



CITY
UNIVERSITY OF LONDON
— EST 1894 —

125 YEARS

Annual Report and Financial Statements

for the year ended 31st July 2019

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Strategic report

Our strategic objectives

City's *Vision & Strategy 2026* sets out our ambition for the future.

City, University of London: a leading global university committed to academic excellence, focused on business and the professions and located in the heart of London.

We have three strategic objectives to guide us on our journey:

Maintain quality trajectory ("better")

Achieve growth in a way which maintains quality ("bigger")

Leverage partnerships

Progress towards strategic objectives

In 2018/19 we have made steady progress towards our strategic objectives.

We saw improvements in our student progression. Our internal assessment of the quality of our research output shows that over half of our total academic staff are producing world-leading (4*) or internationally excellent (3*) research. These factors contribute to our quality trajectory.

We have continued to grow, maintaining our strong performance in recruiting within London, from the EU and internationally. The quality of our home and EU undergraduate intake in 2018/19 continued to improve on average demonstrating our ability to deliver growth at quality. We continue to review and restructure our curricula to meet the needs of students and employers, for example in Engineering, Business and Management. We receive over 24,000 applications for our undergraduate courses, indicating our popularity among prospective students.

We are proud of our international outlook and have students from over 160 countries studying with us. The *Times Higher Education* (THE) launched the first global University Impact Rankings (UIR) focusing on engagement with the UN's Sustainable Development Goals (SDGs) in November 2018. We submitted applications against three of the goals and were proud to achieve a top 200 ranking out of 423 universities for Goal 3 (Good health and wellbeing), a rank of 69th out of 260 universities for Goal 13 (Climate action) and a rank of 10th in the world out of 229 institutions for Goal 12 (Responsible consumption and production). Our membership of the University of London is creating new opportunities for partnership and innovation and we continue to explore how we can build on this foundation.

How City creates value

For students, we educate future citizens to participate and contribute to the best of their ability and achieve fulfilment in life and work. For society and the economy, we advance knowledge and capability. In partnership with others, we put this intellectual and social capital to productive use. For business and the professions, we educate future leaders and colleagues who will undertake key roles in areas such as Leadership and Management, Law, Nursing, Computing, Engineering and Journalism. For the environment, we lead the way in sustainability and are responsible stewards of the natural resources we use. For our community, we build local and global links and share expertise so that our resources and knowledge can benefit others.

Our public benefit statement explains more about the value we create and the benefits it brings to a wide range of individuals and organisations, including students, schools and colleges, the NHS, charitable and commercial organisations, local and national government and our neighbours in the heart of London.



Signed
Professor Sir Paul Curran, President



Signed
Ms Julia Palca, Chair of Council

Public benefit statement

Our students

We believe that every student with the ability to do so should consider progression to university as an attainable option regardless of social, ethnic or financial background.

International students (representing some 160 countries) and students from backgrounds under-represented in higher education form large parts of our annual undergraduate cohorts.

Undergraduate students

Of our undergraduate students, 67 per cent come from under-represented groups in higher education.

In 2018/19 the Widening Participation Outreach team engaged with over 5,000 young people to encourage under-represented groups to access and succeed in higher education. Through early engagement, we provide practical support and learning for students throughout the full educational life-cycle, from primary school to transition to higher education, all underpinned by our attainment raising tutoring programmes in Mathematics and English.

Our campus visits and Spotlight days introduce university study for primary school pupils. Key Stage 3 taster weeks develop a broader understanding of subject areas and this knowledge is further developed at Key Stage 5 through Masterclasses. The information, advice and guidance delivered by our Widening Participation Careers Advisers ensure future decisions are well thought out and realistic. We continue to support the transition to higher education through our Snapshot programme for BTEC students and Start@City, a two-day support programme for Widening Participation students starting their studies at City.

We provide individual support for care leavers to help them to make the transition to university life, support them during study and help prepare them for life after graduation. This support extends to other vulnerable groups including students who are estranged from their families, those with unpaid caring responsibilities and refugees and asylum seekers. We offer three Sanctuary Scholarships to enable applicants who are seeking asylum or who have 'discretionary leave to remain' to access undergraduate programmes. This scholarship provides a full fee waiver and an annual maintenance grant of £12,102.

Support from the Hardship Fund was provided to approximately 250 students in 2018/19 across all disciplines. The fund provides financial assistance to all our current students who have met unforeseen financial hardship during their studies.

Our undergraduate bursary and scholarship schemes include the City Cares Bursary, City Education Grant, President's International Scholarship and the Lord Mayor of London Scholarships for Academic Excellence.

Research conducted by the Institute for Fiscal Studies in November 2018 placed City eighth nationally for earnings returns of graduates at age 29 compared to similar school leavers who did not attend higher education.

Postgraduate students

With 45 per cent of City students studying taught postgraduate degrees, we provide a 'passport to the professions'. We offer over 150 taught postgraduate degrees, each developed by academic staff who are experts in their fields and who possess an in-depth understanding of the graduate employment marketplace. We have more than 500 research postgraduate students, who contribute to our vibrant academic community.

Research highlights

We undertake research in a wide range of disciplines, generating findings that are often of direct benefit to the public and to society. Below are some examples of our significant contributions in 2018/19.

Professor of Energy Systems, Keith Pullen and Senior Research Fellow and Honorary Visiting Professor, Paul Riley, are developing the next generation of Power Electronics technologies to make electric vehicles a more viable option for the mass market. The technology removes the need for expensive chargers, a key development in facilitating growth in electronic vehicles. It will also bring major savings for councils and other providers of charging facilities.

Since 2010, Dr Carmen Draghici investigated the international protection of journalists. She authored a Draft International Convention on the Safety and Independence of Journalists and Other Media Professionals. In 2018 she was part of a mission by the International Federation of Journalists to the United Nations (UN) Headquarters in New York, campaigning for the adoption of the Draft Convention. It proposes a dedicated monitoring body of independent experts, a Committee for the Safety of Journalists, rather than State representatives, similar to committees established under several UN conventions.

Academics from Cass Business School studied the influence of gender and ethnicity on the world of finance. Professor Barbara Casu investigated the correlation between performance and board heterogeneity. Her research showed that EU-listed banks with boards that were more diverse in gender, employee representation, internationalisation and age had higher and less volatile performance. Dr Jay Jung found that financial analysts whose surnames were perceived as favourable, elicited stronger market reactions to their earnings forecasts.

Academics from our Centre for Language and Communication Science Research (CLCSR) and Centre for Human Computer Interaction Design (HCID) have been named as one of the 'Nation's Lifesavers', the top 100 individuals or groups at universities whose work is saving lives and making a significant difference to health and wellbeing. Co-led by Jane Marshall, Professor of Aphasiology and Stephanie Wilson, Professor of Human-Computer Interaction, the research collaboration has developed several technologies to help people with the language disorder aphasia.

Enterprise activities and knowledge sharing

We continue to expand our knowledge transfer and entrepreneurial activities, building on the academic excellence of our academic staff and the expertise of professional staff in our Research & Enterprise Office.

In 2018/19 we furthered our ambitions to be a leading participant in Knowledge Transfer Partnerships (KTP), with four major KTPs having been won and now successfully underway. The projects generate income approaching £1M and will result in further opportunities for collaboration with the company partners. Furthermore, we have a substantial "pipeline" of future KTPs under development which could propel us into the top 10 UK universities for KTP success.

2018/19 has also seen a rapid increase in enterprise activity at School level, with Business Development Managers successfully delivering a substantial portfolio of "pump-priming" activities, leading to ongoing developments. Examples include the establishment of three spin out companies whose formation rested on City owned Intellectual Property (IP). Two of them, Raven Science and City Defend, attracted considerable Innovate UK development funding. Additionally, the Research & Enterprise Office has championed our successful application to join EIT Digital, which aims to achieve global impact through European innovation, fuelled by entrepreneurial talent and digital technology. Through EIT Digital we have been awarded in excess of £700k to develop City technologies and have secured a substantial Doctoral Training Centre award focusing on data and AI.

Public benefit statement

We remain fully committed to developing student enterprise activities. In 2018/19 the CityVentures entrepreneurship team engaged over 8,000 students, alumni and external guests, through 77 events, 250 “one-to-ones” and 5 competitions, including CitySpark, Pitch for Good and the Launch Lab awards.

As per our 2017/18 submission for the HE-BCI survey, our graduate start-ups registered £11.2M in external investment (placing City fifth in the UK) and created 615 full-time jobs (tenth in the UK). New this academic year, the Launch Accelerator Programme is a three-month scheme focused on expert-led learning, delivered by over 25 experienced entrepreneurs. The Laboratory is also focused on wellbeing, particularly mental health and offers access to qualified counsellors.

Our people

We support staff and students to develop in ways that extend far beyond their professional or academic roles.

The Community Volunteering Service supports students in running community initiatives as well as arranging one-off volunteering activities to allow students with limited time to participate. Our staff have worked with students, 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 to enhance other local areas while helping students and staff meet local residents and gain practical skills.

