CITY UNIVERSITY
LONDON

EST 1894

# Financial Statements

for the year ended 31 July 2013

The University for business and the professions

Financial Statements for the year ended 31 July 2013

**Contents**

## Membership of Council

**Period 1 August 2012 to 22 November 2013**

**Chancellor**
The Right Honourable The Lord Mayor of London

**Pro-Chancellor and Chair of Council**
Mr R Woodward

**Deputy Pro-Chancellor and Vice-Chair of Council**
Mr R Bright

**Vice-Chancellor**
Professor P Curran

**Independent Members**
Sir B Barber (from 1st January 2013)
Professor Sir D Bone (on sabbatical for 1 year from 1st January 2013
Dame L Brindley
Mr A Friend (from 1st January 2013)
Mr I Gray (from 1st April 2013
Mr A Halper
Ms P Hird
Dr J Low
Mr K Murphy
Ms H Nouss
Ms C Regan

**Staff and Student Members**
Professor D Arcoumanis
Mr S Avery (from 12th October 2012)
Professor D Bolton
Mr G Folino
Mr R Gillingwater (to 31st December 2012)
Professor S Haberman (from 1st January 2013)
Professor S Newman

**Honorary Rector (not a member of Council)**
The Hon. Mr A Bagri

**Vice-Chancellor and other Key Officers – current**
Professor P Curran, Vice-Chancellor
Professor D Bolton, Deputy Vice-Chancellor
Professor D Arcoumanis, Deputy Vice-Chancellor, International & Development
Professor J Fothergill, Pro Vice-Chancellor, Research & Enterprise
Professor R Verrall, Pro Vice-Chancellor, Strategy & Planning

Professor R Crouch, Dean, Conjoint Schools of Engineering and Mathematical Sciences & Informatics
Professor K Grattan, Dean, City Graduate School
Professor S Haberman, Dean, Cass Business School
Professor A Jones, Dean, School of Arts and Social Sciences
Professor C Stychin, Dean, City Law School
Professor S Newman, Dean, School of Health Sciences

Mr S Avery, Chief Financial Officer
Ms M Luckiram, Director of Human Resources
Mr F Toop, University Secretary

### Scope of the Financial Statements

The financial statements comprise the consolidated results of the University, its subsidiaries and the Students Union.

### Results for the year

The consolidated income and expenditure account shows:

| | 2013 | 2012 |
|---|---|---|
| | £M | £M |
| Income | 181.3 | 175.5 |
| Expenditure | 197.5 | 176.5 |
| **Operating Deficit** | **(16.2)** | **(1.0)** |
| Surplus on Sale of Halls | 22.7 | 0.0 |
| **Surplus/(Deficit)** | **6.5** | **(1.0)** |

The University is reporting an operating deficit of £16.2M, compared to a £1.0M deficit in the previous year. The surplus including the surplus on the sale of Finsbury, Heyworth and Pear-Tree Court halls of residence was £6.5M, compared to the deficit of £1.0M reported in the previous year. The majority of the operating deficit this year related to one-off investment associated with the *Strategic Plan 2012-2016*, in particular the investment in new academic posts, estates, IT and Library infrastructure, and restructuring costs associated with the Professional Services Review.

### Income

The table below further analyses income compared to the prior year:

| | 2013 | 2012 |
|---|---|---|
| | £M | £M |
| Funding Council grants | 29.7 | 36.5 |
| Tuition fees | 107.9 | 96.8 |
| NHS contract | 20.1 | 21.6 |
| Research grants and contracts | 9.8 | 8.0 |
| Other income | 13.8 | 12.6 |
| **Total operating income** | **181.3** | **175.5** |

Total operating income, which excludes the surplus on the sale of halls and the income generated by the joint venture with INTO, increased by £5.8M (3.3%) to £181.3M.

Funding Council grants (HEFCE) decreased by £6.8M to £29.7M largely related to the reduction in teaching grant consequent on the transition to the new fee regime. The majority of funding for new intake UK and EU undergraduates is now received as fee income rather than through Funding Council grant. HEFCE grants continue to represent a diminishing proportion of our total income, now at 16.4% compared to a sector average for 2011/12 of 29.0%.

Tuition fee income, excluding educational contracts, increased by £11.1M (11.5%) to £107.9M, reflecting the transition to the new funding regime. Tuition fees from home and EU undergraduate students increased by £6.7M. Income from postgraduate and international (non EU) students increased by £3.4M and income from other sources of fees, including continuing professional development increased by £1.0M. Income received from contracts with the NHS fell by £1.5M to £20.1M largely as a result of a reduction in the contract for Continuing Professional and Personal Development.

Income from research grants and contracts increased by £1.8M (22.5%) from £8.0M to £9.8M. This resulted from among other things, the first phase of investment in new research excellent academic posts and is slightly ahead of our strategic target which was £9.4M.

Investment income remained at £1.6M. Although cash and investment balances increased from £68.0M to £84.6M following the sale of the halls of residence, UK interest rates remained depressed. Towards the latter part of the year we began to move the balance of investments to more liquid deposits with lower notes of return in anticipation of a decline in cash balances over the summer period resulting from major investments in our estates infrastructure.

### Expenditure

The table below analyses expenditure compared to the prior year:

| | 2013 | 2012 |
|---|---|---|
| | £M | £M |
| Staff costs (excluding restructuring) | 109.9 | 102.9 |
| Staff restructuring costs | 3.1 | 1.6 |
| Other operating expenses | 70.6 | 59.8 |
| Depreciation | 13.9 | 12.2 |
| **Total operating expenditure** | **197.5** | **176.5** |

Total expenditure, excluding depreciation and restructuring, increased by £17.8M (10.9%) compared to the previous year, reflecting investment implementing the *Strategic Plan 2012-2016*.

Staff costs, excluding restructuring, increased by £7.0M (6.8%), reflecting the investment in new academic posts, including action taken to retain existing research excellent staff. Action is also being taken to reduce the cost base associated with professional staff through the Professional Services Review. Non-staff costs, excluding depreciation, increased by £10.8M (18.1%). This reflects investment in estates, IT and libraries. Depreciation for the year increased from £12.2M to £13.9M reflecting the investment in the estates strategy.

Academic and other educational related costs, excluding research and knowledge transfer, account for £102.9M (52.1%) of the £197.5M total expenditure in 2012-13. If research and knowledge transfer activity is included then these account for £110.1M or 55.7% of total expenditure.

**Capital projects**

The value of tangible fixed assets increased to £121.7M during the year with additions of £19.4M, of which £14.4M relates to building improvements and £5.0M relates to fixtures, fittings and computer equipment. This includes the first year of investment in the University's new estates strategy which forms part of the University *Strategic Plan 2012-16*.

The University disposed of a long leasehold interest in the Finsbury halls site in Goswell Road, which also includes the University's sports centre on 21st August 2012. The development of the site will provide the University with access via a nomination agreement to over 800 purpose-built student rooms and a lease on an enlarged and state of the art sports centre for students, staff and community use, and other academic facilities.

**INTO City LLP**

INTO City LLP is a joint venture between the University and INTO University Partnerships Limited which began trading in January 2010. Its principal activity is the provision of pre-University education for international students, with the intention that a significant proportion of those students progress to degree level programmes at City University London. A 50% share of the gross assets and liabilities is included in the University's balance sheet and 50% of its net income is reported in the University's consolidated income and expenditure account. The University's share of the loss for 2012/13 was £0.6M (previous year £0.4M).

**Cash flow**

The University's balance sheet shows a balance of cash and short-term investments of £84.6M at the year end, an increase of £16.6M over the previous year. The cash inflow from operating activities plus net investment returns was £10.9M, with an equivalent outflow of £19.4M for investment in capital assets offset by the £23.6M receipt for the sale of the halls of residences and £1.5M related to other movements in investments including the receipt of capital grants. The cash inflow from operating activities includes an increase in short-term liabilities related to capital investment of £6.9M, nevertheless the position remains healthy. Cash and short-term investment balances are expected to reduce in the coming year as the University continues to implement planned investments in academic staff, information services and estates.

**Investments**

The University's investments continue to be managed in accordance with the approved Investment Policy. The primary objectives of the policy are capital preservation and liquidity and the level of risk and yield are therefore low. At the year-end the University has £54.1M of its investments held in cash or cash equivalent deposits, with the remainder in investment grade term deposits of up to one year with UK banks. During the year the University reviewed and revised its Investment Policy.

**Pensions**

The University participates in two multi-employer defined benefit pension schemes, the Universities Superannuation Scheme (USS) and the local government scheme which in London is managed by the London Pensions Fund Authority (LPFA).

Nearly 80% of staff are in the USS. Because of the mutual nature of the scheme, the scheme's assets are not hypothecated to individual institutions. The University is unable to identify its share of the underlying assets and liabilities on a consistent and reasonable basis and therefore, as required by FRS17 "Retirement Benefits", accounts for the scheme as if it were a defined benefit scheme. The scheme was subject to a triennial valuation as at 31st March 2011.

The LPFA scheme currently shows an FRS17 deficit of £17.3M for City University London, a reduction of £5.8M from £23.1M at the previous year end. The present value of the fund's liabilities for City University London has increased by £1.0M to £62.9M and assets have also increased in value by £6.8M to £45.6M. City University London's share of the LPFA scheme deficit is reflected in the balance sheet in accordance with FRS 17. This calculation reflects the position of the fund on one particular day based on a prescribed set of assumptions and does not determine the contributions that employers pay into the fund. The contribution level is set based on the actuary's recommendation following the revaluation, which last took place in March 2011.

**Subsidiaries**

The significant majority of activity is within the University with the two subsidiaries, both wholly owned, performing specific functions as summarised below.

*City Foundations Limited* began trading in January 2010 and owns 50% of the joint venture with the INTO Group. The results for INTO City LLP have been incorporated into the consolidated income and expenditure account and the balance sheet. *City Entrepreneurship Limited* was set up in 2010 to manage City University London's interest in an entrepreneurship fund created from a charitable donation and trade began in 2011/12.

**Financial Indicators**
The University continues to monitor several key financial performance indicators.

| | City 2012/13 | City 2011/12 | England*** 2011/12 |
|---|---|---|---|
| Current assets to current liabilities (current ratio) | 1.73 | 1.92 | 1.49 |
| Net current assets/total expenditure (days*) | 80 | 83.3 | 50 |
| Long term liabilities as % of total general funds** (gearing ratio) | 0 | 0 | 63 |
| Days of total income (excluding HEFCE) represented by debtors | 26 | 27 | 53 |
| Days ratio of total general funds to total expenditure | 193 | 186 | 147 |
| Days ratio of cash and short-term deposits to expenditure | 169 | 151 | 113 |

* Number of days an institution could meet expenditure, excluding depreciation, from net current assets
** Total general funds equals reserves excluding the revaluation reserve.
*** England in the table above refers to the average of all English HEIs

The indicators show that the University continues to be financially strong relative to the sector average.

**Risk Management**
Risk management is currently addressed at strategic, operational and project level, and is periodically reviewed by the Council, Audit and Risk Committee, Executive Committee, School Executive Committees and Project Boards. The reviews consider the addition or deletion of risks and the reassessment of impact and probability, as well as the adequacy of action being taken to mitigate risk.

The Audit and Risk Committee receives risk management reports and assures Council on the effectiveness of arrangements for risk management. The work carried out during the year has given particular recognition to the risks that will bear directly upon the ability of the University to achieve the City vision for 2016.

**Financial strategy and future outlook**
The new funding regime for home and EU undergraduates came into effect for the 2012 intake. The shape of the government's reforms to tuition fees and student support is now clearer although further change is possible. The University has a relatively low dependence on government funding in comparison with the sector and it has a strong balance sheet with a good level of reserves and no borrowing. The University's dependency on government funding will reduce further as direct teaching funding continues to be replaced by tuition fees funded by student loans over the next year.

