CITY UNIVERSITY
LONDON

Financial Statements

for the year ended 31 July 2011

The University for business and the professions

Contents

Membership of Council

Period 1st August 2010 to 14th November 2011

Chancellor
The Right Honourable The Lord Mayor of London

Pro-Chancellor and Chair of Council
The Hon. Mr A Bagri

Deputy Pro-Chancellor and Vice-Chair of Council
Mr R Woodward

Vice-Chancellor
Professor J Weinberg (Acting Vice-Chancellor until 23rd August 2010)

Professor P Curran (from 23rd August 2010)

Independent Members
Professor Sir Drummond Bone
Mr R Bright
Dame L Brindley (from 31st January 2011)
Ms C Freeman
Mr A Halper
Dr J Low (from 31st January 2011)
Mr K Murphy
Ms H Nouss (from 1st August 2011)
Ms C Regan
Mr M H Robson (until 31st July 2011)
Professor H Schreuder
Mr D Turner (until 31st July 2011)

Staff and Student Members
Professor D Arcoumanis (from 31st January 2011)
Professor D Bolton
Mr R Gillingwater
Mr P Harding
Mr A Patel (from 16th November 2010 until 31st July 2011)
Mr N Raj Cumlajee (until 16th November 2010)
Mr R Scully (from 1st August 2011)
Professor C Slade

Vice-Chancellor, Pro-Vice-Chancellors, Deans and Directors – current
Professor P Curran, Vice-Chancellor
Professor D Bolton, Deputy Vice-Chancellor
Professor D Arcoumanis, Deputy Vice-Chancellor, Research and International
Professor R Verrall, Pro-Vice Chancellor, Strategy and Planning

Mr R Gillingwater, Dean, Cass Business School
Professor K Grattan, Conjoint Dean, School of Informatics and School of Engineering and Mathematical Sciences
Professor S Nash, Dean, City Law School
Professor S Newman, Dean, School of Health Sciences
Professor C Slade, Conjoint Dean, School of Arts and School of Social Science

Mr P Harding, Chief Finance Officer
Ms M Luckiram, Director of Human Resources
Mr F Toop, University Secretary

Operating and Financial Review (Chief Finance Officer's Report)

Scope of the Financial Statements
The financial statements comprise the consolidated results of the University, its subsidiaries and the Students Union. The significant majority of activity is within the University with the subsidiaries, all 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. *CU Enterprises Limited* provided administrative support to academic staff engaged in consultancy. Its activities ceased with effect from August 2011. *CU Investments Limited* was established to facilitate the functioning of a representative office in China. The office is in the process of being closed and the subsidiary company will cease trading during 2011-12. *City Entrepreneurship Limited* was set up in 2010 to manage City's interest in an entrepreneurship fund created from a charitable donation and trade is due to start in the new financial year.

Results for the year
The consolidated income and expenditure account shows:

	2011 £000	2010 £000
Income	178,606	178,504
Expenditure	184,573	178,557
Operating Deficit	(5,967)	(53)

The University is reporting a deficit of £6M, after including exceptional restructuring costs of £6.8M in the year. The operating performance, excluding these exceptional costs, was a small surplus of £0.8M, compared to the surplus (before restructuring) of £1.8M achieved in the previous year. The restructuring costs arose as a result of a University-wide voluntary severance programme for academic and professional staff, together with a specific restructuring exercise undertaken during the year in the School of Health Sciences. The University's share of the loss in the INTO City joint venture at £0.97M was consistent with the forecast and an improvement on the loss of £1.28M reported in the previous year. The underlying surplus, excluding the exceptional restructuring cost and the joint venture loss, was £1.8M or 1% of total income.

Income and expenditure
The table below summarises the analysis of income and recent trends:

Income summary	2011	2010	2009	2008
	£M	£M	£M	£M
Funding Council grants	40	43	40	34
Tuition fees	93	90	83	77
NHS contract	22	22	21	21
Research grants and contracts	8	8	9	8
Other income	16	16	21	19
Total operating income	**179**	**179**	**174**	**159**

Income remained level at £179M. Net tuition fee income, excluding educational contracts, increased by £3M (3%) to £93M, with income from overseas (non EU) students contributing £41M or 44% of this total. Income received from contracts with the NHS was unchanged from the previous year at £22M.

Funding Council grants (HEFCE) decreased by £3M to £39.6M. The largest reduction was in the teaching grant which fell by almost 10% due to a combination of reductions in components of the teaching grant, including the withdrawal of funding for long postgraduate courses in non-science subjects which is a significant proportion of City's provision. Research grant funding was also reduced though by a more modest 3%. The University also secured £0.7M (previous year £0.8M) of funding from HEFCE in the final year of the government's matched funding scheme for fundraising. This added to the £2.6M (previous year £3M) of donations received during the year, reflecting the ongoing fragility of the UK economy. HEFCE grants represent a diminishing proportion of our total income, now at 22% compared to a sector average of 33%.

Income from research grants and contracts fell marginally from £8M to £7.9M, representing 4% of turnover. The mix of sources has shifted away from Research Councils and in favour of UK government and Health Authorities.

Investment income doubled, despite cash and investment balances remaining broadly flat year-on-year and UK interest rates remaining stubbornly depressed. The balance of our investments has moved in favour of longer-dated deposits with improved yields, whilst preserving adequate liquidity for operational purposes.

This year has continued the trend towards an increasingly commercial and uncertain profile of the University's income. The dependence on tuition fee income, including that from overseas students, poses challenges for us and all universities.

Expenditure summary	2011	2010	2009	2008
	£M	£M	£M	£M
Staff costs	106	104	101	93
Staff restructuring costs	7	2	5	1
Other operating expenses	61	61	62	51
Depreciation	11	12	11	9
Total operating expenditure	**185**	**179**	**179**	**154**

Total expenditure, excluding restructuring, increased by less than 1% compared to the previous year, demonstrating the impact of the action taken to control costs and the effect of a below-inflation national pay settlement. Staff costs, excluding restructuring, increased by 1.5%, being the combined effect of the pay settlement plus incremental salary progression for eligible employees. Non-pay costs, excluding depreciation, increased by 1.6%.

Operating and Financial Review (Chief Finance Officer's Report) – continued

Income and expenditure – continued

Staff costs, excluding restructuring, total £106M, representing 60% of total cost, compared to 59% the previous year. The University undertook an organization-wide voluntary severance exercise in 2010-11 that resulted in 81 staff leaving the institution. The purpose of this exercise was to assist in managing the cost-base in response to the reductions in HEFCE grant funding that we are experiencing and which will continue. A separate exercise was undertaken in the School of Health Sciences to respond to announced reductions in the commissions and value of the contracts with the NHS. This resulted in 32 staff leaving. The total actual and accrued cost for the staff leaving in both of these exercises is £5.9M and has been recorded in the income and expenditure account as exceptional staff restructuring costs.

Depreciation for the year fell marginally from £11.7M to £11.0M reflecting the full write-down of over £4M of equipment.

Academic related costs, excluding research and knowledge transfer, account for £99M (54%, up from 52% in 2009-10) of the £184M total expenditure in 2010-11. If research and knowledge transfer activity is included then these account for £107M or 58% of total expenditure.

Capital projects

The value of tangible fixed assets remained at £115M during the year with additions of £10.6M, of which £8.7M relates to building improvements. This includes the first phase of a £14M project to substantially upgrade educational facilities at the Northampton Square site. This will allow the first phase of the transfer of School of Health Sciences activity from the sites of our partner hospitals at Barts and the Royal London. It will also enable the Law School to relocate from its leasehold premises into newly refurbished University accommodation.

The University has exchanged contracts for the grant of a long leasehold interest in the Finsbury halls site in Goswell Road, which also includes the University's sports centre. The sale will complete when planning permission has been secured, which is estimated for February 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 state-of-the-art sports centre for students, staff and community use.

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. 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 2010-11 was £0.97M (previous year £1.28M). This is a disappointing but anticipated outcome and 2011-12 will see a significant improvement. A revolving loan of £1M was advanced in the previous year to INTO City LLP through City Foundations Limited.