The Community Volunteering Service also supports and mentors pan-London student organisations such as Public Interest Environmental Law UK (PIEL UK). PIEL UK is led by students from University of London institutions, who plan and host an annual conference at Cass Business School featuring speakers from major law firms, global environmental organisations and the UN. Our staff can request up to two days per year to take part in volunteering activities. Our recent update and expansion of the staff volunteering programme has enabled colleagues across the institution to take up a variety of volunteer roles in charities near their homes as well as within our local community.

The new City Faith Centre facilities have proved invaluable for our student Faith Societies who have held many of their regular and one-off events in the Multi-Faith Room. The Centre has also provided a focus for events to celebrate community, such as the ‘We Stand Together’ event, a moment to celebrate the diverse nature of City, in direct contrast and challenge to an externally-planned day highlighted on social media designed to spread Islamophobia.

Our staff and students run equality, diversity and inclusion networks which have open membership. We hold an Athena SWAN Bronze Award which recognises our commitment to tackling issues relating to gender equality. In 2018/19 we became a member of the Race Equality Charter and a Disability Confident employer. Being active members of the charters enables us to raise our equality, diversity and inclusion profile, both internally and externally and provides a framework on which to build on current good practice.

Community

Providing a sense of community, both internally for our staff and students and contributing to the external community, of which we have been part for 125 years, is one of our core values.

Our new Civic Engagement Strategy ensures a coordinated and strategic approach to community engagement to maximise our positive contribution to the local area and London as a whole. The strategy has been developed in collaboration with Islington Council, the City of London, Tech City, The Knowledge Quarter and other local stakeholders, as well as through extensive consultation with staff and the Students’ Union. There is a growing recognition of the connection between universities and their location and there are many examples of activity across City with a positive community benefit.

As part of the consultation process in 2018/19, we have worked with Islington Council to identify key priorities for the borough and how we can use our strengths and expertise to help address some of these challenges and those of the City of London, in which some of our campus is located.

We are a cultural partner for Islington Council’s “11by11” initiative; a pledge to give Islington-educated young people access to 11 culturally enriching experiences by Year 11. Through this platform our Schools can promote their free public events to local schools as well as to the general public.

We continue to hold a bi-annual Residents’ Forum which is a valuable opportunity to update our neighbours on key activities and developments at City as well as to listen to feedback and address any queries or concerns. We can also ensure comments and priorities shared during these sessions and through our complaints handling procedure are investigated and resolved and actions are incorporated into our community engagement activities.

Our staff and students are encouraged to contribute to activities which benefit the local community. Members of the City Carrot Runners, a free running group to encourage fitness and wellbeing, organise volunteering activities in the local area and have established a calendar of ‘plogging’ sessions; an activity which combines picking up litter from the streets close to City and jogging.

Our meeting rooms are available free-of-charge for community groups to use and a local charity, The Peel Institute, an organisation close to us, working to build a more cohesive community in Clerkenwell, has made use of them. Our facilities at CitySport are also used by local groups including Greenhouse Sports, City and Islington College and Access2Sport.

Among the free services open to members of the public is the CitySight clinic run by the Optometry Department’s staff and students. The clinic offers free eye tests and contact lens tests to the community, as well as specialist clinics for children, contact lenses, binocular vision problems, specific learning difficulties, visual impairment and colour vision defects. Optometry students also volunteer at clinics for homeless people and Crisis at Christmas eye clinics.

Sustainable City

We are ranked first in London and fifth in the UK in the People and Planet University League, the UK’s only comprehensive and independent green ranking of universities.

This year we have been embedding sustainability within City through initiatives covering a variety of environmental and social issues, with a focus on the UN’s Sustainable Development Goals (SDGs). The President and the Students’ Union President signed the SDG Accord which calls on the sector to recognise that, as educators, we can play a central and transformational role in attaining the goals by 2030. We submitted to the inaugural global *THE* University Impact Rankings, across three of the goals: Goal 3 – Good health and being (top 200 ranking); Goal 12 – Responsible production and consumption (10th); and Goal 13 – Climate Action (69th).

In September 2018 we successfully transitioned the organisational Environmental Management System to the updated international standard ISO 14001:2015, ensuring the system and our practices remain effective and continually improve.

We have provided successful sustainability opportunities for students throughout the year. We developed and hosted the first London Student Sustainability Conference, an opportunity for University of London students to present their research relating to the SDG themes to other students and staff. The GreenSpark Enterprise competition is a Finalist in the UK and Ireland Green Gown Awards 2019.

Public benefit statement

We have also supported students in undertaking their own sustainability projects, both on and off campus. Examples include selling Fairtrade produce, running biodiversity themed workshops for staff and students and continuing to organise and promote an organic vegetable-box scheme.

Our staff environmental engagement programme, Sustainable City Challenge, continues to encourage staff to contribute to various team projects, from organising local canal clean-ups to digitising course feedback forms.

The Walled Garden, our student and staff community garden, opened in May 2019 and provides an opportunity for volunteers to learn new skills, boost their wellbeing and support biodiversity on campus. The staff and student Bee team continues and our bee hives have been thriving on campus since 2015.

City of London Academy, Islington

Together with the City of London Corporation, we co-sponsor the City of London Academy, Islington.

The Academy is an 11-19 school, with 165 students in Years 7 and 8, 120 students in Years 9, 10 and 11 and 110 students in the Sixth Form. Just over half of the students are boys (56 per cent) and 77.4 per cent are 'Ever 6' which indicates they are either currently receiving or have received free school meals within the last six years. This is well over twice the national average of 28.6 per cent. Approximately three-quarters of students are ethnic minority students and 48.7 per cent speak English as an additional language.

In March 2019, the Academy was inspected by Ofsted and rated as Outstanding for 'Overall effectiveness' and Outstanding in the four main areas. This is a dramatic transformation for a school that was the worst performing school in Islington in 2008.

Under the leadership of Executive Principal Clare Verga, the 2018 year group sustained the improvement in GCSE results that the Academy has seen in previous years. 70 per cent of students achieved a grade 4 or above in both English and Mathematics and 46 per cent achieved a grade 5 or above in these subjects. 43 per cent of students achieved the English baccalaureate (good passes in English, Mathematics, Sciences, Humanities and Languages) against a national average of 24.1 per cent. The Academy's Attainment 8 score, an average of each student's best eight subjects, was 49.1 placing the Academy above both local authority and national averages.

The Academy registered an outstanding score of 0.45 in the Progress 8 measure, well above the national average.

We nominate four Governors to the Academy; Professor Richard Verrall, Cass Business School, who serves as Chair; Marion O'Hara, Director of Finance, who chairs the COLAI Finance Committee; Mr Ronald Zeghibe, member of City's Council and entrepreneur; and Lady Curran, wife of Professor Sir Paul Curran, President and a former teacher, who chairs the COLAI Curriculum and Community Committee. All our Governors play a leading role in the governance and life of the Academy.

Our relationship with the Academy extends throughout City. Undergraduate student tutors work with pupils to support learning and help to develop skills and confidence in Mathematics and English. In return, undergraduates gain an introduction to teaching which may encourage them to consider a career in the profession. We also extend the tutoring scheme to all target schools.

Charitable status

City, University of London is an exempt charity under the terms of the Charities Act 1993. Our charitable purpose is to advance education, knowledge, wisdom and understanding by education and research, both within the institution and in close association with business and the professions, for the benefit of individuals and society at large.

Trade Union Facility Time for the period 1st April 2018 to 31st March 2019

The Trade Union (Facility Time Publication Requirements) Regulations 2017 require us to publish information on Trade Union Facility Time annually. The following table covers the reporting period from 1st April 2018 to 31st March 2019.

Number of employees who were relevant union officials during the relevant period	Full-time equivalent employee number
13	11.8
Percentage of time spent on facility time	Number of employees
0%	0
1-50%	13
51%-99%	0
100%	0
Total cost of facility time	£141,338
Total pay bill	£138,425,853
Percentage of total pay bill spent on facility time	0.10%
Hours spent on paid facility time	5,073
Hours spent on paid trade union activities	0
% of total paid facility time hours spent on paid trade union activities	0%

Corporate governance statement

The following statement provides readers of the Financial Statements with a short explanation of our corporate governance arrangements.

City, University of London is an independent corporation, governed by a Royal Charter, first granted in 1966 and amended by a supplemental Charter which came into effect on 1st September 2016 to reflect our accession on that date to the University of London Federation.

City's Charter and Statutes prescribe the following components of our 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 London. The ceremonial and supportive role performed by the Rector is highly valued by City.

Council

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 its structure, staffing and overall composition. It appoints the President, the Chair and Deputy Chair of Council and the College Secretary. It delegates powers to its Committees and to the President through a delegation framework set out in its Ordinances.

Senate

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

City's Charter and Statutes are available at www.city.ac.uk/___data/assets/pdf_file/0018/331092/City_Supplemental_Charter_2016.pdf

We structure our 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 that has been provided by the Committee of University Chairs (CUC) for members of Higher Education Governing Bodies in the UK (The Higher Education Code of Governance).