The University's *Strategic Plan 2012-2016*, was approved by Council in March 2012 and this was the first full year of implementation. The University's financial plan enables that plan by ensuring that resource is deployed where it is required to secure outcomes that are consistent with the Plan, while securing the short and medium-term sustainability of the institution. This has inevitably resulted in a period in which reserves are drawn-down in a planned manner, giving rise to an annual deficit in this year's income and expenditure account.

**Going concern**
The Chief Financial Officer, on behalf of the Executive Committee, has conducted an assessment of whether the University is a going concern. This assessment has been conducted with reference to the guidance produced by the Financial Reporting Council in October 2009 'Going Concern and Liquidity Risk'. Particular note has been taken of the need to ensure the exercise is proportionate to the size and level of financial risk and complexity of the organisation. The review covers a 12 month period and concludes that there are no material uncertainties that cast significant doubt about the ability of the University to continue as a going concern.

The University has a positive balance of cash and investments of £84.6M at the balance sheet date, equivalent to 169 days of operating expenditure. Sources of income for the year ahead have been largely secured through grant income from HEFCE, contract income from the NHS and tuition fees from registered students. The cash flow forecast for the next 12 months reveals significant positive cash balances throughout this period. The University has no external debt and no liabilities, contingent or otherwise, that would pose a threat to its operation in the coming year. The Statement of University Council's Responsibilities and the Corporate Governance Statement summarise the arrangements in place for the on-going identification and management of risk. The University has therefore a reasonable expectation that adequate resources exist to continue operations for the foreseeable future and the going concern basis continues to be appropriate for preparing the annual financial statements.

Stephen Avery, Chief Financial Officer
22nd November 2013

The following statement is provided to enable readers of the Financial Statements to obtain a better understanding of the governance and legal structure of the University.

The University endeavours to structure its governance arrangements in accordance with the recommendations of recent reviews of corporate governance, the seven Principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership) and with the guidance to Universities that has been provided by the Committee of University Chairmen in its Guide for Members of Higher Education Governing Bodies in the UK (CUC Governance Code). The CUC operates the principle that the University should comply with the Code or provide an explanation for areas of non-compliance. There are a number of instances where the University does not comply and these are noted in this statement.

The University is an independent corporation granted the status of a University in 1966 by Royal Charter. It has charitable status (exempt from registration with the Charities Commission) and its charitable status is regulated by the Higher Education Funding Council for England.

The Charter and Statutes (amended by a supplemental Charter in 2006) prescribe the following components to City University London's governance:

- **The Council** – is the supreme governing body, responsible for the affairs of the University, setting the University's strategic direction, ensuring effective management and control of the University's affairs, property and finances and determining the structure, staffing and overall composition of the University. It appoints the Vice-Chancellor, Pro-Chancellor, Deputy Pro-Chancellor and University Secretary.

- **The Senate** – has delegated authority from Council for the enhancement of academic quality and assurance of academic standards.

**Council** (6 meetings 2012/13)

Council consists of a maximum of 22 members: four members by virtue of office – the Chancellor, Pro-Chancellor, Deputy Pro-Chancellor and the Vice-Chancellor; up to twelve additional independent members; and up to six members drawn from staff and students. There is a ratio of 2:1 of the independent members to staff and student members. The University's Council comprised 19 members at 31 July 2013 (excluding one member on sabbatical) of whom 12 were external independent members. The staff and student members include the Chief Financial Officer and the President of the Students Union as ex-officio members of Council. Currently the remaining four staff and student members include the two Deputy Vice-Chancellors and two Deans.

Council is chaired by the Pro-Chancellor, The role of the Pro-Chancellor and Chair of Council is separate from the role of the University's Chief Executive, the Vice-Chancellor.

Council has five committees: Senate, an Audit and Risk Committee (ARC), a Corporate Governance and Nominations Committee (CGNC), a Remuneration Committee (RemCo), and a Strategy, Implementation and Performance Committee (SIPCo). All of these Committees are formally constituted with terms of reference. With the exception of Senate, each is chaired by an independent member of Council and their membership is normally limited to independent Council members, though in some cases independent appointees are co-opted to serve on a Committee, because of their relevant expertise. The Vice-Chancellor is a member of CGNC and SIPCo. There are no independent members on Senate and it is chaired by the Vice-Chancellor. Relevant members of the Executive attend these Committees as required. Normally the independent members of Council sit on at least one Council Committee.

There are arrangements to allow the formation of a Redundancy Committee in the event of any compulsory redundancies being proposed. No Redundancy Committee met in 2012/13. However, Council formed a Restructuring Committee for a limited duration to oversee the Professional Services Review on behalf of Council. This was chaired by Ms P Hird and had its first meeting in the summer term 2013.

All members of Council and its sub-committees are appointed using due process. This seeks to match individuals' skills and experience with the University's aims and the terms of reference and priorities of Committees. The University normally uses an executive search firm, Russell Reynolds, to assist in this process rather than publicising widely as recommended in the CUC Governance Code. It has done this to strengthen Council's membership and to improve the diversity of its membership.

Council members do not have service contracts or receive any payment, apart from the re-imbursement of expenses, for the work that they do for the University. A term of office for a Council member is limited to three years or for such shorter period as Council may determine. Members are eligible for re-appointment but may not serve more than three terms of three years or nine years in total in any one capacity. There is an annual appraisal scheme for all Council members. The University maintains a Register of Interests of members of the Council, which may be viewed on the University's Governance web pages.

The CUC Governance Code recommends that "the results of effectiveness reviews as well as of the institution's annual performance against KPIs, shall be published widely, including on the internet and in its annual report." The University publishes KPI and PI performance measures internally to all staff and is considering how to publish KPI performance externally. Its appraisal scheme for Council members operates as an annual effectiveness review. The process has now been completed for 2013 and no major governance changes are planned. The Corporate Governance and Nominations Committee reviews the outcomes of the appraisal review with a view to continuously improving governance.

Any enquiries about the constitution and governance of the University should be addressed, in the first instance, to the University Secretary. The University Secretary is responsible for managing the governance processes of the University and reports directly to the Pro-Chancellor.

**Audit and Risk Committee** (ARC) (4 meetings 2012/13)

This Committee recommends the Financial Statements to Council following a report from the external auditors. It considers detailed internal audit reports and recommendations for the improvement of the University's systems of internal control, together with the Executive's response and implementation plans. It also has a role in ensuring that value for money is achieved within the institution and monitors the University's risk management processes. Each year the Committee gives Council an opinion on the adequacy and effectiveness of the University's arrangements for: risk management, control, governance, value for money and management & the quality of data submitted to HESA and HEFCE.

The Committee is chaired by a lay member of Council. In 2012/13 this was Dame Lynne Brindley and in 2013/14 is Hunada Nouss. Dame Lynne Brindley left the Committee in July 2013. The Committee membership does not include any staff members but includes two co-opted members appointed for their relevant expertise – Mr Hanif Barma and Mr James Friend. The internal and external auditors attend each meeting and the Committee regularly meets these without the Executive being present. The Committee also regularly meets the Vice-Chancellor without other members of the Executive or the auditors being present to discuss risk. During the year, the Committee completed implementing recommendations from the previous year's reviews of the Committee's effectiveness and also the effectiveness of its internal audit arrangements.

**Corporate Governance and Nominations Committee** (CGNC) (3 meetings 2012/13)

This Committee advises Council on matters concerning the University's corporate governance capability, structural arrangements and practices, membership of the Council and its Committees, and amendments to the Charter, Statutes and Ordinances. This Committee is also responsible for making recommendations to Council on nominations for honorary degrees. The Committee is chaired by a lay member of Council, in 2012/13 this was Mr Roger Bright. The Vice-Chancellor is a member of Committee and the Deputy Vice-Chancellor (International & Development) is a member for the Honorary Degrees section of the meeting.

**Remuneration Committee** (RemCo) (3 meetings 2012/13)

The Committee determines the terms and conditions of the Vice-Chancellor, the members of the Executive Committee, the University Secretary and the Director of Internal Audit. It also reviews and determines their annual salary and performance-related pay for the above staff, taking into account the Vice-Chancellor's recommendations, HEFCE guidance, market related factors, equal pay and other relevant legislation and the functional structure of the University. RemCo also has responsibility for staff earning more than £100,000. The Committee is chaired by a lay member of Council, in 2012/13 this was Ms Carolyn Regan. The Vice-Chancellor is not a member of the Committee. The Committee is advised by a Director from the Hay Group, Mr Peter Smith, and has one co-opted member, Mr Peter Blausten, appointed for his relevant expertise.

**Strategy, Implementation and Performance Committee** (SIPCo) (6 meetings 2012/13)

This Committee was established by Council in March 2012 for an initial three year period. It gains assurance for Council on the progress of the Executive in implementing the new Strategic Plan approved by Council at its March 2012 meeting. The Committee also advise the Executive and Council on proposals to be brought to Council, for approval, to enable the implementation of the Strategic Plan e.g., proposals for capital expenditure and financing or major structural change. Finally the Committee keeps the Strategic Plan under review and recommend any necessary changes to Council in the light of developments within or outside the Higher Education sector. The Chair of the Committee in 2012/13 was Mr Kieran Murphy. The Vice-Chancellor is the only Executive member.

**Senate** (4 meetings 2012/13)

Senate has delegated authority from Council for the enhancement of academic quality and assurance of academic standards. It is chaired by the Vice-Chancellor. In 2012/13 the composition allowed 17 ex-officio positions and an equal number of members elected from the academic staff plus up to 4 students and a member of staff elected from the Visiting Lecturers making a total membership of up to 39. Elected Members are appointed for a three year period and two elected member must be drawn from each Board of Studies Area. The elected members elect from their number a Senior Independent Senator (SIS) who, for a three year period, acts as a point of contact for Senate Members and other academic staff if there are concerns that significant matters of academic quality and standards have not been appropriately addressed by Senate. The role ensures that there is an alternative route of communication to Council for members of Senate if they have concerns in respect of academic quality and/or standards that have not been addressed by the Vice-Chancellor and his/her team. The SIS will in the first instance discuss these concerns with the Vice-Chancellor, who is also Chair of Senate. If the concerns are material and are still not addressed, or in the view of the SIS not likely to be addressed, then the SIS should raise these concerns with the University Secretary and the Chair of Council. The Chair of Council will then decide on the next steps to be taken.

Senate delegates many of its responsibilities to the Vice-Chancellor and to other Committees. The key sub-Committees are 7 Boards of Studies, Assessment Boards, Research Ethics Committee, Validation and Institutional Partnerships Committee and Academic Governance Committee.

Council has responsibility under the Financial Memorandum with HEFCE for having effective arrangements to assure itself that the University has an effective framework to manage the quality of learning and teaching and to maintain academic standards.

**Vice-Chancellor**

Council delegates authority and responsibility for the management of the institution to the Vice-Chancellor through a delegations framework. The principal academic and chief executive officer of the University is the Vice-Chancellor, who has a general responsibility to the Council for maintaining and promoting the efficiency and good order of the University. Under the terms of the formal Financial Memorandum between the University and the Higher Education Funding Council for England, the Vice-Chancellor is the accounting officer of the University. The accounting officer is personally responsible for ensuring compliance with the Financial Memorandum and for providing HEFCE with clear assurances to this effect.

As Chief Executive of the University, the Vice-Chancellor exercises considerable influence upon the development of institutional strategy, the identification and planning of new developments and the shaping of the institutional ethos. The Vice-Chancellor is personally responsible for the exercise of the powers delegated to him in the delegations framework agreed by Council. The Vice-Chancellor is advised by an Executive Committee comprising the Deputy Vice-Chancellors, Pro Vice-Chancellors, Deans, Chief Financial Officer, HR Director and other key Professional Services Directors.

## Statement of the University Council's Responsibilities

In accordance with the University's Charter, the Council of City University London is responsible for the administration and management of City University London, including ensuring an effective system of internal control, and adopting audited financial statements for each financial year.

