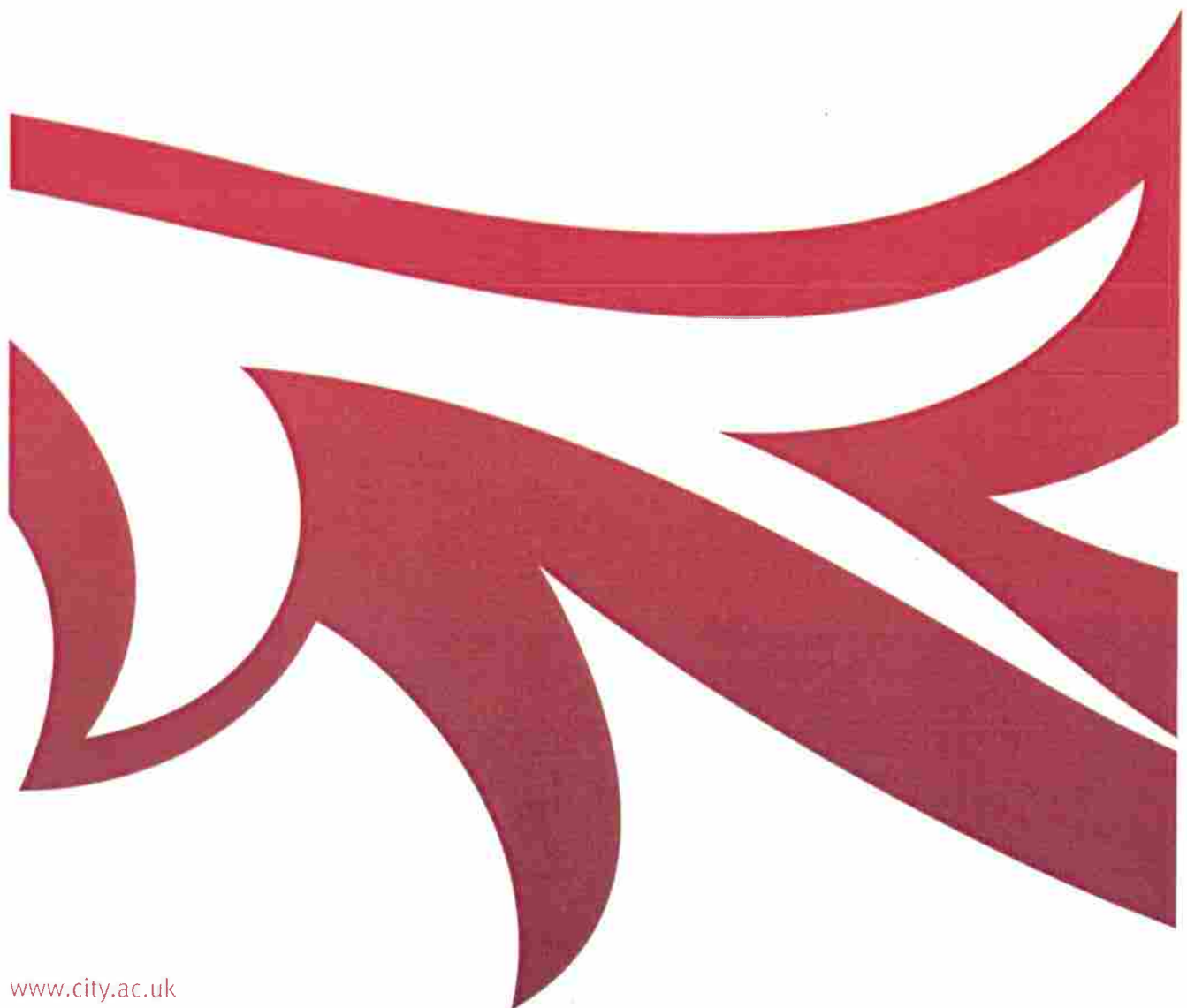




Financial Statements

for the year ended 31 July 2016



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Financial Statements for the year ended 31 July 2016

Membership of Council

Period 1 August 2015 to 25 November 2016, reflecting new titles following City's accession to the University of London on 1 September 2016.

Rector

The Right Honourable The Lord Mayor of London

Chair of Council

Mr R Woodward

Deputy Chair of Council

Mr R Bright

President

Professor Sir Paul Curran

Independent Members

Sir B Barber

Dame L Brindley

Mr A Friend

Professor I Gray

Mr A Haxby

Ms P Hird

Ms J Legrand

Dr J Low

Ms H Nouss

Mr R Zeghibe (from 1 September 2016)

Staff and Student Members

Mr Y Ahmad (from 1 July 2016)

Mr S Avery (to 29 February 2016)

Professor D Bolton

Ms I Cooke (to 30 June 2016)

Professor M Lewis (from 1 November 2015)

Ms M Luckiram

Professor S Newman

Honorary Rectors (not members of Council)

The Hon. Mr A Bagri

Professor Sir D Bone

Senior Elected Senator (not a member of Council)

Dr Rachel Cohen (from 16 March 2016)

Dr O Kerr (to 15 March 2016)

President and other Key Officers – current

Professor Sir Paul Curran, President

Professor D Bolton, Deputy President and Provost

Professor A Jones, Vice-President, Research & Enterprise (from 1 March 2016)

Professor S Newman, Vice-President, International (part time)

Professor J Fothergill, Pro Vice-Chancellor, Research & Enterprise (to 29 February 2016)

Professor R Verrall, Vice-President, Strategy & Planning

Professor R Crouch, Dean, School of Mathematics, Computer Science and Engineering

Professor T Farrell, Dean, School of Arts and Social Sciences (from 1 September 2016)

Professor K Grattan, Dean, City Graduate School

Professor S Haberman, Dean, Cass Business School (to 31 October 2015)

Professor M Lewis, Dean, Cass Business School (from 1 November 2015)

Professor A Jones, Dean, School of Arts and Social Sciences (to 29 February 2016)

Professor L Solkin, Interim Dean, School of Arts and Social Sciences (from 1 March to 31 August 2016)

Professor C Stychin, Dean, City Law School

Professor S Newman, Dean, School of Health Sciences

Mr S Avery, Chief Financial Officer (to 29 February 2016)

Dr W Jordan, University/College Secretary (from 1 September 2015)

Ms M Luckiram, Director of Human Resources

Ms C E A Rylatt, Chief Financial Officer (from 15 August 2016)

Mr F Toop, University Secretary (to 31 August 2015)

Mr J Unsworth, Interim Chief Financial Officer (from 1 March 2016 to 14 August 2016)

Strategic Report

Scope of the Financial Statements

City University London has been renamed to City, University of London (referred to now as City) following its successful accession to the federal University of London on 1 September 2016.

The financial statements comprise the consolidated results of City, its two subsidiaries - City Foundations Limited and City Entrepreneurship Limited - and the City University London Students Union. City has one dormant company, Cass Executive Education Limited.

FRS102 Transition

This is the first published set of financial statements prepared in accordance with the Statement of Recommended Practice (SORP): 'Accounting for Further and Higher Education 2015' and in accordance with Financial Reporting Standard (FRS) 102. The transition is summarised in note 26 to the accounts.

Results for the year

The consolidated Statement of Income and Expenditure (SOCIE) shows:

	2016 £M	2015 £M
Income	217.5	208.7
Expenditure	205.6	214.9
Operating Surplus/(Deficit)	11.9	(6.2)
Share of deficit in Joint Venture	(0.8)	(0.2)
Surplus/(Deficit)	11.1	(6.4)

Under the new accounting basis, City is reporting a much improved surplus of £11.1M, in contrast to the restated deficit of £6.4M last year. However, if you exclude the FRS102 related pensions and holiday accrual adjustments from these results, you get a more comparable outcome of a surplus of £8.2M in 2016 and a surplus of £5.4M in 2015. The introduction of particularly these two FRS102 adjustments, has resulted in sector surpluses and deficits becoming very volatile. City actively monitors these, but notes that they are accounting adjustments that do not affect cash and City's underlying performance. City will focus on measuring cash as one of its key financial metrics going forward.

Comprehensive income for the year

The movement from the surplus/(deficit) above to total comprehensive income is as follows:

	2016 £M	2015 £M
Surplus/(Deficit) as above	11.1	(6.4)
Unrealised surplus on revaluation of Land and Buildings	10.4	0.0
Actuarial loss in respect of Pension Schemes	(14.4)	(6.9)
Total Comprehensive Income for the year	7.1	(13.3)

These movements although significant and potentially volatile, are outside of City's direct influence and control and do not affect its core activities and cash position.

Income

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

	2016 £M	2015 £M
Tuition fees	152.6	143.1
Funding body grants	21.8	20.4
NHS contracts	17.3	17.1
Research grants and contracts	11.7	13.1
Other income	10.3	11.1
Donations and endowments	3.4	3.4
Investment income	0.4	0.5
Total operating income	217.5	208.7

Total operating income increased by £8.8M (4.2%) to £217.5M.

This increase is due to increased tuition fees of £9.5M, increased funding body (HEFCE) grants of £1.4M (mainly resulting from the increase in research funding consequent on the REF2014 outcome) and an increase in NHS funding of £0.2M. These increases are offset by reductions in research grants and contract income of £1.4M and other income of £0.8M.

Funding body grants from HEFCE continue to represent a diminishing proportion of our total income, now standing at 10.0%.

Tuition fee income (excluding NHS educational contracts) increased by £9.5M (6.6%), to £152.6M. Tuition fees from Full Time International Students increased by £7.8M and Full Time Home and EU students increased by £3.1M. This was offset by reductions in Other Tuition Fees of £1.5M.

Income from research grants and contracts decreased by £1.4M, to £11.7M and is reflective of the toughening market conditions in regards to gaining grant funds.

Donations and endowments income has stayed constant at £3.4M. Investment income has decreased by £0.1M. This is due to depressed investment market returns and less cash being available to invest as a result of the *Strategic Plan 2012-2016* investments and the repositioning of investments to institutions with a lower risk profile (and hence lower return) as per City's Investment Policy.

Strategic Report

Expenditure

The table below analyses expenditure compared to the prior year:

	2016	2015
	£M	£M
Staff costs (excluding restructuring)	121.6	118.4
Staff restructuring costs	1.1	1.1
Other operating expenses	70.8	70.0
Depreciation	13.1	12.9
Interest and other finance costs	1.9	0.7
Core expenditure	208.5	203.1
Movement on pension provisions and holiday accruals	(2.9)	11.8
Total operating expenditure	205.6	214.9

Core expenditure increased by £5.4M (2.7%) compared to the previous year.

Staff costs, excluding restructuring, increased by £3.2M (2.7%), reflecting in year increases in employment costs and increased staff numbers.

Non-staff costs, excluding depreciation, increased by a modest £0.8M (1.0%). This reflects cost restraint exercised and achieved in the year.

Depreciation for the year increased from £12.9M to £13.1M reflecting the winding up of the 2012-16 strategic investment in estates and IT.

Interest and other finance costs increased by £1.2M. This is a result of a £0.7M increase in finance charges relating to the LPFA pension scheme and £0.5M foreign exchange differences being recognised in 2016.

FRS102 requires that the movement on pension provisions and untaken staff holiday is estimated and accrued for at year end. These are accounting estimates and hence are being shown separately from core expenditure. The pension adjustments are out of City's direct influence, and may be volatile, hence making the accounts difficult to compare and read. These movements comprise the following:

	2016	2015
	£M	£M
Movement on USS Provision	0.3	10.8
Movement on LPFA Provision	0.5	0.1
Movement on Holiday Accrual	(3.7)	0.9
Total movements	(2.9)	11.8

The movement on the USS Provision is mainly due to changes in estimated corporate debt yields. The movement on the Holiday Accrual is due, in part, to a new method of estimating this being applied in 2016. This movement is not expected to be so volatile, going forwards as it will be using a consistent methodology to calculate it. The change in methodology has

arisen due to the adoption of a new and better system for recording annual leave at City.