City has charitable status as one of the exempt charities listed in Schedule 3 to the Charities Act 2011. It is therefore exempt from certain requirements of that Act, including the need to register with the Charities Commission. Since 1st April 2018, the Office for Students (OfS) has been the 'principal regulator' for charity law purposes of those English universities which are exempt charities. Our Council members act as trustees for charitable law purposes.

Council

Council consists of a maximum of twenty-one members: five members by virtue of office – the Chair and Deputy Chair of Council, the President and the Chief Financial Officer and the President of the Students' Union; up to twelve additional independent members; and up to four additional members drawn from staff and students.

Council comprised eighteen members on 25th November 2019, of whom thirteen, including the Chair and Deputy Chair, were external independent members. There were two vacancies for staff or student members and one vacancy for an independent member. The staff and student members of Council at that date comprised our President, Chief Financial Officer and Director of Human Resources, the Dean of the School of Health Sciences and the President of the Students' Union. Information about all members of Council is available at www.city.ac.uk/about/governance/council-senate-and-committees/council.

Council has five committees: Senate, an Audit & Risk Committee (ARC), a Corporate Governance & Nominations Committee (CGNC), a Remuneration Committee (RemCo), and a Strategy, Implementation & Performance Committee (SIPCo).

All of them are formally constituted with terms of reference which may be read at www.city.ac.uk/about/city-information/governance/constitution/ordinances. Membership of Council Committees and a meetings schedule can be found at www.city.ac.uk/about/governance/council-senate-and-committees.

With the exception of Senate, each Committee 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 Deputy Chair of Senate is a member of CGNC and the Students' Union President is a member of SIPCo. Independent members of Council are each expected to sit on at least one Council Committee.

In some cases, independent appointees are co-opted to serve on a Committee because of their relevant expertise.

There is an open invitation for Council members to attend Senate as observers. Four independent members of Council attended meetings of Senate in 2018/19. Senate is chaired by the President.

Relevant members of the Executive attend Council and Council Committees as required.

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 2018/19.

We normally use executive search to assist in the appointment of members of Council. In 2018/19, Russell Reynolds Associates assisted in the appointment of two independent members of Council.

We do not publicise vacancies widely, as recommended in the CUC Higher Education Code of Governance. The appointment process seeks to match individuals' skills and experience with our aims and the terms of reference and priorities of Committees. The process we have followed seeks to strengthen Council's membership and increase the diversity of its membership.

Council members do not have service contracts or receive any payment for the work that they do for us, 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 then serve a further two terms of three years as Chair. We maintain a Register of Interests of members of Council, which may be viewed on our Governance web pages.

The College Secretary is responsible for managing our 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 few days 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 and for the Remuneration Committee, which are described below.

Council had six meetings in 2018/19, one of which was an Away Day. It had three plenary sessions on evenings before Council meetings and three informal dinners for the Chairs of Committees which all independent members have an open invitation to attend.

Corporate governance statement

Our governance arrangements seek to ensure that all Council members fully participate in Council discussions and that there are constructive relationships between the Executive and Council.

There is an annual appraisal scheme for all Council members, which also serves as an annual effectiveness review. Members 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 2018/19 and the Chair of Council reported on the process to the July Council noting that in her view no governance changes were required. CGNC will review all the comments from the questionnaires as part of its role.

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 our 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 (VfM) within the institution and monitors our 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 VfM and Data Quality. Each year the Committee gives Council an opinion on the adequacy and effectiveness of our arrangements for risk management, control, governance, VfM and the management and the quality of data submitted to HESA and OfS.

The Committee is chaired by an independent member of Council, Ms Hunada Nous. The Committee membership includes two co-opted members appointed for their relevant expertise, Mr Sandeep Das and Mr Richard Shaw. The internal and external auditors attend each meeting.

The Committee met four times in 2018/19. 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 it before it was considered by Council, which it is 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 & Nominations Committee (CGNC)

This Committee advises Council on matters concerning our 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.

CGNC met three times in 2018/19 and was chaired until 31st December 2018 by Mr Adrian Haxby, an independent member of Council. Since 1st January 2019 CGNC has been chaired by Ms Janet Legrand, an independent member of Council and Deputy Chair of Council.

CGNC recommended for approval to Council the appointment of two independent members of Council; membership changes to Council Committees; and eight nominations for the award of an Honorary Degree. CGNC also reviewed the comments from the Council annual appraisal scheme.

Remuneration Committee (RemCo)

The remit of the Committee and an account of the work of the Committee in 2018/19 is included in the Remuneration Report below, which has been compiled in accordance with the CUC Higher Education Senior Staff Remuneration Code

Strategy, Implementation & Performance Committee (SIPCo)

SIPCo was established to allow more time than is available at Council for independent Council members to review progress in delivering City's *Vision & Strategy 2026*, to monitor our performance and that of our constituent Schools and to consider any proposals or developments related to our strategic objectives.

SIPCo seeks assurance on these matters, advises Council and assists the Executive in bringing any matters to Council through the process of constructive challenge.

SIPCo met six times in 2018/19 and was chaired until 31st December by an independent member of Council, Mr Andy Friend and from 1st January by Mr Adrian Haxby, an independent member of Council. SIPCo approved the Annual Transparency Return (TRAC) to HEFCE on behalf of Council in 2019.

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 2018/19 the composition allowed fourteen ex-officio positions, an equal number of members elected from the academic staff, up to five students and a member of staff elected from Visiting Academic Staff, making a potential total membership of up to thirty-four.

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 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 its sub-committees. The key sub-committees are six Boards of Studies, Assessment Boards, Research Ethics Committee, Collaborative Provision Committee and Academic Governance Committee. A new sub-committee of Senate was established with effect from January 2018, the Educational Quality 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 2018/19. Minutes and papers are available to the public at www.city.ac.uk/about/governance/council-senate-and-committees/academic-committees/senate although restricted papers are only available to staff and students. A short report on the Senate meeting is sent to all staff a few days after the meeting.

Corporate governance statement

President

Council delegates authority and responsibility for the management of the institution to the President, who is City's Chief Executive Officer. He has general responsibility to Council for maintaining and promoting the efficiency and good order of City.

Under the OfS terms and conditions of funding for higher education institutions, the President is City's accountable officer. This means that the President is personally responsible for ensuring compliance with the OfS terms and conditions and for providing OfS 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 delegation 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 several Professional Services Directors.

Remuneration report

The Remuneration Committee (RemCo)

Responsibility for remuneration issues at City is delegated by Council to the Remuneration Committee of Council.

The Committee determines the terms and conditions of employment 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, considering recommendations from the Chair of Council or the President. The Committee's Terms of Reference also require it to keep under review progress in addressing equality and diversity issues at City.

RemCo met four times in 2018/19. The Committee was chaired in 2018/19 by Sir John Low, an independent member of Council. It was advised by a Director from the Hay Group, Mr Peter Smith and had one co-opted member, Mr Peter Blausten, appointed for his relevant expertise. Full details of the membership of RemCo can be found at www.city.ac.uk/about/governance/council-senate-and-committees/remuneration-committee. The President attends meetings of the Committee but is not a member of the Committee and is not present when his remuneration is considered or set. Details of the attendance of members at meetings of RemCo are noted in the minutes of RemCo meetings, which are also available at www.city.ac.uk/about/city-information/governance/council-senate-and-committees/remuneration-committee.

In 2018/19 RemCo considered a range of strategic remuneration issues which bear on the remuneration of senior and higher paid staff. They included the development of a remuneration framework for use in Cass Business School and a job evaluation exercise for the most senior (Grade 9) professional services staff. Details of this work are given in the minutes of the meetings of RemCo. Details of the work of the Committee in determining the remuneration of senior and higher paid staff are given below.

Remuneration principles and policies

In determining the remuneration of the President and senior staff as defined in City's Ordinances and of all staff defined in the Ordinances as higher paid staff, RemCo works within the context of remuneration and HR strategies that have been developed to support delivery of City's *Vision & Strategy 2026*. A one-page summary of that strategy can be found at www.city.ac.uk/about/governance/and-vision-strategy-2026. Our remuneration strategy is available at www.city.ac.uk/about/governance/council-senate-and-committees/remuneration-committee.

In making individual remuneration decisions, RemCo is informed by salary benchmark data, retention considerations and relevant market conditions. These factors are also considered in setting starting salaries. Benchmarking studies consider the remuneration of staff in comparator institutions within higher education (including those of comparable size and complexity, those in a similar geographic location and members of the Russell Group) and comparators in other relevant sectors, for Professional Services staff. We review the data within the surveys it uses regularly to ensure that RemCo has access to the most relevant information for all positions. A list of comparator institutions used for benchmarking purposes is available at www.city.ac.uk/about/governance/council-senate-and-committees/remuneration-committee.

For senior staff, RemCo considers annually the appraisal reports of staff and recommendations on remuneration from the Chair of Council (for the President, College Secretary and Director of Internal Audit) and from the President (for all other senior and higher paid staff).