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

- suitable accounting policies are selected and applied consistently
- judgements and estimates are made that are reasonable and prudent
- applicable accounting standards are followed, subject to any material departures disclosed and explained in the financial statements, and
- it is appropriate that financial statements are prepared on the going concern basis, as the Council has satisfied itself that the University has adequate resources to continue in operation for the foreseeable future.

The Council has taken reasonable steps to:

- ensure that funds from the Higher Education Funding Council for England are used only for the purposes for which they have been given and in accordance with the Financial Memorandum of the Funding Council and any other conditions which the Funding Council may from time to time prescribe;

- ensure that funds relating to the contracts with the National Health Service have been properly expended on the purposes for which they have been provided;

- 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 prevent and detect fraud;

- secure the economical, efficient and effective management of the University's resources and expenditure;

- ensure that there are effective systems of risk identification and management that are based on a clearly articulated policy and approach and are aligned to the University's strategic objectives; and

- plan and conduct its financial and academic affairs to ensure that the University remains solvent.

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

- definitions of the responsibilities of, and the authority delegated to, Schools and central portfolios;

- a medium and short-term planning process, supplemented by detailed annual income, expenditure, capital and cash flow budgets;

- regular reviews of financial results involving variance reporting and updates of forecast out-turns;

- defined and formalised requirements for approval and control of expenditure, with investment decisions involving capital or revenue expenditure being subject to appraisal and review according to approval levels set by the University Council and the Vice-Chancellor;

- Financial Regulations, detailing financial controls and procedures;

- a professional Internal Audit Service whose annual programme is approved by the Audit and Risk Committee and is endorsed by the University Council. The Director of Internal Audit provides the University Council with an annual report on internal audit activity within the University and an opinion on the adequacy and effectiveness of the University's system of internal control, including risk management, corporate governance and value for money; and

- regular academic reviews carried out on behalf of Senate to assure academic quality and standards.

The key elements of the University's system of risk identification and management, which is designed to discharge the responsibilities, set out above, includes:

- the integration of planning, risk, KPIs and other performance indicators to provide an efficient reporting and control mechanism;

**Statement of the University Council's Responsibilities – continued**

- the management of risk at strategic, school and project level to ensure that a full picture of risks is available and that significant risks are escalated to the appropriate level;

- Business Continuity and Emergency Management: ensuring plans are in place which would address any disaster and emergency situation;

- ensuring that all risks have appropriate ownership so that risks can be controlled appropriately; and

- reporting regularly to Audit and Risk Committee and then to Council on internal control and risk.

Any system of internal control or risk management is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable, but not absolute assurance against material misstatement or loss.

Having reviewed all available evidence, Council has satisfied itself with the adequacy of internal controls.

## Public Benefit Statement

### Introduction
City University London is an exempt charity under the terms of the Charities Act 1993. The Charity Commission requires that there must be clearly identified benefit related to the aims of the charity and that such benefits must not be unreasonably restricted by ability to pay or other considerations. In preparing this statement the trustees have had regard to this obligation and to the relevant guidance issued by the Charity Commission.

The objects of the University, as enshrined in its Charter, are to advance education, knowledge, wisdom and understanding by teaching and research, both within the University and in close association with business and the professions, for the benefit of individuals and society at large. The University, in pursuing these objects, provides benefits to a wide range of individuals and organisations and this statement offers a summary and some specific examples of such benefits over the past year.

The University's Strategic Plan 2012/13 – 2016/17 sets out the Vision of a leading global institution committed to academic excellence. An important part of this Vision is the recruitment of outstanding undergraduate students regardless of their background. Continuing to provide financial support and widening education provision for prospective students therefore remains a fundamental part of the University's approach to public benefit, together with local employment and economic growth, supporting those in need, the University's cultural impact and environmental sustainability.

### Financial support
The University remains committed to providing financial support to students allocated on the basis of financial need and academic merit. Financial support includes scholarships, fee waivers and bursaries and is aimed at providing students with an element of choice. It is notable, for example, that during 2012/13 the Lord Mayor's Scholarship benefited 304 students, 47% of whom were from under-represented groups. More generally, in order to support the University's outreach, retention and student success strategy a number of new bursaries have been developed which are targeted at specific groups such as care leavers and mature students.

### Widening education provision
The University's Access Agreement 2014/15 documents the many and various ways in which the University creates opportunities for people to benefit from its courses. This includes outreach work targeted at under-represented groups in local schools and colleges. The activities include mentoring for young people and ethnic minorities, tutoring, University visits, summer schools, careers guidance and vocational master classes. Over 10,000 young people from over 100 schools take part in the University's widening participation outreach work annually and we have 180 Widening Participation Ambassadors. Helping students to succeed once they are at the University is also vital and we are now monitoring the progress of students who have been in care or whose parents have no previous experience of higher education.

### Local employment and economic growth
Last year an internal temping agency, Unitemps, was established to help students secure part-time and temporary work while they study, giving them the opportunity to develop the transferable skills that are in demand from employers and the ability to articulate these when looking for a graduate position. The service is also open to local residents. Over 1000 individuals have been placed in a wide variety of roles, 10% of which are full-time.

The year-round student innovation and enterprise programme CitySpark is delivered to students of all Schools across the University. The programme has two goals that respond to student demand for new practical skills and the government-led strategy to foster employability and enterprise in a challenging environment:

- To teach enterprise skills such as teamwork, presentation and pitching, writing business cases, innovation and creativity to teams of students keen to enhance their employability.
- To generate student enterprise, including proactive goal achievement, new for-profit and social and non-profit venture ideas or even newly-launched ventures.

The University also makes a significant contribution to wider economic growth, both in the local Tech City cluster of digital media businesses and more generally.

- This year over 4,000 local residents and workers enrolled on short courses in business and law, computing, creative industries, languages and writing.
- City Unrulyversity, a free 'pop-up university' run by City University academics on the premises of Unruly Media, has attracted over 300 attendees from Tech City businesses since its launch in February 2013.
- The Hangout was launched this year in nearby City Road as a pilot aiming to demonstrate the value of co-working incubation space in fostering relationships between academics, students, alumni and Tech City entrepreneurs and start-up businesses.
- Commercialisation of research through licensing of intellectual property and the creation of spin-out companies generates a wide range of public benefit. Products and services resulting from University knowledge include prescription spectacles and ready-to-wear reading glasses; software to deliver documented governance for hospitals and care homes; and software for automated testing of children's vision, hearing and body mass index.

**Supporting those in need**
Voluntary work and supporting the community is an important part of life at the University and we work hard to support those most in need. More than 1000 of our students are involved in volunteering. The University participates in London Student Volunteering Fortnight and organises the Student Impact Awards where we celebrate their achievements.

In the heart of the City of London, the Fight for Sight Optometry Clinic offers a wide range of eye care services to the general public and local businesses in state-of-the-art facilities.

The University collaborates with the Centre for London, a new politically independent not-for-profit think tank focusing on the economic, social and environmental issues facing the capital. Recently the University became a member of the BIG Alliance, which works to connect businesses to local people alongside public and community partners, to drive the agenda for social, economic and infrastructural change for East London and Islington.

Recognising it is very easy for a sense of loneliness or isolation to become a problem in the older community, we have organised and contributed to a whole range of activities including, for example, staging concerts and joining in with the lunch club at the local St Luke's Community Centre. Alongside this, in an effort to engage with Islington's elderly community, City Volunteering organised for a number of students to plant bulbs and then give them out to older people at St Luke's Community Centre. The event gave the students and the members of the St Luke's lunch club the chance to interact, get to know one another and play bingo.

**Cultural impact**
The University makes a significant contribution to cultural life in this vibrant area of London through shared use of our facilities and investment in the local area. In the School of Arts and Social Sciences alone almost 4,000 people attended a wide range of public lectures, seminars, debates and concerts during the year.

**Environmental sustainability**
The University achieved a First Class Award in the 2013 *People and Planet Green League*. The University was ranked joint 23rd out of 143 universities and is among 43 institutions to achieve a First Class Award in 2013. This represents a climb of 36 positions from last year when City earned an Upper Second Class Award and was placed in joint 59th position.

More broadly, the University has consistently performed well in terms of carbon reduction. This has underpinned the University's success in measures such as its Carbon Management Plan through which emissions have been reduced by 33% since 2005/06 and the national Carbon Reduction Commitment Energy Efficiency Scheme in which we are the highest ranked University in the UK. Our improved performance in the Green League clearly demonstrates the University's commitment to look beyond energy and carbon and address wider environmental sustainability issues.

## Independent Auditor's Report to the Council of City University London

We have audited the Group and University financial statements (the "financial statements") of City University London for the year ended 31 July 2013 which comprise the Consolidated Income and Expenditure Account, the Group and University Balance Sheets, the Consolidated Cash Flow Statement, the Statement of Group Total Recognised Gains and Losses, the Accounting Policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Council of City University London ("Council"), in accordance with the Charters and Statutes of the University. Our audit work has been undertaken so that we might state to the Council those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the University Council for our audit work, for this report, or for the opinions we have formed.

**Respective Responsibilities of the University Council and Auditors**

As explained more fully in the Statement of the University Council's Responsibilities set out on page 9 the Council is responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit, and express an opinion, on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

**Scope of the audit of the financial statements**

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 Group's and University's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Council; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Operating and Financial Review and the Corporate Governance Statement to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements of inconsistencies we consider the implication for our report.

**Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the affairs of the Group and University as at 31 July 2013 and of the Group's income and expenditure, recognized gains and losses and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education.

**Opinion on other matters prescribed in the HEFCE Audit Code of Practice issued under the Further and Higher Education Act 1992**

In our opinion, in all material respects:

- funds from whatever source administered by the University for specific purposes have been properly applied to those purposes
- income has been applied in accordance with the University's Statutes; and
- funds provided by HEFCE have been applied in accordance with the Financial Memorandum and any other terms and conditions attached to them.

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matter where the HEFCE Audit Code of Practice issued under the Further and Higher Education Act 1992 required us to report to you if, in our opinion:

- the statement of internal control included as part of the Corporate Governance Statement is inconsistent with our knowledge of the University and Group.

Andrew Sayers
For and on behalf of KPMG LLP. Statutory Auditor
Chartered Accountants
15 Canada Square
London E14 5GL

27th November 2013

## Statement of Accounting Policies

### 1 Basis of Preparation

These Financial Statements have been prepared in accordance with the Statement of Recommended Practice (SORP): 'Accounting for Further and Higher Education' as modified for the effect of Financial Reporting Standard 17 'Retirement Benefits' which requires that the University's share of the surplus or deficit of the London Pensions Fund Authority Scheme (see Accounting Policy 5, below) is recognised as an asset or liability on the Balance Sheet. These Financial Statements have been prepared in accordance with applicable Accounting Standards. They comply with the Annual Accounts direction published by the Higher Education Funding Council for England (HEFCE).

### 2 Basis of Accounting

The Financial Statements have been prepared under the historical cost convention, as modified by the revaluation of certain Fixed Assets and Investments, and are prepared on the going concern basis.

### 3 Basis of Consolidation

The Financial Statements of the University are consolidated to include all its subsidiary undertakings, including the City University London Students' Union, for the financial year ended 31 July (the group accounts). Intra-group sales and profits are eliminated fully on consolidation. The Income and Expenditure Account of City University London is not presented separately within these consolidated Financial Statements.

### 4 Recognition of Income

Income from Research Grants, Contracts and other Services Rendered is included to the extent of the completion of the contract or service concerned. This is generally equivalent to the sum of the relevant expenditure incurred during the year and any related contributions towards overhead costs. Income from specific endowments and specific donations is included to the extent of the completion of the relevant project concerned, together with any related contributions towards overhead costs.

