model for Colleges' support for the Library was reviewed by a group chaired by Professor Paul Webley. As a result, over the next two years the Library will be adopting a new model that is based on library usage.

The Library also continued to use the COPAC Collaborative Collection Management tools to review and evaluate collections in partnership with our Colleges, including a major project looking at geography collections.

This year we reviewed the long-standing relationship with the British Psychological Society (BPS) and signed a new Memorandum of Understanding agreeing library support for independent candidates of the BPS. Additionally, we agreed to continue work on promoting engagement with the history of psychology through the Library's collections.

With the support of the Convocation Trust, the Periodicals Room was refurbished and new furniture bought to establish a fresh space dedicated to reading. Improvements were also made to the exhibition space in the Convocation Hall including improved lighting, design and cases. Our aim was to create a flexible space to show and promote the treasures of the collections in new ways, including developing interactive digital content. The first exhibition in the new space was entitled 'Oceans of Learning' – inspired by mankind's inescapable, sustaining and sometimes devastating relationship with the sea.

A powerful search tool, VuFind, was added to the library catalogue. VuFind provides a single search box, which offers new features including: intelligent keyword search, design optimisation for mobile and tablet screens, a selection of display languages, plus relevant additional information provided by Google Books, OpenLibrary, and Wikipedia.

University of London Institute in Paris

There were also changes at the University of London Institute in Paris. Professor Andrew Hussey took up an exciting new challenge as head of the new Centre for Post-Colonial Studies at the School of Advanced Study. Under its new Chief Executive, the Institute continues to work closely with Royal Holloway and Queen Mary who are members of a Consortium established with the central University in 2004 in order to create mutual benefit in a number of areas of academic and support activity.

Shared Services

Housing Services

University Halls have had a busy year, with a total of 3,083 students housed during the 2013–4 academic year. Term-time occupancy exceeded 99% across all Halls, except Lillian Penson Hall, where occupancy rates are traditionally lower. Conferencing and other non-student activity also remain buoyant.

A two-year redevelopment of three Halls of Residence in Cartwright Gardens, which date from the 1940s and 1960s, started on site in July 2014. The refurbished Halls will be ready for the autumn 2016 student intake and, once complete, will offer modern, affordable en-suite accommodation for 1,200 students. Living spaces will vary, with some students housed in a traditional undergraduate hall arrangement, some in townhouses, and others in cluster flats.

It has been a good year for Housing Services with further growth of the head tenancy scheme, now branded as 'Student Homes', and we anticipate there will be about 160 bed spaces for 2014–15 with the management of properties now an integral part of the service. The Reservations Team achieved almost 100% occupancy across the University's intercollegiate halls and has ensured that commercial bookings throughout the summer period have been maximised. The Private Housing and Advice Team has advised an unprecedented

Vice-Chancellor's review *continued*

number of students and provided a comprehensive programme of events, with almost 2,500 students attending the annual Housing Fair at Senate House in May and more than 200 at the September Flatmate Finder days.

Following extensive work with the Mayor of London's Academic Forum, we are confident that future provision of purpose built student accommodation by private developers will be subject to a requirement to either enter into an agreement with a Higher Education Institution (HEI) or provide an element of housing at rents that are affordable to the majority of students.

The Careers Group

It has been a successful year for The Careers Group (TCG). The Chancellor joined colleagues in celebrating the achievements of interns and Senate House hosted The London Graduate Fair for the first time.

The TCG Professional Development Unit generated a lot of external interest, with a sharp increase in bookings from external HEIs for its courses and webinars. This is a 270% increase compared to 2011–12.

The number of vacancies advertised on JobOnline, the organisation's job board and its individual College branded versions, increased by 66% to 25,300 compared to last year.

The Internships Team placed a total of 319 students and graduates into paid internships and permanent positions last year, a 90% increase from the previous year. Additionally the team also worked with King's College, Royal Holloway and BPP University on college-specific placements. As a result, a total of 37 students and graduates from these Colleges were placed in internships.

2013–14 saw the successful development of programmes such as the innovative QProjects Work Experience Scheme, run by the Queen Mary Careers & Enterprise Centre, which won the 2014 Guardian Employability Initiative Award.

UCL Careers' collaboration with the Departments of Management Science & Innovation, Engineering and Laws received a 'Careers Service/Academic Partnership' Award 2013 from the Association of Graduate Careers Advisory Services (AGCAS). The AGCAS awards are presented annually to the top performing careers services in different categories and are amongst the most prestigious in the profession.

At Royal Holloway the 'Passport Award', a skills award aiming to highlight the achievements and contributions made by students beyond their academic accomplishments and developed with the Royal Holloway Careers Service for the past two years, gained momentum with 2,919 students taking part in the scheme and 216 achieving the Passport Award itself – a 37.6% year on year increase.

At St Mary's University, 25 employer organisations came to the campus in 2013–14 to take part in lunchtime 'recruitment drives' – a new initiative achieved by diverting local budget into employer engagement staff during the second semester.

Finally The Careers Group also continued undertaking the Destinations of Leavers from Higher Education (DLHE) survey for 27 HEIs, and provided data analysis for a further four. In June TCG became the HEFCE-approved supplier for all Further Education Colleges (FECs), with 50 FECs having already signed up.

University of London Computer Centre

The University of London Computer Centre (ULCC) has had another impressive year of growth across its service portfolio. It reported a 28.6% growth in the number of registered Moodle users, which grew from 2.48 million to 3.19 million in the last 12 months. In addition, the teams completed nearly 100 Moodle upgrades and new deployments during summer 2014.

ULCC now supports, manages and hosts 27 institutional research and special collections repositories in the UK – for UCL, Kings College, Bloomsbury Colleges, and the Linnean Society amongst others. The Service Desk consolidated its reputation for excellent client support handling over 18,000 calls from internal and external customers.

During 2013–14, ULCC deployed over 500 WiFi access points in the University's halls of residence, as well as archiving and preserving 14TB of research data through its partnership with Arkivum.

Estates

This year the University has continued to increase its involvement with the local community. Initiatives have included a partnership with the National Literacy Trust to showcase its BookBench sculptures as part of its event Books About Town. We also worked with The Ramadan Tent Project, which hosted its event in Malet Street Garden, inviting visitors to share in the 2014 Eid celebrations.

We continued to foster collaborative projects within our federal community. The Estates team has introduced long-term precinct planning and renegotiation of precinct costs with our Colleges, as well as developing business continuity support for federal members, with St George's and LSE already signed up. Other notable activity included working with our internal clients to tailor services to their requirements, and an enhanced regime of service quality auditing for soft services.

Over the past year the University was confronted with periods of protest. Labour relations played a major role, with protests from the Independent Workers Union of Great Britain and Tres Cosas campaigners. We also experienced student demonstrations and several occupations. Both issues presented challenges to our security staff, who had to balance maintaining a safe environment for staff, students and visitors to Senate House, as well as allowing demonstrators to make their case peacefully within the law.

The University has been working diligently to reduce its carbon footprint and waste production, and we have set ambitious targets to reduce our carbon emissions by 20% in 2015–16, and 43% by 2020. We have reduced our Scope 1 & 2 Emissions by 15% since 2010, and in 2013–14 the University emitted 12,528 tonnes of CO₂ – a saving of 6,508 tonnes since 2010. Improving our sustainability means we have saved £1.25M since 2010; an equivalent of a £462,000 saving per year on energy (in comparison to a 'do nothing' approach).

Recycling is an essential activity in our endeavours to improve sustainability and the University is proud that none of our waste goes to landfill. Thanks to our Sustainability Champions, and to new recycling systems in the halls of residence and catering areas, the rate of recycling has increased from a monthly average of 20–30% per month a year ago, to up to 66% now. In 2013–14 the total waste produced across our estate was 959 tonnes, 541 tonnes (56%) of which was recycled. The total amount of energy from waste was 417 tonnes.

Our Conference & Events team has enjoyed a year of growth. The website saw a 19% year on year growth in traffic with around 76% of traffic from new users. Internal and external room usage also increased, resulting in an occupancy of around 70%.

The New Health Education England

Over the past year the former London Deanery has continued its transition as part of Health Education England (HEE), the new national NHS organisation responsible for the education, training of current and future NHS employees across the range of clinical specialties. HEE's aim is to improve health and patient outcomes and experience through excellence in education and training.

Notable achievements in 2013–14 included:

- Commissioning clinical and professional training for 12,600 medical and dental staff and 7,300 other health care staff.
- Setting up Community Education Provider Networks across London to develop the community-based workforce, in order to meet the health needs of their local population.
- Training 42,600 healthcare professionals in dementia awareness.
- Working in partnership with local providers to develop education plans and commissions to deliver benefits for patients, trainees and students.

Student Central

During the course of the year there were some significant changes to the structure of student services in the central University. At the end of July the University of London Union ceased to exist as the recommendations of the 2012–13 Webley review were put into place. The building and its range of services have been renamed Student Central and those services that students told the University they most value have been retained, including the swimming pool, gym, shops, cafes, bars, venues, and the administrative support for inter-collegiate sporting events. In its first few months of operation Student Central has got off to a very positive start.

University Marine Biological Station

In January ownership of the land, building and facilities that made up the former University Marine Biological Station at Millport in Scotland was transferred to the Field Studies Council (FSC). This was the best possible outcome for the local economy and the FSC plans to develop the former station into a flagship for field studies in Scotland.