With the exception of the President, all staff whose remuneration is determined by RemCo receive the annually negotiated cost of living increase for staff across the higher education sector. All staff whose remuneration is determined by RemCo are eligible for membership of the Universities Superannuation Scheme.

An important element of our remuneration strategy is that pay for some senior staff includes an element of performance-related remuneration. Details of our Performance-Related Remuneration Scheme (PRRS) are available at www.city.ac.uk/about/governance/council-senate-and-committees/remuneration-committee. The policy applies to senior staff (as defined in our Ordinances) and more widely to members of our Executive Committee and to the President's Executive Officer. The remuneration of some members of this group is below £100k p.a. and so is not determined by RemCo. The maximum award for eligible staff is equivalent to 10 per cent of salary. Personal elements and payments made under the Pension Protocol are used in the calculation. Responsibility allowances and other forms of additional payments are not included in the calculation.

Payments under the PRRS are determined by RemCo following the end of the Financial Year and are awarded in respect of performance in that Financial Year. PRRS is based on an annual appraisal of personal performance and institutional performance against a basket of strategic measures including our four academic KPIs and three institutional PIs. Accordingly, the awards made for 2018/19 reflect the achievement at City in the year of two of the seven City-wide indicators used for the determination of PRRS. Five City-wide indicators were not met in 2018/19. A table setting out our performance against the indicators used in the PRRS can be found at www.city.ac.uk/about/governance/council-senate-and-committees/remuneration-committee.

The President's remuneration

The President's total remuneration comprises salary, performance-related remuneration under the PRR scheme, pension contribution, taxable benefits in kind and non-taxable benefits.

The Committee's annual review of the President's salary is informed by remuneration benchmark data from, among other sources, the Committee of University Chairs and with reference to our Remuneration Strategy. Salary is determined by an assessment of long-term performance, retention considerations and relevant market conditions. It is not automatically increased by the annually negotiated cost of living increase for university staff across the higher education sector.

The President's salary is standardly reviewed by RemCo each year at its meeting in June to determine the salary effective from the following August. For 2018/19, the Committee reviewed the President's salary at its meeting in October 2018. RemCo then determined that it would not be appropriate to agree an increase in the salary of the President.

The President's performance-related remuneration is determined in line with the PRR scheme for senior staff noted above. The Chair's annual appraisal of the performance of the President for the year 2018/19 was that the President had met his objectives. Under the terms of our PRR scheme, this assessment was reflected (alongside the achievement by City of two of the basket of seven KPIs and PIs that form part of the scheme) in the award, in November 2019, to the President of 5.1 per cent of salary against a maximum total opportunity of 10 per cent.

Employer pension contributions for the President for membership of the Universities Superannuation Scheme (USS) were paid from 1st August 2018 to 31st March 2019 at the same rate as for other members of staff and constituted 18 per cent of salary for this period. The President ceased to be a member of the USS from 1st April 2019. RemCo agreed that an adjustment should be made to the President's remuneration to reflect this decision. Details are given in Note 7 to the accounts. The adjustment has been agreed at the level of 11 per cent of the President's base salary.

The President's taxable benefits in kind are for private healthcare.

Remuneration report

The President's non-taxable benefits arise from our ownership of a property at which our Service Agreement with the President states that it is necessary for him to reside for the proper performance of his duties. The value to City of maintaining a property which can be used in part for corporate purposes and in part as a residence for the President has been acknowledged by Council since this arrangement was established.

The opportunity cost to City of the President's non-taxable benefits fluctuates with local property rental values. The benefit for 2018/19, calculated on the basis required by OfS, is given in Note 7 to the accounts.

RemCo considers annually the ratio of the President's salary to the median salary for academic staff and the ratio of the President's salary to the median salary for all staff. The ratios reflect the two roles of the President, as academic leader and Chief Executive. The ratios nationally and for City, in the form which they are considered by RemCo, were published in City's Annual Report last year and have been extended in the table below, to cover 2018/19.

Further tables which set out the ratios, when calculated on the basis required by the OfS Accounts Direction (which requires the incorporation of the non-taxable benefits of the President, calculated on the basis of the opportunity cost to City) are given in Note 7 to the accounts.

Senior and higher paid staff

Details of the remuneration of higher paid staff are given in Note 7 to the accounts.

Remuneration for these staff is determined by RemCo in the same way and in the light of the same considerations as the remuneration of the President.

Decisions relating to the remuneration of individual members of senior and higher paid staff taken in 2018/19 by RemCo are recorded in the minutes of the Committee's meetings.

External appointments and retention of income

In the case of the President, prior consent in writing from the Chair of Council is required if the President is to accept appointment to any office or position or be interested directly or indirectly in any other business.

The President is permitted to retain income from any such appointment.

The amount retained from external bodies by the President in 2018/19 was £5,950. This related to the President's role as the Chair of the National Review body on Doctors' and Dentists' Remuneration (a Prime Ministerial appointment).

For other senior and higher paid staff, City also requires prior written agreement if any appointment or position is to be accepted at another body. As in the case of the President, any income from such an appointment may be retained by the individual.

Our policy on income from consultancy applies to all staff, including the President and is available at www.city.ac.uk/about/governance/council-senate-and-committees/remuneration-committee. The President retained no income from consultancy in 2018/19.

Expenses

Our expenses policy for members of staff is publicly available at www.city.ac.uk/about/governance/council-senate-and-committees/remuneration-committee. This policy applies to all members of staff including the President.

The Chair of Council is required, under the President's Service Agreement, to approve all overseas trips including their budget in advance of any commitment being made.

Our expenses policy for the reimbursement of expenses by Council members is publicly available at www.city.ac.uk/about/governance/council-senate-and-committees/council.

Under our current Freedom of Information Code of Publication, the extent of the expenses reimbursed to the President in 2018/19 is publicly available at www.city.ac.uk/about/governance/council-senate-and-committees/remuneration-committee. The extent of the expenses reimbursed to Council members in 2018/19 is reported in Note 7 to the Accounts.

Severance payments to senior and higher paid staff

Details of severance payments to senior and higher paid staff are reported in Note 7 to the accounts.

Remuneration report

Table illustrating the President's remuneration to median salary for all staff.

President's remuneration 2011/12 to 2018/19								
Academic year	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
Salary ¹ (£k)	280	280	280	294	294	309	314	314
Taxable benefits in kind (£k)	1	1	1	1	1	1	1	1
Performance-related remuneration ² (£k)	0	42	20	16	13	24	21	18
Total pay (£k)	281	281	301	311	308	334	336	333
Payments in lieu of pension contributions (£k)								11.5
Pension contribution ³ (£k)	22	22	45	47	49	56	57	37.5
Ratio of President's salary to median salary for academic staff (UCEA methodology)								
National	5	5.2	5.2	5.3	5.6	5.7	5.6	N/A
City - Academic staff	5	4.8	5	5.2	5.1	5.4	5.4	5.3
Ratio of President's salary to median salary for all staff (UCEA methodology)								
National	6.3	6.6	6.5	6.6	6.8	6.8	6.7	N/A
City - All staff	6.5	6.5	6.9	6.9	6.8	7.3	7.5	7.3
OfS ratio - Ratio of President's salary to median salary of the whole workforce								
City - Base pay							8.3	8.2
OfS ratio - Ratio of President's total remuneration to median total remuneration of the whole workforce								
City - Total remuneration							10	9.5

Notes:

1. A salary increase has been awarded three times: 2014/15 (5%), 2016/17 (5%) and 2017/18 (1.7%).

2. Performance-related remuneration was first introduced in 2012/13. The President chose not to take the associated £42k payment.

3. Employer pension contributions are made at the same rate as for other staff and this was 16% to 2015/16 and 18% thereafter. The President opted out of USS for a year that bridged the academic years 2011/12 and 2012/13. City made no employer contribution during that 12 month period. The president opted out of the pension scheme from 1st April 2019.

Membership of Council

Council comprised the following members for the period 1st August 2018 to 23rd November 2019.