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

Recurrent grants from HEFCE are recognised in the period in which they are receivable. HEFCE grants for specific projects are included to the extent of the completion of the contract or project concerned. Non-recurrent grants from HEFCE or other bodies received in respect of the acquisition or construction of fixed assets are treated as Deferred Capital Grants and released to income in line with depreciation over the life of the assets.

Fee income is credited to the income and expenditure account over the period in which students are studying. Where an amount of the tuition fee is waived, income receivable is shown net of the discount. Bursaries and scholarships are accounted for gross as expenditure and not deducted from income.

### 5 Pension Schemes

The two main pension schemes for the University's staff are the Universities Superannuation Scheme (USS) and the London Pensions Fund Authority Scheme (LPFA). The schemes are defined benefit schemes, which are externally funded and contracted out of the State Second Pension (S2P) Scheme. The Funds are valued every three years by actuaries using the projected unit method, the rates of contribution payable being determined by the trustees on the advice of the actuaries. Pension costs are assessed on the latest actuarial valuations of the scheme and accounted for on the basis of FRS 17, except for USS, a multi-employee scheme for which contributions are charged directly to the income and expenditure account as if the scheme were a defined contribution scheme. The LPFA scheme's assets are included at market value and scheme liabilities are measured on an actuarial basis using the projected unit method. The current service cost and any past service costs are included in the Income and Expenditure Account within operating expenses and the expected return on the scheme's assets is included within other interest receivable or payable. Actuarial gains and losses are recognised in the Statement of Total Recognised Gains and Losses.

### 6 Foreign Currencies

Transactions denominated in foreign currencies are recorded at the rates of exchange ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at year-end rates for Balance Sheet purposes. The resulting exchange differences are dealt with in the determination of income and expenditure for the financial year.

### 7 Land and Buildings

Land and Buildings are shown at cost on acquisition as modified by the valuation of land acquired for the Cass Business School. As the revaluation of the land took place before the implementation of FRS 15, the University has taken advantage of the provisions within FRS 15 to freeze the value of the land at its existing valuation. Interest incurred on acquisition and construction expenditure to the date of commencement of occupation is capitalised. Improvements to buildings are capitalised where they are seen to increase the value or effective life of the building. Freehold land is not depreciated. Freehold buildings are depreciated over their expected useful economic life to the University (up to 50 years) on a straight-line basis. Depreciation is provided on the cost of leasehold buildings on a straight-line basis over the period of the lease. Freehold building improvements are depreciated over their useful lives of up to 15 years. Leasehold improvements are depreciated over 15 years, or the period of the lease, if shorter.

Buildings under construction are accounted for at cost, based on the value of architects' certificates and other direct costs to 31 July. They are not depreciated until they are brought into use. Where buildings are acquired with the aid of specific grants, they are capitalised and depreciated as above. The related grants are credited to a Deferred Capital 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. Some of the University's land and buildings have been financed by government grants and are therefore inalienable, ie, they can only be disposed of in accordance with the rules set out in the Financial Memorandum with HEFCE. As noted above, all buildings and related grants are capitalised.
A review for impairment of a Fixed Asset is carried out if events or changes in circumstances indicate that the carrying amount of the fixed asset may not be recoverable.

### 8 Equipment

Equipment costing less than £25,000 per individual item or group of related items is written off to the Income and Expenditure Account in the year of acquisition. All other equipment is capitalised at cost. Capitalised equipment is depreciated over its useful life of three or five years. Where equipment is acquired with the aid of specific grants, it is capitalised and depreciated as above. The related grant is credited to a Deferred Capital Grant Account and released to the Income and Expenditure Account over the expected useful life of the equipment, on a basis consistent with the depreciation policy.

### 9 Leased assets

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

### 10 Maintenance of premises

The cost of long term and routine corrective maintenance is charged to the income and expenditure account as incurred.

### 11 Investments

Endowment Asset Investments are included in the Balance Sheet at market value. The investment in University companies is stated at cost less provision for impairment in value. Current Asset Investments are included in the Balance Sheet at market value. They are managed by the University's Investment Managers. Other Investments include money on short-term deposit with a maturity date within one year of the balance sheet date.

### 12 Stocks

Stocks are stated at the lower of their cost and net realisable value. Where necessary, provision is made for obsolete, slow moving and defective stocks.

### 13 Cash at bank and in hand

Cash balances shown on the face of the balance sheet, include cash in hand, cash at bank and deposits repayable on demand. Deposits are repayable on demand if they are available within 24 hours without penalty. No other investments, however liquid are included in cash.

### 14 Provisions

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

### 15 Reserves

The General Reserves represent all reserves, but excludes the Revaluation Reserve.

### 16 Taxation Status

The University is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

No tax charge has arisen in the year. No tax charge has arisen in any of the subsidiaries as any taxable profits are gifted to the University each year.

The University receives no similar exemption in respect of Value Added Tax. The University is a partially exempt organisation for VAT purposes and consequently input tax on its purchases is largely irrecoverable.

The subsidiary companies are subject to Corporation Tax and VAT in the same way as any commercial organisation.

### 17 Joint venture entities

The institution's share of income and expenditure in joint venture entities is recognized in the institution's income and expenditure account in accordance with FRS 9. The gross equity method is used when consolidating joint venture entities in accordance with FRS 9.

**Consolidated Income and Expenditure Account** for the year ended 31 July 2013

| Note | | 2013 | 2012 |
|---|---|---|---|
| | **Income** | £000 | £000 |
| 1 | Funding Council Grants | 29,696 | 36,544 |
| 2 | Tuition Fees and Education Contracts | 131,469 | 121,347 |
| 3 | Research Grants and Contracts | 9,825 | 7,998 |
| 4 | Other Income | 12,187 | 10,910 |
| 5 | Endowment and Investment Income | 1,590 | 1,634 |
| | Total Income | 184,767 | 178,433 |
| 13 | Less: share of income from Joint Venture | (3,446) | (2,927) |
| | Net Income | 181,321 | 175,506 |
| | **Expenditure** | | |
| 6 | Staff Costs | 109,945 | 102,942 |
| 6 | Staff Costs - Exceptional Restructuring Costs | 3,079 | 1,631 |
| 7 | Other Operating Expenses | 69,539 | 58,853 |
| 11 | Depreciation | 13,939 | 12,214 |
| 8 | Interest Payable | 424 | 432 |
| | Total Expenditure | 196,926 | 176,072 |
| | Deficit after depreciation of Assets at cost and before tax | (15,605) | (566) |
| 13 | Share of operating loss in Joint Venture | (604) | (444) |
| | Operating deficit | (16,209) | (1,010) |
| 31 | Surplus on sale of Fixed Assets | 22,694 | - |
| 10 | Taxation | - | - |
| | Surplus/(Deficit) after Depreciation of Assets at Cost and Tax | 6,485 | (1,010) |
| | Transfer (to)/from accumulated income within Endowments | (38) | 2 |
| 22 | Surplus/(Deficit) met from General Reserves | **6,447** | **(1,008)** |

The Income and Expenditure Account is in respect of continuing activities.
There is no material difference between the surplus or deficit on a historical cost basis and the result for the year.

Notes on pages 20 to 39 form part of the financial statements.

**Balance Sheets** as at 31 July 2013

| Note | | Group 2013 £000 | Group 2012 £000 | University 2013 £000 | University 2012 £000 |
|---|---|---|---|---|---|
| | **Fixed Assets** | | | | |
| 11 | Tangible Assets | 121,670 | 116,257 | 121,670 | 116,257 |
| 12 | Investments in University companies | 156 | 152 | 156 | 152 |
| | Othe fixed asset investments | 300 | - | 300 | - |
| 13 | Investment assets - Joint Venture Loan | - | 1,000 | - | 1,000 |
| | | 122,126 | 117,409 | 122,126 | 117,409 |
| 14 | **Endowment Assets** | 8,912 | 7,871 | 8,912 | 7,871 |
| | **Current Assets** | | | | |
| | Fixed Asset held for sale | - | 1,143 | - | 1,143 |
| | Stock | 24 | 25 | 10 | 25 |
| 15 | Debtors | 10,885 | 10,208 | 10,899 | 10,220 |
| 16 | Investments - short term deposits | 30,555 | 55,857 | 30,556 | 55,857 |
| | Cash at bank and in hand | 54,053 | 12,101 | 54,053 | 12,099 |
| | | 95,517 | 79,334 | 95,518 | 79,344 |
| 17 | **Creditors** - amounts falling due within one year | (55,437) | (41,935) | (55,691) | (41,955) |
| | **Net Current Assets** | 40,080 | 37,399 | 39,827 | 37,389 |
| | **Total Assets less Current Liabilities** | 171,118 | 162,679 | 170,865 | 162,669 |
| 18 | **Provisions for Liabilities and Charges** | (5,867) | (3,298) | (2,578) | (613) |
| | **Net Assets excluding Pension Liabilty** | 165,251 | 159,381 | 168,287 | 162,056 |
| 32 | **Pension Fund Liability** | (17,267) | (23,121) | (17,267) | (23,121) |
| | **Net Assets** | **147,984** | **136,260** | **151,020** | **138,935** |
| | | | | | |
| 19 | **Deferred Capital Grants** | 31,557 | 34,008 | 31,557 | 34,008 |
| | **Endowments** | | | | |
| 20 | Expendable | 4,332 | 3,981 | 4,332 | 3,981 |
| 20 | Permanent | 4,580 | 3,890 | 4,580 | 3,890 |
| | | 8,912 | 7,871 | 8,912 | 7,871 |
| | **Reserves** | | | | |
| 21 | Revaluation Reserve | 11,000 | 11,000 | 11,000 | 11,000 |
| | | | | | |
| | **Income and Expenditure Account** | | | | |
| 22 | General Reserve excluding Pension Reserve | 113,782 | 106,502 | 116,818 | 109,177 |
| 22 | Pension Deficit Reserve | (17,267) | (23,121) | (17,267) | (23,121) |
| | | 96,515 | 83,381 | 99,551 | 86,056 |
| | **Total Funds** | **147,984** | **136,260** | **151,020** | **138,935** |

Notes on pages 20 to 39 form part of the financial statements.

The financial statements on pages 17 to 39 were approved by Council on 22 November 2013 and signed on its behalf by:

**Mr R Woodward**
Pro-Chancellor

**Professor P Curran**
Vice-Chancellor

## **Consolidated Cash Flow Statement** for the year ended 31 July 2013

| Note | | 2013 £000 | 2012 £000 |
|---|---|---|---|
| 23 | Cash Inflow from Operating Activities | 9,275 | 4,315 |
| 24 | Returns on Investments and Servicing of Finance | 1,590 | 1,634 |
| 10 | Taxation | - | - |
| 25 | Capital Expenditure and Financial Investment | 5,998 | (13,846) |
| | Net Cash Inflow/(Outflow) before use of Liquid Resources and Financing | 16,863 | (7,897) |
| 26 | Management of Liquid Resources | 25,302 | 16,895 |
| 26 | **Increase in Cash in the Year** | **42,165** | **8,998** |

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

| Note | | £000 | £000 |
|---|---|---|---|
| | Increase in Cash in the Year | 42,165 | 8,998 |
| 26 | Outflow from Liquid Resources | (25,302) | (16,895) |
| | Movement in Net Funds in Year | 16,863 | (7,897) |
| | Net Funds at 1 August | 72,358 | 80,255 |
| | **Net Funds at 31 July** | **89,221** | **72,358** |

## **Statement of Total Recognised Gain and Losses** for the year ended 31 July 2013

| Note | | 2013 £000 | 2012 £000 |
|---|---|---|---|
| | Surplus/(Deficit) for the year | 6,485 | (1,010) |
| 20 | Gain in market value of investments | 740 | 2 |
| 20 | New Endowments | 263 | 300 |
| 32 | Actuarial gain/(loss) in respect of LPFA Pension Scheme | 6,687 | (7,995) |
| | **Total Recognised Gains/(Losses) Relating to the Year** | **14,175** | **(8,703)** |
| | **Reconciliation** | | |
| | Opening Reserves and Endowments | 102,252 | 110,955 |
| | Total Recognised Gain/(Loss) for the Year | 14,175 | (8,703) |
| | **Closing Reserves and Endowments** | **116,427** | **102,252** |

Notes on pages 20 to 39 form part of the financial statements.