Cash flow

The University's balance sheet shows an unchanged balance of cash and short-term investments of £76M at the year end, plus endowments of £7.6M. The cash inflow from operating activities plus net investment returns was £9M, with an equivalent outflow of £9M for investment in capital assets. In the medium term the investment balances are expected to reduce as the University implements its planned programme of capital expenditure.

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. The University has £30M of its investments held in 3 funds managed by 2 different fund managers. These managers were appointed in January 2009 following an external review of investment policy, which resulted in a wider spread of investments to more effectively manage risk at an uncertain time in the financial markets. The balance held by these managers has been reduced (from £41M) in favour of term deposits ranging from overnight up to one year with 3 top credit-rated UK banks.

Pensions

The University participates in 2 multi-employer pension schemes, the Universities Superannuation Scheme (USS) and the local government scheme which in London is managed by the London Pensions Fund Authority (LPFA). Both schemes are currently defined benefit final salary schemes.

The majority of staff, nearly 80%, are in USS which is unable to identify our share of the underlying assets and therefore exempt from detailed reporting in the accounts in accordance with the relevant reporting standard FRS17. The Trustees of the scheme have approved a number of significant changes, the majority of which came into effect on 1st October 2011. These include the introduction of career revalued earnings as the basis for benefits calculation for all new entrants. The changes also include a standard pension age of 65, with future increases linked to changes in the state retirement age, a higher rate of employee contribution for existing members, a flexible retirement scheme and new cost sharing arrangements. The scheme was subject to a triennial valuation as at 1st April 2011 but the results have not yet been announced.

The LPFA scheme currently shows an FRS17 deficit of £15M for City University, down from £17M at the previous year end. The present value of the fund's liabilities for City University has increased by £0.5M to £52M and assets have also increased in value by £3M to £37M. City University'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 2010.

Operating and Financial Review (Chief Finance Officer's Report) – continued

Financial Indicators

The University continues to monitor several key financial performance indicators.

	City 2010-11	City 2009-10	England*** 2009-10
Current assets to current liabilities (current ratio)	2.00	2.27	1.33
Net current assets/total expenditure (days*)	87	102	34
Long term liabilities as % of total general funds** (gearing ratio)	0	0	70
Days of total income (excluding HEFCE) represented by debtors	31	32	57
Days ratio of total general funds to total expenditure	184	195	117

* Number of days an institution could meet expenditure 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 vision for 2016.

Financial strategy and future outlook

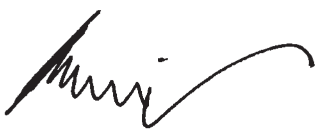
The financial and funding environment is exceptionally uncertain and challenging for all Universities. The full scale and timing of cuts in public spending is becoming apparent. In 2010-11 we experienced a £3M reduction in HEFCE funding, including a 10% reduction in the grant for teaching. We are forecasting a further reduction of at least £3M in 2011-12, with more substantial reductions in future years. The shape of the government's reforms to tuition fees and student support is now clear, though much of the detail remains uncertain. The University has a relatively low dependence on government funding and a strong balance sheet with a good level of reserves and no borrowing. The Council has nevertheless agreed a Financial Strategy that sets it firmly on a course towards sustainable levels of surplus that reflect the future investment needs.

The University's Strategic Plan, in pursuit of the 2016 vision, is due to be approved by the Council in March 2012. The existing financial strategy, which focuses upon a recovery in the University's operating performance, will need to be re-cast to ensure it is fully supportive of the Strategic Plan. This will involve ensuring that resource is deployed where it is required to secure outcomes that are consistent with the Plan, whilst securing the short and medium-term sustainability of the institution. This will inevitably result in a period during which reserves are drawn-down in a planned manner, giving rise to annual deficits in the income and expenditure account.

Going concern

The Chief Finance 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 £76M at the balance sheet date, equivalent to 168 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 ongoing 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.



Mr P Harding
Chief Finance Officer

Corporate Governance Statement

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 (for example, the Cadbury, Turnbull and Lambert reviews), 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 Governing Bodies of Universities and Colleges in England, Wales and Northern Ireland.

The University is an independent corporation granted the status of a University in 1966 by Royal Charter.

The Charter and Statutes (amended by a supplemental Charter in 2006) prescribe the following components to City'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, and Deputy Pro-Chancellor.
- **The Senate** – has delegated authority from Council for the enhancement of academic quality and assurance of academic standards.

Council

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 to staff and student members.

The University's Council comprised 21 members at 31 July 2011 of whom 15 were external independent members. Council was chaired by the Pro-Chancellor, The Hon Mr Apurv Bagri. 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 met six times in 2010/11. It has five committees: an Audit and Risk Committee, a Corporate Governance and Nominations Committee, a Remuneration Committee, a Restructuring Committee (in the event of any compulsory redundancies for academic staff being required) and a Senate. All of these Committees are formally constituted with terms of reference and include independent members of Council, one of whom is the chair in each case. All members of Council and its sub-committees are appointed via a due process that seeks to match individuals' skills and experience with the University's aims and the terms of reference and priorities of committees. Normally the independent members of Council sit on at least one Council Committee.

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 (except Student Members) 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. The University maintains a Register of Interests of members of the Council, which may be consulted by arrangement with the University Secretary.

Any enquiries about the constitution and governance of the University should be addressed, in the first instance, to the University Secretary.

Audit and Risk Committee

This Committee meets the external auditors to discuss audit findings at least once each year. It considers detailed internal audit reports and recommendations for the improvement of the University's systems of internal control, together with management's response and implementation plans.
It also has a role in ensuring that value for money is achieved within the institution and monitors legal compliance and risk management. 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 and quality assurance of data submitted to HESA and HEFCE. The Committee is chaired by a lay member of Council, in 2010/11 this was Mr Kieran Murphy. The Committee membership does not include any staff members and the Committee regularly meets internal and external auditors without senior staff present.

Corporate Governance and Nominations Committee

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 and Statutes. 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 2010/11 this was Mr Roger Bright .

Remuneration Committee

The Remuneration 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. The Committee is chaired by a lay member of Council, in 2010/11 this was Ms Carolyn Regan. The Vice-Chancellor is not a member of the Committee.

Corporate Governance Statement – continued

Vice-Chancellor

Council delegates authority and responsibility for the management of the institution to the Vice-Chancellor. 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. For the period up to 23 August 2010 the Acting Vice-Chancellor post was held by Professor Julius Weinberg and from 23 August 2010 Professor Paul Curran was appointed Vice-Chancellor. Under the terms of the formal Financial Memorandum between the University and the Higher Education Funding Council for England, the Vice-Chancellor is the accountable officer of the University. The accountable 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 Finance Officer and HR Director.

Statement of the University Council's Responsibilities

In accordance with the University's Charter, the Council of City University London is responsible for the affairs 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, the Statement of Recommended Practice on Accounting for Further and Higher Education (2007) 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. In causing the Financial Statements to be prepared, 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 have been followed, subject to any material departures disclosed and explained in the financial statements, and
- financial statements are prepared on the going concern basis, as the Council is satisfied 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 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.

Statement on Internal Controls

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 and plans;
- 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;
- 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 a 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, with an annual report to Audit and Risk Committee on the assurance process.

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

- the integration of planning, risk and Key Performance Indicator functions so that there is succinct and efficient risk management and controls put in place;
- 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;
- the management of Business Continuity and Emergency Management; plans are in place which would address any disaster and emergency situation, and
- ensure that all risks have appropriate ownership so that risks can be controlled appropriately.

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 our 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 examples of such benefits.
The beneficiaries include students, both undergraduate and postgraduate, charities and other philanthropic organisations, schools and colleges, the NHS and both local and national government. City University alumni occupy influential positions in all such organisations.

The aims and activities of the University identify clearly that the primary purpose is not just the advancement of education, but includes a wider range of charitable purposes such as the advancement of health, citizenship, arts and culture, science, environmental improvement, human rights, conflict resolution, equality and diversity. Education and research is offered in a wide range of discipline areas, including community health, nursing, food policy, arts and music, engineering, mathematics, social sciences and business. A significant number of the University's courses are vocational in nature and many of our graduates work in professions that confer a public benefit.