Rector

The Right Honourable, The Lord Mayor of London

Chair of Council

Ms J Palca

Deputy Chair of Council

Ms J Legrand

President

Professor Sir P Curran

Independent members

Sir B Barber (to 31st December 2018)

Dame L Brindley

Ms K Desai (from 1st January 2019)

Dr P Franklin

Mr A Friend (to 31st December 2018)

Professor I Gray (to 31st July 2019)

Mr S Harding-Roots (from 1st January 2019)

Mr A Haxby

Ms P Hird

Professor C Jenks

Sir J Low

Ms H Nouss

Ms J Wright

Mr R Zeghibe

Student members

Ms K Perelygina (to 30th June 2019)

Ms T Kunt (from 1st July 2019)

Honorary Rectors (not members of Council)

The Hon Mr A Bagri

Professor Sir D Bone

Mr R Woodward

Senior Elected Senator (not a member of Council)

Dr R Cohen

President and other key officers

Professor Sir P Curran, President

Professor D Bolton, Deputy President and Provost

Professor A Jones, Vice-President, Research & Enterprise

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

Professor Z Radnor, Vice-President, Strategy & Planning

(from 24th September 2018)

Professor S Cottrell, Assistant Vice-President, Doctoral College

(from 1st September 2019)

Professor R Crouch, Dean, School of Mathematics, Computer Science & Engineering (to 31st October 2018)

Professor K Grattan, Dean, City Graduate School

(to 31st August 2019)

Professor C Greer, Dean, School of Arts & Social Sciences

Professor M Lewis, Dean, Cass Business School (to 30th June 2019)

Professor R Roy, Dean, School of Mathematics, Computer Science & Engineering (from 1st February 2019)

Professor C Ryan, Interim Dean, City Law School

(until 18th November 2018)

Professor D Salmon, Dean, School of Health Sciences

Professor A Sayma, Interim Dean, School of Mathematics, Computer Science & Engineering

(from 1st November 2018 to 28th February 2019)

Professor A Stockley, Dean, City Law School (from

19th November 2018)

Professor P Volpin, Interim Dean, Cass Business School

(from 1st July 2019)

Dr W Jordan, College Secretary

Ms M Luckiram, Director of Human Resources

Ms C Rylatt, Chief Financial Officer

Statement of the responsibilities of City's Council

System of internal control and financial statements

In accordance with 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 OfS and Research England terms and conditions of funding for higher education institutions and the annual OfS 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
- 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 Office for Students and Research England are used only for the purposes for which they have been given and in accordance with the relevant terms and conditions of funding and any other conditions which these funding bodies may from time to time prescribe
- Ensure that funds relating to the contracts with the National Health Service (NHS) 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
- 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 & 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
- 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
- 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
- Reporting regularly to Audit & Risk Committee which assures Council on the effectiveness of arrangements of internal control and risk management.

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 for the period 1st August 2018 to 22nd November 2019.

Statement of the responsibilities of City's Council

Risk management

The key elements of City's risk management framework through which we review and mitigate risk are set out above. Risk registers at both Institutional and School level use a common format so that risks can be compared and discussed more easily.

Our risk register is structured so that strategic and operational risks that would prevent City from achieving our vision are clearly described. The highest risks as we enter the next academic and financial year are:

Strategic risks that would prevent us from maintaining and improving student satisfaction, recruiting planned numbers of students and the risk that Brexit will affect staff retention and recruitment.

Operational risks relating to compliance, information governance and health and safety. A failure in any of these areas could have a significant impact on our reputation, finances and/or ability to operate.

Our risk review process includes regular review and updating of controls and mitigating actions.

Prevent Duty

Council is required to provide assurance to OfS by 1st December each year that it has discharged effectively its responsibilities under the Prevent Duty.

City's Council approved in November 2019 its Prevent Annual Report and Risk Assessment to OfS and authorised signature of the required annual assurance statement to OfS for the academic year 2018/19 and up to the date of approval of the Annual Report. This assurance statement relates to having due regard to the Prevent Duty, to the provision of information to OfS about the implementation of the Prevent Duty and reporting to OfS in a timely way all serious issues relating to the Prevent Duty.

Financial report

The financial report below comments on our financial performance and position for 2019. It also covers key finance related commentary and provides a view on our future financial sustainability and ability to operate as a going concern.

Financial performance

Summary results for the year

The reported and summarised consolidated statement of comprehensive income and expenditure (SOCIE) shows:

	2019	2018
	£M	£M
Income	244.1	241.2
Expenditure	279.5	228.8
Operating (loss) / surplus	(35.4)	12.4
Deconsolidation of Students' Union	0.0	(0.1)
Gain on investments	0.3	0.9
Gain on disposal of fixed asset	0.0	0.2
Share of surplus in joint venture	0.3	1.2
(Loss) / surplus for the year	(34.8)	14.6
Unrealised loss on revaluation of land and buildings	(0.7)	0.0
Actuarial (loss) / gain in respect of pension schemes	(3.8)	9.6
Total comprehensive income for the year	(39.4)	24.3

This year's reported results are being skewed by several large and volatile adjustments relating to movements on pension provisions for our two pension schemes (USS and London Pensions Fund Authority (LPFA)). These are outside of our control and influence and do not reflect our operational or cash generating performance. These movements total £50.1M (£8.4M in 2018) and are going through the summarised expenditure and actuarial (loss)/gain in respect of pension schemes lines above. Removing these adjustments indicates that we have made an operating surplus of £10.9M, a surplus of £11.5M and total comprehensive income of £10.8M for the year as indicated below. These results are more reflective of our performance at an operational level.

	2019	2018
	£M	£M
Income	244.1	241.2
Expenditure (excluding movement on pension provisions)	233.2	227.5
Operating surplus (excluding movements on pension provisions)	10.9	13.7
Deconsolidation of Students' Union	0.0	(0.1)
Gain on investments	0.3	0.9
Gain on disposal of fixed asset	0.0	0.2
Share of surplus in joint venture	0.3	1.2
Surplus for the year (excluding movements on pension provisions)	11.5	15.9
Unrealised loss on revaluation of land and buildings	(0.7)	0.0
Actuarial (loss) / gain in respect of pension schemes	0.0	0.0
Total comprehensive income for the year (excluding pensions movements)	10.8	15.9

The operating surplus line is the key line that we refer to in terms of financial performance and is used to report and forecast against internally.

The represented operating surplus (excluding movements on pension provisions) of £10.9M is £2.8M less than 2018, the restated surplus for the year (excluding movements on pension provisions) of £11.5M is £4.4M less than 2018 and the restated total comprehensive income for the year (excluding pensions movements) is £5.1M less than 2018.

The main reason for the reduction in operating surplus is due to increased staff costs (mainly USS pension contributions) and increases in other expenditure, relative to rises in income.

The key variances between the restated 2018 and 2019 results are summarised as follows:

Income: increases in tuition fee and educational contract income £5.4M, investment income £0.4M and funding body grants £0.2M offset against reductions in other income £1.4M, donations and endowment income £1.5M and research grants and contracts £0.3M.

Expenditure: increases in: staff costs £7.3M, other operating costs £1.5M and depreciation £0.2M. These increases are offset against a £3.1M one-off reduction in the holiday accrual and a £0.2M reduction relating to interest and other costs.

Other gains: reductions against the INTO JV surplus £0.9M, investment gains £0.6M and the one-off gain on the disposal of our Bath Street investment property £0.2M, realised in 2018.

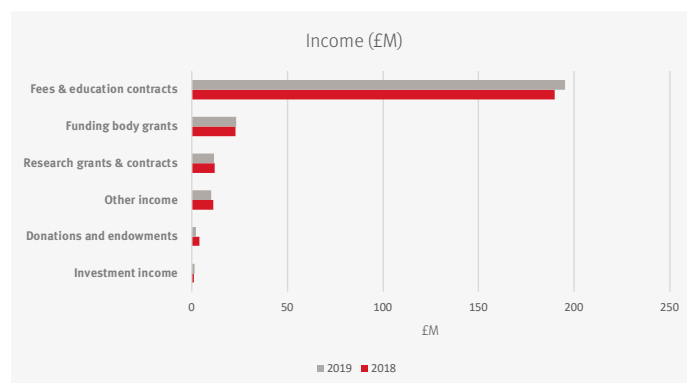
Other movements: the £0.7M revaluation loss relates to the bi-annual revaluation of a residential property.

All of these variances are discussed in more detail within the relevant sections below.

Income

The table and graph below illustrate our reported income compared to the prior year.

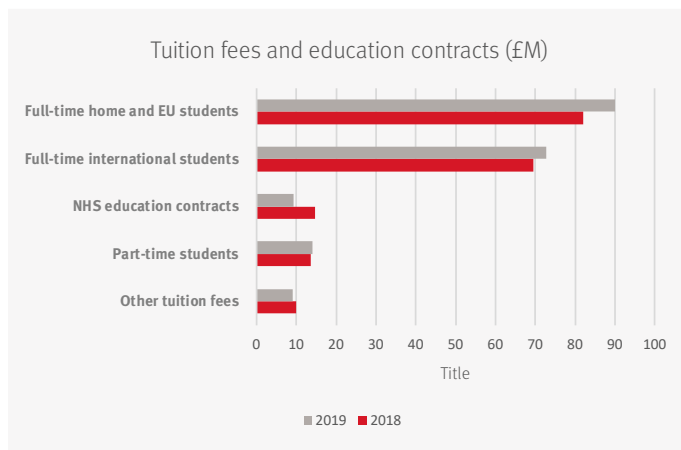
	2019	2018
	£M	£M
Fees & education contracts	195.3	189.9
Funding body grants	23.2	23.0
Research grants and contracts	11.7	12.0
Other income	10.0	11.4
Donations and endowments	2.3	3.8
Investment income	1.5	1.1
Total operating income	244.0	241.2



Total operating income increased by £2.8M (1.2 per cent) to £244.0M.