Capital projects and investment property

The value of City's Tangible Fixed Assets and Investment Property increased by £15.1M to £347.0M. This is due to the Additions of £17.8M and the unrealised valuation gain relating to the first time recognition of its Investment Property of £10.3M being offset by Depreciation of £13.1M. The additions are indicative of the ongoing investment in the University's estates and IT infrastructure.

INTO City LLP

INTO City LLP is a joint venture between City 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. A 50% share of the gross assets and liabilities is included in City's balance sheet and 50% of its net income is reported in the consolidated income and expenditure account. The accounting impact for City's share of the joint venture's results in 2015/16 was a deficit of £0.7M. City is currently jointly reviewing the joint venture's future financial and management arrangements, together with INTO University Partnerships Limited.

Cash flow

City's balance sheet shows a balance of cash, short-term investments and endowment cash funds of £37.1M at the year end, an increase of £14.2M over the previous year. The increase in cash is due to a £25.9M inflow from operating activities offset by outflows of £10.3M relating to investments in capital and financial assets and £1.4M of financing activities. £7.5M of the £37.1M year end cash balance relates to City's endowments and restricted donations.

City's cash generation and cash position remains healthy and it is currently reviewing its future plans in regards to borrowing funds to enable the future investment as part of its *Vision 2026*. City has recently (in September 2016) secured a £20M revolving credit facility. This is intended to be utilised to kick start its new Investment Plan and provide future funding flexibility to City.

Investments

City's investments continue to be managed in accordance with its Investment Policy and the level of risk and yield are therefore low. At the year-end, City has £8.2M of non-current investments. This is an increase from the £6.6M held the previous year. The £8.2M is made up of £5.8M endowments held in equities, £1.1M held in bonds, a £1.1M loan to one of its spin out companies and £0.2M of shares in subsidiaries and spin out companies.

Pensions

City participates in two multi-employer defined benefit pension schemes, the Universities Superannuation Scheme (USS) and

Strategic Report

the local government scheme which in London is managed by the London Pensions Fund Authority (LPFA).

Nearly 80% of staff members are in the USS. Because of the mutual nature of the scheme, the scheme's assets are not hypothecated to individual institutions. City is unable to identify its share of the underlying assets and liabilities on a consistent and reasonable basis and therefore, as required by FRS102, accounts for the scheme as if it were a defined benefit scheme. The scheme was subject to a triennial valuation as at 31st March 2014.

Under FRS102, City has now accounted for its estimated share of the deficit recovery plan relating to the USS. This is calculated using the approved sector wide method. The current liability for 2016 is estimated to be £23.4M and has been accounted for as such.

The LPFA scheme currently shows an FRS102 deficit of £48.2M for City, an increase of £16.1M from £32.1M at the previous year end. The present value of the fund's liabilities for City has increased by £19.0M to £98.6M and assets have increased in value by £2.9M to £50.4M. City's share of the LPFA scheme deficit is reflected in the balance sheet in accordance with FRS102. 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 2014.

Subsidiaries

The significant majority of activity is within City itself. The University's two active wholly owned subsidiaries are *City Foundations Limited*, which 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. The other subsidiary is *City Entrepreneurship Limited* which holds various investments relating to Cass Business School.

Financial Indicators

Due to the introduction of FRS102, both the HE sector and City's individual year on year performance are now likely to be volatile for certain measures. This is mainly due to the introduction of pension movements and annual leave to its expenditure.

As a result of this, the sector is still reviewing what it is going to use as its KPI's. City has adjusted several indicators for these movements and these adjusted indicators are listed below.

	2016	2015
Surplus (excluding pension and leave accrual movements as a % of total income)	3.8%	2.6%
External borrowing as a % of total income	0%	0%
Net liquidity days	69	44
Core staff costs as a % of total income	55.9%	56.7%

These indicators show that City continues to be financially strong with no current borrowings required or utilised over the last year.

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 City to achieve its Vision.

Financial strategy and future outlook

City's outlook remains positive and bullish. Current year recruitment has been very good and has exceeded forecasts. The successful accession to the federal *University of London* in September 2016 is expected to continue to bear dividends with closer partnerships and working with other members of the federation emerging as well as leveraging the marketing advantages associated with the new association.

City's new *Vision and Strategy 2026*, was approved by Council in October 2016. City's financial plan enables the Vision by ensuring that resource is deployed where it is required, in order to secure the outcomes that are consistent with the Vision, while maintaining and securing the sustainability of the institution. The new Vision is ambitious and encompasses targeted growth in academic activities and further investment in City's estate and IT infrastructure to ensure it is best placed to meet its student and stakeholder needs for the future.

City continues to actively monitor developments and impacts on its students, staff and stakeholders in regards to the recent UK Referendum result to leave the EU. It is actively responding to changes as they become apparent and emerge.

Going concern

The Chief Financial Officer, on behalf of the Executive Committee, has conducted an assessment of whether City is a

Strategic Report

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 from the date of signing the financial statements and concludes that there are no material uncertainties that cast significant doubt about the ability of City to continue as a going concern.

City has a positive balance of cash and investments of £45.3M at the balance sheet date and no external borrowing. 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 positive cash balances throughout this period. City 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 Council's Responsibilities and the Corporate Governance Statement summarise the arrangements in place for the on-going identification and management of risk. City 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.



Ms CEA Rylatt, Chief Financial Officer
25 November 2016

Corporate Governance Statement

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

City structures its governance arrangements in accordance with the recommendations of recent reviews of corporate governance, the seven Principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership) and with the guidance to Universities that has been provided by the Committee of University Chairmen (CUC) for members of Higher Education Governing Bodies in the UK (*The Higher Education Code of Governance*). The CUC operates the principle that Higher Education Institutions should comply with the Code or provide an explanation for areas of non-compliance.

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

During the financial year 2015/16, City successfully petitioned the Privy Council for a revised Supplemental Charter and Statutes, to come into effect from 1st September and to reflect City's accession on that date to the University of London federation. From that date, the titles of senior officers at City changed: The Chancellor became City's Rector; the Vice-Chancellor became City's President, the Deputy Vice-Chancellor & Provost became Deputy President and Provost, the Pro Vice-Chancellors became Vice-Presidents. The Pro-Chancellor became the Chair of Council. The Deputy Pro-Chancellor became the Deputy Chair of Council and the University Secretary became the College Secretary. This statement uses the title of senior officers that came into effect from 1st September 2016.

The Charter and Statutes (amended by a supplemental Charter in 2006 and prior to the coming into effect of a revised supplemental Charter granted in 2016) prescribed the following components to City's governance:

- **Rector** - The Rector is the head of City who presides over the Court (Annual Stakeholders Meeting) and confers awards on behalf of City. The Rector is, ex-officio, the Lord Mayor of the City of London. The ceremonial and supportive role performed by the Rector is highly valued by City.
- **Council** - is the supreme governing body, responsible for the affairs of City, setting City's strategic direction, ensuring effective management and control of City's affairs, property and finances and determining the structure, staffing and overall composition. It appoints the President, the Chair and Deputy Chair of Council and the College Secretary. It has given significant delegated powers to the President through a delegations framework

set out in Ordinances especially in respect of staffing and finance.

- **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 twenty-one members: three members by virtue of office - the Chair and Deputy Chair of Council and the President; up to twelve additional independent members; and up to six members drawn from staff and students. There is a ratio of two to one of independent members to staff and student members. City's Council, comprised nineteen members at 25th November of whom twelve were external independent members. There were two vacancies for external independent members at that date. The staff and student members include the Chief Financial Officer and the President of the Students' Union as ex-officio members of Council. The remaining four staff and student members include the Deputy President, the Director of Human Resources and two Deans, one of whom is a Vice-President.

The role of the Chair of Council is separate from the role of City's Chief Executive, the President.

Council has five committees: Senate, an Audit and Risk Committee (ARC), a Corporate Governance and Nominations Committee (CGNC), a Remuneration Committee (RemCo), and a Strategy, Implementation and Performance Committee (SIPCo). All of these Committees are formally constituted with terms of reference. With the exception of Senate, each is chaired by an independent member of Council and membership is normally limited to independent Council members. But the President is a member of both SIPCo and CGNC, the Vice-President for Strategy & Planning is a member of CGNC and the Student Union President also became a member of SIPCo from September 2015. In some cases independent appointees are co-opted to serve on a Committee, because of their relevant expertise. There are no independent members on Senate though there is an open invitation for Council members to attend as observers. Eight independent members of Council attended meetings of Senate in 2015/16. Senate is chaired by the President. Relevant members of the Executive attend Council Committees as required. The independent members of Council each sit on at least one Council Committee.

There are arrangements to allow the formation of a Redundancy Committee in the event of any compulsory redundancies being proposed. No Redundancy Committee met in 2015/16.

City normally uses executive search (in 2015/16, this was Russell Reynolds) to assist in the appointment of members of Council. City does not publicise vacancies widely as recommended in the *Higher Education Code of Governance*. The appointment process seeks to match individuals' skills and

Corporate Governance Statement

experience with City's aims and the terms of reference and priorities of Committees. The process City has followed seeks to strengthen Council's membership and improve the diversity of its membership.

Council members do not have service contracts or receive any payment for the work that they do for City, apart from the reimbursement of expenses. A term of office for a Council member is limited to three years or for such shorter period as Council may determine. Members are eligible for re-appointment but may not serve more than three terms of three years or nine years in total with the exception of a member who becomes Chair of Council who can serve a further two terms of three years as Chair before then retiring from the Council. City maintains a Register of Interests of members of the Council, which may be viewed on City's Governance web pages.

There is an annual appraisal scheme for all Council members, which also serves as an annual effectiveness review. The members and regular attendees of Council complete a short questionnaire which rates the performance of Council and the contribution of the individual member. This is then followed by a meeting or telephone conversation between the member and the Chair of Council. The process has been completed for 2015/16 and the Chair of Council reported his view to the July Council on the process noting that in his view no governance changes were required. CGNC will review all the comments from the questionnaires as part of its role.

Council had six meetings in 2015/16, one of which was an away day. It had three plenary sessions on the evenings before the Council meeting and two informal dinners for the Chairs of Committees to which there was an open invitation to all independent members to attend. City's governance arrangements continue to seek to ensure that all Council members fully participate in all Council discussions and that there are constructive relationships between the Executive and the Council.

The College Secretary is responsible for managing City's governance processes and reports directly to the Chair of Council. The minutes of Council appear on the governance public web pages following their approval by Council. A short report on the Council meeting is sent to all staff a day or so after the meeting and staff can access all the papers on the intranet except those that are closed. Very few papers are closed to staff as there is a classification "restricted", which allows papers to be closed to the public but open to staff on a confidential basis. The minutes and papers from Council's Committees are not available for staff, students, or the general public, with the exception of arrangements for Senate, which are described below.

Audit and Risk Committee (ARC)

This Committee receives a report on the Financial Statements from the External Auditors. It reviews and scrutinises the Financial Statements and recommends their approval by

Council after any necessary changes have been made. It meets in private with the external auditors. It reviews and approves the internal audit programme for the year and considers the adequacy of its resources. It considers detailed internal audit reports and recommendations for the improvement of City's systems of internal control, together with the Executive's response and implementation plans. It also has a role in reviewing the achievement of value for money within the institution and monitors City's risk management processes. The Committee receives reports from the Executive in order to inform its judgments – specifically an assurance from the President on Internal Controls and reports on Value for Money and Data Quality. Each year the Committee gives Council an opinion on the adequacy and effectiveness of the City's arrangements for: risk management, control, governance, value for money, and management & the quality of data submitted to HESA and HEFCE.

The Committee is chaired by an independent member of Council, Ms Hunada Nouss. The Committee membership does not include any staff members but includes two co-opted members appointed for their relevant expertise – Mr Hanif Barma and Mr James Friend. The internal and external auditors attend each meeting and the Committee regularly meets these without the Executive being present.