Financial support

The University is particularly aware of the need to ensure that people from all backgrounds can benefit from its activities, that access to the benefits is not unreasonably restricted by fees charged and that people in poverty are not excluded from the opportunity to benefit. The University operates a substantial programme of scholarships and hardship bursaries and this year has invested £8m in order to enable people to attend courses at City that may otherwise have been prevented for financial reasons. Our hardship fund, along with the Access to Learning Fund, is targeted at vulnerable groups of students with many single parents and care leavers given higher awards. The University regularly reviews this programme, together with the level of tuition fees in order to ensure that education at City remains affordable and accessible.

Widening access

The University's Access Agreement documents the many and various ways in which the University preserves and expands opportunities for access to the benefits available 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 9,000 young people from over 100 schools take part in City's' widening participation outreach work annually. The intended beneficiaries are from low participation neighbourhoods, low socio-economic groups, children in care/ leaving care and those with disabilities. Activities include impartial information advice and guidance provided by a fully qualified careers adviser, the Summer School Programme consisting of 9 Winter, Spring and Autumn schools for students in year 9-12, masterclasses and industry days for 6th form and college students, and visit days and taster sessions for student from year 5/6 to year 11. There are also 180 fully trained widening participation student ambassadors tutoring and mentoring in local schools, as well providing talks and presentation to young people and their parents about the realities of university life. A number of partnerships projects are taking places with colleges in Hackney and Newham to support the work, targeting specific groups of students with a range of academic mentoring, student associate schemes and intensive subject specific programmes.

Volunteering

City Volunteering supports staff and students to volunteer within the local community, providing a brokerage service which currently has over 700 students/staff registered and over 600 volunteering opportunities available. Taking an active part in Student Volunteer Fortnight, we arrange numerous volunteering activities to allow students with limited time to have an impact in the local community. The community leadership programme supports students both financially, and with training and mentoring, to make a significant impact in the community by developing their own community engagement project

We awarded in 2010-11 five £500 prizes from City alumni contributions to students who had volunteered at the university or in Islington community and had made a difference either to the internationalization of the university or to general development work.

Research

The University undertakes research in a wide range of discipline areas, generating findings that are often of direct benefit to the public and to society. Two examples of significant developments in 2010-11 are summarised below.

Funded with £3 million from the Engineering and Physical Sciences Research Council, the Vehicle Electrical Systems Integration (VESI) project aims to overcome the two main barriers to mass market adoption of EVs - the high cost and low power-to-weight ratio of the electrical drive system. VESI will break the problem into six key themes, with researchers at City examining how to develop more effective cooling systems for the electrical components used. The University will conduct fundamental research on cooling flow and heat transfer including the development of novel cooling technologies for electric motors and electronic drives. The research will help designers create energy efficient EVs, which can compete with traditional vehicles on cost and performance, thus attracting mainstream customers.

Public Benefit Statement – continued

City University has joined the executive group of UCLPartners, one of five accredited academic health science groups in the UK. City was invited to join the prestigious partnership in recognition of its expertise in nursing, allied health, health services research and evaluation and health management. UCLPartners focuses on turning cutting edge academic research and health innovation into measureable health gains for patients and their families in London, across the UK and globally. The partnership's research portfolio includes over 50 initiatives to improve health and healthcare. For example one project focuses on creating an integrated healthcare system for cancer patients that will enhance patient experience, achieve earlier diagnosis, better outcomes and increase access to clinical trials. Other research projects seek to increase value for money in mental health and to improve the quality of stroke care from prevention through to rehabilitation.

City of London Academy

The University has established a regular programme of activities with the City of London Academy, Islington to support student achievement and raise student aspirations. This work has a particular emphasis on encouraging and enabling Academy students to progress to Higher Education, and is therefore a key part of the launch of post-16 provision at the Academy. Activities include academic mentoring, introduction to HE, curriculum development, and the 'Step up to the City' programme.

'Step Up to the City' targets students from socio-economically deprived backgrounds that show exceptional academic talent. The students spend a dedicated amount of time per week in the University undertaking practice-based elements, lectures, and seminars. The project encourages Year 10 students who show outstanding academic ability but have been identified as having little or no thought of entering Higher Education, to raise their aspirations and academic performance and view university as a viable option. The first group comprises 20 students and the aim at this stage is to increase numbers up to a steady state of 40 in 2014/15.

Environmental sustainability

The University has an enduring commitment to improving the contribution it makes to environmental sustainability. The University holds the EcoCampus bronze award and is progressing toward the platinum award. EcoCampus is a national scheme designed to help higher education institutions develop a systematic approach to understanding and reducing environmental impacts. The scheme uses an award system that recognises universities which address key issues of sustainability.

Community engagement

The University has recently worked in partnership with Islington Council to restore to its original glory the only remaining bandstand in a residential square in London. The Northampton Square Bandstand was originally built in 1930 at a time when intense urbanisation led to the loss of many green spaces in the Clerkenwell area of Islington. The aim was to create a public shelter for 'those people who mainly for health reasons must have fresh air all year round' and to allow musical performances. The Bandstand as City students know it today was then erected in the middle of the Square.

Independent Auditor's Report to the Council of The City University (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 2011 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 Council for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the University Council and auditor

As explained more fully in the Statement of the University Council's Responsibilities set out on page 8 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 or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the affairs of the Group and University as at 31 July 2011 and of the Group's income and expenditure, recognised 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

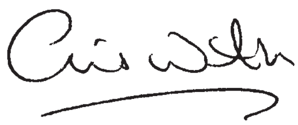
In our opinion, in all material respects:

- 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 requires 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.



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

21 November 2011

Statement of Principal 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'. 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.

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.

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.

Tuition fees for each academic year are recognised in full in the financial year in which they are chargeable with the exception of fees for postgraduate students with nonstandard start dates where only the portion of the fee related to the financial year is recognised. The fee elements of 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 schemes 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 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. Current Asset Investments include cash backed investments available within 24 hours without penalty. 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, includes 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. Liquid resources comprise money on short-term deposit with a maturity date within one year of the balance sheet date.

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.

Consolidated Income and Expenditure Account for the year ended 31 July 2011

Note		2011 £000	2010 £000
	Income		
1	Funding Council Grants	39,580	42,508
2	Tuition Fees and Education Contracts	116,908	112,434
3	Research Grants and Contracts	7,859	8,000
4	Other Income	15,051	15,339
5	Endowment and Investment Income	1,040	514
	Total Income	180,438	178,795
	Less: share of income from Joint Venture	(1,832)	(291)
	Net Income	178,606	178,504
	Expenditure		
6	Staff Costs	105,744	104,183
6	Staff Costs – Exceptional Restructuring Costs	6,800	1,807
7	Other Operating Expenses	59,677	58,724
11	Depreciation	10,980	11,699
8	Interest Payable	417	853
	Total Expenditure	183,618	177,266
	(Deficit)/Surplus after Depreciation of Assets at Cost and before Tax	(5,012)	1,238
	Share of operating loss in Joint Venture	(967)	(1,275)
	Operating deficit	(5,979)	(37)
10	Taxation	–	–
	Deficit after Depreciation of Assets at Cost and Tax	(5,979)	(37)
	Transfer from / (to) accumulated income within Endowments	12	(16)
21	Deficit met from General Reserves	**(5,967)**	**(53)**

The Income and Expenditure Account is in respect of continuing activities.