Fee and education contract income increased by £5.4M (2.8 per cent) to £195.3M. Fees from full-time home and EU students increased by £7.9M, full-time international students increased by £3.2M and part-time students increased by £0.4M. This was offset by expected reductions in NHS contract income of £5.4M (consequent on the national change of funding arrangements for NHS students)- and other fees by £0.7M. This is shown in the following graph.

Financial report



The £23.2M funding body grants that we receive from the Office for Students and Research England during 2019 have remained constant as a proportion of our total income at 9.5 per cent for both 2018 and 2019.

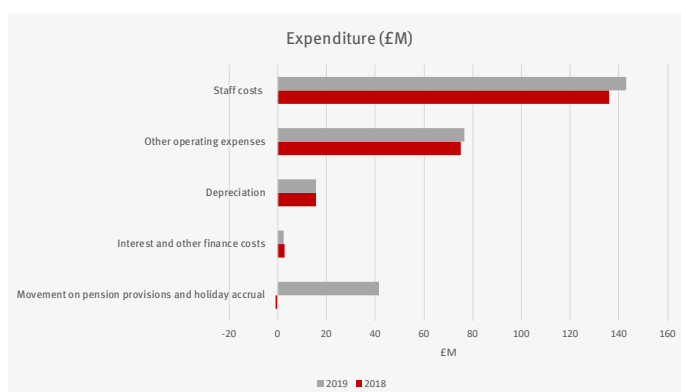
Income from research grants and contracts decreased by £0.3M from the previous year to £11.7M and donations and endowments income decreased by £1.5M as a result of a one-off large donation being received in 2018.

Investment income increased by £0.4M due to improved market gains. All of our cash and endowment investments are managed in line with our Investment Policy, by our professional investment managers.

Expenditure

The table and graph below analyse our reported expenditure for 2019 compared to the previous year.

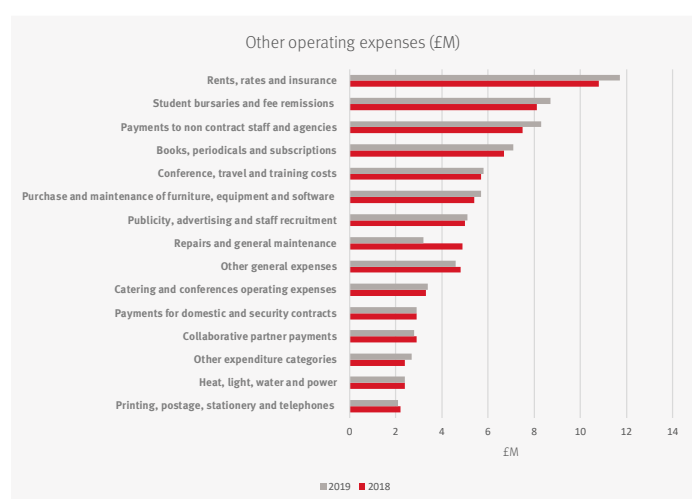
	2019 £M	2018 £M
Staff costs	143.1	135.8
Other operating expenses	76.5	75.0
Depreciation	15.9	15.7
Interest and other finance costs	2.6	3.0
Core expenditure	238.1	229.5
Movement on holiday accrual	(3.3)	(0.3)
Movement on pension provisions	44.8	(0.4)
Total operating expenditure	279.5	228.8



Core expenditure increased by £8.6M (3.8 per cent) compared to the previous year.

Staff costs increased by £7.3M (5.4 per cent), reflecting in-year increases in staff numbers and employment costs, notably in respect of employer pensions contributions.

The breakdown of our other operating expenses is shown in the graph below.



Other operating expenses, excluding depreciation, increased by £1.5M (2.0 per cent) to £76.5M, reflecting inflationary increases within the general economy. The largest cost increase was in the area of rents, rates and insurance (£0.9M), which is expected due to our central London location. Other notable cost increases were in non-contract and agency staff (£0.8M) and in student bursaries and fee remissions (£0.6M). Costs of repairs and general maintenance decreased by £1.7M, in line with our long-term maintenance plan.

Depreciation for the year increased from £15.7M to £15.9M reflecting our ongoing investments in its estate and IT infrastructure.

Interest and other finance costs decreased by £0.4M.

Financial Reporting Standard (FRS) 102 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. These adjustments are out of our direct influence and are generally volatile, hence making the accounts difficult to compare and read.

These movements comprise the following:

	2019 £M	2018 £M
Movement on USS provision	41.6	(3.1)
Movement on LPFA provision	3.2	2.7
Movement on holiday accrual	(3.4)	(0.3)
Total movements	41.4	(0.7)

The movement on the USS provision of £41.6M within 2019 reflects our increased forecast liability for our portion of the USS deficit recovery plan. This is based on the USS valuation at 31st March 2017. The new valuation based at 31st March 2018 was subsequently finalised in September 2019 and will be reported on in next year's accounts.

The movement of the LPFA provision is mainly due to changes in actuarial and demographic assumptions and decreases in the discount rate used (for high quality corporate bonds) to measure the liabilities.

The pension movements arising in 2019 have resulted in our pension provisions on the balance sheet increasing by £50.1M to £111.1M (£63.2M for the USS and £47.9M for the LPFA) from the previous year.

The one-off large reduction of £3.4M relating to the holiday accrual is due to the final changes associated with our new holiday arrangements coming into effect within 2019.

Financial position

Capital projects

The value of our non-current fixed assets increased by £34.5M to £385.4M. This is due to the investment in our estates and IT infrastructure, as part of our Strategic Investment Plan. The increase is principally down to the ongoing construction works of the new Sebastian Street building and refurbishment of the Innovation Centre.

Pensions

We participate in two multi-employer pension schemes, the Universities Superannuation Scheme (USS) (a two-part scheme: part defined benefit and part defined contribution) and the Local Government Pension Scheme (a defined benefit scheme) which in London is managed by the London Pensions Fund Authority (LPFA).

Nearly 80 per cent 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. We are unable to identify our share of the underlying assets and liabilities on a consistent and reasonable basis and therefore, as required by FRS 102, we account for the scheme as if it were a defined contribution scheme. The scheme was subject to a triennial valuation as at 31st March 2017. Another valuation was undertaken as at 31st March 2018 and this was only concluded after this year end, in September 2019.

Under FRS 102, we have accounted for our estimated share of the deficit recovery plan relating to the USS. This is calculated using the approved sector-wide method. The liability being reported for 2019 is based on the March 2017 valuation and is estimated to be £63.2M. Assuming this was calculated using the same parameters and applied to the 2018 USS provision forecast, as was used in the 2017 provision forecast, the liability would be £36.5M. This represents a positive swing between the two valuations of £26.7M, which indicates the level of volatility within this area. More on this is covered in Note 27 of the Financial Statements.

The LPFA scheme currently shows an FRS 102 deficit of £47.9M for City, an increase of £8.0M from 2018. The present value of the fund's liabilities for City has increased by £15.3M to £120.0M and assets have increased in value by £7.3M to £72.1M. Our share of the LPFA scheme deficit is reflected in the balance sheet in accordance with FRS 102. 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 based on the actuary's recommendation following the last completed revaluation, which took place in March 2016. The valuation conducted in March 2019 has not been finalised.

Investments

FRS 102 and the Statement of Recommended Practice (SORP): Accounting for further and higher education require any investments that can readily be converted to cash within 90 days to be classed as cash and cash equivalents at year end. Investments that are held for longer than this are then classed as either current or non-current asset investments. As such, our working capital cash and endowments related investments are split across several lines on the balance sheet – cash and cash equivalents and investments within both the current and non-current assets sections.

Our allocation of cash and investments at the year-end is indicated in the table below.

	Non-current asset investments	Current asset investments	Cash and cash equivalents	Total
	£M	£M	£M	£M
Working capital cash	0.0	24.4	59.7	84.1
Endowments and restricted reserves	15.6	0.0	0.5	16.1
Bonds relating to post graduate student loans	1.3	0.0	0.0	1.3
Investments in spinout companies	0.2	0.0	0.0	0.2
Total	17.1	24.4	60.2	101.7

Our working capital cash of £84.1M and endowment reserves of £16.1M continue to be managed in accordance with our Investment Policy and under the management of our external investment managers.

The balance of our investments comprises £1.3M bonds relating to postgraduate loans and £0.2M of shares in City spin out companies.

Cash flows

Our balance sheet shows a balance of cash and cash equivalents of £60.2M at the year end. This is a £17.3M expected decrease from 2018. The decrease is as a result of generating £24.0M cash from operations, an £8.2M conversion of current asset investments, receiving £1.5M investment income and receiving £1.5M in capital grants. These inflows are offset by the planned spending of £51.1M on fixed assets, as part of our Strategic Investment Plan and paying out £1.1M on our borrowings.

Our cash generation and cash position remain healthy and in line with forecasts.

Borrowings

In April 2017, City completed a privately-arranged and competitive borrowing exercise, which secured £60M of long-term funds for City to use in financing its Strategic Investment Plan.

In September 2016, City secured a £20M revolving credit facility, which it has never utilised. Our financial plans are indicating that this facility will not be needed and as a consequence, the arrangement has not been renewed.