Finally on a personal note, I would like to take this opportunity to thank His Honour Judge Grainger and Professor Jonathan Freeman-Attwood, Principal of the Royal Academy of Music, who both retired from the Board of Trustees at the end of July. Their valued contributions to the work of the Board and their commitment to the continuing success of the University has been greatly appreciated by us all.

I would also like to pay tribute to Dame Jenny Abramsky, Chair of the University's Board of Trustees until last summer. I know that the whole University will join me in thanking her for six years of hard work and wise counsel. Dame Jenny has been a tireless advocate of the University's role in London, the UK and the world and we hope that she will remain in touch now that she has left us.

Public benefit statement

The University is an exempt charity under the terms of the Charities Act 2011. The Charities Commission has issued guidance on public benefit requiring that there must be clearly identified benefits related to the aims of the charity; that the benefits must be to the public, or to a section of the public; that where the benefit is to a section of the public, the opportunity to benefit must not be unreasonably restricted by geographical or other restrictions or by the ability to pay fees; and that people in poverty must not be excluded from the opportunity to benefit.

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

The University makes a significant contribution, not just to the advancement of education, but also in a variety of ways to all of the other specific categories of charitable purposes set out in the Charities Act 2011.

The Colleges of the University, which are all themselves exempt charities, have included within their respective financial statements for 2013–14 Public Benefit statements in conformity with the reporting requirements of the HEFCE Accounts Direction for 2013–14 and reference thereto should be made in considering the public benefits delivered by the University, given that its primary purpose is to serve and further the interests of its Colleges.

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

To provide an example, the University of London International Academy (UoLIA), through its associated International Programmes deliver programmes in a wide range of disciplines and subject areas. These include MScs in Poverty Reduction; Applied Educational Leadership and Management; Environmental Management; Livestock Health and Production; Clinical Trials, Epidemiology, Infectious Diseases and Public Health; and Citizenship Education. BAs in Theology, English, History, Philosophy and Classics and the LLM and LLB degrees. The International Programmes are priced competitively to enable students, both in the UK and overseas, to access them. Thus the cost of a typical three-year undergraduate programme is some £3,000 – £4,000 whilst postgraduate programmes are available from £8,000 – £13,000.

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 2014 were carried at their market value which was £73M and the sums expended during the year from these funds amounted to £3.4M. This expenditure represents payments in respect of fellowships and scholarships, prizes, and chairs and lectureship funds as well as a range of other awards to assist students and researchers within the Colleges and UoLIA thereby providing opportunities to those whose means may otherwise inhibit them from participating in teaching and research activities. The University's trust funds are also utilised to fund an ongoing series of prestigious public lectures, recitals and readings generally in areas connected with the arts and humanities.

The mission of The Careers Group is to contribute to the public benefit by enabling organisations to educate and develop individuals to achieve and maintain career success. The Careers Group provides products and services of the highest quality that help individuals achieve and maintain career success; help organisations, institutions and academic staff to help individuals achieve and maintain career success; and help employers recruit, retain and develop employees.

The Careers Group's services and products are distinguished by being founded on its unique position at the interface between the University of London and the world of work, on credible research and on staff who uphold the ethics of the careers guidance profession and whose expertise and understanding of students, graduates, career management skills and employment is second to none.

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 2013–14 more than 2,000 events were organised attracting almost 64,000 audience members drawn from the UK, internationally and the London area. The majority of the events are free and open to the public and all are welcomed and encouraged to take advantage of the access to the current research and interdisciplinary cross-fertilisation that these events afford.

Financial review

Overview

The financial performance for the 2013–14 year has continued to improve in line with the trend seen over the last few years, with an operating surplus of £7.5m, which represents 5.0 per cent of turnover. The University is moving nearer to the level of financial performance required in order to maintain long-term financial sustainability and to enable the future investment that is required to meet its strategic objectives, as outlined in the 2014–19 University Strategy. It is a strategy for investment and growth, and so the 2014–15 financial year will see the University embark on a series of new investments.

University Strategy 2014–19

In July the University announced its new Strategic Plan, covering the period 2014–19. The plan is a strategy for growth, and 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 to 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's members 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.

Financial Strategy

The University 2014–19 Strategy is founded on the sustainability of its financial position underpinned by robust financial management. In order to meet the ambitions of the Strategy the University will need to deliver an operating surplus of c.5% of turnover on an

on-going basis in order to generate the investment funds required. Investment will be in people and operational projects as well as on the estate and other capital projects and, as with any organisation, it is vital to refresh the University as failure to act will lead to slow decline. However the financial performance in 2013–14, which reflects the continued development of the University, means the University enters the planning period in a solid financial position and enables it to embark on the investment programme with confidence.

The first phase of investment will commence in the 2014–15 financial year. In particular there is an increase in the financial investment in the academic capacity in the School of Advanced Study, as well as the redevelopment of the Cartwright Gardens halls of residence, and the new Student Central centre on Malet Street. The operating surplus for the coming year is subsequently expected to be lower than seen in the 2013–14 year.

During the 2013–14 year the University was operating under its previous 2009–14 Strategy, the third aim of which was to ensure the financial sustainability of all University operations. Specifically the financial strategy supporting this aim comprises three components:

1. The need to generate a sufficient annual operating surplus to support long term sustainability.
2. The need to generate an adequate cash flow sufficient to support the working capital needs of the University, its business development and its capital and investment requirements.
3. The need to maintain sustained ongoing capital investment in the University's estate, facilities and IT infrastructure.

In order to measure progress against the Strategic Plan the University produces an annual Operating Plan. The Operating Plan, which is updated each year, reviews performance and progress against the strategic objectives over a shorter, one or two year, time horizon. It identified three objectives for the 2013–14 year in support of the financial sustainability aim:

1. Achieve a University operating surplus of at least 3.5% of total income.
2. Maintain and improve the financial sustainability of specific activities of the University.
3. Maintain and develop the University estate.

Financial review *continued*

The financial results for the year demonstrate that the University has exceeded its operating surplus target. Other sections of this Annual Report separately highlight where in the year the University has taken action to maintain and improve the financial sustainability of specific areas of its business.

Financial highlights

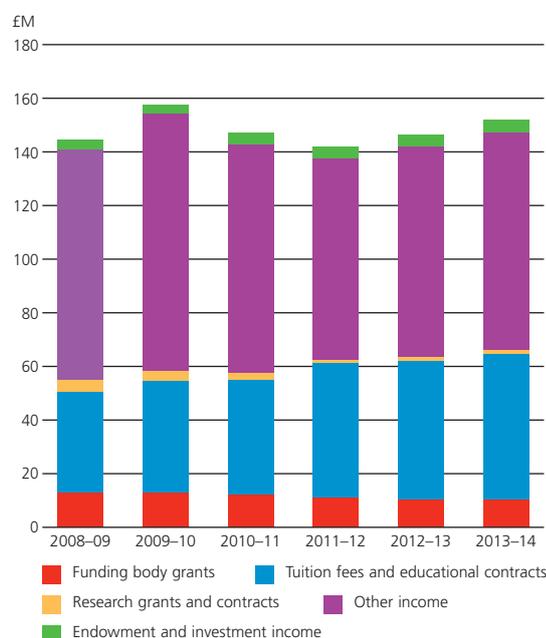
	£M 2013–14	£M 2012–13	£M 2011–12	£M 2010–11	£M 2009–10	£M 2008–09
Income	151.0	145.5	141.5	145.8	157.0	144.3
Expenditure	(143.6)	(140.6)	(137.0)	(141.7)	(154.2)	(146.7)
Operating surplus for the year	7.5	4.9	4.6	4.1	2.8	(2.4)
Surplus on disposal of assets	(0.1)	1.9	2.3	0.2	23.3	0.2
Surplus after disposal of assets	7.4	6.9	6.9	4.3	26.1	(2.1)
Additional key financial figures						
Operating surplus as percentage of income	5.0%	3.4%	3.2%	2.8%	1.8%	-1.6%
Cash generated from operating activities	12.6	7.5	16.3	9.0	8.1	0.6
Capital expenditure	32.9	5.5	6.0	6.7	13.8	17.2
Cash balance (including endowment cash and near cash equivalents)	59.6	50.1	44.4	29.9	32.3	12.6
Net debt balance	9.4	(10.1)	(10.1)	(30.5)	(28.3)	(48.2)

The results for the 2013–14 year continue the trend seen in recent years and show the University improving its financial performance and solidifying its financial position. The key highlights for the 2013–14 financial year are:

- Income grew by 3.8% to £151 million.
- Expenditure grew by 2.1% to £143.6 million.
- Operating surplus was £7.5 million, increasing from £4.9 million in 2012–13. This represents a surplus to turnover ratio of 5.0%.
- The retained surplus, after asset disposals was £7.4 million, compared to £6.9 million last year.
- Cash (and cash equivalents) increased by £9.5 million in the year to £59.6 million.
- Net debt reduced from £10.1 million to a net cash position of £9.4 million over the course of the year.
- Capital investment in the year totalled £32.9 million.

The backdrop remains a changing and challenging environment faced by the Higher Education sector, where 2015 may see a new government with the potential changes in Higher Education policy and the implications this could bring. Whilst direct HEFCE funding represents a smaller proportion of revenue for the University compared with most other UK HE institutions, it still represents a crucial source of revenue particularly in relation to the School of Advanced Study. 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 more to do to provide the University with the greater capacity required to support the ongoing investment in its academic operations, service business areas and infrastructure. The increasing surplus in the current year reflects the on-going benefits from the corporate reorganisation programme and specific departmental reorganisations undertaken in previous years as well as a number of new initiatives in the current year.