Balance Sheets as at 31 July 2011

Note		Group 2011 £000	Group 2010 £000	University 2011 £000	University 2010 £000
	Fixed Assets				
11	Tangible Assets	114,879	115,282	114,879	115,282
12	Investments in University companies	–	–	–	80
13	Investment assets – Joint Venture				
	Loan	1,000	1,000	–	–
	Share of gross assets	971	710	971	710
	Share of gross liabilities	(3,213)	(1,985)	(3,213)	(1,985)
		113,637	115,007	112,637	114,087
14	**Endowment Assets**	7,571	6,962	7,571	6,962
	Current Assets				
	Stock	30	82	30	82
15	Debtors	11,801	12,047	12,799	15,034
	Investments – short term deposits	72,752	74,164	72,752	74,164
	Cash at bank and in hand	3,408	2,725	3,408	2,725
		87,991	89,018	88,989	92,005
16	**Creditors** – amounts falling due within one year	(44,056)	(39,249)	(44,066)	(39,260)
	Net Current Assets	43,935	49,769	44,923	52,745
	Total Assets less Current Liabilities	165,143	171,738	165,131	173,794
17	**Provisions for Liabilities and Charges**	(2,840)	(1,411)	(2,840)	(1,411)
	Net Assets excluding Pension Liabilty	162,303	170,327	162,291	172,383
31	**Pension Fund Liability**	(14,662)	(17,491)	(14,662)	(17,491)
	Net Assets	**147,641**	**152,836**	**147,629**	**154,892**
18	**Deferred Capital Grants**	36,686	39,951	36,686	39,951
	Endowments				
19	Expendable	3,687	3,372	3,687	3,372
19	Permanent	3,884	3,590	3,884	3,590
		7,571	6,962	7,571	6,962
	Reserves				
20	Revaluation Reserve	11,000	11,000	11,000	11,000
	Income and Expenditure Account				
21	General Reserve excluding Pension Reserve	107,046	112,414	107,034	114,470
21	Pension Deficit Reserve	(14,662)	(17,491)	(14,662)	(17,491)
		92,384	94,923	92,372	96,979
	Total Funds	**147,641**	**152,836**	**147,629**	**154,892**

The financial statements on pages 12 to 35 were approved by Council on 14 November 2011 and signed on its behalf by:

The Hon. Mr A Bagri
Pro-Chancellor

Professor P Curran
Vice-Chancellor

Consolidated Cash Flow Statement for the year ended 31 July 2011

Note		2011 £000	2010 £000
22	Cash Inflow from Operating Activities	7,891	7,249
23	Returns on Investments and Servicing of Finance	1,040	514
10	Taxation	–	–
24	Capital Expenditure and Financial Investment	(9,492)	(10,885)
	Net Cash Outflow before use of Liquid Resources and Financing	(561)	(3,122)
25	Management of Liquid Resources	1,412	(2,803)
25	**Increase / (Decrease) in Cash in the Year**	**851**	**(5,925)**
	Reconciliation of Net Cash Flow to Movement in Net Funds		
	Increase / (Decrease) in Cash in the Year	851	(5,925)
25	Inflow from Liquid Resources	(1,412)	2,803
	Movement in Net Funds in Year	(561)	(3,122)
	Net Funds at 1 August	80,816	83,938
	Net Funds at 31 July	**80,255**	**80,816**

Statement of Total Recognised Gains and Losses for the year ended 31 July 2011

Note		2011 £000	2010 £000
	Deficit for the year	(5,979)	(37)
19	Gain in market value of investments	370	454
19	New Endowments	251	392
31	Actuarial gain in respect of LPFA Pension Scheme	3,428	2,022
	Total Recognised (Loss)/Gain Relating to the Year	**(1,930)**	**2,831**
	Reconciliation		
	Opening Reserves and Endowments	112,885	110,054
	Total Recognised (Loss)/Gain for the Year	(1,930)	2,831
	Closing Reserves and Endowments	**110,955**	**112,885**

Notes to the Accounts for the year ended 31 July 2011

Note		2011 £000	2010 £000
1	**Funding Council Grants Receivable from the Higher Education Funding Council for England (HEFCE)**		
	Recurrent Grant		
	Teaching	23,795	26,315
	Research	10,071	10,368
	Matched Funding	666	791
		34,532	37,474
	Specific Grants		
	Higher Education Infrastructure Fund 2	2,117	1,969
	Other Specific Grants	139	279
		2,256	2,248
	Releases of Deferred Capital Grants		
	Buildings (Note 18)	2,522	2,516
	Equipment (Note 18)	270	270
		2,792	2,786
		39,580	**42,508**
2	**Tuition Fees and Education Contracts**		
	Full-time Home and EU Undergraduate Students whose fees are paid by Student Loan Company	10,349	9,680
	Other Full-time Home and EU Student Fees	27,072	25,746
	Students Charged Overseas Fees	40,869	38,561
	Part-time Credit Bearing Course Fees	6,675	8,805
	Short Course Fees	4,509	4,070
	Education Contracts with National Health Service	21,566	21,826
	Other Tuition Fees	5,868	3,746
		116,908	**112,434**
3	**Research Grants and Contracts**		
	Research Councils	2,595	3,117
	UK Based Charities	809	1,191
	UK Government and Health Authorities	2,080	1,287
	UK Industry and Commerce	655	535
	European Union	1,584	1,645
	Other Sources	136	225
		7,859	**8,000**
4	**Other Income**		
	Residences, Catering and Conferences	4,455	5,031
	Other Services Rendered	2,982	2,734
	Donations	2,601	2,989
	Release of Deferred Capital Grants (Note 18)	571	761
	Other Income	4,442	3,824
		15,051	**15,339**
5	**Endowment and Investment Income**		
	Income from Endowments	113	52
	Income from Other Investments	927	462
		1,040	**514**

Notes to the Accounts for the year ended 31 July 2011

Note		2011 £000	2010 £000
6	**Staff**		
	Wages and Salaries	86,889	85,401
	Social Security Costs	7,416	7,687
	Pension Costs (Note 31)	11,439	11,095
		105,744	**104,183**
	Exceptional Restructuring Costs	6,800	1,807
		112,544	**105,990**

Emoluments of the Vice-Chancellor		
Salary	278	207
Pension Contributions	44	32
	322	239
Compensation for loss of office write back	–	(261)

Professor Paul Curran was appointed on 23 August 2010.

Professor Julius Weinberg was appointed Acting Vice-Chancellor on 23 July 2009 and resigned on 22 August 2010.

The above figures for 2011 include £14,000 salary costs and £2,000 pension costs in respect of Professor Julius Weinberg.

The compensation for loss of office written back was in relation to Professor Malcolm Gillies, who stepped down as Vice-Chancellor on 23 July 2009.

Remuneration of other higher paid staff, excluding employer's pension contributions and restructuring costs	Number	Number
£100,001 – £110,000	21	16
£110,001 – £120,000	16	14
£120,001 – £130,000	7	11
£130,001 – £140,000	6	4
£140,001 – £150,000	7	5
£150,001 – £160,000	2	6
£160,001 – £170,000	2	1
£170,001 – £180,000	3	3
£180,001 – £190,000	1	1
£210,001 – £220,000	1	1
£230,001 – £240,000	1	1
£250,001 – £260,000	1	1

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

	£000	£000
Staff restructuring costs payable in respect of higher paid employees. These costs are in respect of three staff members in 2011 (2010: Nil).	363	–

Average staff numbers – full-time equivalents	Number	Number
Academic	802	801
Administrative, Technical and Manual	1,065	1,048
	1,867	**1,849**

Council members expenses: Council members received no remuneration (2010: £Nil). Council members expenses include out-of-pocket travel expenses. Four of the 22 Council members received out-of-pocket travel reimbursements in total amount of £3,000 (2010, three Council members, £2,000) for expenses incurred directly.