Other finance related commentary

Basis of preparation

The financial statements are prepared in accordance with the Statement of Recommended Practice (SORP): 'Accounting for Further and Higher Education 2015' and in accordance with FRS 102.

Scope of the financial statements

The financial statements for 2019 comprise the consolidated results of City and its two subsidiaries City Foundations Limited and City Entrepreneurship Limited.

Subsidiaries

The significant majority of activity is within City itself. City's two active wholly-owned subsidiaries are City Foundations Limited, which began trading in January 2010 and which is the ownership vehicle for our share 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 report

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 them progress to degree level programmes at City.

The accounting impact for our share of the joint venture's results in 2019 was a gain of £0.3M (£1.2M in 2018). The large gain in 2018 was reflective of the one-off changes made to the joint venture's financial and management arrangements that came fully into effect from 1st September 2017. These changes were made to ensure the joint venture's financial sustainability and to enable that its built-up losses were reduced over time. Prior to 1st September 2017, a 50 per cent share of the gross assets and liabilities was included in our balance sheet and 50 per cent of its net income was reported in the consolidated income and expenditure account. Since 1st September 2017, our share has been reduced to 15 per cent.

City, University of London Students' Union

The Students' Union amended its governance and constitutional arrangements by moving from an unincorporated charity to an incorporated charitable company limited by guarantee in 2017. These collective changes resulted in the Students' Union no longer meeting the criteria for being classed as a group entity from 2017 onwards.

Financial sustainability and going concern

Financial sustainability

Our Financial and Investment Plan demonstrates that we continue to remain financially sustainable. This means that we generate sufficient operational cash and surpluses to enable us both to run day-to-day activities and to deliver our strategic investment objectives and plans. We are aiming to generate a pre-investment surplus of between 5 per cent and 8 per cent of income.

Some of the financial indicators that we monitor are presented in the table below.

	2019	2018
External borrowing as a % of total income	24.7%	25.0%
Net cash flow from operating activities as a % of total income	9.8%	10.9%
Net liquidity days	117 days	189 days
Core staff costs (excl. pension movements and holiday accrual) as a % of total income	58.6%	56.3%

These indicators show that we continue to be financially strong and cash generative, noting that the decrease in liquidity days is due to investing cash receipts from the 2017 borrowing exercise into our estate and infrastructure.

Our income from fees and education contracts continues to grow as we increase the number of students in line with our plans for 'quality constrained growth' set out in *Vision & Strategy 2026*.

Staff costs have increased, reflecting increases in staff numbers and employment costs, especially pension-related costs. Other operating expenses have also increased, principally in rents (reflecting our central London location) and expenditure on furniture, equipment and software (reflecting work to improve our estate, infrastructure and student facilities).

We continue to invest in several projects and services that will have long-term benefits for our staff, students and wider community, such as the Modernising Administration for Students project. This is a comprehensive programme that will reduce paper-based processes, develop easy-to-use systems and provide an authoritative source of student data. During 2019, the team continued to focus on two projects: student attendance and monitoring; and personalised timetables.

Construction of the new home for The City Law School at Sebastian Street continues to progress well. The building will provide 7,200 sqm of world-class educational facilities for our students and staff, opening in summer 2020.

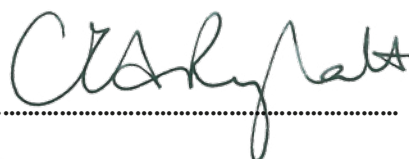
Going concern

The Chief Financial Officer, on behalf of the Executive Committee, has assessed whether City is a going concern in reference to its financial plan. Particular note has been taken of the need to ensure the assessment 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.

We have a positive balance of cash and investments of £101.7M at the balance sheet date and a comparatively small level of external borrowing of £60.2M. Sources of income for the year ahead have been largely secured through grant income from funding bodies, 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. We have no liabilities, contingent or otherwise, that would pose a threat to our operation in the coming year. The Statement of Council's Responsibilities and the Corporate Governance Statement summarise the arrangements we have in place for the identification and management of risk.

Taking all of the above into account, we have 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.

Signed



Mrs C Rylatt
Chief Financial Officer
22nd November 2019

Independent auditor's report to the Council of City, University of London (the "university")

Report on the audit of the financial statements

Opinion

In our opinion, City, University of London's group financial statements and university financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the University's affairs as at 31 July 2019 and of the group's and of the University's income and expenditure, gains and losses, 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 (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been properly prepared in accordance with the requirements of the Statement of Recommended Practice – Accounting for Further and Higher Education and the requirements of the Office for Students' ("OfS's") Accounts direction (OfS 2018.26).

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise the Group and City Balance Sheets as at 31 July 2019; the Group and City statement of comprehensive income and expenditure, the Group and City Statement of Changes in Reserves, and the Group Statement of Cash Flows for the year then ended; the Statement of Accounting Policies; and the notes to the financial statements and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

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

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group and parent institution's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Council is responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

Responsibilities for the financial statements and the audit

Responsibilities of the Council for the financial statements

As explained more fully in the Statement of Council Responsibilities set out on page 14, the Council is responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Council is also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

This report, including the opinions, has been prepared for and only for the Council as a body in accordance with statute 3 of the Charters and Statutes of the institution and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Opinions on other matters prescribed in the OfS and Research England Audit Code of Practice issued under the Further and Higher Education Act 1992 (as amended)

In our opinion, in all material respects:

- funds from whatever source administered by the institution for specific purposes have been properly applied to those purposes and, if relevant, managed in accordance with relevant legislation;
- funds provided by the Higher Education Funding Council for England, the OfS and Research England have been applied in accordance with the relevant terms and conditions, and any other terms and conditions attached to them.



Signed

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
22 November 2019

Statement of accounting policies

1. General information

City, University of London (City) is registered with the Office for Students in London. The address of the registered office is Northampton Square, London. EC1V 0HB.

2. Statement of compliance

The consolidated and City financial statements have been prepared in accordance with United Kingdom Accounting Standards, including Financial Reporting Standard 102 (FRS 102) and the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education issued in 2015. They have also been prepared in accordance with the 'carried forward' powers and duties of previous legislation (Further and Higher Education Act 1992 and the Higher Education Act 2004) and the new powers of the Higher Education and Research Act 2017 during the transition period to 31st July 2019, the Royal Charter, the 2017/18 Accounts Direction issued by OfS, the OfS report on Compliance with the 2017/18 Accounts Direction, with early adoption of one element of the 2019/20 Accounts Direction, the terms and conditions of funding for higher education institutions issued by the OfS and the terms and conditions of Research England Grant.

City is a public benefit entity and therefore has applied the relevant public benefit requirement of the applicable UK laws and accounting standards.

3. Basis of preparation

The financial statements are prepared in accordance with the historical cost convention (modified by the revaluation of certain fixed assets and investments).

The financial statements are prepared in sterling which is the functional currency of the group and rounded to the nearest £1,000.

4. Exemptions under FRS 102

City has taken the exemption under section 3.3 of the SORP (1.12(b) of FRS 102) to not produce a cash flow statement for City in its separate financial statements.

5. Basis of consolidation

The consolidated financial statements include City, University of London and its subsidiaries, City Foundations Limited and City Entrepreneurship Limited for the financial year ended 31st July 2019. Intra-group sales and profits are eliminated fully on consolidation.

The joint venture is accounted for using the equity method. Balances between City and the joint venture are not eliminated. Normal trading transactions that are not settled by the balance sheet date are included as current assets or liabilities. Any gains or losses are included in the carrying amount of assets of either entity, the part relating to City's share is eliminated.

The consolidated financial statements do not include City's Students' Union as City does not exert control or dominant influence over policy decisions.

6. Income recognition

Income from the sale of goods and services is credited to the statement of comprehensive 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 statement of comprehensive 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. Education contracts are recognised when City is entitled to the income, which is the period in which students are studying, or where relevant, when performance conditions have been met.

Investment income is credited to the statement of comprehensive 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 statement of comprehensive 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.

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.

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.

Donations of tangible assets are included within income. The income recognised is valued using a reasonable estimate of their gross value or the amount actually realised. Donated tangible assets are valued and accounted for as tangible assets under the appropriate asset category.

Statement of accounting policies

7. Accounting for retirement benefits

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 were contracted out of the State Second Pension (S2P) Scheme until April 2016 when contracting out ceased for all pension schemes. The Funds are valued every three years by professionally qualified independent actuaries.

The USS is a multi-employer defined benefit 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 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. The USS scheme is accounted for under this method.

Multi-employer schemes

Where City is unable to identify its share of the underlying assets and liabilities in a multi-employer scheme on a reasonable and consistent basis, it accounts as if the scheme were a defined contribution scheme. Where City has entered into an agreement with such a multi-employer scheme that determines how City will contribute to a deficit recovery plan, City 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 is recognised in expenditure.

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 net liability is recognised in the balance sheet in respect of each scheme and is the present value of the defined benefit obligation at the reporting date less the fair value of the plan assets at the reporting date.