Income



The main highlights are:

- Funding body grants, primarily from the Higher Education Funding Council for England (HEFCE) were £10.5 million, and so broadly the same as in the prior year.
- Tuition fees and education contracts, which represents the University's largest source of income, have increased by 3.6% to £54.4 million. The largest element relates to the University's International Programmes where income grew despite a small reduction in student numbers from 54,133 in 2012-13 to 53,938 in 2013-14.
- Research grants and contracts income increased to £1.8 million, which represents a growth of 61% from the prior year.
- Other income has grown by 3.9% since the prior year to £80.8 million. There are a number of components:
 - Income from College subscriptions and charges (for services provided to the Colleges from the University) reduced by £0.6 million from the prior year to £8.3 million.
 - The largest element relates to the University's Residences and Catering operation which includes the intercollegiate student halls of residence operated by the University. Income grew by 9.6% over the prior year to £31.2 million.
 - Estates income at £3.8 million was broadly unchanged from the prior year.

- Other General Income, which includes income generated from services provided to education establishments outside of the Colleges of the University, at £17.5 million was broadly unchanged from the prior year.
- Income in relation to the provision of accommodation and other services and payroll costs for the Deanery has reduced by 1.4% to £18.7 million.
- Donations totalling £1.2 million were received in the year, compared to £0.3 million in the prior year.
- Endowment and investment income totalled £3.5 million, compared to the £3.6 million received in the prior year.

Expenditure



Total expenditure increased by 2.1% compared to the prior year; representing a lower rate of growth than the corresponding growth in revenue.

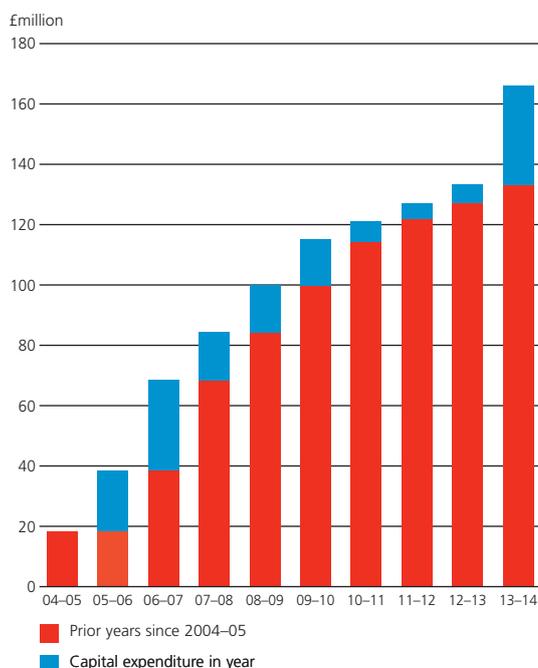
Unlike most universities, staff costs at the University are not the largest component of expenditure, and comprise 37 percent of the total costs. Staff costs have decreased over the year by 0.8% to £53.2 million. Staff numbers have reduced by 45 to 1,025, including a reduction of 34 in the University.

Other operating expenditure has increased by 5.7% to £81.7 million. This comprises the costs, other than staff costs, in relation to the International Academy, residences and catering, maintenance, academic departments, services and other activities across the University.

Financial review *continued*

Capital expenditure

The chart shows the cumulative and in year capital expenditure of the University over the last ten years.



The University has continued to invest in improving and upgrading its teaching and research infrastructure, its student facilities and halls of residences and its estate generally.

An analysis of the principal components of the capital expenditure over the ten year period to 31 July 2014 are:

Area of investment	£M
Senate & Stewart House	666.1
Other Academic Estate	115.8
Halls of Residence	660.3
Other Estate	77.6
Systems	77.1
Computer Equipment	66.2
Heritage Assets	22.3
Other	0.5
Total	1,165.9

The major investment in the year was in relation to the redevelopment of the Garden Halls residences in Cartwright Gardens with University Partnership Programme, UPP. As part of this transaction the University has entered into a new 125 year lease with the freeholder of the site. The other substantial investment saw the University undertake a major refurbishment of the east wing of the north block of Senate House. The work was

substantially completed by the year end allowing the Institute of Historical Research to move back into the space in August 2014.

Balance sheet

At the year-end net assets totalled £254 million, rising from £240 million at July 2013.

The University successfully completed the deal to redevelop the Garden Halls residences in Cartwright Gardens with the University Partnerships Programme (UPP). The transaction, which produced a capital receipt of £40 million, establishes a 52 year partnership with UPP and enabled the University to secure £17.5 million for a new 125 year lease on the site from the freeholder. As part of the transaction, the University has taken a small minority investment for £4.0 million in the UPP Company that will develop the property.

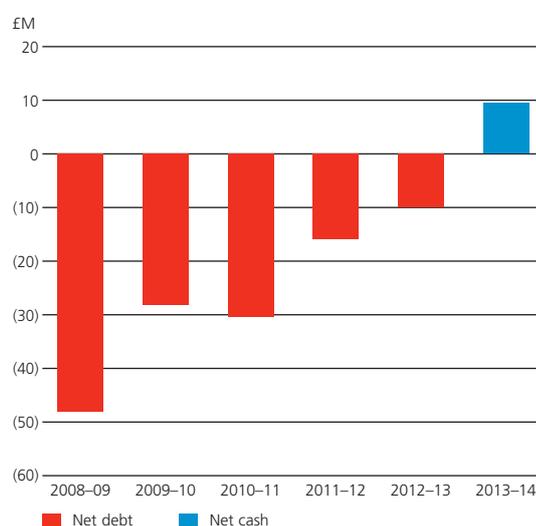
Tangible assets grew to £172 million from £149 million in July 2014, primarily due to the Cartwright Gardens transaction. Investments have increased by £11 million to £63 million, due to the Cartwright Gardens transaction and the increase in market value of the University's investment properties.

Cash and current asset investments have increased by £9.5 million over the year helped by the net cash received on the Cartwright Gardens transaction. The University also repaid its Barclays unsecured bank loan of £10 million in July 2014. The increase in creditors falling due after more than one year reflects the capital receipt from the Cartwright Gardens redevelopment transaction, which is being deferred over the 52 years of the transaction, partially offset by the £10 million reduction in bank loans following the repayment to Barclays.

Cash flow

The University's total cash position (comprising cash, current asset investments and endowment asset cash) grew by £9.5 million across the year to £59.6 million at 31 July 2014, reflecting the positive net cash inflow from operations and the net cash inflow following the completion of the Cartwright Gardens redevelopment transaction. This represents 152 days of expenditure. The increase in cash continues the trend seen in recent years.

Net cash/(net debt)



At July 2014 the University had reduced its long term borrowings to £50.3 million. Hence the University is now in a net cash position of £9.4 million at 31 July 2014, which compares to the net debt position of £10.1 million at 31 July 2013.

As in prior years, the University has continued to pursue a conservative treasury management policy with appropriate counter party 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.

Investment performance

As was highlighted in last year's report, the University has undertaken a review of its investment strategy in the light of recent performance. This review concluded with the University implementing the new Investment Strategy and asset allocation for the UTF during the first half of the 2013-14 financial year. The new Investment Strategy has an investment policy which provides a balance between income and capital growth with a medium level of risk over the longer term. The primary objective is to achieve a total return, including dividends, interest, rent or other income, and capital appreciation, of inflation +4% per annum, gross of fees, over a rolling 5 year period. The new strategy has split the fund into three distinct portfolios; Equity, which represents the largest of the three portfolios at approximately 70% of the fund and is managed by Newton Investment Management Limited; 12.5% in Absolute Return funds; and 17.5% in Property and which is invested in a property fund rather than direct specific property investments.

On a total return basis the performance of the Fund for 2013/14 saw a return of 4.1% (compared to the Fund's benchmark return of 5.42%), reflecting the underlying market conditions and the cost of transfer to the new strategy. The benchmarks for the fund have been reset to the start of the new investment policy. Over the period from November 2013 to June 2014 the fund return was 5.4%, which was in line with the benchmark targets.

The University's investment properties have been subject to a professional valuation as at 31 July 2014 undertaken by Knight Frank LLP, Chartered Surveyors. The valuation has resulted in their carrying value being increased by £7.0 million to £54.6 million, an increase of 14.6%.

Risks and opportunities

The University of London is a unique institution. Its operations centre on the Central Academic Bodies and support activities which it performs on behalf of the federation of self-governing and autonomous member Higher Education Institutions (HEIs) that comprise its member Colleges. The University also supplies services to other HEIs in the sector and has sizeable property assets in Bloomsbury and a number of other mainly central London locations.

Whilst the University's Collegiate Council determines and advises the Board of Trustees on the collective College 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 ongoing reforms of public sector finances and funding for higher education. This has meant reduced central funding and increasing competition as universities vie for the best students and new providers enter the market. The University's dependency on public funding is less than most other UK universities; these financial statements show that funding from HEFCE accounted for 6.95% of total income.