Notes to the Accounts for the year ended 31 July 2011

Note		2011	2010
		£000	£000
7	**Other Operating Expenses**		
	Residences, Catering and Conferences Operating Expenses	2,883	3,525
	Payments to Non Contract Staff and Agencies	8,958	8,789
	Payments for Domestic and Security Contracts	1,916	2,012
	IT and Academic Consumables	478	690
	Publicity, Advertising and Staff Recruitment	4,018	3,553
	Printing, Postage, Stationery and Telephones	2,516	2,552
	Conference, Travel and Training costs	3,858	3,634
	External Venue Hire	777	600
	Purchase and Maintenance of Furniture, Equipment and Software	4,146	4,129
	Books, Periodicals and Subscriptions	3,717	3,059
	Student Bursaries and Fee Remissions	8,113	7,455
	Heat, Light, Water and Power	1,839	2,017
	Repairs and General maintenance	2,693	2,603
	Long-Term Maintenance	3,282	2,992
	Rents, Rates and Insurance	3,187	3,363
	Collaborative Partner Payments	1,691	1,495
	Auditors' Remuneration	68	69
	Auditors' Remuneration in respect of Non-Audit Services	51	28
	Other Professional Fees	1,212	1,975
	Other Expenses	4,274	4,184
		59,677	**58,724**

8	**Interest Payable**		
	Interest charge on pension benefit	417	853
		417	**853**

Notes to the Accounts for the year ended 31 July 2011

Note

Note	Analysis of Expenditure for the year ended 31 July 2011 by Activity	Staff Costs	Other Operating Expenses	Depreciation	Interest Payable	Total
9		£000	£000	£000	£000	£000
	Academic Departments	73,871	17,127	268	–	91,266
	Academic Services	10,945	7,453	1,901	–	20,299
	Administration	12,057	6,171	115	–	18,343
	General Educational Expenditure	985	8,176	–	–	9,161
	Student and Staff Services	4,086	1,492	34	–	5,612
	Premises	5,011	13,504	8,513	–	27,028
	Residences, Catering and Conferences	916	2,883	149	–	3,948
	Research Grants and Contracts	3,771	2,426	–	–	6,197
	Other Services Rendered	720	445	–	–	1,165
	Other Expenditure – Pension cost adjustment	182	–	–	417	599
		112,544	**59,677**	**10,980**	**417**	**183,618**
	The depreciation charge has been funded by:					
	Deferred Capital Grants Released					3,363
	General Income					7,617
						10,980

Analysis of Expenditure for the year ended 31 July 2010 by Activity	Staff Costs	Other Operating Expenses	Depreciation	Interest Payable	Total
	£000	£000	£000	£000	£000
Academic Departments	73,910	18,485	457	–	92,852
Academic Services	6,397	4,349	2,813	–	13,559
Administration	11,725	5,472	138	–	17,335
General Educational Expenditure	986	7,570	–	–	8,556
Student and Staff Services	3,427	1,456	41	–	4,924
Premises	3,996	15,168	8,074	–	27,238
Residences, Catering and Conferences	895	3,525	176	–	4,596
Research Grants and Contracts	3,868	1,992	–	–	5,860
Other Services Rendered	1,092	707	–	–	1,799
Other Expenditure – Pension cost adjustment	(306)	–	–	853	547
	105,990	**58,724**	**11,699**	**853**	**177,266**
The depreciation charge has been funded by:					
Deferred Capital Grants Released					3,547
General Income					8,152
					11,699

Note

Note		2011	2010
10	**Taxation**		
		£000	£000
	U.K. Corporation Tax Charge	–	–

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

Note

11	**Tangible Assets – Group and University**	Freehold, Land and Buildings	Freehold assets under construction	Leasehold Buildings	Equipment	Total
		£000	£000	£000	£000	£000
	Cost or Valuation					
	At 1 August 2010	141,634	1,846	14,579	17,925	175,984
	Additions	–	8,721	–	1,856	10,577
	Transfers	6,225	(6,225)	–	–	–
	Elimination of fully depreciated items	–	–	–	(4,485)	(4,485)
	At 31 July 2011	147,859	4,342	14,579	15,296	182,076
	Depreciation					
	At 1 August 2010	43,348	–	5,082	12,272	60,702
	Charge for year	6,530	–	1,011	3,439	10,980
	Elimination of fully depreciated items	–	–	–	(4,485)	(4,485)
	At 31 July 2011	49,878	–	6,093	11,226	67,197
	Net Book Value at 31 July 2011	**97,981**	**4,342**	**8,486**	**4,070**	**114,879**
	Net Book Value at 31 July 2010	**98,286**	**1,846**	**9,497**	**5,653**	**115,282**

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 £26,722,000 (2010: £29,142,000). 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.

Notes to the Accounts for the year ended 31 July 2011

Note

12 **Investments in University Companies**

As at 31 July 2010 the University owned 80,100 shares of £1 each in CU Enterprises Limited. Additionally it held 100 shares of £1 each in CU Enterprises Limited, City Foundations Limited and City Entrepreneurship Limited.

	£000
Cost of shares held at 31 July 2010	80
Less: Cost of shares in CU Enterprises Ltd cancelled on cessation of trade 31 July 2011	80
Cost of shares held at 31 July 2011	–

CU Enterprises Ltd	Provision of administrative support to staff engaged in consultancy
CU Investments Ltd	Provision of a representative office in China
City Foundations Ltd	Member of INTO City LLP, which company provides pre-University education to students.

City Entrepreneurship Ltd had not commenced trading at 31 July 2011. CU Investments Ltd will cease trading during 2011/12.

All subsidiary companies are incorporated in the United Kingdom. All are 100% owned by City University London.

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.

INTO City LLP began trading in January 2010.

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.

	£000
Revolving loan to INTO City LLP at 31 July 2010 and 31 July 2011	1,000

This loan was advanced to INTO City LLP through City Foundations Limited.
See also Note 29 Related Party Transactions.

Notes to the Accounts for the year ended 31 July 2011

Note

14 **Endowment Assets**

	Group and University 2011 £000	Group and University 2010 £000
Balance at 1 August	6,962	6,100
Endowments invested	71	7
Gain in market value of investments	370	454
Increase in cash balances held for endowment funds	168	401
Balance at 31 July	**7,571**	**6,962**
Equity Accumulation Fund	3,476	3,035
Cash at bank held for endowment funds	4,095	3,927
Total Endowment Asset Investments	**7,571**	**6,962**

15 **Debtors** – amounts due within one year

	Group 2011 £000	Group 2010 £000	University 2011 £000	University 2010 £000
Trade Debtors	6,953	6,353	6,953	6,351
Research and Other Uninvoiced Debtors	1,267	1,717	1,267	1,717
Amounts owed by Group Undertakings	–	–	1,000	2,991
Prepayments and Accrued Income	3,231	3,625	3,231	3,623
Other Debtors	350	352	348	352
	11,801	**12,047**	**12,799**	**15,034**

16 **Creditors** – amounts falling due within one year

	Group 2011 £000	Group 2010 £000	University 2011 £000	University 2010 £000
Trade Creditors	5,721	4,522	5,712	4,517
Amounts owed to Group Undertakings	–	–	27	25
Payments Received in Advance	5,241	5,032	5,241	5,032
Accruals and Deferred Income	28,118	24,852	28,112	24,843
Taxation and Social Security	3,445	3,181	3,443	3,181
Other Creditors	1,531	1,662	1,531	1,662
	44,056	**39,249**	**44,066**	**39,260**

Notes to the Accounts for the year ended 31 July 2011

Note

17 **Provisions for Liabilities and Charges**

	Group and University
	Restructuring
	£000
Balance at 1 August 2010	1,411
Utilised in year	(1,159)
Charge for the year	2,588
Balance at 31 July 2011	**2,840**

The Restructuring Provision is the estimated liability that will arise from agreed early retirements of staff under the University's restructuring arrangements.

18 **Deferred Capital Grants**

	Group and University		
	Higher Education Funding Council for England	Other Grants	Total
	£000	£000	£000
Balances at 1 August 2010			
Buildings	31,730	7,261	38,991
Equipment	540	420	960
	32,270	7,681	39,951
Cash Received			
Buildings	98	–	98
Equipment	–	–	–
	98	–	98
Released to Income and Expenditure			
Buildings	(2,522)	(431)	(2,953)
Equipment	(270)	(140)	(410)
	(2,792)	(571)	(3,363)
Balances at 31 July 2011			
Buildings	29,306	6,830	36,136
Equipment	270	280	550
	29,576	**7,110**	**36,686**

Note

19	Endowments – Group and University	Unrestricted Permanent	Restricted Permanent	Total Permanent	Restricted Expendable	2011 Total	2010 Total
		£000	£000	£000	£000	£000	£000
	At 1 August	78	3,512	3,590	3,372	6,962	6,100
	Additions	–	–	–	251	251	392
	Gain in market value of investments	–	317	317	53	370	454
	Income for year	–	68	68	45	113	52
	Expenditure for year	–	(91)	(91)	(34)	(125)	(36)
	At 31 July	**78**	**3,806**	**3,884**	**3,687**	**7,571**	**6,962**
	Represented by:						
	Capital	78	3,731	3,809	3,698	7,507	6,866
	Accumulated Income	–	75	75	(11)	64	96
	Total	**78**	**3,806**	**3,884**	**3,687**	**7,571**	**6,962**

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

	Capital value at 31 July 2011	Opening accumulated income	Investment income	Expenditure	Closing accumulated income	Date received
	£000	£000	£000	£000	£000	
Lord Mais Fund	802	–	9	(9)	–	1975
HSBC Bank Chair	825	–	16	(16)	–	1978
Sir J Cohen Chair	909	–	18	(18)	–	1980
Shipping Fund	3,190	1	35	(35)	1	2007
	5,726	**1**	**78**	**(78)**	**1**	

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 The Lloyds Register Educational Trust, endowments have been received from a wide range of personal and industrial donors.