The Committee met four times in 2015/16. It regularly met the President without other members of the Executive or the auditors being present to discuss risk. During the year, the Committee met risk owners on a rolling programme to discuss the management of those risks in more detail. It also regularly received the risk register and commented on this before Council received the risk register, which it does on a bi-annual basis. The Committee reviews its own effectiveness and the effectiveness of the internal and external auditors on an annual basis.

Corporate Governance and Nominations Committee (CGNC)

This Committee advises Council on matters concerning the City's corporate governance capability, structural arrangements and practices, membership of the Council and its Committees, and amendments to the Charter, Statutes and Ordinances. This Committee is also responsible for making recommendations to Council on nominations for honorary degrees. The Committee is chaired by a lay member of Council, Mr Roger Bright. The President is a member of Committee, as is the Vice-President for Strategy & Planning.

CGNC met three times in 2015/16. It recommended for approval to Council: changes to City's Charter and Statutes Ordinances to enable accession to the University of London from 1st September 2016; changes to the Ordinances to extend the remit of RemCo to enable it to consider equality and diversity issues at City; one new member of Council; membership changes to Council Committees; and seven nominations for the award of an Honorary Degree. CGNC also oversaw the selection of an organisation for an external review

Corporate Governance Statement

of Council effectiveness to take place in 2016/17, discussed the implications of the HEFCE revised operating model for quality assessment at higher education institutions, considered proposed changes to City Students' Union governance arrangements, reviewed the comments from the Council annual appraisal scheme and reviewed City's risk register in relation to governance risks.

Remuneration Committee (RemCo)

The Committee determines the terms and conditions of the President, members of the Executive team, the Deans, the College Secretary and the Director of Internal Audit. It also reviews and determines the remuneration for the above staff, taking into account recommendations from the Chair of Council or the President, HEFCE guidance, market related factors, equal pay and other relevant legislation. RemCo also has overall responsibility for and oversight of the remuneration of staff earning more than £100,000. The Committee's Terms of Reference were extended in 2015/16 to enable it to keep under review progress in addressing equality and diversity issues at City. The Committee is chaired by an independent member of Council, Ms Philippa Hird in 2015/16. The Committee is advised by a Director from the Hay Group, Mr Peter Smith, and has one co-opted member, Mr Peter Blausten, appointed for his relevant expertise.

RemCo met three times in 2015/16 to consider the remuneration of senior staff, and policies relating to the remuneration to senior staff including the development of a remuneration strategy for City. RemCo also considered progress on equality and diversity issues, including the format for a new form of annual equality and diversity progress report, to be considered for the first time by the Committee in 2016/17.

Strategy, Implementation and Performance Committee (SIPCo)

This Committee gains assurance for Council on the progress of the Executive in implementing the Strategic Plan approved by Council in 2012. The Committee also advises the Executive and Council on proposals to be brought to Council to enable the implementation of the Strategic Plan e.g., proposals for capital expenditure and financing or major structural change. The Committee keeps the Strategic Plan under review and recommends any necessary changes to Council in the light of developments within or outside the Higher Education sector. It also approves the Annual Transparency Return (TRAC) to HEFCE on behalf of Council. In 2015/16, the Committee also provided a forum for engagement between the Executive and lay members of Council in relation to the development of the Vision & Strategy 2026. The Chair of the Committee for 2015/16 was Mr Andy Friend. The President is the only Executive member.

The governance objective for the Committee is to allow more scrutiny and support for the Strategic Plan and for the development of the Vision & Strategy 2026 but in a manner that ensures that the main responsibility continues to be held and clearly exercised by Council. SIPCo met six times in 2015/16,

once prior to each Council meeting to consider papers that would subsequently be considered by Council relating to the Strategic Plan or the Vision & Strategy 2026.

Senate

Senate has delegated authority from Council for the enhancement of academic quality and assurance of academic standards. It is chaired by the President. In 2015/16 the composition allowed sixteen ex-officio positions and an equal number of members elected from the academic staff plus up to five students and a member of staff elected from Visiting Academic Staff, making a potential total membership of up to thirty-eight. As some members of academic staff held more than one office in 2015/16, Senate in 2015/16 had a total membership of thirty-six. Elected Members are appointed for a three year period and at least two elected members must be drawn from each Board of Studies Area. All Senators are expected to express views that benefit City as a whole.

The elected members elect from their number a Senior Elected Senator (SES) (currently Dr Rachel Cohen) who, for a three year period, acts as a point of contact for Senate members and other academic staff if there are concerns that significant matters of academic quality and standards have not been appropriately addressed by Senate. The SES has the right to raise such matters directly with the Chair of Council. The role ensures that there is an alternative route of communication to Council for members of Senate if they have concerns in respect of academic quality and/or standards that have not been addressed by the President and the Executive.

Senate delegates many of its responsibilities to the President and to other Committees. The key sub-committees are six Boards of Studies, Assessment Boards, Research Ethics Committee, Validation and Institutional Partnerships Committee and Academic Governance Committee. Internal Audit supports Senate and its sub-committees in reviewing on a rolling basis processes agreed by Senate, to ensure they are operating appropriately.

Senate met five times in 2015/16. The minutes and papers are available to the public on the website although restricted papers are only available to staff and students. A short report on the Senate meeting is sent to all staff a day or so after the meeting.

Senate's annual report to Council for the year 2015/16 provides assurance to Council about the way in which Senate exercised the authority delegated to it for academic quality and standards over this period. This report was considered in draft form at Senate's meeting in October 2016 and is now available to the public on City's website together with other papers from the meeting.

President

Council delegates authority and responsibility for the management of the institution to the President, who is City's principal academic and chief executive officer. He has a

Corporate Governance Statement.....

general responsibility to the Council for maintaining and promoting the efficiency and good order of City. Under the terms of the HEFCE Memorandum of Assurance & Accountability, the President is City's accountable officer. As accountable officer the President is personally responsible for ensuring compliance with the HEFCE Memorandum and for providing HEFCE with clear assurances to this effect.

As City's Chief Executive, the President exercises considerable influence upon the development of institutional strategy, the identification and planning of new developments and the shaping of the institutional ethos. The President is personally responsible for the exercise of the powers delegated to him in the delegations framework agreed by Council. The President is advised by an Executive Committee comprising the Deputy President and Provost, Vice-Presidents, Chief Financial Officer and Director of Human Resources together with the Deans and other key Professional Services Directors.

Statement of the Responsibilities of City's Council

In accordance with the City's Charter, City's Council is responsible for the administration and management of City, 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 City's financial position and enable it to ensure that the financial statements are prepared in accordance with City's Charter and Statutes, the Statement of Recommended Practice on Accounting for Further and Higher Education Institutions and other relevant accounting standards. In addition, within the terms and conditions of the Memorandum of Assurance & Accountability agreed between the Higher Education Funding Council for England (HEFCE) and City, and the HEFCE annual accounts direction, the Council, through its designated office holder (the President), is required to prepare Financial Statements for each financial year that give a true and fair view of the state of affairs of City, and of the surplus or deficit and cash flows for that year. The Council has to ensure that:

- suitable accounting policies are selected and applied consistently;
- judgements and estimates are made that are reasonable and prudent;
- applicable accounting standards are followed, subject to any material departures disclosed and explained in the financial statements, and
- it is appropriate that financial statements are prepared on the going concern basis, as the Council has satisfied itself that City 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 Memorandum of Assurance & Accountability 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 City's assets and prevent and detect fraud;
- secure the economical, efficient and effective management of City's resources and expenditure;

- ensure that there are effective systems of risk identification and management that are based on a clearly articulated policy and approach and are aligned to City's strategic objectives; and
- plan and conduct its financial and academic affairs to ensure that City remains solvent.

The key elements of City'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 Professional Services;
- a medium and short-term planning process, supplemented by detailed annual income, expenditure, capital and cash flow budgets;
- regular reviews of financial results involving variance reporting and updates of forecast out-turns;
- defined and formalised requirements for approval and control of expenditure, with investment decisions involving capital or revenue expenditure being subject to appraisal and review according to approval levels set by the Council and the President;
- 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 Council. The Director of Internal Audit provides the Council with an annual report on internal audit activity within City and an opinion on the adequacy and effectiveness of City's system of internal control, including risk management, corporate governance and value for money; and
- regular academic reviews carried out on behalf of Senate to assure academic quality and standards.

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

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

Statement of the Responsibilities of City's Council

- business continuity and emergency management: ensuring plans are in place which would address any disaster and emergency situation;
- ensuring that all risks have appropriate ownership so that risks can be controlled appropriately; and
- reporting regularly to Audit and Risk Committee and then to Council on internal control and risk.

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

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

Public Benefit Statement

Introduction

City is an exempt charity under the terms of the Charities Act 1993. The Charity Commission requires that there must be clearly identified benefits 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.

City's charitable purpose is to advance education, knowledge, wisdom and understanding by teaching and research, both within the institution and in close association with business and the professions for the benefit of individuals and society at large. City, in pursuing these objects, provides benefits to a wide range of individuals and organisations and this statement offers a summary and some specific examples of such benefits. The beneficiaries include students, both undergraduate and postgraduate, charities and other philanthropic organisations, schools and colleges, the NHS, both local and national government and the local community.

Financial Support

City is committed to providing financial support to all our students, allocated on the basis of financial need and academic merit.

Support from the City Hardship Fund has been provided to over 270 students across all disciplines providing financial support to students in hardship, facing homelessness and considering withdrawal from Higher Education. This includes dedicated support for students who have been in Local Authority care or who have become estranged from their families.

City continues to run its undergraduate scholarship scheme, including the Lord Mayor of London Scholarships for Academic Excellence, which provides up to £3,000 *per annum* to high achieving students.

Widening Access

City's Access Agreement sets out the many and various ways in which we preserve and expand opportunities for access to the benefits available from our courses. These include outreach work targeted at underrepresented groups in local schools and colleges, mentoring for young people, tutoring, university visits, careers guidance, master classes and early engagement with primary school pupils. Over 7,000 young people from over 125 schools take part in City, University of London's widening participation outreach work annually.

A series of events took place in 2015/16 to celebrate our place within the local community. These included the Widening Participation Outreach Awards in June 2016, recognising achievements and commitment to CityOutreach initiatives. CityOutreach covers a range of initiatives such as UniMentors, Taster Weeks, Visit Days from staff, students and local schools and colleges. Around 2,500 students contribute through schemes organised by the Student Development and Widening Participation Outreach teams.

City has made a series of commitments to enhance current provision and develop new activity to support the progression of care leavers to Further and Higher Education and students more widely during enrolment and throughout their studies.

Widening Participation Outreach

The Widening Participation Outreach team has worked with local schools and colleges to deliver activities designed to promote a fairer society. They have supported over 4,500 young people from underrepresented backgrounds, helping them to make informed decisions about their future, raising aspirations and improving attainment. The intended beneficiaries are from low participation neighbourhoods, low socio-economic groups, children in care or leaving care and those with disabilities.

During the past year the team has delivered a range of initiatives at City, including week long subject specific university taster weeks, visit days, Masterclasses and our City Snapshot Sixth Form scheme. City Student has mentored sixth formers and provided tutoring in Maths and English in local schools, including COLAI the local Academy City co-sponsor with the City of London. Uniquely, City offers local schools and colleges the services of a qualified Career Advisor who provides independent advice and guidance to pupils aged 10–18 years.

Widening Education Provision

This year over 4,000 local residents and workers enrolled on short courses in business and law, computing, creative industries, languages and writing.

Volunteering

City Volunteering supports staff and students to volunteer within the local community by providing an online brokerage service which has around 1,500 current student volunteers and nearly 500 organisations registered. City takes an active part in London Student Volunteer Fortnight and National Student Volunteering Week as well as supporting students in running their own community initiatives and arranging numerous one-off volunteering activities to allow students with limited time to positively impact the local community. City Volunteering has worked with students, staff, local residents and the local council to enhance Northampton Square Gardens, building community links and strengthening student engagement with our physical space. This partnership is expanding further to enhance other local spaces while giving students opportunities to meet local residents and gain practical skills.