However the University does receive specific HEFCE funding for the national role the School of Advanced Study (SAS) has to promote and facilitate 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 Group. Unfortunately, due to sector wide cuts to special teaching funding, the level of grant reduced by 3% from August 2014. This has necessarily required the School to consider the breadth and scale of its operations in relation to its national role. Aside from this, the University will be increasing its

investment in the School to realise some of its own strategic objectives which underpin the new University Strategy. It is not the University's intention that this new investment should be used as a substitute for the loss of funding for the School's national role.

A related risk is that of the future financial sustainability of Senate House Library, whose work is in part linked to SAS as well as providing a service to Colleges and the wider research community. The University will be reviewing its strategy and operations for libraries, including setting an appropriate level of charges and fees.

The International Academy is a major source of income for the University. It provides distance and flexible learning programmes at both undergraduate and postgraduate level with around 54,000 continuing students in total across approximately 180 countries. There are both opportunities and threats for this activity. The market for distance education is increasingly competitive with new institutions, new learning technologies and private capital all accelerating the pace of change. The University is investing in developing new and existing programmes and infrastructure to ensure the International Academy and the University continues to be a world-leading institution in this area.

The University completed the transfer of the University Marine Biological Station to the Field Studies Council on 1 January 2014 who re-opened the station as a field studies centre this spring. The University has no financial responsibility after the transfer.

The University is a significant provider of student residential services with its main focus on meeting the needs of the students of its Colleges. The University's halls of residence accommodate over 3,000 students. The redevelopment of the Garden Halls at Cartwright Gardens started in July 2014 and is scheduled to be completed in September 2016. With the Cartwright Gardens halls providing approximately one third of our total halls of residence capacity this redevelopment represents a sizable project for the University and will give a significant modernisation to our residence provision. The University has provided support to a number of the Colleges to find alternative accommodation during the redevelopment. We regard the expansion of our halls as offering an important growth opportunity, because residential accommodation is of such importance to present and future students. In addition to our halls of residence, the University through its Housing Services team provide advice and housing support to over 20,000 students living in the private rental sector. The provision of first class student services, including residential services, is of critical importance to the University and its Colleges.

Looking forward

The University conducts regular reviews of its prospective medium-term financial position by way of using various planning scenarios. This enables us to respond, should the need arise, to changes in our operations and to ensure that financial sustainability is unimpaired. The new University Strategy has set out the plans for the next five years to 2019.

Forming a key component of the University Strategy, financial sustainability is essential and the University will be required to generate sufficient surpluses from its activities to meet its current and future business needs. The University will continue to review all activities to ensure that they are sustainable and fit for purpose. Additionally, the University will seek to diversify its income base. The University Strategy proposes to increase the financial operating surplus by 2020 through the following areas:

Academic

- Increasing student numbers in International Programmes via a range of business models offering different levels of collaboration and involvement.
- Raising additional income for our academic work through fundraising activities and extra research income arising from our academic investment.

Services

- Additional income from new customers and new markets, and possibly investment from new partners.
- Addressing areas of cost under-recovery and efficiency within the existing service offer.

Property

- Greater return on 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.

Summary

Financial sustainability is a key part of the University Strategy, as will be the need to provide the capacity to invest in our academic operations, our service areas and our estate and infrastructure. The University is in a sound financial position. We continue to build upon the work undertaken in recent years and work to grow and diversify our income base and surplus to provide the further investment capacity that will allow the University to further enhance its position at the heart of a federation of world-class academic institutions.

Corporate governance statement

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

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

The 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 University is an independent corporation which was incorporated originally by Royal Charter in 1836 and is, at present, incorporated by Royal Charter granted in 1863. It is now governed by the University of London Act 1994 and by the Statutes made under that Act, approved by the Privy Council on 11 June 2008 and effective from 1 August 2008, which set out its objectives, powers and framework of governance. The University of London is a federal university and, as well as the Central Academic Bodies and activities included in these financial statements, comprises a further 18 autonomous Colleges each of which is an HEI and a self-governing incorporated body with its own legal identity and which receives its funding from the Higher Education Funding Council for England (HEFCE) independently from the University itself.

The University's **Board of Trustees**, the governing and executive body of the University, comprises nine appointed independent persons – all of whom are non-executive – the Vice-Chancellor and four Heads of Colleges, appointed by the **Collegiate Council**. The role of the Chair of Board of Trustees is separated from the role of the University's chief executive, the Vice-Chancellor. The powers of the Board of Trustees are set out in the Statutes of the University and under the Financial

Memorandum with HEFCE. 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 and the receipt of regular reports from its committees on the day-to-day operations of its business and of its subsidiary company.

The Board of Trustees is supported by the **Collegiate Council**, which comprises the Heads of the Colleges of the University, the Dean of the School of Advanced Study, and the Collegiate Council's Chair, the Vice-Chancellor. The Collegiate Council is responsible for determining, and advising the Board of Trustees on, the collective view of the Colleges in respect of all matters concerning the University of London as an incorporated body, including its strategic direction. 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 constituent academic bodies and activities, and recommends to the Board of Trustees the University's annual budgets for these bodies and activities. It monitors performance against these plans and budgets, and makes proposals and recommendations to the Board of Trustees regarding the resources and services provided by the University to the Colleges, and on the funding of those services.

The University's Statutes provide that the Board of Trustees shall appoint an Audit and Risk 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 established, in addition to the Audit and Risk Assurance Committee, include Nominations, Remuneration, 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 the regulatory requirements and considers reports from HEFCE as they affect the University's business. 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 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 of Colleges and College Secretaries.

The **Remuneration Committee** determines the remuneration of the Vice-Chancellor and other senior staff and the **Investments Committee** is responsible for matters relating to the investments of the University, including recommending to the Board of Trustees the appointment of investment managers. The **Safety Committee** is responsible for reviewing and taking action as appropriate on the University's safety policies which ensure the health and safety of employees, students, visitors and others who may be affected by the University's activities. The **Trust Funds Committee** makes allocations from the University's endowment funds to support educational activities at the University and at the Colleges. 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 maintaining and promoting the efficiency and good order of the University. The Vice-Chancellor is also, under the terms of the financial memorandum between the University and the HEFCE, 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 2013 to 26 November 2014 (unless otherwise stated):

<u>Independent Members</u>	<u>Period of Office</u>
Dame Jenny Abramsky (Chair)	Until 31 July 2014
Ms Stella Beaumont	From 1 August 2014
Mr David Beever	
Mr Abdul Bhanji	
Ms Emma Burns	
Sir Richard Dearlove (Chair)	From 1 August 2014
Mr Steven Fogel	
His Honour Judge Grainger	Until 31 July 2014
Mr Edward Hartill	
Mr Gerard Lemos	
Mrs Suzanne McCarthy	

Vice-Chancellor

Professor Sir Adrian Smith

Representative Heads of Colleges

Professor Jonathan Freeman-Attwood, Principal of the Royal Academy of Music	Until 31 July 2014
Professor Simon Gaskell, Principal of Queen Mary University of London	
Professor David Latchman, Master of Birkbeck, University of London	
Professor Paul Layzell, Principal of Royal Holloway, University of London	
Professor Stuart Reid, Principal of the Royal Veterinary College	From 1 August 2014

Responsibilities

In accordance with the Charter and Statutes of the University of London, the Board of Trustees of the University is responsible for the administration and management of the affairs of the University, including ensuring 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 on Accounting for Further and Higher Education and all other relevant accounting and financial reporting standards. In addition, in the terms and conditions of the financial memorandum agreed between the Higher Education Funding Council for England (HEFCE) and the University, the Board, through its Head of Institution and Accountable Officer (the Vice-Chancellor), is required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the University, and of the surplus or deficit and cash flows for the year.

In 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 HEFCE are used only for the purposes for which they have been given and in accordance with the financial memorandum with HEFCE 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.

Membership and responsibilities of the Board of Trustees *continued*

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

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

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

The system of internal control is based on an ongoing process designed to identify the principal risks to the achievement of policies, aims and objectives, to evaluate the nature and extent of those risks, and to manage them efficiently, effectively and economically. This process has been in place for the year ended 31 July 2014 and up to the date of approval of the financial statements, and accords with HEFCE guidance.

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

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

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

We have audited the financial statements of the University of London for the year ended 31 July 2014 which comprise the consolidated income and expenditure account, the statement of total consolidated recognised gains and losses, the Group and University balance sheets, the consolidated cash flow statement and the related notes 1 to 31. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and the Statement of Recommended Practice: Accounting for Further and Higher Education.

This report is made solely to the governing body in accordance with the charter and statutes of the University, the financial memorandum effective August 2010, section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and regulation 10 of the Charities Accounts (Scotland) Regulations 2006 (as amended). Our audit work has been undertaken so that we might state to the governing body those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the board of governors as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the governing body and auditor

As explained more fully in the Governing Body's Responsibilities Statement, the governing body is responsible for the preparation of the financial statements that give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and University's affairs as at 31 July 2014 and of its surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and the Statement of Recommended Practice: Accounting for Further and Higher Education; and have been properly prepared in accordance with section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and regulation 10 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

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

In our opinion:

- in all material respects, income from the funding council, grants and income for specific purposes and from other restricted funds administered by the University during the year ended 31 July 2014 have been applied for the purposes for which they were received; and
- in all material respects, income during the year ended 31 July 2014 has been applied in accordance with the University's statutes and, where appropriate, with the financial memorandum and with the funding council.