Notes to the Accounts for the year ended 31 July 2011

Note

20 **Revaluation Reserve**

	Group and University	
	2011	2010
	£000	£000
Balance at 31 July	**11,000**	**11,000**

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

21 **Reserves – General**

	Group	University
	£000	£000
Balance at 1 August 2010	94,923	96,979
Movements in year	(2,539)	(4,607)
Balance at 31 July 2011	**92,384**	**92,372**

General Reserve	**Balance at 1 August 2010**	**Movements**	**Balance at 31 July 2011**
	£000	£000	£000
General Reserve before LPFA Pension Scheme	112,414	(5,368)	107,046
Deficit on LPFA Pension Scheme (Note 31)	(17,491)	2,829	(14,662)
Total	**94,923**	**(2,539)**	**92,384**

Reconciliation of reserve movements

Income & Expenditure Account – deficit for the year	(5,967)
Actuarial gain in respect of LPFA Pension Scheme	3,428
	(2,539)

Notes to the Accounts for the year ended 31 July 2011

Note		2011 £000	2010 £000
22	**Reconciliation of Consolidated Operating Deficit to Net Cash Inflow from Operating Activities**		
	Deficit on continuing operations	(5,979)	(37)
	Add share of deficit in Joint Venture	967	1,275
	Movements in respect of LPFA Pension Scheme	599	547
	Depreciation (Note 11)	10,980	11,699
	Deferred Capital Grant Released to Income (Note 18)	(3,363)	(3,547)
	Endowment and Investment Income (Note 5)	(1,040)	(514)
	Decrease / (Increase) in Stocks	52	(33)
	Decrease / (Increase) in Debtors	246	(1,551)
	Increase in Creditors	4,000	2,679
	Increase / (Decrease) in Provisions	1,429	(3,269)
	Net cash inflow from operating activities	**7,891**	**7,249**
23	**Returns on Investments and Servicing of Finance**		
	Income from Endowments (Note 5)	113	52
	Income from Other Investments (Note 5)	927	462
	Net cash inflow from returns on investments and servicing of finance	**1,040**	**514**
24	**Capital Expenditure and Financial Investment**		
	Purchase of Tangible Fixed Assets	(9,770)	(16,554)
	Investment in Joint Venture (Note 13)	–	(1,000)
	Endowment funds invested (Note 14)	(71)	(7)
	Deferred Capital Grants Received (Note 18)	98	6,284
	Endowments Received (Note 19)	251	392
	Net cash outflow from returns on capital expenditure and financial investment	**(9,492)**	**(10,885)**

Note		At 1 August 2010 £000	Cashflows £000	At 31 July 2011 £000
25	**Analysis of Changes in Net Funds**			
	Cash at Bank and in Hand			
	Endowment assets	3,927	168	4,095
	Other	2,725	683	3,408
		6,652	851	7,503
	Current Asset Investments	74,164	(1,412)	72,752
		80,816	**(561)**	**80,255**

Notes to the Accounts for the year ended 31 July 2011

Note		Group and University	
26	**Financial Commitments**	2011	2010
		£000	£000
	Operating Lease Commitments in Respect of Annual Commitments for Land and Buildings, on Leases Expiring:		
	Within One Year	–	–
	Between Two and Five Years	413	403
	Over Five Years	976	672
		1,389	**1,075**
	Operating lease payments made	1,122	1,305

		Group and University	
27	**Capital Commitments**	2011	2010
		£000	£000
	Expenditure Authorised and Contracted for	17,673	9,836
	Expenditure Authorised but not Contracted for	1,509	573

		Group and University	
28	**Access Funds**	2011	2010
		£000	£000
	Funding Council Grants	243	270
	Disbursed to Students	(243)	(270)
		–	–

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: £28,000 to 39 postgraduate students and £215,000 to 255 undergraduate students.

29 **Related party transactions**

The Universtiy 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 / relationship
	2011	2010	2011	2010	
	£000	£000	£000	£000	
Joint Venture					
INTO City LLP	308	72	56	72	Fees for academic and administrative service
Other Organisations					
City University London Students' Union	(462)	(728)	–	–	Union subvention

30 **Post Balance Sheet event**

The University is proposing to grant a long leasehold in its Finsbury Hall student residences complex. Contracts have been exchanged. However, both completion and the value of the sale proceeds are dependent on the granting of planning permission. The written down value of these premises at 31 July 2011 was £1.3m.

Note

31 **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 based on final pensionable salary for academic and related employees of all 'old' UK Universities and some other employers. 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 2008	31 March 2010
Investment returns per annum (%)	6.4	4.5 – 7.3
Salary scale increases per annum (%)	4.3	4.5
Pension increases per annum (%)	3.3	3.0
Market value of assets at date of last valuation	£28,843m	£2,538m
Proportion of members' accrued benefits covered by the actuarial value of the assets (%)	103	83
Employers contribution rate (%)	16.0	17.1
Employers pension costs for current year	£9.9m	£1.6m
Employers pension costs for prior year	£9.6m	£1.5m

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.

Notes to the Accounts for the year ended 31 July 2011

Note 31 **Pension Schemes** – continued

Universities Superannuation Scheme
The University 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 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; one is appointed by the Higher Education Funding Councils; and a minimum of two and a maximum of four are co-opted 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 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 contributions payable to the scheme in respect of the accounting period.

The latest triennial actuarial valuation of the scheme was at 31 March 2008. This was the first valuation for USS under the new 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 a review of the funding level each year between triennial valuations and details of his estimate of the funding level at 31 March 2011 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 result 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 6.4% per annum (which includes an additional assumed investment return over gilts of 2% per annum), salary increases would be 4.3% per annum (plus 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 3.3% per annum.

Standard mortality tables were used as follows:

Male members' mortality –
PA92 MC YofB tables – rated down 1 year

Female members' mortality –
PA92 MC YofB tables – No age rating

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 assumed life expectations on retirement at age 65 are:

Males (females) currently aged 65	22.8 (24.8) years
Males (females) currently aged 45	24.0 (25.9) years

At the valuation date, the value of the assets of the scheme was £28,842.6 million and the value of the scheme's technical provisions was £28,135.3 million indicating a surplus of £707.3 million. The assets therefore were sufficient to cover 103% 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 71%. Under the Pension Protection Fund regulations introduced by the Pensions Act 2004 the Scheme was 107% funded; on a buy-out basis (i.e. assuming the Scheme had discontinued on the valuation date) the assets would have been approximately 79% of the amount necessary to secure all the USS benefits with an insurance company; and using the FRS17 formula as if USS was a single employer scheme, using a AA bond discount rate of 6.5% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2008 was 104%.

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 except that the valuation rate of interest assumed asset outperformance over gilts of 1.7% per annum (compared to 2% per annum for the technical provisions) giving a discount rate of 6.1% per annum; also the allowance for promotional salary increases was not as high. There is currently uncertainty in the sector regarding pay growth. 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 liability of the scheme, a cautionary reserve has been included, in addition, on account of the variability mentioned above.

Notes to the Accounts for the year ended 31 July 2011

Note 31 **Pension Schemes** – continued

Since 31 March 2008 global investment markets have continued to fluctuate and at 31 March 2011 the market's assessment of inflation has increased slightly. The government has also announced a change to the inflation measure used in determining the "Official Pensions Index" from the Retail Prices Index to the Consumer Prices Index. The actuary has taken this all into account in his funding level estimates at 31 March 2011 by reducing the assumption for pension increases from 3.3% pa to 2.9% pa. The actuary has estimated that the funding level as at 31 March 2011 under the new scheme specific funding regime had fallen from 103% to 98% (a deficit of £700 million). Over the past 12 months, the funding level has improved from 91% (as at 31 March 2010) to 98%. This estimate is based on the funding level at 31 March 2008, adjusted to reflect the fund's actual investment performance over the year and changes in market conditions (market conditions affect both the valuation rate of interest and also the inflation assumption which in turn impacts on the salary and pension increase assumptions). The next formal valuation is as at 31 March 2011 and this will incorporate updated assumptions agreed by the trustee company.