The past year saw the continued growth of The City Law School's free legal advice service for members of the local community in which postgraduate law students work with qualified lawyers to offer free, confidential and independent legal advice. They provide guidance on issues across the whole range of civil law, including personal injury claims, employment, small claims, landlord and tenant disputes and consumer rights. The initiative has enabled those who could

Public Benefit Statement

not otherwise afford legal advice to receive a high-quality consultation.

In recognition of the growing housing challenges within London and across the UK, one of our graduates also organised a dedicated housing legal clinic called Roof Over London in conjunction with The City Law School. This clinic works with qualified lawyers to provide free assistance to students and members of the local community living in private rented accommodation but left without access to other advice due to recent changes to Legal Aid entitlement.

Research

City undertakes research in a wide range of discipline areas, generating findings that are often of direct benefit to the public and to society. Below are just a couple of examples of significant contributions in 2015/16.

Health economists Professor Mireia Jofre-Bonet, Melcior Rossello-Roig and Dr Victoria Serra-Sastre have studied the effect of domestic violence on children's health. Their research shows that children living in a household in which there is domestic violence are between 55% and 61% less likely to have their health rated as Excellent. The earlier mothers report the existence of such violence, the lower the impact on children's development and later health.

The Centre for Comparative Social Surveys published a new European wellbeing report. Findings show that on average young people, men and people educated to degree level are more satisfied with society than those aged 25-64 generally, women and those with lower levels of education. Satisfaction with democracy was found to be much higher than satisfaction with the economy and the government in the UK, with similar patterns elsewhere in Europe. Nearly all countries which were measured saw a considerable dip in economic satisfaction at the height of the 2008 financial crisis and subsequent economic recession and this effect was particularly pronounced in the UK.

Professor Andy Pratt, Director of the Centre for Culture and the Creative Industries was part of the team behind a report for the charity Nesta entitled '*Creative Economy Employment in the US, Canada and the UK*'. The research showed that employment in the UK creative economy grew at 4.7% per annum on average between 2011 and 2013 – faster than the US (3.1%).

City of London Academy Islington

Together with the City of London, City co-sponsors the City of London Academy, Islington and continues to play a key role in the Academy's transformational journey.

The challenges facing the Academy are considerable. Typically, students enter with prior attainment levels significantly below national averages. The percentage of low attainers each year is approximately twice the national average

and consistently around 36%. Approximately 57% of Academy students receive free school meals, 20% are "statemented" or on School Action Plus. Currently, 77% are eligible for the Pupil Premium, well above the national average of 27%. This reflects the high level of deprivation in the locality.

The Academy is now housed in a new building with a new Sixth Form. It has dramatically improved outcomes for students. This year's GCSE results were very good with 68% of students achieving 5 A*-C passes including English and Mathematics. Additionally, 93% of students achieved A*-C in English and there was exceptional performances in modern foreign languages with 100% A*-C passes in German, Spanish, Portuguese, Turkish, Italian and 96% A*-C passes in French.

The progress of students continues to exceed government expectations. The percentage of students making three levels of progress in English and Maths is outstanding and the percentage of students making four levels of progress is good.

City has four places on the Governing Body. Our nominees take lead roles in chairing the Governing Body and its Committees. Ofsted reports have recognised the Governing Body as Outstanding and our Governors are valued for their input and commitment to effective governance. City also offers an imaginative range of partnership activities for the Academy, facilitated by a designated Partnership Officer.

City annually deploys over 25 undergraduate student tutors who work with Academy pupils to help raise standards in Mathematics and English. This innovative project contributes to improved levels of attainment. University students benefit from the experience of teaching Mathematics and English, as well as working in the community and are encouraged to consider teaching as a career.

The Academy is now recognised locally and nationally for the commitment to improving the lives of young people in Islington and serving the local community as a vibrant centre of learning with an unrelenting determination for students to succeed.

Strengthening the Non-Profit Sector

Through the work of the Cass Centre for Charity Effectiveness (CCE), City ensures that non-profit organisations have the same level of access to education and knowledge as the corporate and public sectors – strengthening non-profit and charity sustainability through a holistic people and finance focus.

Over the past 12 months Cass CCE has delivered over one hundred consulting assignments, focused on strengthening governance, leadership and financial sustainability. There have been over 30 events which engaged with over 1,500 people working within and with the non-profit sector. The five MSc programmes were fully subscribed and 2016/17 will see the addition of a specialist pathway for Hospice Management. The year's highlights included:

Public Benefit Statement

- Being awarded a two year contract to deliver the Baring Foundation and The J Paul Getty Jnr Charitable Trust Leadership Development programme for the social welfare sector;
- Continued growth of the Social Finance Service – hosting a Social Investment symposium and publishing the Cass CCE Social Finance Toolkit; and,
- Delivering the Building Better Governance seminar series both in London and rolling out to a number of UK regions.

Research projects have included the published evaluation of the Prince's Charities Place initiatives which provided a comprehensive analysis of the benefits of CCE's work in leading regeneration in four deprived areas in England.

The School Engagement Programme, funded for five years from the Sir John Cass Foundation, supports Cass BSc Management students to work with GCSE and A-level pupils helping to boost academic attainment, prepare for higher education and support transition to the world of work. In its first year, two schools have been engaged and work is ongoing to add further schools to the programme.

Environmental sustainability

City has an enduring commitment to improving the contribution it makes to environmental sustainability and was awarded a First Class Award in the People & Planet Green League 2015, the UK's only comprehensive and independent green ranking of universities. The rankings placed City in 5th position overall, and 1st amongst London universities.

City's sustainability programme includes a range of measures and earlier in 2016 a second rooftop bee hive was installed as part of this programme of work. The colony is being cultivated by staff under supervision of Urban Bee Keeping. Thanks to projects like this, the UK's bee population has seen a resurgence. It is hoped that City's hive will produce up to 20kg of honey when it matures next year.

City continues to promote Fairtrade in conjunction with City Students and the Students' Union and in 2016 retained its Fairtrade University accreditation. On-going work included a student led project, delivering Fairtrade workshops in a local primary school.

City's staff environmental engagement programme, Sustainable City Challenge, has encouraged staff to get involved in various team projects, from raising money for sanitation projects in other parts of the world to knitting for local hospital wards.

CitySport

City's Sport and Leisure department comprises a Sport Development team which has responsibility for liaison with National Governing Bodies to drive participation of activity and

an Operations team which oversees the day-to-day running of *CitySport*. Over the last full year local support of *CitySport* has included community sports usage (28% of total gym membership is community based) along with several local sports clubs using our facilities (Black Arrows Badminton, Cumberland Netball Club, Greenhouse Charity Sports). City has also seen the support for a local Healthy Hoops Basketball League for children under the age of 11 which aims to tackle local issues of deprivation, obesity, physical inactivity and crime. City also introduced 'Goal Ball', a Paralympic sport through Insight, a disabled charity.

Local Employment and Economic Growth

City students benefit from an extensive programme of extra-curricular enterprise education activities with rapidly developing links to the Tech City start-up environment, with the aims of developing entrepreneurship, fostering start-ups and increasing employability.

The City Law School runs a student employability initiative which also supports early-stage Tech City companies. Start-Ed is a *pro bono* clinic through which students shadow staff from local legal firms who provide free legal advice to start-ups. Over 250 local start-up companies received advice in 2015/16 and fifteen City law students have successfully completed funded internships with start-up companies or social enterprises through the Start-Ed Student Accelerator.

City's Unitemps continues to help students secure part-time and temporary work while they study, giving them the opportunity to develop the transferable skills and the ability to articulate these when looking for a graduate position. City is seeing an increasing number of local residents who register with the service to secure part-time work, as well as local small businesses that are keen to use Unitemps to fill their staffing needs.

The Santander Internship & Placement programme provides funding for local companies to recruit final year students and graduates which has benefitted both students and local employers.

Chaplaincy

Through the multi-faith provision of the Chaplaincy Team, City has supported the development of new dedicated faith space (due for completion in summer 2017) and the provision of Friday prayers on campus for our Muslim students. The chaplaincy has worked particularly closely with the Students' Union in identifying ways of supporting students who identify both as LGBT+ and as a person of faith.

Supporting People in Need

City collaborates with the Centre for London, a politically independent not-for-profit think tank focusing on the economic, social and environmental issues facing the capital. The University is also a member of the BIG Alliance, which works to connect businesses to local people alongside public and

Public Benefit Statement.....

community partners, to drive the agenda for social, economic and infrastructural change for East London and Islington.

Community

City continues to hold bi-annual meetings with our neighbours to support better community engagement and listen to ways in which our residents feel that City can continue to build good relations.

One way in which City makes a significant contribution to cultural and community life in this vibrant area of London is through shared use of our facilities and investment in the local area. For example, recently a local community group, Finsbury and Clerkenwell Volunteers, held a tea dance for elderly local residents at Northampton Square. Supported by 15 volunteers. The event was attended by 60 local residents.

Last but by no means least, the reopening of the University's *CitySight* Optometry Clinics offers a wide range of eye care services to the general public including free eye tests, comprehensive eye examinations and access to a range of spectacles at a significant discount.

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

We have audited the financial statements of City, University of London for the year ended 31 July 2016 set out on pages 18 to 40. 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) including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

This report is made solely to the Council, in accordance with the Charters and Statutes of the institution. 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 Council and auditor

As explained more fully in the Statement of Responsibilities of City's Council set out on pages 11 and 12 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 Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implication for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and University's affairs as at 31 July 2016, of the Group's and University's income and expenditure, gains and losses

and changes in reserves and of the Group's cash flows for the year then ended;

- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and with the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education; and
- meet the requirements of HEFCE's *Accounts direction to higher education institutions for 2015-16 financial statements*.

Opinion on other matters prescribed in the HEFCE Audit Code of Practice (effective 1 August 2014) issued under the Further and Higher Education Act 1992

In our opinion, in all material respects:

- funds from whatever source administered by the Group and the University for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation;
- funds provided by HEFCE have been applied in accordance with the Memorandum of Assurance and Accountability and any other terms and conditions attached to them; and
- the corporate governance and internal control requirements of HEFCE's *Accounts direction to higher education institutions for 2015-16 financial statements* have been met.



Andrew Sayers

For and on behalf of KPMG LLP. Statutory Auditor

Chartered Accountants
15 Canada Square
London
E14 5GL
28th November 2016

The maintenance and integrity of City, University of London's website is the responsibility of the governing body; the work carried out by the auditors does not involve consideration of these matter and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Statement of Accounting Policies

1 Basis of Preparation

These Financial Statements have been prepared in accordance with the Statement of Recommended Practice (SORP): 'Accounting for Further and Higher Education 2015' and in accordance with Financial Reporting Standard (FRS) 102. City is a public benefit entity and therefore has applied the relevant public benefit requirement of FRS 102. The financial statements are prepared in accordance with the historical cost convention (modified by the revaluation of certain Fixed Assets and Investments).

2 Basis of Consolidation

The consolidated financial statements include City, University of London (City) and its subsidiaries, City Foundations Limited and City Entrepreneurship Limited including the Students Union, for the financial year ended 31 July 2016. Intra-group sales and profits are eliminated fully on consolidation. Associated companies and joint ventures are accounted for using the equity method.

3 Income Recognition

Income from the sale of goods and services is credited to the Consolidated Statement of Income and Expenditure when the goods or services are supplied to the external customers or the terms of the contract have been satisfied.

Fee income is stated gross of any expenditure which is not a discount and credited to the Consolidated Statement of Income and Expenditure over the period in which students are studying. Where the amount of the tuition fee is reduced by a discount for prompt payment, income receivable is shown net of the discount. Bursaries and scholarships are accounted for gross as expenditure and not deducted from income.

Investment income is credited to the statement of income and expenditure on a receivable basis.

Funds that City receives and disburses as paying agent on behalf of a funding body are excluded from the income and expenditure of City where it is exposed to minimal risk or enjoys minimal economic benefit related to the transaction.