Matter on which we are required to report by exception

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

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

The Charity Accounts (Scotland) Regulations 2006 (as amended) requires us to report to you if, in our opinion:

- the information given in the Annual Report is inconsistent in any material respect with the financial statements; or
- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Deloitte LLP

Chartered Accountants and Statutory Auditor
St Albans, UK
27 November 2014

Statement of the University's principal accounting policies

Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP): *Accounting for Further and Higher Education 2007* and in accordance with applicable United Kingdom Accounting Standards. They conform to guidance published by the Higher Education Funding Council for England.

The activities of the University, together with the factors likely to affect their future performance and position are as set out in the Financial Review on pages 9 to 14. Having regard to the University's considerable assets and financial resources, its Board of Trustees believe it is well placed to manage its risks successfully notwithstanding the current economic conditions and future uncertainties associated therewith. The Board of Trustees 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 investments.

Basis of consolidation

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

Related party transactions

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

Taxation

The University is an exempt charity under 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 same way as any commercial organisation.

Foreign currencies

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

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

Recognition of income and expenditure

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

Income from research grants, contracts and other services rendered is included to the extent of the completion of the contract or service concerned. This is generally equivalent to the sum of the relevant expenditure incurred during the year and any related contributions towards overhead costs. Unspent balances are carried forward.

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

Statement of the University's principal accounting policies *continued*

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

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

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

Non-recurrent grants from Funding Councils or other bodies received in respect of the acquisition or construction of fixed assets are treated as deferred capital grants and amortised in line with depreciation over the life of the assets.

Cash flows and liquid resources

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

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

Endowment funds

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

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

Land and buildings

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

Heritage assets

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

Other tangible assets – equipment

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

Motor vehicles	3 years
Computing equipment	4–7 years
Other plant and machinery	5–20 years
Boats and boat equipment	10–25 years

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

Statement of the University's principal accounting policies *continued*

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

Leased assets

Costs in respect of operating leases are charged on a straight-line basis over the lease term.

Leasing agreements, which transfer to the University substantially all the benefits and risks of ownership of an asset, are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital elements of the leasing commitments are shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied in order to reduce outstanding obligations and the interest element is charged to the income and expenditure account in proportion to the reducing capital element outstanding. Assets held under finance leases are depreciated over the shorter of the lease term or the useful economic lives of equivalent owned assets.

Intangible assets

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

Investments

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

Current asset investments

Current asset investments comprise money on term deposits 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.

Investment properties

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

Stocks

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

Provisions and contingent liabilities

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

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

Pension schemes

The University participates in the University Superannuation Scheme (USS) and the Superannuation Arrangements of the University of London (SAUL). These are externally funded defined benefits schemes which are contracted out of the State Second Pension. The liabilities of both these schemes are valued every three years by professionally qualified independent actuaries using the projected unit method, the rates of contribution payable being determined by the trustees on the advice of the

Statement of the University's principal accounting policies *continued*

actuaries. In the intervening years, the actuaries review the progress of the schemes. Pension costs are assessed in accordance with the advice of the actuaries, based on the latest actuarial valuation of the schemes, and are accounted for on the basis of charging the cost of providing pensions over the period during which the institution benefits from the employees' services.

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

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

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

Consolidated income and expenditure account for the year ended 31 July 2014

Note		2014 £'000	Re-stated 2013 £'000
Income			
1	Funding body grants	10,500	10,419
2	Tuition fees and educational contracts	54,395	52,504
3	Research grants and contracts	1,830	1,135
4	Other income	80,848	77,840
5	Endowment and investment income	3,457	3,610
		151,030	145,508
Expenditure			
6	Staff costs	(53,206)	(53,633)
7	Other operating expenses	(81,686)	(77,305)
8	Interest payable	(2,693)	(2,697)
9	Depreciation	(5,964)	(6,935)
		(143,549)	(140,570)
	Surplus on continuing operations after depreciation of assets at cost and before tax	7,481	4,938
	Exceptional items:		
	(Loss)/surplus on disposal of fixed assets	(67)	1,932
	Surplus after depreciation and disposal of assets	7,414	6,870
	Transfer from/(to) accumulated income within endowments	577	(36)
	Surplus for the year transferred to reserves	7,991	6,834

The consolidated income and expenditure relates wholly to continuing activities.

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

Statement of consolidated total recognised gains and losses for the year ended 31 July 2014

Note	2014 £'000	2013 £'000
Surplus after depreciation and disposal of assets and tax	7,414	6,870
11 Appreciation of endowment asset investments	281	7,952
11 Appreciation of fixed asset investments	18	504
Appreciation of current asset investments	–	96
11 Appreciation of investment properties	6,958	5,071
17 New endowments	608	517
Total recognised gains and losses relating to the year	15,279	21,010
Reconciliation		
Opening reserves and endowments	229,341	
Total recognised gains and losses relating to the year	15,279	
Closing reserves and endowments	244,620	

Balance sheets as at 31 July 2014

Note	Consolidated		University		
	2014 £'000	2013 £'000	2014 £'000	2013 £'000	
Fixed assets					
9	Tangible assets	171,671	149,258	169,299	146,844
10	Intangible assets	34	126	34	126
11	Investments	62,908	51,899	62,419	51,709
11	Endowment assets	72,962	72,650	72,962	72,650
		307,575	273,933	304,714	271,329
Current assets					
	Stocks	1,352	1,165	1,352	1,164
12	Debtors	14,771	13,086	16,906	14,758
	Current asset investments	37,510	37,151	37,510	37,151
	Cash at bank and in hand	18,991	9,986	16,306	8,535
		72,624	61,388	72,074	61,608
13	Creditors: amounts falling due within one year	(37,674)	(33,440)	(34,263)	(31,056)
	Net current assets	34,950	27,948	37,811	30,552
	Total assets less current liabilities	342,525	301,881	342,525	301,881
14	Creditors: amounts falling due after more than one year	(88,394)	(60,250)	(88,394)	(60,250)
15	Provision for liabilities and charges	–	(1,472)	–	(1,472)
	Total net assets	254,131	240,159	254,131	240,159
Represented by					
16	Deferred capital grants	9,512	10,818	9,512	10,818
Reserves					
17	Permanent endowments	64,549	63,909	64,549	63,909
17	Expendable endowments	8,412	8,741	8,412	8,741
18	Revaluation reserve	56,162	49,336	56,162	49,336
19	General reserves	115,496	107,355	115,496	107,355
	Total funds	254,131	240,159	254,131	240,159

Approved by the Board of Trustees on 26 November 2014 and signed on its behalf by:

Abdul Bhanji
Deputy Chairman, Board of Trustees

Andrew Murphy
Chief Financial Officer

Professor Sir Adrian Smith
Vice-Chancellor

The notes on pages 29 to 50 form part of these financial statements.

Consolidated cash flow statement for the year ended 31 July 2014

Note		2014 £'000	2013 £'000
22	Net inflow from operating activities	12,595	7,541
23	Returns on investments and servicing of finance	765	674
24	Capital expenditure and financial investment	6,133	(2,554)
	Cash inflow before management of liquid resources and financing	19,493	5,661
25	Management of liquid resources	(488)	(3,642)
26	Financing	(10,000)	–
	Increase in cash	9,005	2,019
Reconciliation of net cash flow to movement in net debt			
25	Increase in cash for the period	9,005	2,019
25	Increase/(decrease) in short term deposits	129	(108)
25	Increase in current asset investments	359	3,846
25	Decrease in net loan finance	10,000	–
	Change in net funds	19,493	5,757
	Net debt at 1 August	(10,068)	(15,825)
	Net debt at 31 July	9,425	(10,068)

Notes to the financial statements for the year ended 31 July 2014

1. Funding body grants

	Note	2014 £'000	2013 £'000
Higher Education Funding Council for England – recurrent		10,199	10,203
Release of deferred capital grants:	16		
Buildings		173	172
Equipment		128	44
		10,500	10,419

2. Tuition fees and education contracts

	2014 £'000	2013 £'000
University of London International Academy and overseas student fees	53,738	51,551
Home full time postgraduate fees	385	618
Part time fees	272	335
	54,395	52,504

3. Research grants and contracts

	2014 £'000	2013 £'000
Research councils	1,077	539
UK-based charities	195	175
EU Government and other bodies	534	336
Other	24	85
	1,830	1,135

Notes to the financial statements

for the year ended 31 July 2014 *continued*

4. Other operating income

	Note	2014 £'000	2013 £'000
Colleges: subscriptions and charges		8,342	8,953
Residences and catering		31,237	28,502
Estates revenue		3,804	3,762
Other general income		17,530	17,539
Services rendered by the Deaneries		18,736	19,003
Donations		1,181	266
Excision of Heritage Assets		–	(321)
Deferred capital grants	16	18	136
		80,848	77,840

5. Endowment and investment income

	Note	2014 £'000	2013 £'000
Transferred from permanent endowments	17	2,350	2,200
Transferred from expendable endowments	17	427	710
Other interest receivable		680	700
		3,457	3,610

Notes to the financial statements for the year ended 31 July 2014 *continued*

6. Staff costs

	2014 £'000	Re-stated 2013 £'000
Salaries	41,218	41,843
Social security costs	3,563	3,650
Other pension costs	8,425	8,140
	53,206	53,633
The above is analysed as follows:		
University	35,482	35,542
Deaneries	17,724	18,091
	53,206	53,633
Emoluments of the Vice-Chancellor Professor Sir Adrian Smith		
Salary	168	153