With effect from 1 October 2011, new joiners to the scheme will join the new revalued benefits section rather than the existing final salary section. This change will have an impact, expected to be positive, on the future funding levels.

On the FRS17 basis, 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 86%. An estimate of the funding level measured on a buy-out basis at that date was approximately 54%.

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 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 scheme liabilities
Valuation rate of interest	Increase / decrease by 0.5%	Decrease / Increase by £2.2 billion
Rate of pension increases	Increase / decrease by 0.5%	Increase / decrease by £1.5 billion
Rate of salary growth	Increase / decrease by 0.5%	Increase / decrease by £0.7 billion
Rate of mortality	More prudent assumption (move to long cohort future improvements from the medium cohort adopted at the valuation)	Increase by £1.6 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 finding 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 selective alternative asset classes will provide superior returns to other investment classes. The management structure and targets set are designed to give the fund a major exposure to equities through portfolios that are diversified both geographically and by sector. The trustee recognises that it would be theoretically possible to select investments producing income flows similar to estimated liability cash flows. However, in order to meet the long-term funding objective within a level of contributions that it considers the employers would be willing to make, the trustee needs 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 consultant and the scheme actuary, and considers the views of the employers. The strong positive cash flow of the scheme means that it is not necessary to realise investments to meet liabilities. The trustee believes that this, together with the ongoing flow of new entrants into the scheme and the strength of covenant of the employers enables it to take a long-term view of its investments. Short-term volatility of returns can be tolerated and need not feed through directly to the contribution rate although the trustee is mindful of the desirability of keeping the funding level on the scheme's technical provisions close to or above 100% thereby minimizing the risk of the introduction of deficit contributions. The actuary has confirmed that the scheme's cash flow is likely to remain positive for the next ten years or more.

The next formal triennial actuarial valuation is due as at 31 March 2011 and will incorporate allowance for scheme benefit changes and any changes the trustee makes to the underlying actuarial assumptions. The contribution rate will be reviewed as part of each valuation and may be reviewed more frequently.

At 31 March 2011, USS had over 142,000 active members and the institution had 1,259 active members participating in the scheme.

Notes to the Accounts for the year ended 31 July 2011

Note

31 **Pension Schemes** – continued

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 2011	31 July 2010
	% per annum	% per annum
Price increases – Retail Prices Index	3.5	3.2
Price increases – Consumer Prices Index	2.7	2.7
Salary increases	4.5	4.7
Pension increases	2.7	2.7
Discount rate	5.3	5.4

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	19.6 years	22.5 years
Future Pensioners	20.7 years	23.6 years

An additional mortality loading of approximately 3.5% has been applied to the non-pensioner liabilities and approximately 1.7% to the pensioner liabilities to reflect the particular experience of the fund.

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

	Long Term Return at 31 July 2011	Assets at 31 July 2011	Long Term Return at 31 July 2010	Assets at 31 July 2010	Long Term Return at 31 July 2009	Assets at 31 July 2009
	% per annum	£000	% per annum	£000	% per annum	£000
Equities	6.8	25,504	7.3	23,182	7.5	20,828
Target return portfolio	4.5	4,066	4.5	4,032	6.2	3,146
Alternative assets	5.8	5,175	6.3	5,040	6.7	4,489
Cash	3.0	1,479	3.0	672	3.0	2,077
Other Bonds	5.3	739	5.4	672	–	–
Total	**6.2**	**36,963**	**6.7**	**33,598**	**6.9**	**30,540**

Analysis of the amount shown in the Balance Sheet

	31 July 2011	31 July 2010	31 July 2009
	£000	£000	£000
Fair Value of Employer Assets	36,963	33,598	30,540
Present Value of Funded Obligations	(51,613)	(51,071)	(49,483)
Present Value of Unfunded Obligations	(12)	(18)	(23)
Total Value of Liabilities	(51,625)	(51,089)	(49,506)
Net Pension Liability	**(14,662)**	**(17,491)**	**(18,966)**

Notes to the Accounts for the year ended 31 July 2011

Note

31 **Pension Schemes** – continued

Revenue account costs

Analysis of the amount charged to operating deficit	31 July 2011	31 July 2010
	£000	£000
Current Service Cost	1,932	1,212
Curtailments	–	40
Total Operating Charge	**1,932**	**1,252**

Analysis of the amount charged to Interest payable	31 July 2011	31 July 2010
	£000	£000
Expected Return on Employer Assets	2,219	2,107
Interest Cost on Pension Scheme Liabilities	2,636	2,960
Net charge	**(417)**	**(853)**

Analysis of amount recognised in Statement of Total Recognised Gains and Losses (STRGL)	31 July 2011	31 July 2010
	£000	£000
Actual return less expected return on pension scheme assets	1,260	945
Experience gains and losses	5,763	–
Changes in assumptions underlying the present value of the scheme liabilities	(3,595)	1,077
Actuarial gain recognised in STRGL	**3,428**	**2,022**

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.

Notes to the Accounts for the year ended 31 July 2011

Note

31 **Pension Schemes** – continued

Analysis of the movements in the present value of the scheme liabilities	31 July 2011	31 July 2010
	£000	£000
At 1 August	51,089	49,506
Current Service Cost	1,932	1,212
Interest Cost	2,636	2,960
Contributions by Members	677	567
Curtailments	–	40
Estimated Benefits Paid	(1,810)	(2,119)
Actuarial Gains	(2,899)	(1,077)
At 31 July	**51,625**	**51,089**

Analysis of the movements in the fair value of the scheme assets	31 July 2011	31 July 2010
	£000	£000
At 1 August	33,598	30,540
Expected return on assets	2,219	2,107
Contributions by Members	677	567
Contributions by Employer	1,750	1,558
Estimated Benefits Paid	(1,810)	(2,119)
Actuarial Gains	529	945
At 31 July	**36,963**	**33,598**

Note

31 **Pension Schemes** – continued

Amounts for the current and previous accounting periods	31 July 2011	31 July 2010	31 July 2009	31 July 2008	31 July 2007
	£000	£000	£000	£000	£000
Fair Value of Employer Assets	36,963	33,598	30,540	32,509	36,026
Present Value of Scheme Liabilities	(51,625)	(51,089)	(49,506)	(42,580)	(42,525)
Deficit	(14,662)	(17,491)	(18,966)	(10,071)	(6,499)
Experience Gains / (Losses) on Assets	529	945	(4,429)	(6,278)	1,623
Experience Gains / (Losses) on Liabilities	6,494	4	0	2,646	1
Amount Recognised in Statement of Total Recognised Gains and Losses (STRGL)					
Actuarial Gains / (Losses)	3,428	2,022	(8,813)	(3,814)	4,833
Cumulative Actuarial (Losses) / Gains	(2,357)	(5,785)	(7,807)	1,006	4,820

Projected Pension Expense for the year to 31 July 2012	Year to
Projections for the year to 31 July 2012	31 July 2012
	£000
Service cost	1,854
Interest cost	2,755
Return on assets	(2,320)
Total	**2,289**
Employer contributions	1,792

Comparative Financial Performance Indicators for the five years to 31 July 2010

A. Indicators Relating to Income and Expenditure	2011	2010	2009	2008	2007
(% Ratio to Total Income)					
1. Grants from HEFCE	22	24	23	21	22
2. Tuition Fees	64	63	60	62	61
3. Income from Research Grants and Contracts	5	5	5	5	5
4. Other General Income	9	8	12	12	12
	100	100	100	100	100
5. % Ratio of Pay Expenditure to Total Expenditure	61	60	59	61	59
6. % Ratio of (Deficit) / Surplus for the Year	(3)	0	15	3	0