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

| | 2013 | 2012 |
|---|---|---|
| **Recurrent Grant** | £000 | £000 |
| Teaching | 15,422 | 21,975 |
| Research | 9,743 | 9,737 |
| Matched Funding | 52 | 162 |
| | 25,217 | 31,874 |
| **Specific Grants** | | |
| Higher Education Infrastructure Fund 2 | 1,705 | 1,667 |
| National Scholarship Programme | 216 | - |
| Other Specific Grants | 20 | 162 |
| | 1,941 | 1,829 |
| **Release of Deferred Capital Grants** | | |
| Buildings (Note 19) | 2,538 | 2,571 |
| Equipment (Note 19) | - | 270 |
| | 2,538 | 2,841 |
| | **29,696** | **36,544** |

2 **Tuition Fees and Education Contracts**

| | 2013 | 2012 |
|---|---|---|
| | £000 | £000 |
| Home and EU Students | 49,203 | 44,638 |
| International Students | 53,532 | 44,611 |
| Education Contracts with National Health Service | 20,067 | 21,609 |
| Other Tuition Fees | 8,667 | 10,489 |
| | **131,469** | **121,347** |

Following the introduction of the new fees regime, the University has reconsidered its treatment of fee waivers, scholarships and bursaries. As a consequence the University has reclassified amounts which were previously shown as scholarships within expenditure, as fee waivers netted off income. This better reflects the substance of these transactions. This resulted in a reduction in both tuition fee income and other operating expenditure in 2011/12 of £3,831,000. The reclassification has no impact on the surplus for 2012/13 or 2011/12, and has not resulted in any changes to the balance sheets.

3 **Research Grants and Contracts**

| | 2013 | 2012 |
|---|---|---|
| | £000 | £000 |
| Research Councils | 2,896 | 2,420 |
| UK Based Charities | 1,770 | 971 |
| UK Government and Health Authorities | 1,435 | 2,033 |
| UK Industry and Commerce | 701 | 1,056 |
| European Union | 2,666 | 1,323 |
| Other Sources | 357 | 195 |
| | **9,825** | **7,998** |

## 4 Other Income

| | 2013 | 2012 |
|---|---|---|
| | £000 | £000 |
| Residences, Catering and Conferences | 2,558 | 2,295 |
| Other Services Rendered | 2,671 | 2,974 |
| Donations | 2,589 | 2,064 |
| Release of Deferred Capital Grants (Note 19) | 554 | 571 |
| Other Income | 3,815 | 3,006 |
| | **12,187** | **10,910** |

## 5 Endowment and Investment Income

| | 2013 | 2012 |
|---|---|---|
| | £000 | £000 |
| Income from Endowments | 323 | 108 |
| Income from Other Investments | 1,267 | 1,526 |
| | **1,590** | **1,634** |

## 6 Staff

| | 2013 | 2012 |
|---|---|---|
| Staff Costs: | £000 | £000 |
| Wages and Salaries | 90,357 | 84,622 |
| Social Security Costs | 7,925 | 7,455 |
| Pension Costs (Note 32) | 11,663 | 10,865 |
| | **109,945** | **102,942** |
| Exceptional Restructuring Costs | 3,079 | 1,631 |
| | **113,024** | **104,573** |

| Emoluments Vice-Chancellor, Professor P Curran | | |
|---|---|---|
| Salary | 280 | 280 |
| Taxable Benefits in Kind | 1 | 1 |
| Performance Related Remuneration | 42 | |
| Pension Contributions | 22 | 22 |
| | 345 | 303 |

The Vice-Chancellor left the pension scheme for 12 months (6 months in both 2012 and 2013). No pension contributions were paid on his behalf in this period.

The Vice-Chancellor was awarded performance related remuneration for 2012/13 which has been accrued in 2012/13 and will become payable at a later date. The Vice-Chancellor has decided to defer a decision on receipt.

The emoluments shown have been independently determined by the Remuneration Committee, this includes performance related remuneration.

| Remuneration of higher paid staff, excluding employer's pension contributions and restructuring costs | 2013 Number | 2012 Number |
|---|---|---|
| £100,001 - £110,000 | 19 | 21 |
| £110,001 - £120,000 | 14 | 7 |
| £120,001 - £130,000 | 9 | 13 |
| £130,001 - £140,000 | 7 | 8 |
| £140,001 - £150,000 | 5 | 5 |
| £150,001 - £160,000 | 6 | 2 |
| £160,001 - £170,000 | 2 | 3 |
| £170,001 - £180,000 | 1 | 3 |
| £180,001 - £190,000 | 2 | 2 |
| £190,001 - £200,000 | 2 | - |
| £200,001 - £210,000 | 1 | - |
| £240,001 - £250,000 | - | 1 |
| £250,001 - £260,000 | 1 | 1 |

The above disclosures include four members of staff who joined and five members who left part way through the year and would have received remuneration in these bands in a full year.

| | 2013 | 2012 |
|---|---|---|
| Staff restructuring costs payable in respect of higher paid employees. | £000 | £000 |
| These costs are in respect of two staff members in 2012 | - | 297 |
| | | |
| Average staff numbers - full-time equivalents | Number | Number |
| Academic | 805 | 797 |
| Professional Services Staff | 1,022 | 1,040 |

Council members' expenses: Council members received no remuneration (2012: £Nil). Council members' expenses include out-of-pocket travel expenses. Eight of the 19 Council members received out-of-pocket travel reimbursements totaling £2,227 (2012: seven Council members, £2,445) for expenses incurred directly.

| 7 **Other Operating Expenses** | 2013 | 2012 |
|---|---|---|
| | £000 | £000 |
| Student Bursaries and fee Remissions | 6,559 | 6,191 |
| Payments to Non Contract Staff and Agencies | 8,242 | 7,589 |
| Other Expenses | 7,333 | 4,026 |
| Books, Periodicals and Subscriptions | 5,883 | 4,472 |
| Rents, Rates and Insurance | 5,548 | 4,075 |
| Publicity, Advertising and Staff Recruitment | 5,042 | 4,405 |
| Long-Term Maintenance | 5,040 | 3,804 |
| Conference, Travel and Training costs | 4,227 | 3,863 |
| Repairs and general maintenance | 4,211 | 2,975 |
| Purchase and Maintenance of furniture, Equipment and Software | 3,504 | 4,727 |
| Collaborative Partner Payments | 2,776 | 2,328 |
| Printing, Postage, Stationery and Telephones | 2,775 | 2,468 |
| Heat, Light, Water and Power | 2,211 | 1,706 |
| Payments for Domestic and Security Contracts | 2,085 | 2,056 |
| Residences, Catering and Conferences Operating Expenses | 2,078 | 1,790 |
| Other Professional fees | 790 | 1,059 |
| IT & Academic Consumables | 548 | 484 |
| External Venue Hire | 504 | 691 |
| Auditor's Remuneration | 71 | 71 |
| Auditor's Remuneration in respect of other services | 112 | 73 |
| | **69,539** | **58,853** |

## 8 Interest Payable

| | 2013 £000 | 2012 £000 |
|---|---|---|
| Interest charge on pension benefit | 424 | 432 |
| | **424** | **432** |

## 9 Analysis of Expenditure for the year ended 31 July 2013 by Activity

| | Staff Costs £000 | Other Operating Expenses £000 | Depreciation £000 | Interest Payable £000 | Total £000 |
|---|---|---|---|---|---|
| Academic Departments | 71,322 | 16,491 | 395 | - | 88,208 |
| Academic Services | 10,760 | 10,289 | 1,601 | - | 22,650 |
| Administration | 12,496 | 4,924 | 21 | - | 17,441 |
| General Educational Expenditure | 3,534 | 11,122 | - | - | 14,656 |
| Student and Staff Services | 4,203 | 1,483 | 29 | - | 5,715 |
| Premises | 5,101 | 18,631 | 11,881 | - | 35,613 |
| Residences, Catering and Conferences | - | 2,078 | 12 | - | 2,090 |
| Research Grants and Contracts | 4,527 | 2,724 | - | - | 7,251 |
| Other Services Rendered | 623 | 991 | - | - | 1,614 |
| Other Expenditure - Pension cost adjust | 416 | 806 | - | 424 | 1,646 |
| | **112,982** | **69,539** | **13,939** | **424** | **196,884** |

The depreciation charge has been funded by:

| | |
|---|---|
| Deferred Capital Grants Released | 3,092 |
| General Income | 10,847 |
| | **13,939** |

**Analysis of Expenditure for the year ended 31 July 2012 by Activity**

| | Staff Costs £000 | Other Operating Expenses £000 | Depreciation £000 | Interest Payable £000 | Total £000 |
|---|---|---|---|---|---|
| Academic Departments | 67,935 | 17,829 | 300 | - | 86,064 |
| Academic Services | 9,941 | 8,273 | 1,064 | - | 19,278 |
| Administration | 12,086 | 5,139 | 46 | - | 17,271 |
| General Educational Expenditure | 1,192 | 6,683 | - | - | 7,875 |
| Student and Staff Services | 4,103 | 1,239 | 34 | - | 5,376 |
| Premises | 5,214 | 14,810 | 10,599 | - | 30,623 |
| Residences, Catering and Conferences | 5 | 1,790 | 171 | - | 1,966 |
| Research Grants and Contracts | 3,413 | 2,396 | - | - | 5,809 |
| Other Services Rendered | 651 | 694 | - | - | 1,345 |
| Other Expenditure - Pension cost adjust | 33 | - | - | 432 | 465 |
| | **104,573** | **58,853** | **12,214** | **432** | **176,072** |

The depreciation charge has been funded by:

| | |
|---|---|
| Deferred Capital Grants Released | 3,412 |
| General Income | 8,802 |
| | **12,214** |

## 10 Taxation

| | 2013 £000 | 2012 £000 |
|---|---|---|
| U.K. Corporation Tax Charge | - | - |

None of the subsidiary undertakings consolidated within these accounts has taxable profits.

| 11 **Tangible Assets - Group and University Cost or Valuation** | Freehold Land and Buildings £000 | Freehold assets under construction £000 | Leasehold Buildings £000 | Equipment £000 | Total £000 |
|---|---|---|---|---|---|
| At 1 August 2012 | 151,536 | 518 | 16,366 | 12,810 | 181,230 |
| Additions | - | 12,341 | 2,077 | 4,934 | 19,352 |
| Transfers | 1,890 | (1,890) | - | - | - |
| Elimination of fully depreciated items | (173) | - | (3,675) | (2,859) | (6,707) |
| At 31 July 2013 | 153,253 | 10,969 | 14,768 | 14,885 | 193,875 |
| **Depreciation** | | | | | |
| At 1 August 2012 | 49,243 | - | 7,235 | 8,495 | 64,973 |
| Charge for year | 9,968 | - | 702 | 3,269 | 13,939 |
| Elimination of fully depreciated items | (173) | - | (3,675) | (2,859) | (6,707) |
| At 31 July 2013 | 59,038 | - | 4,262 | 8,905 | 72,205 |
| **Net Book Value at 31 July 2013** | **94,215** | **10,969** | **10,506** | **5,980** | **121,670** |
| **Net Book Value at 31 July 2012** | **102,293** | **518** | **9,131** | **4,315** | **116,257** |

Included in the Freehold Tangible Assets is land acquired during the year ended 31 July 1999. The land was valued at £11,000,000 by Healey and Baker International Real Estate Consultants, as at 31 July 1999, on the basis of open market value and in accordance with the appraisal and valuation manual of the Royal Institution of Chartered Surveyors.