Grant Funding

Government revenue grants including funding council block grant and research grants are recognised in income over the periods in which City recognises the related costs for which the grant is intended to compensate. Where part of a government grant is deferred, it is recognised as deferred income within creditors and allocated between creditors due within one year and due after more than one year as appropriate.

Grants (including research grants) from non-government sources are recognised in income when City is entitled to the income and performance related conditions have been met.

Income received in advance of performance related conditions being met is recognised as deferred income within creditors on the balance sheet and released to income as the conditions are met.

Donations and endowments

Non exchange transactions without performance related conditions are donations and endowments. Donations and endowments with donor imposed restrictions are recognised in income when City is entitled to the funds. Income is retained within the restricted reserve until such time that it is utilised in line with such restrictions at which point the income is released to general reserves through a reserve transfer.

Donations with no restrictions are recognised as income when City is entitled to the funds.

Investment income and appreciation of endowments is recorded as income in the year in which it arises and as either restricted or unrestricted income according to the terms of other restriction applied to the individual endowment fund.

There are four main types of donations and endowments identified within reserves:

1. Restricted donations - the donor has specified that the donation must be used for a particular objective.
2. Unrestricted permanent endowments - the donor has specified that the fund is to be permanently invested to generate an income stream for City's general benefit.
3. Restricted expendable endowments - the donor has specified a particular objective other than the purchase or construction of tangible fixed assets, and City has the power to use the capital.
4. Restricted permanent endowments - the donor has specified that the fund is to be permanently invested to generate an income stream to be applied to a particular objective.

Capital Grants

Government capital grants are recognised in income over the expected useful life of the asset. Other capital grants are recognised as income when City is entitled to the funds subject to any performance related conditions being met.

4 Pension Schemes

The two main pension schemes for City'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 professionally qualified independent actuaries.

The USS is a multi-employer scheme for which it is not possible to identify the assets and liabilities attributable to City members due to the mutual nature of the scheme and

Statement of Accounting Policies

therefore this scheme is accounted for as a defined contribution retirement benefit scheme.

A liability is recorded within provisions for any contractual commitment to fund past deficits within the USS scheme. This is calculated using an approved sector wide method based on projected changes in salaries and employee numbers, and the return from a high quality corporate bond over the life of the planned repayment period.

Defined Contribution Plan

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement in the periods during which services are rendered by employees.

Defined Benefit Plan

Defined benefit plans are post-employment benefit plans other than defined contribution plans. Under defined benefit plans, City's obligation is to provide the agreed benefits to current and former employees, and actuarial risk (that benefits will cost more or less than expected) and investment risk (that returns on assets set aside to fund the benefits will differ from expectations) are borne, in substance, by City. The Group should recognise a liability for its obligations under defined benefit plans net of plan assets. This net defined benefit liability is measured as the estimated amount of benefit that employees have earned in return for their service in the current and prior periods, discounted to determine its present value, less the fair value (at bid price) of plan assets. The calculation is performed by a qualified actuary using the projected unit credit method. Where the calculation results in a net asset, recognition of the asset is limited to the extent to which City is able to recover the surplus either through reduced contributions in the future or through refunds from the plan..

5 Employment benefits

Short term employment benefits such as salaries and compensated absences are recognised as an expense in the year in which the employees render service to City. Any unused benefits are accrued and measured as the additional amount City expects to pay as a result of the unused entitlement.

6 Finance Leases

Leases in which City assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Leased assets acquired by way of finance lease and the corresponding lease liabilities are initially recognised at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

7 Operating Leases

Costs in respect of operating leases are charged on a straight-line basis over the lease term. Any lease premiums or incentives are spread over the minimum lease term.

8 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.

9 Fixed Assets

Fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Fixed assets that have been revalued for the purpose of transition to the 2015 FE HE SORP, are measured on the basis of deemed cost, being the revalued amount at the date of the revaluation.

Where parts of a fixed asset have different useful lives, they are accounted for as separate items of fixed assets.

Land and Buildings

Land and buildings are measured at deemed cost being the revalued amount at 31 July 2014 on transition to FRS 102.

Costs incurred in relation to land and buildings after initial purchase or construction, and prior to valuation, are capitalised to the extent that they increase the expected future benefits to City.

Freehold land is not depreciated as it is considered to have an indefinite useful life. Freehold buildings are depreciated on a straight line basis over their expected useful lives of up to 75 years

Leasehold Buildings are depreciated over the life of the lease.

No depreciation is charged on assets in the course of construction.

Equipment

Equipment costing less than £10,000 per individual item, all computer software, all research grant funded and donated equipment is recognised as expenditure. All other equipment or group of related items over £10,000 is capitalised.

Statement of Accounting Policies

Capitalised equipment is stated at cost and depreciated over its expected useful life as follows:

Computer equipment:	between 3 and 5 years
Other equipment:	over 5 years

Depreciation methods, useful lives and residual values are reviewed at the date of preparation of each Balance Sheet.

Borrowing costs

Borrowing costs which are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised.

10 Investment Properties

Investment property is land and buildings held for rental income or capital appreciation rather than for use in delivering services.

Investment properties are measured initially at cost and subsequently at fair value with movements recognised in the Surplus or Deficit. Properties are not depreciated but are revalued or reviewed annually according to market conditions as at 31 July each year.

11 Investments

Non-current asset investments are held on the Balance Sheet at amortised cost less impairment.

Investments in associates and subsidiaries are carried at cost less impairment in City's accounts.

Current asset investments are held at fair value with movements recognised in the Surplus or Deficit.

12 Stock

Stock is held at the lower of cost and net realisable value and is measured using an average cost formula.

13 Cash and cash equivalents

Cash includes cash in hand, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are in practice available within 24 hours without penalty.

Cash equivalents are short term, highly liquid investments that are readily convertible within 90 days to known amounts of cash with insignificant risk of change in value.

14 Provisions

Provisions are recognised when City 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

Reserves are classified as restricted or unrestricted. Restricted endowment reserves include balances which, through endowment to City, are held as a permanently restricted fund which City must hold in perpetuity.

16 Taxation

City is an exempt charity within the meaning of Part 3 of the Charities Act 2011. It is therefore a charity within the meaning of Para 1 of schedule 6 to the Finance Act 2010 and accordingly, City is potentially exempt from taxation in respect of income or capital gains received within categories covered by section 478-488 of the Corporation Tax Act 2010 (CTA 2010) or section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied to exclusively charitable purposes.

City receives no similar exemption in respect of Value Added Tax. Irrecoverable VAT on inputs is included in the costs of such inputs. Any irrecoverable VAT allocated to fixed assets is included in their cost.

City's subsidiaries are liable to Corporation Tax in the same way as any other commercial organisation.

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are more likely than not to be recovered. Deferred tax assets and liabilities are not discounted.

17 Termination Benefits

City has an agreed method for calculating termination benefits. These are expensed in the year when the termination is agreed.

18 Joint venture entities

City accounts for its share of joint ventures using the equity method.

19 Transition to 2015 SORP

City is preparing its financial statements in accordance with FRS 102 for the first time and consequently has applied the first time adoption requirements. An explanation of how the transition has affected the reported financial position, financial performance and cash flows of the consolidated results of City is provided in note 26.

Group Statement of Comprehensive Income and Expenditure for the year ended 31 July 2016

	Notes	Year ended 31 July 2016		Year ended 31 July 2015	
		Group £000	City £000	Group £000	City £000
Income					
Tuition Fees and Education					
Contracts	1	169,931	169,931	160,157	160,157
Funding Body Grants	2	21,781	21,781	20,359	20,359
Research Grants and Contracts	3	11,710	11,710	13,089	13,089
Other Income	4	10,268	10,124	11,144	11,014
Investment Income	5	474	474	533	505
Total Income Before Endowments and Donations		214,164	214,020	205,282	205,124
Donations and Endowments	6	3,352	3,352	3,417	3,410
Total Income		217,516	217,372	208,699	208,534
Expenditure					
Staff Costs	7	121,608	121,178	118,398	117,996
Fundamental Restructuring Costs	7	1,070	1,070	1,178	1,178
Movement on Pension Provision and Holiday Accrual	7	(2,850)	(2,850)	11,802	11,802
Other Operating Expenses	9	70,804	71,062	69,988	70,284
Depreciation	10	13,067	13,067	12,897	12,897
Interest and Other Finance Costs	8	1,932	1,908	669	644
Total Expenditure		205,631	205,435	214,932	214,801
Surplus/(Deficit) Before Other Gains/Losses and Share of Operating Surplus/Deficit of Joint Ventures and Associates		11,885	11,937	(6,233)	(6,267)
Gain/(Loss) on Investments		28	28	69	69
Share of Operating Surplus/(Deficit) in Joint Venture	13	(772)	0	(228)	0
Surplus/(Deficit) For The Year		11,141	11,965	(6,392)	(6,198)
Unrealised Surplus on Revaluation of Land and Buildings		10,341	10,341	0	0
Actuarial (Loss)/Gain in Respect of Pension Schemes		(14,400)	(14,400)	(6,923)	(6,923)
Total Comprehensive Income for the Year		7,082	7,906	(13,315)	(13,121)
Represented by:					
Endowment Comprehensive Income for the Year		209	209	177	177
Restricted Comprehensive Income for the Year		507	507	630	630
Unrestricted Comprehensive Income for the Year		(3,975)	(3,151)	(14,122)	(13,928)
Revaluation Reserve Comprehensive Income for the Year		10,341	10,341	0	0
	19, 20	7,082	7,906	(13,315)	(13,121)

The Statement of Comprehensive Income and Expenditure is in respect of continuing activities.

There is no material difference between the surplus or deficit on a historical cost basis and the result for the year.

Please refer to note 26 for an explanation of changes resulting from the transition to the new FRS 102 and Higher Education SORP.

The notes on pages 25 to 40 form part of the financial statements.

Group and City Statement of Changes in Reserves as at 31 July 2016

Group	Income and Expenditure Account			Revaluation Reserve	Total
	<i>Endowment</i>	<i>Restricted</i>	<i>Unrestricted</i>		
	£'000	£'000	£'000	£'000	£'000
Balance at 1 August 2014	4,694	7,049	51,573	199,877	263,193
Surplus/(Deficit) from the Income and Expenditure Statement	306	2,692	(9,390)	0	(6,392)
Other Comprehensive Income	0	0	(6,923)	0	(6,923)
Release of Restricted Funds					
Spent in Year	(129)	(2,062)	2,191	0	0
Total Comprehensive Income for the Year	177	630	(14,122)	0	(13,315)
Balance at 1 August 2015	4,871	7,679	37,451	199,877	249,878
Surplus/(Deficit) from the Income and Expenditure Statement	294	3,342	7,505	0	11,141
Other Comprehensive Income	0	0	(14,400)	10,341	(4,059)
Release of Restricted Funds					
Spent in Year	(85)	(2,835)	2,920	0	0
Total Comprehensive Income for the Year	209	507	(3,975)	10,341	7,082
Balance at 31 July 2016	5,080	8,186	33,476	210,218	256,960

City	Income and expenditure account			Revaluation reserve	Total
	<i>Endowment</i>	<i>Restricted</i>	<i>Unrestricted</i>		
	£'000	£'000	£'000	£'000	£'000
Balance at 1 August 2014	4,694	7,049	55,000	199,877	266,620
Surplus/(Deficit) from the Income and Expenditure Statement	306	2,692	(9,196)	0	(6,198)
Other Comprehensive Income	0	0	(6,923)	0	(6,923)
Release of Restricted Funds					
Spent in Year	(129)	(2,062)	2,191	0	0
Total Comprehensive Income for the Year	177	630	(13,928)	0	(13,121)
Balance at 1 August 2015	4,871	7,679	41,072	199,877	253,499
Surplus/(Deficit) from the Income and Expenditure Statement	294	3,342	8,329	0	11,965
Other Comprehensive Income	0	0	(14,400)	10,341	(4,059)
Release of Restricted Funds					
Spent in Year	(85)	(2,835)	2,920	0	0
Total Comprehensive Income for the Year	209	507	(3,151)	10,341	7,906
Balance at 31 July 2016	5,080	8,186	37,921	210,218	261,405