	2014 Number of staff	2013 Number of staff
Average staff numbers expressed as full time equivalents		
University	724	758
Deaneries	301	312
	1,025	1,070

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

	University		Deaneries	
	2014 Number of staff	2013 Number of staff	2014 Number of staff	2013 Number of staff
£100,000 – £109,999	4	3	2	3
£110,000 – £119,999	–	–	–	–
£120,000 – £129,999	–	–	1	1
£130,000 – £139,999	1	–	1	2
£140,000 – £149,999	1	2	1	–
£150,000 – £159,999	1	1	–	–
£160,000 – £169,999	1	–	–	1

Notes to the financial statements

for the year ended 31 July 2014 *continued*

7. Expenditure by activity

	Staff costs £'000	Other operating costs £'000	Depreciation £'000	Interest payable £'000	2014 £'000	2013 £'000
Academic departments	6,420	4,988	108	–	11,516	9,480
Academic services	6,764	5,152	761	–	12,677	13,721
University of London International Academy	9,260	38,485	901	–	48,646	46,492
Central services	5,808	7,750	51	285	13,894	12,065
General education expenses	201	244	–	–	445	2,451
Staff and students	4,330	2,524	–	–	6,854	5,881
Maintenance	728	9,337	2,047	–	12,112	11,172
Residences and catering	1,122	11,392	2,096	2,408	17,018	19,287
Research grants	851	800	–	–	1,651	1,018
Services rendered by the Deaneries	17,722	1,014	–	–	18,736	19,003
	53,206	81,686	5,964	2,693	143,549	140,570

	2014 £'000	2013 £'000
External auditors' remuneration		
– Fees payable for audit of the University's annual accounts	67	65
– Fees payable for audit of the University's subsidiary	6	5
– Non audit services	55	39
Internal auditors' remuneration	86	86
Hire of plant and machinery – operating leases	108	112
Hire of other assets – operating leases	1,101	331

8. Interest payable

	2014 £'000	2013 £'000
On loan repayable before one year to five years	145	145
On loans not wholly repayable within five years	2,548	2,552
	2,693	2,697

Notes to the financial statements

for the year ended 31 July 2014 *continued*

9. Tangible fixed assets

Consolidated	Land and buildings				Equipment	Heritage assets	Total
	Freehold	Long leasehold	Short leasehold	Under construction			
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation							
1 August 2013	167,293	657	6,737	4,975	16,497	1,940	198,099
Additions during the year	504	19,895	–	11,732	762	–	32,893
Completed during the year	13,208	–	–	(13,208)	–	–	–
Disposals during the year	(139)	–	(5,285)	(843)	(3,068)	–	(9,335)
31 July 2014	180,866	20,552	1,452	2,656	14,191	1,940	221,657
Depreciation							
1 August 2013	(34,286)	(204)	(3,943)	–	(10,410)	–	(48,841)
Charge for the year	(3,957)	(26)	(183)	–	(1,798)	–	(5,964)
Disposals during the year	35	–	3,053	–	1,733	–	4,821
31 July 2014	(38,208)	(230)	(1,073)	–	(10,475)	–	(49,984)
Net book value 31 July 2014	142,658	20,322	379	2,656	3,716	1,940	171,671
Net book value 1 August 2013	133,007	453	2,794	4,975	6,089	1,940	149,258
University							
	Freehold	Long leasehold	Short leasehold	Under construction	Equipment	Heritage assets	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation							
1 August 2013	167,193	657	6,737	4,974	11,033	1,940	192,534
Additions during the year	504	19,895	–	11,724	–	–	32,123
Completed during the year	13,208	–	–	(13,208)	–	–	–
Disposals during the year	(139)	–	(5,285)	(834)	(2,699)	–	(8,957)
31 July 2014	180,766	20,552	1,452	2,656	8,334	1,940	215,700
Depreciation							
1 August 2013	(34,198)	(204)	(3,943)	–	(7,348)	–	(45,693)
Charge for the year	(3,952)	(26)	(183)	–	(1,001)	–	(5,162)
Disposals during the year	34	–	3,053	–	1,367	–	4,454
31 July 2014	(38,116)	(230)	(1,073)	–	(6,982)	–	(46,401)
Net book value 31 July 2014	142,650	20,322	379	2,656	1,352	1,940	169,299
Net book value 1 August 2013	132,998	453	2,794	4,974	3,685	1,940	146,844

Notes to the financial statements

for the year ended 31 July 2014 *continued*

9. Tangible fixed assets *continued*

Heritage assets

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

The University's external valuer, Bonhams, valued the major part of this collection in 2004 and the remainder in 2010 on the basis of the price of each item if purchased on appropriate retail premises. There is no change in the value of the collection.

10. Intangible assets

	2014 £'000	2013 £'000
Consolidated and University		
Cost		
1 August	628	628
Additions during the year	–	–
31 July	628	628
Amortisation		
1 August	502	391
Charge for the year	92	111
31 July	594	502
Net book value 31 July	34	126

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

Notes to the financial statements

for the year ended 31 July 2014 *continued*

11. Consolidated and University investments

At market value			2014				2013	
	Investment properties £'000	Other investments £'000	Total £'000	2014 Endowment asset investments £'000	Investment properties £'000	Other investments £'000	Total £'000	2013 Endowment asset investments £'000
1 August	47,592	4,307	51,899	69,605	42,521	3,803	46,324	60,992
Additions	–	4,033	4,033	–	–	–	–	661
Disposals	–	–	–	(98)	–	–	–	–
Revaluation	6,958	18	6,976	281	5,071	504	5,575	7,952
	54,550	8,358	62,908	69,788	47,592	4,307	51,899	69,605
Short term deposits and cash	–	–	–	3,174	–	–	–	3,045
31 July	54,550	8,358	62,908	72,962	47,592	4,307	51,899	72,650
Investments held are analysed as follows:								
Unified Trust Fund holdings	–	4,325	4,325	69,788	–	4,307	4,307	69,605
Minority interests	–	4,033	4,033	–	–	–	–	–
Properties	54,550	–	54,550	–	47,592	–	47,592	–
	54,550	8,358	62,908	69,788	47,592	4,307	51,899	69,605
At cost								
Unified Trust Fund holdings	–	2,211	2,211	33,211	–	2,211	2,211	33,123
Minority interests	–	4,033	4,033	–	–	–	–	–
Properties	502	–	502	–	502	–	502	–
	502	6,244	6,746	33,211	502	2,211	2,713	33,123

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 principal activity of the company is the provision of operational services to the University of London and its Colleges. At 31 July 2014 Senate House Services Limited had a deficiency of net assets of £504,000 and accordingly, in the balance sheet of the University at this date, the value of Investments, including the subsidiary, is reduced by this amount to £62,419,000.

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

London Intercollegiate Student Housing Limited is a charity registered in England and a company limited by guarantee, registered in England, with the University of London as its sole member. The company has not traded in the year.

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

UMBSM Services Limited, which was incorporated in Scotland with an issued share capital of £1 wholly owned by the University of London, has also not traded in the year. The company was dissolved in August 2013.

Notes to the financial statements

for the year ended 31 July 2014 *continued*

11. Consolidated and University investments *continued*

Investment properties

The investment properties were valued at 31 July 2014 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.

12. Debtors

	Consolidated		University	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Trade debtors	8,625	9,812	6,608	7,929
Other debtors	335	224	335	224
Prepayments and accrued income	5,811	3,050	4,970	2,390
Amounts owed by group undertaking	–	–	4,994	4,215
	14,771	13,086	16,906	14,758

Prepayments and accrued income includes £492,000 (2013: £341,000) in respect of tuition fees for periods after more than one year.

13. Creditors: amounts falling due within one year

	Consolidated		University	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Trade creditors	10,461	8,602	9,545	7,897
Grants received in advance	395	325	395	325
Other taxation and social security	2,050	3,161	1,443	2,628
Accruals and deferred income	24,768	21,352	22,880	20,206
	37,674	33,440	34,263	31,056

Notes to the financial statements for the year ended 31 July 2014 *continued*

14. Creditors: amounts falling due after more than one year

Consolidated and University	2014 £'000	2013 £'000
Bank loans	50,000	60,000
Other loans	250	250
Accruals and deferred income (relate to Cartwright Gardens)	38,144	–
	88,394	60,250

BORROWINGS

Consolidated and University	Bank loans		Other loans	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Obligations are repayable as follows:				
Between one and two years	–	–	–	–
Between two and five years	263	10,000	250	–
Over five years	49,737	50,000	–	250
Total over one year	50,000	60,000	250	250
Total due	50,000	60,000	250	250

BANK LOANS

Lender	Date loan obtained	Final repayment due date	Interest rate	Balance outstanding	
				2014 £'000	2013 £'000
RBS (unsecured)	2007	2047	Fixed 5.1%	50,000	50,000
Barclays (unsecured)	2010	2014	0.95% over LIBOR	–	10,000
Total over one year				50,000	60,000

The first repayment on the RBS unsecured loan is due in 2018. The Barclays loan was repaid on 31 July 2014.