Buildings and equipment that have been funded from Treasury sources amount to £22,311,000 (2012: £24,664,000). In the event that these were to be sold, the University would either have to surrender the proceeds to the Treasury or use them in accordance with the Financial Memorandum with HEFCE.

| 12 **Investments in University Companies** | 2013 £000 | 2012 £000 |
|---|---|---|
| Investment in University companies | 156 | 152 |
| | **156** | **152** |

At 31 July 2013 the University owned the following subsidiary companies which are all registered in England and Wales.

| **Company Name** | **Principle Activity** | **Class of Shares** | **Percentage Held %** | **Voting Rights %** |
|---|---|---|---|---|
| City Foundations Ltd | Member of INTO City LLP, which provides pre-University education to students | Ordinary | 100 | 100 |
| City Entrepreneurship Ltd | Manages the University's interest in an entrepreneurship fund created from a charitable donation – currently dormant | Ordinary | 100 | 100 |

At 31 July 2013 City Foundations Ltd owned 50% of the ordinary shares in a joint venture – INTO City LLP (Note 13).

At 31 July 2013 the University owned the following trade investments which are all registered in England and Wales.

| Company Name | Principle Activity | Class of Shares | Percentage Held % | Voting Rights % |
|---|---|---|---|---|
| Thomson Screening Solutions Ltd | Development of software to manage vision and hearing screening in schools | Ordinary | 43 | 43 |
| City Occupational Ltd | Provision of advanced vision and optometric tests | Ordinary | 39 | 39 |
| Heliex Power Ltd | Development of steam screw expanders to recover energy from industrial processes | Ordinary | 38 | 12 |
| Totempower Energy Systems Ltd | Provision of innovative solutions for domestic and community-scale wind turbines | Ordinary | 25 | 25 |
| Virtual Tutor | Suppliers of web-based programs providing virtual 'hands on' training in the use of intravenous devices | Ordinary | 25 | 25 |
| Ascending Power Ltd | Research and development on natural sciences and engineering | Ordinary | 15 | 15 |
| Resilsoft Ltd | Development of a middleware software application to increase database accuracy and availability | Ordinary | 15 | 15 |
| Camineo SAS | Development of software to deliver tourist information on a mobile phone | Ordinary | 4 | 4 |
| CVCP Properties Ltd | Owns the head office building of Universities UK | Ordinary | 1 | 1 |
| Warwick Advertising Ltd | Currently not trading | Ordinary | <1 | <1 |

Companies in which the University holds significant influence have not been accounted for as associates, since their results are not material to the University.

## 13 Investment in Joint Venture

INTO City LLP is a joint venture between the University through its subsidiary company City Foundations Ltd and INTO University Partnerships Limited.

A 50% share of the LLP's gross assets and gross liabilities is included in the University's Group Balance Sheet and 50% of its net income is reported in the University's Consolidated Income and Expenditure Account. INTO City LLP's principal activity is the provision of academic and language courses, primarily to international students, through the operation of an International Student Centre in London. INTO City LLP has a financial year ended 31 July and its results are as follows:

| | 2013 (Unaudited) | 2012 |
|---|---|---|
| | £000 | £000 |
| Income | 6,892 | 5,854 |
| Loss before and after tax | (1,208) | (888) |
| Fixed Assets | 280 | 293 |
| Current Assets | 4,206 | 3,018 |
| Liabilities due within one year | (9,083) | (6,702) |
| Net current liabilities | (4,877) | (3,684) |
| Liabilities due after more than one year | (1,980) | (1,980) |
| Total net liabilities | (6,577) | (5,371) |

| | £000 |
|---|---|
| Revolving loan to INTO City LLP at 31 July 2012 and 31 July 2013 | 1,000 |

This loan was advanced to INTO City LLP through City Foundations Limited. See also Note 30 Related Party Transactions.

In accordance with FRS 9 'Associates and Joint Ventures' the share in net liabilities as at 31 July 2013 has been disclosed in Note 18 Provision for Liabilities and Charges.

## 14 Endowment Assets

| | Group and University | |
|---|---|---|
| | 2013 | 2012 |
| | £000 | £000 |
| Balance at 1 August | 7,871 | 7,571 |
| Endowments invested/(withdrawn) | 87 | (7) |
| Gain in market value of investments | 741 | 2 |
| Increase in cash balances held for endowment funds | 213 | 305 |
| Balance at 31 July | **8,912** | **7,871** |
| Equity Accumulation Fund | 4,299 | 3,471 |
| Cash at bank held for endowment funds | 4,613 | 4,400 |
| Total Endowment Asset Investments | **8,912** | **7,871** |

## 15 Debtors - amounts due witin one year

| | Group 2013 | Group 2012 | University 2013 | University 2012 |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| Trade Debtors | 5,770 | 4,694 | 5,770 | 4,695 |
| Research and Other Uninvoiced Debtors | 497 | 1,274 | 497 | 1,274 |
| Amounts owed by Group Undertakings | - | - | 16 | 11 |
| Prepayments and Accrued Income | 4,259 | 3,642 | 4,257 | 3,642 |
| Other Debtors | 359 | 598 | 359 | 598 |
| | **10,885** | **10,208** | **10,899** | **10,220** |

| | Group 2013 | Group 2012 | University 2013 | University 2012 |
|---|---|---|---|---|
| 16 **Investments** - short term deposits | £000 | £000 | £000 | £000 |
| Deposits maturing : | | | | |
| In one year or less | 30,555 | 55,857 | 30,556 | 55,857 |
| | **30,555** | **55,857** | **30,556** | **55,857** |

Deposits are held with banks and building societies operating in the London market and licensed by the Financial Services Authority with more than 24 hours maturity at the balance sheet date. The interest rates for these deposits are fixed for the duration of the deposit at time of placement.

At 31 July 2013 the weighted average interest rate of these fixed rate deposits was 2.65% per annum and the remaining weighted average period for which the interest rate is fixed on these deposits was 80 days. The fair value of these deposits was not materially different from the book value.

| | Group 2013 | Group 2012 | University 2013 | University 2012 |
|---|---|---|---|---|
| 17 **Creditors** - amounts falling due within one year | £000 | £000 | £000 | £000 |
| Trade Creditors | 15,629 | 7,226 | 15,625 | 7,217 |
| Amounts owed to Group Undertakings | - | - | 6 | 35 |
| Payments Received in Advance | 2,520 | 4,843 | 2,520 | 4,843 |
| Accruals and Deferred Income | 33,139 | 25,954 | 33,393 | 25,949 |
| Taxation and Social Security | 2,657 | 2,611 | 2,657 | 2,610 |
| Other Creditors | 1,492 | 1,301 | 1,490 | 1,301 |
| | **55,437** | **41,935** | **55,691** | **41,955** |

18 **Provisions for Liabilities and Charges**

| | Group | University |
|---|---|---|
| | £000 | £000 |
| Balance at 1 August 2012 | 3,298 | 613 |
| Utilised in year | (613) | (613) |
| Charge for the year | 3,182 | 2,578 |
| Balance at 31 July 2013 | **5,867** | **2,578** |

This provision is the estimated liability that will arise from agreed early retirements and voluntary severance of staff under the University's restructuring arrangements, the Group share of deficiency in net assets within the INTO joint venture (see note 13) and other general provisions.

19 **Deferred Capital Grants**

| | Group and University | | |
|---|---|---|---|
| | Higher Education Funding Council for England | Other Grants | Total |
| Balances at 1 August 2012 | £000 | £000 | £000 |
| Buildings | 27,469 | 6,399 | 33,868 |
| Equipment | - | 140 | 140 |
| | 27,469 | 6,539 | 34,008 |
| Cash Received | | | |
| Buildings | 812 | - | 812 |
| Equipment | - | - | - |
| | 812 | - | 812 |
| Released to Income and Expenditure | | | |
| Buildings | (2,538) | (414) | (2,952) |
| Equipment | - | (140) | (140) |
| | (2,538) | (554) | (3,092) |
| Released on Disposal of Asset | | | |
| Buildings | - | (171) | (171) |
| Equipment | - | - | - |
| | - | (171) | (171) |
| Balances at 31 July 2013 | | | |
| Buildings | 25,743 | 5,814 | 31,557 |
| Equipment | - | - | - |
| | **25,743** | **5,814** | **31,557** |

20 **Endowments - Group and University**

| | Unrestricted Permanent | Restricted Permanent | Total Permanent | Restricted Expendable | 2013 Total | 2012 Total |
|---|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 | £000 |
| At 1 August | 78 | 3,812 | 3,890 | 3,981 | 7,871 | 7,571 |
| Additions | - | - | - | 263 | 263 | 300 |
| Gain in market value of investments | 9 | 633 | 642 | 98 | 740 | 2 |
| Income for year | 128 | 119 | 247 | 76 | 323 | 108 |
| Expenditure for year | (80) | (119) | (199) | (86) | (285) | (110) |
| At 31 July | **135** | **4,445** | **4,580** | **4,332** | **8,912** | **7,871** |
| Represented by: | | | | | | |
| Capital | 87 | 4,375 | 4,462 | 4,240 | 8,702 | 7,798 |
| Accumulated Income | 48 | 70 | 118 | 92 | 210 | 73 |
| Total | **135** | **4,445** | **4,580** | **4,332** | **8,912** | **7,871** |

Set out below are details of material charitable funds that are over 1% of the total endowment funds.

| | Capital value at 31 July 2013 £000 | Opening accumulated income £000 | Transfer from Capital £000 | Investment income £000 | Expenditure £000 | Closing accumulated income £000 |
|---|---|---|---|---|---|---|
| Lord Mais Fund | 896 | - | - | 22 | (22) | - |
| HSBC Bank Chair | 979 | - | - | 24 | (24) | - |
| Sir J Cohen Chair | 1,078 | - | - | 27 | (27) | - |
| Shipping Fund | 3,642 | 1 | 98 | 68 | (86) | 81 |
| | **6,595** | **1** | **98** | **141** | **(159)** | **81** |

**Lord Mais Fund**

This restricted permanent endowment was set up in 1975 as the International Banking and Finance Unit Appeal Fund under the sponsorship of Lord Mais, then Chancellor of the University and Lord Mayor of London. It supported the University's Centre for Banking and International Finance within the Cass Business School. The Fund, which was established as a Trust, has supported annual lectures and has contributed towards accommodation costs of the Department. From 1990 the Trustees agreed that the Fund would meet the cost of staff appointments in the Department and provide other support.

**HSBC Bank Chair**

This restricted permanent endowment was set up in 1978 as the Midland Bank Chair. Costs of staff appointments within the Faculty of Finance are partly met from this endowment.

**Sir J Cohen Chair**

This restricted permanent endowment was set up in 1980 to support a chair in Consumer Studies. Costs of staff appointments within the Faculty of Management are partly met from this endowment.

**Shipping Fund**

This restricted expendable endowment was set up in 2007 as the Lloyds Register Educational Trust Chair in Shipping Trade and Finance. The objects of the Trust are the advancement of education, knowledge and research in all aspects of shipping, and if ancillary to shipping, all aspects of trade and finance. In addition to monies received from The Lloyds Register Educational Trust, endowments have been received from a wide range of personal and industrial donors.

## 21 Revaluation Reserve

| | Group and University 2013 £000 | 2012 £000 |
|---|---|---|
| Balance at 31 July | **11,000** | **11,000** |

The Revaluation Reserve relates to land acquired for the Cass Business School.