Financial Statements for the year ended 31 July 2016

Group and City Balance Sheet as at 31 July 2016

	Note	Group 2016 £000	City 2016 £000	Group 2015 £000	City 2015 £000
Non-Current Assets					
Fixed Assets	10	329,257	329,257	331,902	331,902
Investment Properties	11	17,765	17,765	0	0
Investments	12	8,165	8,163	6,613	6,613
		<u>355,187</u>	<u>355,185</u>	<u>338,515</u>	<u>338,515</u>
Current Assets					
Stock		56	32	79	41
Trade and Other Receivables	14	14,910	14,950	14,742	14,746
Investments	15	0	0	7,008	7,008
Cash and Cash Equivalents		<u>37,145</u>	<u>37,145</u>	<u>22,930</u>	<u>22,929</u>
		52,111	52,127	44,759	44,724
Less: Creditors: Amounts Falling Due Within One Year	16	(51,393)	(51,426)	(52,614)	(52,650)
Share of Net Liabilities in Joint Venture	13	<u>(4,464)</u>	<u>0</u>	<u>(3,692)</u>	<u>0</u>
Net Current (Liabilities)/Assets		(3,746)	701	(11,547)	(7,926)
Total Assets less Current Liabilities		<u>351,441</u>	<u>355,886</u>	<u>326,968</u>	<u>330,589</u>
Creditors: Amounts Falling Due After More Than One Year	17	(21,672)	(21,672)	(22,135)	(22,135)
Provisions					
Pension Provisions	18	(71,602)	(71,602)	(54,853)	(54,853)
Other Provisions	18	<u>(1,207)</u>	<u>(1,207)</u>	<u>(102)</u>	<u>(102)</u>
Total Net Assets		<u>256,960</u>	<u>261,405</u>	<u>249,878</u>	<u>253,499</u>
Restricted Reserves					
Income and Expenditure Reserve - Endowment Reserve	19	5,080	5,080	4,871	4,871
Income and Expenditure Reserve - Restricted Reserve	20	8,186	8,186	7,679	7,679
Unrestricted Reserves					
Income and Expenditure Reserve - Unrestricted		33,476	37,921	37,451	41,072
Revaluation Reserve		<u>210,218</u>	<u>210,218</u>	<u>199,877</u>	<u>199,877</u>
Total Reserves		<u>256,960</u>	<u>261,405</u>	<u>249,878</u>	<u>253,499</u>

The notes on pages 25 to 40 form part of the financial statements.

Please refer to note 26 for an explanation of changes resulting from the transition to the new FRS 102 and Higher Education SORP.

The financial statements on pages 21 to 40 were approved by Council on 25 November 2016 and signed on its behalf by:



Mr R Woodward
Chair of Council



Professor Sir P Curran
President

Financial Statements for the year ended 31 July 2016

Group and City Cash Flow for the year ended 31 July 2016

	Note	2016 £000	2015 £000
Cash Flow from Operating Activities			
Surplus/(Deficit) for the Year		11,141	(6,392)
Adjustment for Non-Cash Items			
Depreciation	10	13,067	12,897
Gain/(Loss) on Investments	19, 20	28	69
Decrease/(Increase) in Stock		24	(63)
Decrease/(Increase) in Debtors	14	(168)	(3,595)
Increase/(Decrease) in Creditors	16, 17	(1,684)	(2,925)
Increase/(Decrease) in Pension Provision	18	2,348	11,678
Increase/(Decrease) in Other Provisions	18	1,105	(609)
Share of Operating (Surplus)/Deficit in Joint Venture	13	772	228
Adjustment for Investing or Financing Activities			
Investment Income	5	(474)	(533)
Interest Payable	8	1,544	327
Endowment Income		(99)	(1)
Capital Grant Income		(1,659)	(1,574)
Net Cash Inflow from Operating Activities		25,945	9,507
Cash Flows from Investing Activities			
Capital Grants Receipts		1,659	1,574
Withdrawal of Deposits		7,008	2,945
Investment Income		474	533
Payments Made to Acquire Fixed Assets		(17,846)	(28,159)
New Non-Current Asset Investments		(1,580)	(478)
New Deposits			
		(10,285)	(23,585)
Cash Flows from Financing Activities			
Interest Paid		(1,544)	(327)
Endowment Cash Received		99	1
	21	(1,445)	(326)
(Decrease)/Increase in Cash and Cash Equivalents in the Year		14,215	(14,404)
Cash and Cash Equivalents at Beginning of the Year		22,930	37,334
Cash and Cash Equivalents at End of the Year		37,145	22,930

The notes on pages 25 to 40 form part of the financial statements.

Notes to the Accounts for the year ended 31 July 2016

1 Tuition Fees and Education Contracts	Group	City	Group	City
	2016	2016	2015	2015
	£000	£000	£000	£000
Full Time Home and EU Students	68,969	68,969	65,853	65,853
Full Time International Students	61,964	61,964	54,176	54,176
Part Time Students	11,768	11,768	11,564	11,564
Education Contracts with National Health Service	17,293	17,293	17,118	17,118
Other Tuition Fees	9,937	9,937	11,446	11,446
	169,931	169,931	160,157	160,157
2 Funding Council Grants Receivable from the Higher Education Funding Council for England (HEFCE)	Group	City	Group	City
	2016	2016	2015	2015
	£000	£000	£000	£000
Recurrent Grant				
Teaching	7,295	7,295	7,214	7,214
Research	10,630	10,630	9,576	9,576
	17,925	17,925	16,790	16,790
Specific Grants				
Higher Education Infrastructure Fund 2	1,813	1,813	1,675	1,675
National Scholarship Programme	15	15	247	247
Other Specific Grants	369	369	73	73
	2,197	2,197	1,995	1,995
Release of Deferred Capital Grants				
Buildings	1,659	1,659	1,574	1,574
	1,659	1,659	1,574	1,574
	21,781	21,781	20,359	20,359
3 Research Grants and Contracts	Group	City	Group	City
	2016	2016	2015	2015
	£000	£000	£000	£000
Research Councils	3,253	3,253	4,001	4,001
UK Based Charities	1,388	1,388	1,957	1,957
UK Government and Health Authorities	2,202	2,202	2,137	2,137
UK Industry and Commerce	1,203	1,203	1,208	1,208
European Union	2,336	2,336	2,250	2,250
Other Sources	1,328	1,328	1,536	1,536
	11,710	11,710	13,089	13,089
4 Other Income	Group	City	Group	City
	2016	2016	2015	2015
	£000	£000	£000	£000
Catering and Conferences	2,210	2,066	2,465	2,335
Other Services Rendered	2,980	2,980	3,392	3,392
Other Income	5,078	5,078	5,287	5,287
	10,268	10,124	11,144	11,014

Notes to the Accounts for the year ended 31 July 2016

5 Investment Income	Note	Group	City	Group	City
		2016	2016	2015	2015
		£000	£000	£000	£000
Investment Income on Endowments	19	171	171	244	244
Investment Income on restricted Reserves	20	85	85	67	67
Other Investment Income		218	218	222	194
		474	474	533	505

6 Donations and Endowments	Note	Group	City	Group	City
		2016	2016	2015	2015
		£000	£000	£000	£000
New Endowments	19	99	99	1	1
Donations with Restrictions	20	3,253	3,253	2,617	2,617
Unrestricted Donations		0	0	799	792
		3,352	3,352	3,417	3,410

7 Staff		Group	City	Group	City
		2016	2016	2015	2015
		£000	£000	£000	£000
Staff Costs:					
Salaries		98,125	97,695	96,793	96,391
Social Security Costs		9,274	9,274	8,155	8,155
Pension Costs (Note 25)		14,209	14,209	13,450	13,450
		121,608	121,178	118,398	117,996
Movement on USS Provision		310	310	10,832	10,832
Movement on LPFA Provision		518	518	114	114
Movement on Holiday Accrual		(3,678)	(3,678)	856	856
		(2,850)	(2,850)	11,802	11,802
Exceptional Restructuring Costs		1,070	1,070	1,178	1,178
		119,828	119,398	131,378	130,976

Emoluments President, Professor Sir P Curran		2016	2015
		£000	£000
Salary		294	294
Expense Allowances		0	0
Taxable Benefits in Kind		1	1
Performance Related Remuneration		13	16
		308	311
Pension Contributions		49	47
		357	358

The President's pension contributions are deducted from his pensionable salary via salary sacrifice.
The emoluments shown have been independently determined by the Remuneration Committee, including performance related remuneration.

Notes to the Accounts for the year ended 31 July 2016

Remuneration of higher paid staff, excluding employer's pension contributions and restructuring costs	2016 Number	2015 Number
£100,000 - £110,000	32	35
£110,001 - £120,000	17	15
£120,001 - £130,000	13	12
£130,001 - £140,000	12	15
£140,001 - £150,000	8	7
£150,001 - £160,000	4	8
£160,001 - £170,000	8	2
£170,001 - £180,000	2	6
£180,001 - £190,000	1	0
£190,001 - £200,000	2	0
£200,001 - £210,000	0	4
£210,001 - £220,000	1	1
£220,001 - £230,000	4	1
£230,001 - £240,000	1	1
£240,001 - £250,000	0	2
£250,001 - £260,000	1	0

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

Staff restructuring costs payable in respect of higher paid employees.	2016 £000	2015 £000
These costs are in respect of three staff members in 2016	182	0

Average staff numbers - full-time equivalents	Number	Number
Academic	803	749
Research	98	113
Management and Specialist	1,031	1,000
Technical	8	16
	1,940	1,878

Key Management Personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of City. Staff costs includes remuneration paid to key management personnel. Key management personnel are the 7 members of staff (2015: 7) on the Executive Team.

	2016 £000	2015 £000
Key Management Personnel Remuneration	1,064	1,178

Council Members' Expenses

Council members received no remuneration (2015: £nil). Council members' expenses include out-of-pocket travel expenses. Nine of the 25 Council members received out-of-pocket travel reimbursements totaling £5,579 (2015: nine Council members, £3,802) for expenses incurred directly.

8 Interest Payable	Note	Group 2016 £000	City 2016 £000	Group 2015 £000	City 2015 £000
Exchange Differences		412	412	(65)	(65)
Net Charge on Pension Scheme - USS	25	388	364	342	317
Net Charge on Pension Scheme - LPFA	25	1,132	1,132	392	392
		1,932	1,908	669	644

Notes to the Accounts for the year ended 31 July 2016

9 Other Operating Expenses	Group	City	Group	City
	2016	2016	2015	2015
	£000	£000	£000	£000
Student Bursaries and Fee Remissions	8,827	8,835	10,177	10,175
Payments to Non Contract Staff and Agencies	8,085	8,053	7,845	7,833
Other Expenses	5,086	5,606	4,598	5,070
Books, Periodicals and Subscriptions	6,334	6,307	5,918	5,892
Purchase and Maintenance of Furniture, Equipment and Software	5,091	5,040	5,767	5,758
Rents, Rates and Insurance	8,426	8,426	5,945	5,945
Conference, Travel and Training Costs	5,440	5,397	4,791	4,757
Publicity, Advertising and Staff Recruitment	4,380	4,365	4,233	4,219
Collaborative Partner Payments	2,249	2,230	4,074	4,074
Printing, Postage, Stationery and Telephones	2,512	2,499	2,578	2,559
Repairs and General Maintenance	3,710	3,710	3,355	3,355
Payments for Domestic and Security Contracts	2,794	2,794	2,918	2,918
Heat, Light, Water and Power	2,139	2,139	1,844	1,844
Catering and Conferences Operating Expenses	3,077	3,061	3,266	3,259
Other Professional fees	900	898	763	756
External Venue Hire	1,114	1,074	1,038	1,002
IT & Academic Consumables	544	544	582	582
Auditor's Remuneration in Respect of Other Services	10	10	132	132
Auditor's Remuneration in Respect of Other Audit Assurance Work	10	10	91	91
Auditor's Remuneration in Respect of Group UK Statutory Audits	76	64	73	63
	70,804	71,062	69,988	70,284

10 Tangible Assets - Group and City Cost or Valuation	Freehold Land and Buildings	Assets under construction	Leasehold Buildings	Equipment	Total
	£000	£000	£000	£000	£000
At 1 August 2015	307,886	5,214	20,572	21,874	355,546
Additions	0	14,424	129	3,293	17,846
Transfers	8,003	(8,261)	258	0	0
Reclassification	(9,234)	0	0	0	(9,234)
Elimination of fully depreciated items	0	0	0	(2,818)	(2,818)
At 31 July 2016	306,655	11,377	20,959	22,349	361,340
Depreciation					
At 1 August 2015	6,992	0	6,336	10,316	23,644
Reclassification	(1,810)	0	0	0	(1,810)
Charge for year	7,322	0	1,228	4,517	13,067
Elimination of fully depreciated items	0	0	0	(2,818)	(2,818)
At 31 July 2016	12,504	0	7,564	12,015	32,083
Net Book Value at 31 July 2016	294,151	11,377	13,395	10,334	329,257
Net Book Value at 31 July 2015	300,894	5,214	14,236	11,558	331,902

Notes to the Accounts for the year ended 31 July 2016

A full valuation of City's freehold land and buildings was carried out as at 31 July 2014 by Jones Lang LaSalle Limited, who are an independent company employing RICS qualified staff.