DEFERRED INCOME

On 4 July 2014, the University entered into a 52 year partnership with University Partnerships Programme (UPP) to redevelop the Garden Hall Residences in Cartwright Gardens. The University granted a 52 year head lease to UPP over Gardens Hall and Gardens Tower in return for the receipt of a premium and proceeds on disposal of £40m. This transaction is reflected in this year's Financial Statements in the following places:

	Consolidated		University	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Freehold disposal	(53)	–	(53)	–
Short leasehold disposal	(1,451)	–	(1,451)	–
Long leasehold addition	19,879	–	19,879	–
Work in progress addition	622	–	622	–
Other investments addition	4,033	–	4,033	–
Cash at bank	15,392	–	15,392	–
Loss recognised in the I & E	470	–	470	–
Deferred Income recognised	38,892	–	38,892	–

Notes to the financial statements

for the year ended 31 July 2014 *continued*

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

DEFERRED INCOME *continued*

	Consolidated		University	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Maturity as follows:				
Less than a year	748	–	748	–
Between one and two years	748	–	748	–
Between two and five years	2,244	–	2,244	–
Over five years	35,152	–	35,152	–
Deferred Income recognised	38,892	–	38,892	–

15. Provision for liabilities and charges

Consolidated and University	2014 £'000	2013 £'000
Closure of Marine Station, Millport	–	1,472
	–	1,472

The Marine Station at Millport was closed on 31 December 2013 and its physical assets and liabilities transferred to the Field Studies Council.

16. Deferred capital grants

Consolidated and University	Government and agencies HEFCE £'000	Other grants and benefactions £'000	Total £'000
Land and buildings	6,150	4,348	10,498
Equipment	190	130	320
1 August 2013	6,340	4,478	10,818
Land and buildings	66	–	66
Equipment	–	–	–
Additions	66	–	66
Land and buildings	(799)	(254)	(1,053)
Equipment	–	–	–
Released on disposal	(799)	(254)	(1,053)
Land and buildings	(173)	(15)	(188)
Equipment	(128)	(3)	(131)
Released to income and expenditure account	(301)	(18)	(319)
Land and buildings	5,244	4,079	9,323
Equipment	62	127	189
31 July 2014	5,306	4,206	9,512

Notes to the financial statements

for the year ended 31 July 2014 *continued*

17. Endowments

Consolidated and University	Restricted permanent £'000	Restricted expendable £'000	Total 2014 £'000	Total 2013 £'000
Capital	56,206	7,475	63,681	55,805
Accumulated income	7,703	1,266	8,969	8,340
At 1 August	63,909	8,741	72,650	64,145
New endowments	347	261	608	517
Investment income	2,350	427	2,777	2,910
Expenditure	(2,305)	(1,049)	(3,354)	(2,874)
Increase in market value of investments	249	32	281	7,952
31 July	641	(329)	312	8,505
Represented by:				
Capital	56,787	7,767	64,554	63,681
Accumulated income	7,763	645	8,408	8,969
	64,550	8,412	72,962	72,650

Linked charities

	Note	Number of Trusts	Opening Fund Balance £'000	Income £'000	Capital Appreciation £'000	New Capital £'000	Expenditure £'000	Closing Fund Balance £'000
Individual Charities								
University of London Studentship Fund	a		5,790	296	30	–	230	5,886
University of London Research Fund			4,052	85	21	–	151	4,007
Prize Fund			442	10	2	–	16	438
Convocation Trust	b		2,668	105	13	100	370	2,516
Chadburn Lectures	c		8,506	304	32	–	35	8,807
Teachers of Anatomy	d		181	–	–	–	–	181
Maplethorpe	e		4,954	185	26	–	214	4,951
Perren Fund	f		3,226	114	15	–	382	2,973
Frost Chair	g		2,809	102	13	–	192	2,732
Warburg Institute	h		(1,124)	3,107	–	–	3,324	(1,341)
Summarised Charities								
Research Support:		94	28,062	1,160	78	456	1,366	28,390
General central		23	5,400	173	19	–	53	5,539
University support:								
Bursary/Scholarship		22	5,067	187	25	–	261	5,018
Prize funds		9	1,493	56	7	52	84	1,524
			71,526	5,884	281	608	6,678	71,621

Notes to the financial statements

for the year ended 31 July 2014 *continued*

17. Endowments *continued*

a University of London Studentship Fund

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

b Convocation Trust

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 annual Fellowships at Colleges of the University in the study of Pharmacy.

f Perren Fund

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 the main income and expenditure account. The designated reserves of the Warburg Institute are included in the reserves within the main reserves.

18. Revaluation reserves

Consolidated and University	2014 £'000	2013 £'000
1 August	49,336	43,665
Appreciation of other investments (note 11)	18	504
Appreciation of current asset investments	–	96
Transfer to General Reserve on realisation of current asset investments	(150)	–
Revaluation of investment properties (note 11)	6,958	5,071
31 July	56,162	49,336

19. General reserves

	Consolidated		University	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
1 August	107,355	100,521	107,355	100,521
Transfer from income and expenditure	7,991	6,834	7,991	6,834
Transfer from revaluation reserve	150	–	150	–
31 July	115,496	107,355	115,496	107,355

Notes to the financial statements for the year ended 31 July 2014 *continued*

20. Access funds

	2014 £'000	2013 £'000
1 August	2	–
Net received from HEFCE	1	2
Disbursed to students	–	–
31 July	3	2

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

21. Operating lease commitments

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

	Land and buildings		Equipment	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Expiry date:				
Less than one year	675	174	27	73
Between one and five years	209	117	81	83
More than five years	217	222	–	–

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

	2014 £'000	2013 £'000
Surplus on continuing operations after depreciation and disposal of assets	7,414	6,870
Items not involving cash movements:		
Depreciation (note 9)	5,964	6,935
Amortisation of intangible assets (note 10)	92	111
Deferred capital grants released (note 16)	(319)	(352)
(Increase)/decrease in stocks	(187)	760
(Increase) in debtors (note 12)	(1,685)	(1,702)
Increase/(decrease) in creditors	3,485	(4,268)
(Decrease)/increase in provisions (note 15)	(1,472)	1,472
Items which are not operating activities:		
Surplus/(loss) on disposal of fixed assets (note 9)	67	(1,932)
Heritage Asset Adjustment (note 9)	–	321
Interest payable (note 8)	2,693	2,697
Endowment and investment income (note 5)	(3,457)	(3,371)
Net cash inflow from operating activities	12,595	7,541

Notes to the financial statements

for the year ended 31 July 2014 *continued*

23. Returns from investments and servicing of finance

	2014 £'000	2013 £'000
Income from endowments	2,777	2,671
Income from short term investments	680	700
Interest payable	(2,693)	(2,697)
Net cash inflow from returns on investments and servicing of finance	765	674

24. Capital expenditure and financial investment

	2014 £'000	2013 £'000
Tangible assets acquired (note 9)	(32,893)	(5,509)
Endowment assets acquired (note 11)	–	(661)
Receipts from sale of tangible assets	42,287	2,834
Receipts from sale of endowment assets (note 11)	98	–
Deferred capital grants received (note 16)	66	265
Endowments received (note 17)	608	517
Other investments acquired (note 11)	(4,033)	–
	6,133	(2,554)

The receipts from sale of tangible assets include the premium received from the redevelopment of the Garden Hall Residences in Cartwright Gardens (£39M) and the proceeds on disposal of the current premises (£1.3M)

25. Analysis of changes in net debt

	1 August 2013 £'000	Cashflows £'000	Non-cash Items £'000	31 July 2014 £'000
Cash at bank and in hand	9,986	9,005	–	18,991
Endowment assets – short term deposits	3,045	129	–	3,174
	13,031	9,134	–	22,165
Current asset investments	37,151	359	–	37,510
Debt due after one year	(60,250)	10,000	–	(50,250)
Net cash/(debt)	(10,068)	19,493	–	9,425

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

26. Financing

	2014 £'000	2013 £'000
1 August	60,250	60,250
Capital repayments	(10,000)	–
31 July	50,250	60,250

Notes to the financial statements

for the year ended 31 July 2014 *continued*

27. Pension obligations

Pension Schemes

The University's staff participate in three principal pension schemes: the Universities Superannuation Scheme (USS), the Superannuation Arrangements of the University of London (SAUL) and the National Health Service Scheme (NHSS). Under the definitions set out in FRS 17, these are multi-employer defined benefit pension schemes with the assets of USS and SAUL being held in separate trustee administered funds. The University is unable to identify its share of the underlying assets and liabilities of the scheme. Accordingly, the University has taken advantage of the exemption in FRS 17 and has accounted for its contributions as if it were a defined contribution scheme with the cost recognised for the year in the income and expenditure account being equal to the contributions.

The schemes, which are defined benefit arrangements, are externally funded and contracted out of the State Second Pension (S2P) and both USS and SAUL are valued every three years by professionally qualified independent actuaries using the projected unit method, the rates of contribution payable being determined by the trustees on the advice of the actuaries. In the intervening years, the actuary reviews the progress of the schemes.

USS

The most recent actuarial valuation of the scheme was at 31 March 2011 using the projected unit method and the key assumptions and data were as follows:

Investment returns per annum	6.1%
Salary scale increases per annum	4.4%
Pension increases per annum	3.4%
Market value of assets at date of last valuation	£32,433M
Regular contribution rate from 1 October 2011 –	
employer	16.0%
employee – Final Salary Scheme	7.5%
employee – Career Revalued Benefits	6.5%
Regular contribution rate from 1 October 2009 –	
employer	16.0%
employee	6.35%
Proportion of members' accrued benefits covered by the actuarial value of assets at 31 March 2011	92%

As at the valuation date, the scheme was still a fully Final Salary Scheme. On 1 October 2011, a number of changes to the benefits became effective. New entrants are now provided on a Career Revalued Benefits basis, the normal pension age was increased for future service and new entrants to 65 and flexible retirement options were introduced.