## 22 Reserves - General

| | Group | University |
|---|---|---|
| | £000 | £000 |
| Balance at 1 August 2012 | 83,381 | 86,056 |
| Movements in year | 13,134 | 13,495 |
| Balance at 31 July 2013 | **96,515** | **99,551** |

| **General Reserve** | **Balance at 1 August 2012** | **Movements** | **Balance at 31 July 2013** |
|---|---|---|---|
| | £000 | £000 | £000 |
| General Reserve before LPFA Pension Scheme | 106,502 | 7,280 | 113,782 |
| Deficit on LPFA Pension Scheme (Note 32) | (23,121) | 5,854 | (17,267) |
| **Total** | **83,381** | **13,134** | **96,515** |

**Reconciliation of reserve movements**

| | |
|---|---|
| Income & Expenditure Account - deficit for the year | 6,447 |
| Actuarial loss in respect of LPFA Pension Scheme | 6,687 |
| | **13,134** |

## 23 Reconciliation of Consolidated Operating Deficit to Net Cash Inflow from Operating Activities

| | 2013 | 2012 |
|---|---|---|
| | £000 | £000 |
| Surplus/(Deficit) on continuing operations | 6,485 | (1,010) |
| Share of deficit in Joint Venture | 604 | 444 |
| Less surplus on sale of fixed assets (Note 31) | (22,694) | - |
| Movements in respect of LPFA Pension Scheme | 832 | 463 |
| Depreciation (Note 11) | 13,939 | 12,214 |
| Deferred Capital Grant Released to Income (Note 19) | (3,092) | (3,412) |
| Endowment and Investment Income (Note 5) | (1,590) | (1,634) |
| Decrease in Stocks | 1 | 5 |
| (Increase)/Decrease in Debtors | (677) | 1,593 |
| Increase/(Decrease) in Creditors | 13,502 | (2,121) |
| Increase/(Decrease) in Provisions* | 1,965 | (2,227) |
| **Net cash inflow from operating activities** | **9,275** | **4,315** |

*The cashflow increase in Provisions does not match the corresponding movement in the Balance Sheet due to the inclusion of the deficit in the INTO joint venture within Provisions.

## 24 Returns on Investments and Servicing of Finance

| | 2013 | 2012 |
|---|---|---|
| | £000 | £000 |
| Income from Endowments (Note 5) | 323 | 108 |
| Income from Other Investments (Note 5) | 1,267 | 1,526 |
| **Net cash inflow from returns on investments and servicing of finance** | **1,590** | **1,634** |

## 25 Capital Expenditure and Financial Investment

| | 2013 | 2012 |
|---|---|---|
| | £000 | £000 |
| Purchase of Tangible Fixed Assets | (19,352) | (14,735) |
| Investment in Associates (Note 13) | (4) | (152) |
| Purchase of Other Fixed Asset Investments | (300) | - |
| Impairment of investment in Joint Venture (Note 13) | 1,000 | |
| Endowment funds (invested)/ withdrawn (Note 14) | (87) | 7 |
| Proceeds from sale of fixed assets | 23,666 | - |
| Deferred Capital Grants Received (Note 19) | 812 | 734 |
| Endowments Received (Note 20) | 263 | 300 |
| **Net cash inflow/(outflow) from returns on capital expenditure and financial investi** | **5,998** | **(13,846)** |

## 26 Analysis of Changes in Net Funds

| | At 1 August 2012 | Cashflows | At 31 July 2013 |
|---|---|---|---|
| | £000 | £000 | £000 |
| Cash at Bank and in Hand | 12,101 | 41,952 | 54,053 |
| | 12,101 | 41,952 | 54,053 |
| Current Asset Investments | | | |
| Endowment assets | 4,400 | 213 | 4,613 |
| Other | 55,857 | (25,302) | 30,555 |
| | **72,358** | **16,863** | **89,221** |

## 27 Financial Commitments

| | Group and University | |
|---|---|---|
| | 2013 | 2012 |
| | £000 | £000 |
| Operating Lease Commitments on Leases Expiring: | | |
| Within One Year | 73 | 43 |
| Between Two and Five Years | 728 | 487 |
| Over Five Years | 2,745 | 2,157 |
| | **3,546** | **2,687** |
| Operating lease payments made | 3,507 | 1,871 |

## 28 Capital Commitments

| | Group and University | |
|---|---|---|
| | 2013 | 2012 |
| | £000 | £000 |
| Expenditure Authorised and Contracted for | 14,415 | 2,878 |
| Expenditure Authorised but not Contracted for | 5,975 | 7,955 |
| | 20,390 | 10,833 |

## 29 Access to Learning Funds

| | Group and University | |
|---|---|---|
| | 2013 | 2012 |
| | £000 | £000 |
| Funding Council Grants | 150 | 176 |
| Disbursed to Students | (150) | (176) |
| | - | - |

Funding Council Access Grants are available solely for students. The University acts only as paying agent. The grants and related disbursements are therefore excluded from the Income and Expenditure Account. Access to Learning Funds were distributed as follows: £26,000 to 29 postgraduate students and £124,000 to 144 undergraduate students.

## 30 Related Party Transactions

The University has transactions with a number of organisations which fall within the definition of Related Parties under FRS8 'related Party Disclosures'. Details of transactions, where material, are shown below. In accordance with FRS8 no disclosure has been made of intra-group transactions and balances eliminated on consolidation.

| | Income/(Expenditure) | | Debtor balance | | Nature of transaction/ |
|---|---|---|---|---|---|
| | 2013 | **2012** | 2013 | **2012** | relationship |
| | £000 | **£000** | £000 | **£000** | |
| **Joint Venture** | | | | | |
| INTO City LLP | 84 | **322** | 4 | **175** | Fees for academic and administrative service |
| **Other Organisations** | | | | | |
| City University London Student's Union | (441) | **(418)** | - | **-** | Union subvention |
| City Occupational Ltd | 13 | **4** | - | **-** | Sponsorship of doctoral student |
| Heliex Power Ltd | 223 | **104** | 223 | **9** | Patent Income |
| Ascending Power Ltd | - | **12** | - | **-** | Staffing for research project |

## 31 Sale of Fixed Assets

On 21 August 2012 the University completed the sale of three of its halls of residence, Finsbury Hall, Heyworth Hall and Peartree Court. A surplus of £22,694,000 has accrued as follows:

| | £000 | £000 |
|---|---|---|
| Net sale proceeds | | 23,666 |
| Net book value of disposals | | |
| Cost | 4,075 | |
| Less: Accumulated depreciation | (3,103) | |
| | | 972 |
| Surplus on disposal | | 22,694 |

## 32 Pension Schemes

The two pension schemes for the University staff are the Universities Superannuation Scheme (USS) and the London Pensions Fund Authority Scheme (LPFA). The assets of the Schemes are held in separate trustee administered funds. The Schemes are defined benefit schemes, which are externally funded and are valued every three years by actuaries using the projected unit method, the rates of contribution payable being determined by the trustees on the advice of the actuaries. USS provides benefits to academic and related employees of all 'old' UK Universities and some other employers based on career average salary for new entrants on or after 1st October 2011 and final pensionable salary for other employees. LPFA provides similar benefits for other staff of the University. The pension costs are assessed using the projected unit method. The assumptions and other data that have the most significant effect on the determination of the contribution levels are as follows:

| | USS | LPFA |
|---|---|---|
| Latest actuarial valuations | 31 March 2011 | 31 March 2010 |
| Investment returns per annum (%) | 6.1 | 4.5 - 7.3 |
| Salary scale increases per annum (%) | 4.4 | 4.5 |
| Pension increases per annum (%) | 3.4 | 3.0 |
| Market value of assets at date of last valuation | £32,434m | £2,538m |
| Proportion of members' accrued benefits covered by the actuarial value of the assets (%) | 92 | 83 |
| | | |
| Employers contribution rate (%) | 16.0 | 17.1 |
| Employers pension costs for current year | £9.4m | £1.5m |
| Employers pension costs for prior year | £9.9m | £1.6m |

The market value of assets stated above relate to the total scheme assets. The USS contribution rate is standard for all institutions. It is not possible to identify the University's share of the underlying assets and liabilities in the USS scheme and hence, using the exemption under FRS 17 contributions to the scheme are accounted for as if it were a defined contribution scheme with the cost recognised in the Income and Expenditure account being equal to the contributions payable to the scheme.

**Universities Superannuation Scheme**

The institution participates in the Universities Superannuation Scheme (USS), a defined benefit scheme which is contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate fund administered by the trustee, Universities Superannuation Scheme Limited.

The appointment of directors to the board of the trustees is determined by the trustee company's Articles of Association. Four of the directors are appointed by Universities UK; three are appointed by the University and College Union, of whom at least one must be a USS pensioner member; and a minimum of two and a maximum of five are independant directors appointed by the board. Under the scheme trust deed and rules, the employer contribution rate is determined by the trustee, acting on actuarial advice.

Because of the mutual nature of the scheme, the scheme's assets are not hypothecated to individual institutions and a scheme-wide contribution rate is set. The institution is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17, "Retirement Benefits", accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contribution payable to the scheme in respect of the accounting period.

The latest triennial actuarial valuation of the scheme was at 31 March 2011. This was the second valuation for USS under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. The actuary also carries out regular reviews of the funding levels. In particular, he carries out a review of the funding level each year between triennial valuations and details of his estimate of the funding level at 31 March 2013 are also included in this note.

The triennial valuation was carried out using the projected unit method. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments (i.e. the valuation rate of interest), the rates of increase in salary and pensions and the assumed rates of mortality. The financial assumptions were derived from market yields prevailing at the valuation date. An "inflation risk premium" adjustment was also included by deducting 0.3% from the market-implied inflation on account of the historically high level of inflation implied by government bonds (particularly when compared to the Bank of England's target of 2% for CPI which corresponds broadly to 2.75% for RPI per annum).

To calculate the technical provisions, it was assumed that the valuation rate of interest would be 6.1% per annum, salary increases would be 4.4% per annum (with short-term general pay growth at 3.65% per annum and an additional allowance for increases in salaries due to age and promotion reflecting historic scheme experience, with a further cautionary reserve on top for past service liabilities) and pensions would increase by 3.4% per annum for 3 years following the valuation then 2.6% per annum thereafter.

Standard mortality tables were used as follows:

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

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

Use of these mortality tables reasonably reflects the actual USS experience but also provides an element of conservatism to allow for further improvements in mortality rates the CMI 2009 projections with a 1.25% pa long term rate were also adopted. The assumed life expectations on retirement at age 65 are:

Males (females) currently aged 65 - 23.7 (25.6) years

Males (females) currently aged 45 – 25.5 (27.6) years

At the valuation date, the value of the assets of the scheme was £32,433.5 million and the value of the scheme's technical provisions was £35,343.7 million indicating a shortfall of £2,910.2 million. The assets therefore were sufficient to cover 92% of the benefits which had accrued to members after allowing for expected future increases in earnings.

The actuary also valued the scheme on a number of other bases as at the valuation date. On the scheme's historic gilts basis, using a valuation rate of interest in respect of past service liabilities of 4.4% per annum (the expected return on gilts) the funding level was approximately 68%. Under the Pension Protection Fund regulations introduced by the Pensions Act 2004 the scheme was 93% funded; on a buy-out basis (i.e. assuming the Scheme had discontinued on the valuation date) the assets would have been approximately 57% of the amount necessary to secure all the USS benefits with an insurance company; and using the FRS 17 formula as if USS was a single employer scheme, using a AA bond discount rate of 5.5% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2011 was 82%.

As part of this valuation, the trustees have determined, after consultation with the employers, a recovery plan to pay off the shortfall by 31 March 2021. The next formal triennial actuarial valuation is at 31 March 2014. If experience up to that date is in line with the assumptions made for this current actuarial valuation and contributions are paid at the determined rates or amounts, the shortfall at 31 March 2014 is estimated to be £2.2 billion, equivalent to a funding level of 95%. The contribution rate will be reviewed as part of each valuation and may be reviewed more frequently.

The technical provisions relate essentially to the past service liabilities and funding levels, but it is also necessary to assess the ongoing cost of newly accruing benefits. The cost of future accrual was calculated using the same assumptions as those used to calculate the technical provisions but the allowance for promotional salary increases was not as high. Analysis has shown very variable levels of growth over and above general pay increases in recent years, and the salary growth assumption built into the cost of future accrual is based on more stable, historic, salary experience. However, when calculating the past service liabilities of the scheme, a cautionary reserve has been included, in addition, on account of the variability mentioned above.