Buildings and equipment that have been funded from Treasury sources amount to £14,607,491 (2015: £19,425,784). In the event that these were to be sold, City would either have to surrender the proceeds to the Treasury or use them in accordance with the Financial Memorandum with HEFCE.

11 Investment Properties

	Investment Asset £000
Cost or Valuation	
At 1 August 2015	0
Additions	0
Reclassification	7,424
Revaluation	10,341
At 31 July 2016	17,765
Depreciation	
At 1 August 2015	0
Transfers	0
Charge for year	0
Elimination of fully depreciated items	0
At 31 July 2016	0
Net Book Value at 31 July 2016	17,765
Net Book Value at 31 July 2015	0

A full valuation of City's Investment Property was carried out as at 31 July 2016 by Deloitte LLP, who are an independent company employing RICS qualified staff.

12 Non-Current Investments

	Subsidiary Companies £000	Other Non- Current Asset Investments £000	Total £000
Group			
At 1 August 2015	167	6,446	6613
Additions	0	1,590	1590
Disposals	0	(311)	(311)
Gains	2	271	273
At 31 July 2016	169	7996	8165
City			
At 1 August 2015	167	6,446	6613
Additions	0	1,590	1590
Disposals	0	(311)	(311)
Gains	0	271	271
At 31 July 2016	167	7996	8163

Other Non-Current Asset Investments consist of:

	Group and £000
Endowments	5,763
Bonds relating to Postgraduate Student Loans	1,093
Loan to spinout company	1,140
	7,996

Notes to the Accounts for the year ended 31 July 2016**13 Investment in Joint Venture**

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

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

	2016 (Unaudited) £000	2015 £000
Income	9,647	10,893
Loss before and after tax	1,544	456
Non-Current Assets	326	378
Current Assets	4,728	4,995
	5,054	5,373
Creditors: Amounts Due Within One Year	(11,001)	(10,777)
Creditors: Amounts Due After More Than One Year	(2,980)	(1,980)
	(13,981)	(12,757)
Share of Net Liabilities	(8,927)	(7,384)

	£000
Revolving loan to INTO City LLP at 31 July 2015 and 31 July 2016	990

This loan was advanced to INTO City LLP through City Foundations Limited.

14 Trade and Other Receivables	Group 2016 £000	City 2016 £000	Group 2015 £000	City 2015 £000
Research Grants Receivables	1,882	1,882	2,232	2,232
Other Trade Receivables	5,490	5,485	4,852	4,850
Other Receivables	311	311	306	306
Prepayments and Accrued Income	7,227	7,227	7,352	7,352
Amounts Due From Subsidiary Companies	0	45	0	6
	14,910	14,950	14,742	14,746

15 Current Investments	Group 2016 £000	City 2016 £000	Group 2015 £000	City 2015 £000
Short Term Deposits	0	0	7,008	7,008
	0	0	7,008	7,008

Notes to the Accounts for the year ended 31 July 2016

16 Creditors: Amounts Falling Due Within One Year	Group 2016 £000	City 2016 £000	Group 2015 £000	City 2015 £000
Trade Payables	9,522	9,511	8,513	8,507
Social Security and Other Taxation Payable	506	507	454	459
Accruals and Deferred Income	39,772	39,772	42,255	42,255
Amounts Due to Subsidiary Companies	0	42	0	36
Other Creditors	1,593	1,594	1,392	1,393
	51,393	51,426	52,614	52,650

Deferred Income

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

	Group 2016 £000	City 2016 £000	Group 2015 £000	City 2015 £000
Research Grants Received on Account	3,885	3,885	3,416	3,416
Grant Income	1,659	1,659	1,574	1,574
	5,544	5,544	4,990	4,990

17 Creditors: Amounts Falling Due After More Than One Year	Group 2016 £000	City 2016 £000	Group 2015 £000	City 2015 £000
Deferred Income - 2-5 years	5,579	5,579	6,812	6,812
Deferred Income - more than 5 years	16,093	16,093	15,323	15,323
	21,672	21,672	22,135	22,135

18 Provisions for Liabilities	Obligation to Fund Deficit on USS Pension	Define Benefit Obligations (Note 25)	Total Pension Provisions	Other Provisions	Total Other
Group	£000	£000	£000	£000	£000
At 1 August 2015	22,711	32,142	54,853	102	102
Utilised in Year	0	0	0	(35)	(35)
Additions in 2015/16	698	16,051	16,749	1,140	1,140
At 31 July 2016	23,409	48,193	71,602	1,207	1,207

City

At 1 August 2015	22,711	32,142	54,853	102	102
Utilised in Year	0	0	0	(35)	(35)
Additions in 2015/16	698	16,051	16,749	1,140	1,140
At 31 July 2016	23,409	48,193	71,602	1,207	1,207

USS Deficit

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

Other Provisions

This is a provision for the loan to a spinout company as well as a provision for post-employment benefits payable to certain former low paid employees.

Notes to the Accounts for the year ended 31 July 2016**19 Endowments - Group and City**

	Restricted Permanent Endowments	Unrestricted Permanent Endowments	2016 Total	2015 Total
	£000	£000	£000	£000
Balance as at 1 August 2015				
Capital	4,570	89	4,659	4,557
Accumulated Income	113	99	212	137
Total	4,683	188	4,871	4,694
New Endowments	0	99	99	1
Investment Income	167	4	171	244
Expenditure	(14)	(71)	(85)	(129)
(Decrease)/Increase in Market Value of Investments	24	0	24	61
Total Endowment Comprehensive Income for the Year	177	32	209	177
At 31 July 2016	4,860	220	5,080	4,871
Represented by:				
Capital	4,542	189	4,731	4,659
Accumulated Income	318	31	349	212
Total	4,860	220	5,080	4,871
Analysis by Type of Purpose				
Lectureships	2,417	0	2,417	2,324
Scholarships and Bursaries	724	0	724	702
Research Support	0	0	0	0
Prize Funds	681	0	681	658
General	1,038	220	1,258	1,187
	4,860	220	5,080	4,871
Analysis by Asset				
Current and Non-Current Asset Investments			5,080	4,871
			5,080	4,871

20 Restricted Reserves - Group and City

	Donations	2016 Total	2015 Total
	£000	£000	£000
Balance as at 1 August 2015			
	7,679	7,679	7,049
New Donations	3,254	3,254	2,617
Investment Income	85	85	67
Expenditure	(2,835)	(2,835)	(2,062)
(Decrease)/Increase in Market Value of Investments	3	3	8
Total Restricted Comprehensive Income for the Year	507	507	630
At 31 July 2016	8,186	8,186	7,679
Analysis by Type of Purpose			
Arts Campaign		44	28
Lectureships		506	514
Scholarships and Bursaries		1,259	1,215
Research Support		4,598	4,295
Prize Funds		267	257
General		1,512	1,370
		8,186	7,679

Notes to the Accounts for the year ended 31 July 2016

21 Cash and Cash Equivalents	At 1 August 2015 £000	Cashflows £000	At 31 July 2016 £000
Group:			
Cash and Cash Equivalents	22,930	14,215	37,145
	22,930	14,215	37,145

22 Capital and Other Commitments	Group and City	
Provision has not been made for the following capital commitments at 31 July	2016 £000	2015 £000
Expenditure Authorised and Contracted for	7,630	4,098
Expenditure Authorised but not Contracted for	3,992	11,414
	11,622	15,512

23 Lease Obligations	Land and Buildings £000	Plant and Machinery £000	2016 Total £000	2015 Total £000
Payable During the Year	4,113	559	4,672	3,698
Future Minimum Lease Payments Due:				
Not Later Than One Year	4,113	559	4,672	4,672
Later Than One Year and Not Later Than Five Years	13,914	1,678	15,592	17,806
Later Than Five Years	20,111	0	20,111	22,569
Total Lease Payments Due	38,138	2,237	40,375	45,047

	Land and Buildings £000	Plant and Machinery £000	2016 Total £000	2015 Total £000
Receivable During the Year	536	0	536	0
Future Minimum Lease Payments Due:				
Not Later Than One Year	585	0	585	0
Later Than One Year and Not Later Than Five Years	2,340	0	2,340	0
Later Than Five Years	2,340	0	2,340	0
Total Lease Payments Due	5,265	0	5,265	0

24 Related Party Transactions

During the year ended 31 July 2016 City had transactions with a number of organisations which fell within the definition of Related Parties under FRS102. Transactions are disclosed where members of Council and other senior members of staff disclose an interest in a body with which City undertakes transactions which are considered material to City's financial statements and/or the other party. Due to the nature of City's operations and the composition of Council it is inevitable that transactions in the normal course of business will take place with organisations in which a member of Council may have an interest. All transactions involving organisations in which a member of Council may have an interest are conducted in accordance with City's financial regulations and normal procurement procedures.

Included in the financial statements are the following transactions between City and related parties where a member of City or senior officer was also a director or trustee of the related party.

Notes to the Accounts for the year ended 31 July 2016

	Income/(Expenditure)		Debtor/(Creditor) balance	
	2016	2015	2016	2015
	£000	£000	£000	£000
Group Investments				
Ascending Power Ltd	0	0	0	0
City University London Students' Union	(557)	(489)	(40)	(36)
INTO	(92)	185	398	201
- of which bad debts provided for	397	0	(397)	0
City Occupational Ltd	3	10	6	0
Heliex Power Ltd	739	381	0	870
Thomson Screening Solution Ltd	34	12	46	14
- of which bad debts provided for	(21)	0	(21)	0
Relationships with Council Members				
The Conversation	2	0	0	0
University of Southampton	(5)	0	0	0
University and Colleges Employers Association	(12)	0	0	0
University College London	(66)	153	(42)	0
Homerton Hospital NHS Foundation Trust	(14)	59	0	(6)
UCL Hospital NHS Foundation Trust	(104)	(75)	0	(1)
Arts & Humanities Research Council	(24)	150	0	(118)
DLA Piper UK LLP	(31)	0	0	0
HMRC	0	(35,177)	0	(2,863)
Innovate UK	0	189	0	0
Transport for London	773	465	320	192
London First	(9)	0	0	0
The Leadership Foundation for Higher Education	(67)	(40)	(16)	(8)
Cranfield University	(9)	0	0	0
University of Cambridge	(14)	0	0	0
Relationships with other Senior Executives who are not on Council but in attendance				
Elsevier	(334)	(367)	0	12
The Royal Academy of Engineering	2	0	0	0
HEFCE	20,122	21,450	0	0
City of London Academy Islington	0	(23)	0	0
British Psychological Society	(1)	0	0	0
Sage Publications	(40)	0	(30)	0
Sengenia	(59)	0	0	0
Oxford University Press	(219)	0	(8)	0
Chartered Institute of Personnel and Development	(5)	0	0	0
Universities HR Executive	(1)	0	0	0

City continues to have transactions with HMRC and Innovate UK but City no longer considers them to be a related party since the relevant member or senior officer has either left the organisation or is no longer a director or trustee of the related party

Notes to the Accounts for the year ended 31 July 2016**25 Pension Schemes**

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

Universities Superannuation SchemeSignificant accounting policies

The institution participates in the Universities Superannuation Scheme (the scheme). Throughout the current and preceding periods, the scheme was a defined benefit only pension scheme until 31 March 2016 which was contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate trustee-administered fund. Because of the mutual nature of the scheme, the scheme's assets are not hypothecated to individual institutions and a scheme-wide contribution rate is set. The institution is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by Section 28 of FRS 102 "Employee benefits", accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contribution payable to the scheme in respect of the accounting period. Since the institution has entered into an agreement (the Recovery Plan that determines how each employer within the scheme will fund the overall deficit), the institution recognises a liability for the contributions payable that arise from the agreement to the extent that they relate to the deficit and the resulting expense in the income and expenditure account.