SAUL

The most recent actuarial valuation of the scheme was at 31 March 2011 using the projected unit method and the key assumptions and data were as follows:

Investment returns per annum – Pre retirement	6.8%
Investment returns per annum – Post retirement	4.7%
Salary scale increases per annum – until 31 March 2014	3.75%
Salary scale increases per annum – after 1 April 2014	4.5%
Pension increases per annum	2.8%
Market value of assets at date of last valuation	£1,506M
Regular contribution rates –	
employer	13.0%
employee	6.00%
Proportion of members' accrued benefits covered by the actuarial value of assets at 31 March 2011	95%

Notes to the financial statements

for the year ended 31 July 2014 *continued*

27. Pension obligations *continued*

As at the valuation date, the scheme was still a fully Final Salary Scheme. With effect from 1 July 2012, new entrants are provided on a Career Averaged Revalued Earnings basis. Employer contributions for both Final Salary (FS) section and Career Averaged Revalued Earnings (CARE) section members were 13%. Contributions for employees remained at 6% for FS Section members and CARE Section members.

NHSS

The NHS Pension Scheme (NHSS) is an unfunded defined benefit scheme that covers NHS employers, General Practices and other bodies, allowed under the direction of the Secretary of State, in England and Wales. As a consequence it is not possible for the University to identify its share of the underlying scheme assets and liabilities. The University therefore accounts for its pension costs in respect of the scheme on a defined contribution basis, as permitted by FRS 17 Retirement Benefits, thereby charging to its accounts the contributions payable to the scheme for the year. The NHS Pension Scheme is funded centrally by the Treasury on a current cost basis.

Other pension arrangements

Members of staff, employed by the University of London Institute in Paris, are contracted into the French State Social Security System for the purposes of accumulating pension benefit. The Schemes are unfunded and are equivalent to a defined contribution scheme in the United Kingdom. Accordingly, the University accounts for its pension costs in respect of these schemes, as permitted by FRS 17 Retirement Benefits, by charging to its accounts the contributions payable for the year.

28. Capital commitments

Consolidated and University	2014 £'000	2013 £'000
Contracted at 31 July	1,880	9,399
Authorised but not contracted at 31 July	–	270
	1,880	9,669

29. Related party transactions

Due to the nature of the University's operations and the composition of the Board of Trustees and the Collegiate Council it is inevitable that transactions will take place with organisations in which a member of the Board or Council may have an interest. The Corporate Governance Statement (page 15) sets out in more detail the relationship between the University and its Colleges. All transactions involving organisations in which a member of the Board or Council may have an interest are conducted at arm's length in accordance with the University's financial regulations and normal procurement procedures and none of these transactions fall to being disclosed as being with related parties as defined by FRS 8 Related Party Disclosures. In line with the Committee of University Chairmen guidance, all members of the Board and the Collegiate Council are required to complete a register of interests to record any areas of potential conflict with the interests of the University.

Trustees are not entitled to and did not receive any remuneration for their services. Three Trustees received a total of £600 (2012–13: Trustees £800) representing the reimbursement of travel and subsistence expenses incurred in attending Board of Trustees and Committee meetings and events in their official capacity.

30. Post balance sheet event

On 4 August 2014, the University of London launched Student Central in the former ULU building on Malet Street. Student Central offers a wide range of facilities and activities for students in London as well as University of London staff and members of the public. Membership is free for students who are enrolled at one of the eighteen Colleges in the Federation. Student Central services offering includes sports, societies, cafes, bars, live music and events, a health and fitness studio and the largest swimming pool in central London.

Notes to the financial statements

for the year ended 31 July 2014 *continued*

31. University of London income and expenditure account

A Income and Expenditure account for the year ended 31 July 2014

Note		2014 £'000	Re-stated 2013 £'000
Income			
B	Funding body grants	10,500	10,419
C	Tuition fees and educational contracts	54,395	52,504
D	Research grants and contracts	1,830	1,135
E	Other income	72,763	73,001
F	Endowment and investment income	3,453	3,607
		142,941	140,666
Expenditure			
G	Staff costs	(50,896)	(51,342)
H	Other operating expenses	(79,919)	(76,223)
I	Interest payable	(2,693)	(2,697)
	Depreciation	(5,162)	(6,245)
		(138,670)	(136,507)
	Surplus on continuing operations after depreciation of assets at cost	4,271	4,159
	Income from shares in group undertakings	3,210	796
	Exceptional items:		
	(Loss)/surplus on disposal of fixed assets	(67)	1,915
	Surplus after depreciation, exceptional items and disposal of assets	7,414	6,870
	Transfer (to)/from accumulated income within endowments	577	(36)
	Surplus for the year transferred to reserves	7,991	6,834

The consolidated income and expenditure relates wholly to continuing activities.

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

Notes to the financial statements

for the year ended 31 July 2014 *continued*

31. University of London income and expenditure account *continued*

B Funding body grants

	Note	2014 £'000	2013 £'000
Higher Education Funding Council for England – recurrent		10,199	10,203
Release of deferred capital grants:	16		
Buildings		173	172
Equipment		128	44
		10,500	10,419

C Tuition fees and education contracts

	2014 £'000	2013 £'000
University of London International Academy and overseas student fees	53,738	51,551
Home full time postgraduate fees	385	618
Part time fees	272	335
	54,395	52,504

D Research grants and contracts

	2014 £'000	2013 £'000
Research councils	1,077	539
UK-based charities	195	175
EU Government and other bodies	534	336
Other	24	85
	1,830	1,135

Notes to the financial statements

for the year ended 31 July 2014 *continued*

31. University of London income and expenditure account *continued*

E Other operating income

	Note	2014 £'000	2013 £'000
Colleges: subscriptions and charges		8,342	8,953
Residences and catering		28,396	27,998
Estates revenue		3,804	3,762
Other general income		12,173	13,204
Services rendered by the Deaneries		18,736	19,003
Donations		1,181	266
Excision of Heritage Assets		–	(321)
Deferred capital grants	16	131	136
		72,763	73,001

F Endowment and investment income

	Note	2014 £'000	2013 £'000
Transferred from permanent endowments	17	2,350	2,200
Transferred from expendable endowments	17	427	710
Other interest receivable		676	697
		3,453	3,607

Notes to the financial statements

for the year ended 31 July 2014 *continued*

31. University of London income and expenditure account *continued*

G Staff costs

	2014 £'000	2013 £'000
Salaries	39,428	40,097
Social security costs	3,411	3,497
Other pension costs	8,057	7,748
	50,896	51,342
The above is analysed as follows:		
University	33,173	33,251
Deaneries	17,723	18,091
	50,896	51,342
Emoluments of the Vice-Chancellor		
Professor Sir Adrian Smith		
Salary	168	153
	2014 Number of staff	2013 Number of staff
Average staff numbers expressed as full time equivalents		
University	665	717
Deaneries	301	312
	966	1,029

Notes to the financial statements for the year ended 31 July 2014 *continued*

31. University of London income and expenditure account *continued*

G Staff costs *continued*

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

	University		Deaneries	
	2014 Number of staff	2013 Number of staff	2014 Number of staff	2013 Number of staff
£100,000 – £109,999	4	3	2	3
£110,000 – £119,999	–	–	–	–
£120,000 – £129,999	–	–	1	1
£130,000 – £139,999	1	–	1	2
£140,000 – £149,999	1	2	1	–
£150,000 – £159,999	1	1	–	–
£160,000 – £169,999	1	–	–	1

Notes to the financial statements

for the year ended 31 July 2014 *continued*

31. University of London income and expenditure account *continued*

H Expenditure by activity

	Staff costs £'000	Other operating costs £'000	Depreciation £'000	Interest payable £'000	2014 £'000	2013 £'000
Academic departments	6,420	4,988	108	–	11,516	9,480
Academic services	4,454	4,344	10	–	8,808	9,874
University of London International Academy	9,260	38,485	901	–	48,646	46,492
Central services	5,808	7,442	–	285	13,535	11,894
General education expenses	201	(50)	–	–	151	2,451
Staff and students	4,330	2,471	–	–	6,801	5,632
Maintenance	728	9,337	2,047	–	12,112	11,506
Residences and catering	1,122	11,088	2,096	2,408	16,714	19,157
Research grants	851	800	–	–	1,651	1,018
Services rendered by the Deaneries	17,722	1,014	–	–	18,736	19,003
	50,896	79,919	5,162	2,693	138,670	136,507

	2014 £'000	2013 £'000
External auditors' remuneration		
– Fees payable for the audit of the University's annual accounts	67	65
– Fees payable for the audit of the University's subsidiary	6	5
– Non audit services	55	39
Internal auditors' remuneration	86	86
Hire of plant and machinery – operating leases	108	112
Hire of other assets – operating leases	1,101	331

I Interest payable

	2014 £'000	2013 £'000
On loan repayable before one year to five years	145	145
On loans not wholly repayable within five years	2,548	2,552
	2,693	2,697



UNIVERSITY
OF LONDON

**Annual Report and
Financial Statements 2013–14**

University of London
Senate House, Malet Street
London WC1E 7HU

Telephone 020 7862 8360

www.london.ac.uk

Designed and produced by
www.wlgdesign.co.uk