As at the valuation date the Scheme was still a fully Final Salary Scheme for future accruals and the prevailing employer contribution rate was 16% of Salaries.

Following UK government legislation, from 2011 statutory pension increases or revaluations are based on the Consumer Prices Index measure of price inflation. Historically these increases had been based on the Retail Prices Index measure of price inflation.

Since the valuation effective date there have been a number of changes to the benefits provided by the scheme although these became effective from October 2011. These include:

*New Entrants* – Other than in specific, limited circumstances, new entrants are now provided on a Career Revalued Benefits (CRB) basis rather than a Final Salary (FS) basis.

*Normal pension age* – The Normal pension age was increased for future service and new entrants, to age 65.

*Flexible Retirement* – Flexible retirement options were introduced.

*Member contributions increased* – Contributions were uplifted to 7.5% p.a. and 6.5% p.a. for FS Section members and CRB Section members respectively.

*Cost sharing* – If the total contribution level exceeds 23.5% of Salaries per annum, the employers will pay 65% of the excess over 23.5% and members would pay the remaining 35% to the fund as additional contributions.

*Pension increase cap* – For service derived after 30 September 2011, USS will match increases in official pensions for the first 5%. If official pensions increase by more than 5% then USS will pay half of the difference up to a maximum increase of 10%

The actuary has estimated that the funding level as at 31 March 2013 under the scheme specific funding regime had fallen from 92% to 77%. This estimate is based on the results from the valuation at 31 March 2011 allowing primarily for investment returns and changes to market conditions. These are sighted as the two most significant factors affecting the funding positions which have been taken into account for the 31 March 2013 estimation.

On the FRS 17 basis, using an AA bond discount rate of 4.2% per annum based on spot yields, the actuary calculated that the funding level at 31 March 2013 was 68%. An estimate of the funding level measured on a historic gilts basis at that date was approximately 55%.

Surpluses or deficits which arise at future valuations may impact on the institution's future contribution commitment. A deficit may require additional funding in the form of higher contribution requirements, where a surplus could, perhaps, be used to similarly reduce contribution requirements. The sensitivities regarding the principal assumptions used to measure the scheme liabilities on a technical provisions basis as at the date of the last triennial valuation are set out below:

| Assumption | Change in assumption | Impact on shortfall |
|---|---|---|
| Investment return | Decrease by 0.25% | Increase by £1.6 billion |
| The gap between RPI and CPI | Decrease by 0.25% | Increase by £1 billion |
| Rate of salary growth | Increase by 0.25% | Increase by £0.6 billion |
| Members live longer than assumed | 1 year longer | Increase by £0.8 billion |
| Equity markets in isolation | Fall by 25% | Increase by £4.6 billion |

USS is a "last man standing" scheme so that in the event of the insolvency of any of the participating employers in USS, the amount of any pension funding shortfall (which cannot otherwise be recovered) in respect of that employer will be spread across the remaining participant employers and reflected in the next actuarial valuation of the scheme.

The trustee believes that over the long-term equity investment and investment in selected alternative asset classes will provide superior returns to other investment classes. The management structure and targets set by the trustee are designed to give the fund a significant exposure to equities through portfolios that are diversified both geographically and by sector. The trustee recognises that, putting the issue of the USS fund's size and scale to one side for a moment, it might be theoretically possible to select investments producing income flows broadly similar to the estimated liability cash flows. However, in order to meet the long-term funding objective within a level of contributions that it considers the sponsoring employers would be willing and able to make, it is necessary and appropriate for the trustee to take on a degree of investment risk relative to the liabilities. This taking of investment risk seeks to target a greater return than the matching assets would provide whilst maintaining a prudent approach to meeting the fund's liabilities. Before deciding what degree of investment risk to take relative to the liabilities, the trustee receives advice from its internal investment team, its investment consultant and the scheme actuary, and importantly considers the ability of the sponsoring employers to support the scheme if the investment strategy does not deliver the expected returns.

The positive cash flow of the scheme means that it is not necessary to realise investments to meet liabilities, and the scheme actuary has confirmed that this is likely to remain the position for the next ten years or more. The trustee believes that this, together with the ongoing flow of new entrants into the scheme and most critically the ability of the employers to provide additional support to the scheme should additional contributions be required, enables it to take a longer-term view of its investments. Short-term volatility in returns can be tolerated and need not feed through immediately to the contribution rate. However the trustee is mindful of the difficult economic climate which exists for defined benefit pension schemes currently, and the need to be clear about the responses that are available should the deficits persist and a revised recovery plan becomes necessary following the next actuarial valuation of the scheme as at March 2014. The trustee is making preparations ahead of the next valuation to compile a formal financial management plan, which will bring together – in an integrated form – the various funding strands of covenant strength, investment strategy and funding assumptions, in line with the latest guidance from the Pensions Regulator

At 31 March 2013, USS had over 148,000 active members and the institution had 1,257 active members participating in the scheme.

The total pension cost for the institution was £10,066,072 (2012: £9,393,250). The contribution rate payable by the institution was 16% of pensionable salaries.

**London Pensions Fund Authority Scheme**

LPFA maintains a rate per institution related to assets and liabilities accruing to each individual institution. In order to comply with the requirements of Financial Reporting Standard 17, Retirement Benefits, the following additional information is disclosed in relation to the LPFA scheme.

| **Financial Assumptions as at** | 31 July 2013 | 31 July 2012 |
|---|---|---|
| | % per annum | % per annum |
| Price increases - Retail Prices Index | 3.4 | 2.6 |
| Price increases - Consumer Prices Index | 2.6 | 1.8 |
| Salary increases | 4.3 | 3.5 |
| Pension increases | 2.6 | 1.8 |
| Discount rate | 4.8 | 3.9 |

**Mortality**

Life expectancy has been projected to calendar year 2033 for non pensioners and 2017 for pensioners. Based on these assumptions the average future life expectancies at age 65 are summarised below:

| | Males | Females |
|---|---|---|
| Current Pensioners | 20.1 years | 23.8 years |
| Future Pensioners | 22.1 years | 25.7 years |

The assets of the LPFA scheme and the expected rates of return were:

| | Long Term Return at 31 July 2013 % per annum | Assets at 31 July 2013 £000 | Long Term Return at 31 July 2012 % per annum | Assets at 31 July 2012 £000 | Long Term Return at 31 July 2011 % per annum | Assets at 31 July 2011 £000 |
|---|---|---|---|---|---|---|
| Equities | 6.4 | 21,453 | 5.6 | 27,520 | 6.8 | 25,504 |
| Target return portfolio | 4.9 | 13,237 | 4.3 | 3,876 | 4.5 | 4,066 |
| Alternative assets | 5.4 | 3,652 | 4.6 | 6,202 | 5.8 | 5,175 |
| Cash | 0.5 | 456 | 0.5 | 1,163 | 3.0 | 1,479 |
| Cashflow Matching | 3.4 | 6,847 | n/a | - | n/a | - |
| Other Bonds | n/a | - | n/a | - | 5.3 | 739 |
| Total | **5.4** | **45,645** | **5.2** | **38,761** | **6.2** | **36,963** |

**Analysis of the amount shown in the Balance Sheet**

| | 31 July 2013 £000 | 31 July 2012 £000 | 31 July 2011 £000 |
|---|---|---|---|
| Fair Value of Employer Assets | 45,645 | 38,761 | 36,963 |
| Present Value of Funded Obligations | (62,912) | (61,869) | (51,613) |
| Present Value of Unfunded Obligations | - | (13) | (12) |
| Total Value of Liabilities | (62,912) | (61,882) | (51,625) |
| Net Pension Liability | (17,267) | (23,121) | (14,662) |

**Revenue account costs**

| **Analysis of the amount charged to operating surplus** | 31 July 2013 | 31 July 2012 |
|---|---|---|
| | £000 | £000 |
| Current Service Cost | 1,928 | 1,524 |
| Total Operating Charge | 1,928 | 1,524 |

| **Analysis of the amount charged to Interest payable** | 31 July 2013 | 31 July 2012 |
|---|---|---|
| | £000 | £000 |
| Expected Return on Employer Assets | 1,990 | 2,333 |
| Interest Cost on Pension Scheme Liabilities | 2,414 | 2,765 |
| Net charge | (424) | (432) |

| **Analysis of Amount Recognised in Statement of Total Recognised Gains and Losses (STRGL)** | 31 July 2013 | 31 July 2012 |
|---|---|---|
| | £000 | £000 |
| Actual return less expected return on pension scheme assets | 5,276 | (1,896) |
| Experience gains and losses | - | (1) |
| Changes in assumptions underlying the present value of the scheme liabilities | 1,395 | (6,082) |
| Adjustment due to revision of prior year figures | 16 | (16) |

In its June 2010 budget, the government announced that it intended for future increases in public sector pension schemes to be linked to changes in the Consumer Prices Index (CPI) rather than, as previously, the Retail Price Index (RPI). In the year ended 31 July 2010, the University considered the LGPS scheme rules and associated members' literature and concluded that as a result, a revised actuarial assumption about the level of inflation indexation should be made, and the resulting gain of £3,015,000 was recognised through the Statement of Total Recognised Gains and Losses ('STRGL') in the year ended 31 July 2010. Following the issue of Urgent Issues Task Force ('UITF') Abstract 48 in December 2010, the University has reconsidered its position in respect of the above and has concluded that the above treatment of the gain remains appropriate.

**Analysis of the movements in the present value of the scheme liabilities**

| | 31 July 2013 | 31 July 2012 |
|---|---|---|
| | £000 | £000 |
| At 1 August | 61,882 | 51,625 |
| Adjustment due to revision of prior year figures | - | (307) |
| Current Service Cost | 1,928 | 1,524 |
| Interest Cost | 2,414 | 2,765 |
| Contributions by Members | 588 | 567 |
| Unfunded Pension Payments | - | (2) |
| Estimated Benefits Paid | (2,508) | (373) |
| Actuarial Losses / (Gains) | (1,392) | 6,083 |

**Analysis of the movements in the fair value of the scheme assets**

| | 31 July 2013 | 31 July 2012 |
|---|---|---|
| | £000 | £000 |
| At 1 August | 38,761 | 36,963 |
| Adjustment due to revision of prior year figures | - | (306) |
| Expected return on assets | 1,990 | 2,333 |
| Contributions by Members | 588 | 567 |
| Contributions by Employer | 1,538 | 1,475 |
| Estimated Benefits Paid | (2,508) | (375) |
| Actuarial (Losses) / Gains | 5,276 | (1,896) |

| **Amounts for the current and previous accounting periods** | 31 July 2013 | 31 July 2012 | 31 July 2011 | 31 July 2010 | 31 July 2009 |
|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 |
| Fair Value of Employer Assets | 45,645 | 38,761 | 36,963 | 33,598 | 30,540 |
| Present Value of Scheme Liabilities | (62,912) | (61,882) | (51,625) | (51,089) | (49,506) |
| Deficit | (17,267) | (23,121) | (14,662) | (17,491) | (18,966) |
| | | | | | |
| Experience (Losses) / Gains on Assets | 5,276 | (1,896) | 529 | 945 | (4,429) |
| Experience (Losses) / Gains on Liabilities | - | (1) | 6,494 | 4 | - |
| | | | | | |
| **Amount Recognised in Statement of Total Recognised Gains and Losses (STRGL)** | | | | | |
| Actuarial (Losses) / Gains | 6,687 | (7,995) | 3,428 | 2,022 | (8,813) |

**Projected Pension Expense for the year to 31 July 2014**

| Projections for the year to 31 July 2014 | Year to 31 July 2014 |
|---|---|
| | £000 |
| Service cost | 1,847 |
| Interest cost | 3,018 |
| Return on assets | (2,443) |
| Total | 2,422 |