Critical accounting judgements

FRS 102 makes the distinction between a Group Plan and a multi-employer scheme. A Group Plan consists of a collection of entities under common control typically with a sponsoring employer. A multi-employer scheme is a scheme for entities not under common control and represents (typically) an industry-wide scheme such as that provided by USS. The accounting for a multi-

employer scheme where the employer has entered into an agreement with the scheme that determines how the employer will fund a deficit results in the recognition of a liability for the contributions payable that arise from the agreement (to the extent that they relate to the deficit) and the resulting expense is recognised in profit or loss. The directors are satisfied that the scheme provided by USS meets the definition of a multi-employer scheme and has therefore recognised the discounted fair value of the contractual contributions under the funding plan in existence at the date of approving the financial statements.

The latest available full actuarial valuation of the scheme was at 31 March 2014 ("the valuation date"), which was carried out using the projected unit method.

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

The 2014 valuation was the third valuation for USS under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. At the valuation date, the value of the assets of the scheme was £41.6 billion and the value of the scheme's technical provisions was £46.9 billion indicating a shortfall of £5.3 billion. The assets therefore were sufficient to cover 89% of the benefits which had accrued to members after allowing for expected future increases in earnings.

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

	2016	2015
Discount rate	3.6%	3.3%
Pensionable salary growth	n/a	3.5% in the first year and 4.0% thereafter
Pension Increases (CPI)	2.2%	2.2%

The main demographic assumption used relates to the mortality assumptions. Mortality in retirement is assumed to be in line with the Continuous Mortality Investigation's (CMI) S1NA tables as follows:

Notes to the Accounts for the year ended 31 July 2016

Male members' mortality – 98% of S1NA ["light"] YoB tables – No age rating

Female members' mortality – 99% of S1NA ["light"] YoB tables – rated down 1 year

Use of these mortality tables reasonably reflects the actual USS experience. To allow for further improvements in mortality rates the CMI 2014 projections with a 1.5% pa long term rate were also adopted. The current life expectations on retirement at age 65 are:

	2016	2015
Males currently aged 65 (years)	24.3	24.2
Females currently aged 65 (years)	26.5	26.4
Males currently aged 45 (years)	26.4	26.3
Females currently aged 45 (years)	28.8	28.7

	2016	2015
Scheme assets	£49.8bn	£49.1bn
Total scheme liabilities	£58.3bn	£60.2bn
FRS 102 total scheme deficit	£8.5bn	£11.1bn
FRS 102 total funding level	85%	82%

Notes to the Accounts for the year ended 31 July 2016**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 102, the following additional information is disclosed in relation to the LPFA scheme.

Financial Assumptions as at	31 July 2016	31 July 2015
	% per annum	% per annum
Price increases - Retail Prices Index	3.1	3.5
Price increases - Consumer Prices Index	2.2	2.6
Salary increases	4.0	4.4
Pension increases	2.2	2.6
Discount rate	2.6	3.8

Mortality

The assumed life expectations from age 65 are:

	Males	Females
Current Pensioners	21.4 years	25 years
Future Pensioners	23.8 years	27.3 years

The assets of the LPFA scheme were:

	Assets at 31 July 2016		Assets at 31 July 2015	
	£000	%	£000	%
Equities	25,936	51	21,001	44
Target return portfolio	12,259	24	9,227	19
Cash	2,097	4	6,130	13
LDI/Cashflow matching	4,406	9	6,867	15
Infrastructure	3,562	7	2,550	5
Commodities	270	1	213	1
Property	1,885	4	1,491	3
Total	50,415	100	47,479	100

Analysis of the amount shown in the Balance Sheet	31 July 2016	31 July 2015	31 July 2014
	£000	£000	£000
Present Value of Defined	98,608	79,622	69,567
Fair Value of Fund Assets	50,415	47,479	44,852
Net Defined Benefit Liability	48,193	32,143	24,715

Revenue account costs

Analysis of the amounts recognised in the Statement of Comprehensive Income	31 July 2016	31 July 2015
	£000	£000
Service Cost	2,702	2,235
Net Interest on the Defined Liability	1,180	1,065
Administration Expenses	71	67
Total Operating Charge	3,953	3,367

Reconciliation of opening & closing balances of the present value of the defined benefit obligation	31 July 2016	31 July 2015
	£000	£000
At 1 August	79,622	69,567
Current Service Cost	2,702	2,235
Interest Cost	2,993	3,008
Changes in Financial Assumptions	15,008	6,276
Estimated Benefits Paid Net of Transfers In	(2,491)	(2,217)
Contributions by Scheme Participants and Other Employers	774	753
At 31 July	98,608	79,622

Notes to the Accounts for the year ended 31 July 2016

Reconciliation of opening & closing balances of the fair value of fund assets	31 July 2016 £000	31 July 2015 £000
At 1 August	47,479	44,852
Interest on Assets	1,813	1,943
Return on Assets Less Interest	727	94
Administration Expenses	(71)	(67)
Contributions by Employer including Unfunded	2,184	2,121
Contributions by Scheme Participants and Other Employers	774	753
Estimated Benefits Paid Plus Unfunded Net of Transfers In	(2,491)	(2,217)
At 31 July	50,415	47,479

Projected Pension Expense for the year to 31 July 2017	Year to 31 July 2017 £000
Service cost	3,537
Net interest of the defined liability (asset)	1,225
Administration expenses	76
Total loss	4,838

Employer contributions	2,182
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26 Transition to FRS 102 and the 2015 SORP

As explained in the accounting policies and CFO's report, these are City's first financial statements prepared in accordance with FRS 102 and the new SORP. The accounting policies have been applied in preparing the financial statements for the year ended 2016, the comparative information presented in these financial statements for the year ended 2016 and the preparation of an opening FRS 102 Balance Sheet at 1 August 2014. In preparing its FRS 102, SORP based Balance Sheet, City has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (2007 SORP). An explanation of how the transition to FRS 102 and the SORP has affected City's balance sheet, financial performance and cash flows is set out in the following tables.

Balance Sheet	01 August 2014		31 July 2015	
	Group £000	City £000	Group £000	City £000
Total reserves under 2007 SORP	134,451	137,878	127,901	131,521
Revaluation of Fixed Assets	188,877	188,877	188,877	188,877
Impairment of Fixed Assets	(17,434)	(17,434)	(17,434)	(17,434)
Depreciation adjustment resulting from revaluation of fixed assets	0	0	4,894	4,894
Reclassification of Government Deferred Capital				
Grants as Creditors	(24,135)	(24,135)	(23,708)	(23,708)
Provision for USS Pension Deficit				
Repayment Plan	(11,537)	(11,537)	(22,710)	(22,710)
Accrual for Annual Leave	(7,236)	(7,236)	(8,092)	(8,092)
Release of Research Grants with no performance related conditions	207	207	150	151
Total effect of transition to FRS 102	128,742	128,742	121,977	121,978
Total reserves under 2015 SORP	263,193	266,620	249,878	253,499

Financial Performance	Year ended 31 July 2015	
	Group £000	City £000
Surplus for for the year under 2007 SORP	1,515	1,707
Adjust for transfer from accumulated income within endowments	(1,880)	(1,880)
Deficit for the year under 2007 SORP	(365)	(173)
Items included in the Statement of Total Recognised Gains and Losses under the 2007 SORP		
Gain in market value of investments	69	69
New Endowments	2,618	2,618
Actuarial loss in respect of LPFA pension scheme	(6,923)	(6,923)
Total recognised loss under 2007 SORP	(4,601)	(4,409)
Depreciation adjustment resulting from revaluation of fixed assets	4,894	4,894
Adjustment to release profile of Government Deferred Capital Grants	(1,091)	(1,091)
Removal of income from Non Government Deferred Capital Grants	(431)	(431)
Cost of Provision for USS Pension Deficit Repayment Plan	(11,173)	(11,172)
Cost of Accrual for Annual Leave	(856)	(856)
Removal of income from Research Grants with no performance related conditions	(57)	(56)
Total effect of transition to FRS 102	(8,714)	(8,712)
Total comprehensive income for the year under FRS 102	(13,315)	(13,121)

Explanation of adjustments

The section hereunder, summarises the key adjustments affecting City's financial statements as a consequence of the transition for the new HE SORP and FRS 102.

Fixed Asset Movements

City has taken advantage of the provision in FRS 102 to undertake a one-time transitional revaluation of its freehold land and buildings upon the adoption of the new accounting standard. The revaluation exercise was carried out as at 31 July 2014 by Jones Laing LaSalle Limited, who are an independent company employing RICS qualified staff.

Subsequently, some assets have increased in value and others have suffered an impairment. The revalued asset values have now been introduced as a deemed cost into the financial statements. The remaining useful lives on these buildings have also been reviewed and adjusted. This has subsequently impacted the depreciation charge levied on these assets.

Deferred Capital Grants

FRS 102 requires that government funded deferred capital grants are to be classified as creditors on the balance sheet and taken out of reserves. Where the useful lives of the revalued land and buildings have changed (due to the revaluation exercise discussed above), the release of any grants used to fund those land and buildings have also been appropriately adjusted.

Under FRS 102, the income from non-government funded capital grants is no longer deferred. It is recognised as income, immediately upon receipt of the funds. This results in an appropriate adjustment to derecognise past income received.

USS Pension

FRS 102 requires that City must estimate the liability arising from its share of the USS pension deficit recovery scheme and provide for this appropriately on the balance sheet. Changes to this liability are recognised within its Consolidated Statement of Comprehensive Income and Expenditure.

Notes to the Accounts for the year ended 31 July 2016

Annual Leave

Another new requirement under FRS 102 is that City must estimate and accrue for any untaken annual leave for its staff, as at the balance sheet date. Changes arising from this are subsequently recognised within its Consolidated Statement of Comprehensive Income and Expenditure.

Research Grants

As per FRS 102, the income relating to research grants with no performance related conditions are no longer deferred until they are spent. They are now recognised as income immediately upon receipt. As a result of this, the past income has been appropriately adjusted to account for this change.

New Financial Statement

The transition to the new HE SORP and FRS 102 have resulted in several minor presentational changes.

However, the most significant change has been the introduction of the Consolidated Statement of Comprehensive Income and Expenditure and the removal of the Statement of Total Recognised Gains and Losses. Under the 2007 SORP and previous UK GAAP, a separate Statement of Total Recognised Gains and Losses was disclosed for any non-operational income or expenditure. Under FRS 102, this activity has now been combined within the main income and expenditure statement to form the new Consolidated Statement of Comprehensive Income and Expenditure.

Cash Flows

The only impact of the transition to FRS 102 on the cash flows of City or the Group is the reclassification of some items within the cash flow statement.