B. Indicators Relating to Financial Strength					
7. Days Ratio of Total General Funds to Total Expenditure (To indicate the number of days total expenditure which could be met from General Funds)	184	195	190	181	185
8. Days ratio of Net Current Assets to Total Expenditure (Number of days an institution could meet expenditure from net assets)	87	102	108	44	81
9. % Ratio of Long Term Liabilities to Total General Funds (To indicate the extent to which an institution is funded by long-term debts as a measure of its capital gearing)	0	0	0	0	22

C. Indicators Relating to Short-term Liquidity and Solvency as at 31 July					
10. % Ratio of Liquid Assets (Cash + Short Term Investments) to Current liabilities (Extent to which current liabilities could be met from liquid assets)	173	196	212	128	185
11. Ratio of Current Assets to Current Liabilities (Extent to which current liabilities could be met from current assets)	2.00	2.27	2.39	1.51	2.05
12. Days of Total Income (excluding HEFCE Income) Represented by Debtors	31	32	28	25	20
13. Days of Total Income (excluding HEFCE Income) Represented by Trade Debtors (to assess whether or not debts are being recovered within a reasonable time)	18	17	10	15	10

Notes:

1. The income indicators clearly show the importance of fee income as a percentage of turnover. The indicator for fee income includes the contracts with the National Health Service.
2. Indicator 13 is used in these accounts to reflect more correctly the debtors position by concentrating on invoiced debts and excluding prepayments, accrued income and other uninvoiced debts.
3. For more consistent comparability, the indicators relating to income for 2009 exclude the surplus of £29.775 million on the sale of two halls of residence. The ratio of surplus for the year includes the £29.775 million.
4. The above figures have been calculated using the group accounts ie the consolidated accounts of City University London and all its subsidiary undertakings.

Comparative Financial Performance Indicators for the five years to 31 July 2010

A. Indicators Relating to Income and Expenditure **(% Ratio to Total Income)**	England Average 2010	England Average 2009	England Average 2008	England Average 2007	England Average 2006
1. Grants from HEFCE	33	34	35	37	38
2. Tuition Fees	32	30	28	26	24
3. Income from Research Grants and Contracts	16	16	16	16	16
4. Other General Income	19	20	21	21	22
	100	100	100	100	100
5. % Ratio of Pay Expenditure to Total Expenditure	56	56	57	57	58
6. % Ratio of Surplus/(Deficit) for the Year	3	1	2	1	1
B. Indicators Relating to Financial Strength					
7. Days Ratio of Total General Funds to Total Expenditure (To indicate the number of days total expenditure which could be met from General Funds)	117	97	119	126	112
8. Days ratio of Net Current Assets to Total Expenditure (Number of days an institution could meet expenditure from net assets)	34	25	31	22	21
9. % Ratio of Long Term Liabilities to Total General Funds (To indicate the extent to which an institution is funded by long-term debts as a measure of its capital gearing)	70	82	68	60	67
C. Indicators Relating to Short-term Liquidity and Solvency					
10. % Ratio of Liquid Assets (Cash + Short Term Investments) to Current liabilities (Extent to which current liabilities could be met from liquid assets)	92	82	87	75	71
11. Ratio of Current Assets to Current Liabilities (Extent to which current liabilities could be met from current assets)	1.33	1.26	1.33	1.23	1.23
12. Days of Total Income (excluding HEFCE Income) Represented by Debtors	57	59	62	68	73

Notes:

1. The above indicators are only published for each individual institution. For the purposes of these accounts averages for England have been calculated using total figures published by the Higher Education Information Database for Institutions (HEIDI), which is run by the Higher Education Statistics Agency.
2. Against the comparators, City has a high reliance on fee income, but shows above-average financial strength and liquidity, with no long-term debt.

Consolidated Income and Expenditure Account for the five years to 31 July 2011

	2011	2010	2009	2008	2007
Income	£000	£000	£000	£000	£000
Funding Council Grants	39,580	42,508	39,519	34,127	33,067
Academic Fees and Support Grants	116,908	112,434	104,393	98,357	89,922
Research Grants and Contracts	7,859	8,000	9,292	7,717	7,747
Other Income	15,051	15,339	19,366	15,993	14,432
Endowment Income and Interest Receivable	1,040	514	1,832	2,811	3,317
Total Income	180,438	178,795	174,402	159,005	148,485
Less: share of income from Joint Venture	(1,832)	(291)	–	–	–
Net Income	178,606	178,504	174,402	159,005	148,485
Expenditure					
Staff Costs	105,744	104,183	101,181	93,752	87,903
Staff Costs – Exceptional Restructuring Costs	6,800	1,807	4,393	205	2,927
Other Operating Expenses	59,677	58,724	61,631	51,069	47,996
Depreciation	10,980	11,699	11,108	8,549	8,347
Interest Payable	417	853	503	223	1,078
Total Expenditure	183,618	177,266	178,816	153,798	148,251
(Deficit)/Surplus after Depreciation of Assets at Cost and Before Tax	(5,012)	1,238	(4,414)	5,207	234
Share of operating loss in joint venture	(967)	(1,275)	–	–	–
Operating (deficit) / surplus	(5,979)	(37)	(4,414)	5,207	234
Surplus on sale of fixed assets	–	–	29,775	–	–
(Deficit) / Surplus after Depreciation of Assets at Cost and Before Tax	(5,979)	(37)	25,361	5,207	234
Taxation	–	–	–	–	–
(Deficit) / Surplus after Depreciation of Assets at Cost and Tax	(5,979)	(37)	25,361	5,207	234
Transfer to / (from) accumulated income within Specific Endowments	12	(16)	3	(10)	(33)
(Deficit) / Surplus for the year retained within General Reserves	(5,967)	(53)	25,364	5,197	201
LPFA Pension Fund actuarial movements	3,428	2,022	(8,813)	(3,814)	4,833
Reserves Brought Forward	94,923	92,954	76,403	75,020	69,986
Reserves Carried Forward	**92,384**	**94,923**	**92,954**	**76,403**	**75,020**

Consolidated Balance Sheet for the five years to 31 July 2011

	2011	2010	2009	2008	2007
Fixed Assets	£000	£000	£000	£000	£000
Tangible Assets	114,879	115,282	111,860	115,184	109,212
Investment Assets – Joint Venture	(1,242)	(275)	–	–	–
	113,637	115,007	111,860	115,184	109,212
Endowment Asset Investments	7,571	6,962	6,100	6,104	4,604
Current Assets					
Stock	30	82	49	19	15
Debtors	11,801	12,047	10,496	8,523	6,417
Investments	72,752	74,164	71,361	40,570	52,653
Cash at bank and In hand	3,408	2,725	9,051	5,155	5,494
	87,991	89,018	90,957	54,267	64,579
Creditors – amounts falling due within one year	(44,056)	(39,249)	(38,003)	(35,820)	(31,503)
Net Current Assets	**43,935**	**49,769**	**52,954**	**18,447**	**33,076**
Total Assets less Current Liabilities	165,143	171,738	170,914	139,735	146,892
Creditors – amounts falling due after more than one year	–	–	–	–	(17,840)
Provisions for Liabilities and Charges	(2,840)	(1,411)	(4,680)	(2,019)	(3,864)
Liability on LPFA Pension Fund	(14,662)	(17,491)	(18,966)	(10,071)	(6,499)
Net Assets	**147,641**	**152,836**	**147,268**	**127,645**	**118,689**
Deferred Capital Grants	36,686	39,951	37,214	34,138	28,065
Endowments					
Expendable	3,687	3,372	2,906	2,592	484
Permanent	3,884	3,590	3,194	3,512	4,120
	7,571	6,962	6,100	6,104	4,604
Reserves					
Revaluation Reserve	11,000	11,000	11,000	11,000	11,000
General reserve excluding Pension Reserve	107,046	112,414	111,920	86,474	81,519
Pension Deficit Reserve	(14,662)	(17,491)	(18,966)	(10,071)	(6,499)
General reserve including Pension Reserve	92,384	94,923	92,954	76,403	75,020
Total Reserves	103,384	105,923	103,954	87,403	86,020
Total Funds	**147,641**	**152,836**	**147,268**	**127,645**	**118,689**

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