The Group recognises 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.

Annually City engages independent actuaries to calculate the obligation for each scheme. The present value is determined by discounting the estimated future payments at a discount rate based on market yields on high quality corporate bonds denominated in sterling with terms approximating to the estimated period of the future payments. The fair value of a scheme's assets is measured in accordance with the FRS 102 fair value hierarchy and in accordance with City's policy for similarly held assets. This includes the use of appropriate valuation techniques.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income. These amounts together with the return on plan assets, less amounts included in net interest, are disclosed as actuarial gains and losses.

The cost of the defined benefit plan, recognised in expenditure as staff costs, except where included in the cost of an asset, comprises the increase in pension benefit liability arising from employee service during the period and the cost of plan introductions, benefit changes, curtailments and settlements. The net interest cost is calculated by applying the discount rate to the net liability. This cost is recognised in expenditure as a finance cost.

The LPFA scheme is accounted for under this method.

Further detail is provided on the specific pension schemes in Note 26 to the financial statements.

8. 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. Unused annual leave is accrued for as the amount City would have to pay to an employee for untaken holiday if they were to leave on 31st July.

9. 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.

10. 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.

11. 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.

12. Fixed assets**Land and buildings**

Operational land and buildings are stated at cost less accumulated depreciation and accumulated impairment losses. Land and buildings that were revalued to fair value on or prior to the date of transition to the 2015 HE SORP, are measured at deemed cost, being the revalued amount at 31st July 2014 on transition to FRS 102.

Costs incurred in relation to operational land and buildings after initial purchase or construction 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. Where parts of a fixed asset have different useful lives, they are accounted for as separate items of fixed assets.

Statement of accounting policies

No depreciation is charged on assets in the course of construction. Once an asset under construction is completed and comes into use, it is transferred to the appropriate asset category.

Residential land and buildings are measured initially at cost and subsequently at fair value with movements recognised in the statement of comprehensive income and expenditure. This is in order to reflect a true and fair value of the property. The value of these buildings is considered regularly and depreciation charged on a straight-line basis over their expected useful lives of up to 75 years.

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.

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.

13. 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 statement of comprehensive income and expenditure. Properties are not depreciated but are revalued or reviewed annually according to market conditions as at 31st July each year.

14. 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 financial statements.

Current asset investments are held at fair value with movements recognised in the Statement of Comprehensive Income.

15. Stock

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

16. 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 of the placement date to known amounts of cash with insignificant risk of change in value.

17. 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.

The amount recognised as a provision is determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

A contingent liability arises from a past event that gives City a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of City. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

A contingent asset arises where an event has taken place that gives City a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of City.

Contingent assets and liabilities are not recognised in the balance sheet but are disclosed in the notes.

18. 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.

Other restricted reserves include balances where the donor has designated a specific purpose and therefore City is restricted in the use of these funds.

19. Taxation

Current tax, including UK Corporation Tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred tax is provided in full on timing differences that exist at the reporting date and that result in an obligation to pay more tax, or a right to pay less tax in the future. The deferred tax is measured at the rate expected to apply in periods in which the timing differences are expected to reverse, based on the tax rates and laws that are enacted or substantively enacted at the reporting date. Unrelieved tax losses and other deferred tax assets shall be recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax assets and liabilities are not discounted.

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 UK Corporation Tax 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 (VAT). Irrecoverable VAT on expenditure (revenue and capital) is included in the costs of such expenditure. Any irrecoverable VAT allocated to fixed assets is included in their cost.

City's subsidiary companies are subject to Corporation Tax and VAT in the same way as any other commercial organisation.

20. Termination benefits

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

Statement of accounting policies

21. Financial instruments

City has elected to adopt Sections 11 and 12 of FRS 102 in respect of the recognition, measurement and disclosure of financial instruments. Financial assets and liabilities are recognised when City becomes party to the contractual provision of the instrument and they are classified according to the substance of the contractual arrangements entered into.

A financial asset and a financial liability are offset only when there is a legally enforceable right to set off the recognised amounts and an intention either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial assets

Basic financial assets include trade and other receivables, cash and cash equivalents, and investments in commercial paper (i.e. deposits and bonds). These assets are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Such assets are subsequently carried at amortised cost using the effective interest rate method. Financial assets are assessed for indicators of impairment at each reporting date. If there is objective evidence of impairment, an impairment loss is recognised in the Statement of Comprehensive Income.

For financial assets carried at amortised cost the impairment loss is the difference between the carrying amount of the asset and the present value of the estimated future cash flows, discounted at the asset's original effective interest rate.

Other financial assets, including investments in equity instruments which are not subsidiaries, associates, or joint ventures are initially measured at fair value, which is typically the transaction price. These assets are subsequently carried at fair value and changes in fair value at the reporting date are recognised in the Statement of Comprehensive Income. Where the investment in equity instruments are not publicly traded and where the fair value cannot be reliably measured the assets are measured at cost less impairment.

Financial assets are de-recognised when the contractual rights to the cash flows from the asset expire or are settled or substantially all of the risks and rewards of the ownership of the asset are transferred to another party.

Financial liabilities

Basic financial liabilities include trade and other payables, bank loans and intra-group loans. These liabilities are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Debt instruments are subsequently carried at amortised cost using the effective interest rate method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down.

Trade payables are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest rate method.

Financial liabilities are de-recognised when the liability is discharged, cancelled or expires.

22. Joint venture entities

City accounts for its share of the joint venture using the equity method. Where the share of losses of the joint venture are greater than the initial investment, then a provision is recognised to the extent that City has a legal or constructive obligation to the joint venture.

23. Critical accounting judgements and estimates

The preparation of City's financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. These judgements, estimates and associated assumptions are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results.

Management consider the areas set out below to be those where critical accounting judgements have been applied and the resulting estimates and assumptions may lead to adjustments to the future carrying amounts of assets and liabilities:

Income recognition – Judgement is applied in determining the value and timing of certain income items to be recognised in the financial statements. This includes determining when performance-related conditions have been met and determining the revenues associated with partially delivered courses and training where the activities have not been fully completed at the reporting date.

Useful lives of property, plant and equipment – Property, plant and equipment represent a significant proportion of City's total assets. Therefore, the estimated useful lives can have a significant impact on the depreciation charged and City's reported performance. Useful lives are determined at the time the asset is acquired and reviewed regularly for appropriateness. The lives are based on historical experience with similar assets as well as anticipation of future events. Details of the carrying values of property, plant and equipment are shown in Note 12.

Retirement benefit obligations – 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 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 in profit or loss in accordance with section 28 of FRS 102. City is satisfied that USS meets the definition of a multi-employer scheme and has therefore recognised the discounted fair value of the contractual contributions under the recovery plan in existence at the date of approving the financial statements.

The appropriate values of the assets and liabilities belonging to City have been identified by the LPFA pension scheme. City has based its liability on the latest actuarial valuation as at 31st March 2016 rolled forward using the latest financial assumptions.

Group and City statements of comprehensive income and expenditure for the year ended 31st July 2019

	Notes	Year ended 31 st July 2019		Year ended 31 st July 2018	
		Group £000	City £000	Group £000	City £000
Income					
Tuition fees and education contracts	1	195,306	195,306	189,852	189,852
Funding body grants	2	23,229	23,229	22,999	22,999
Research grants and contracts	3	11,716	11,716	11,992	11,992
Other income	4	10,030	10,030	11,460	11,460
Investment income	5	1,518	1,518	1,108	1,108
Donations and endowments	6	2,281	2,281	3,824	3,824
Total income		244,080	244,080	241,235	241,235
Expenditure					
Staff costs	7	143,106	143,106	135,793	135,793
Movement on pension provision and holiday accrual	7	41,431	41,431	(692)	(692)
Other operating expenses	9	76,545	76,536	75,036	75,028
Depreciation	12	15,872	15,872	15,635	15,635
Interest and other finance costs	8	2,579	2,579	2,991	2,991
Total expenditure		279,533	279,524	228,763	228,755
(Deficit)/Surplus before other gains and share of operating surplus of joint ventures and associates		(35,453)	(35,444)	12,472	12,480
Deconsolidation of Students' Union		0	0	(89)	0
Gain on disposal of investment properties		0	0	200	200
Gain on investments		343	343	869	869
Share of operating surplus in joint venture	14	328	0	1,188	0
(Deficit)/Surplus for the year - continuing operations		(34,782)	(35,101)	14,729	13,549
Deficit for the year - discontinued operation	11	0	0	(89)	0
(Deficit)/Surplus before tax for the year		(34,782)	(35,101)	14,640	13,549
Taxation	10	(37)	(37)	0	0
(Deficit)/Surplus for the year		(34,819)	(35,138)	14,640	13,549
Other comprehensive (expense)/income					
Unrealised deficit on revaluation of land and buildings		(698)	(698)	0	0
Actuarial (loss)/gain in respect of pension schemes		(3,843)	(3,843)	9,617	9,617
Total comprehensive (expense)/income for the year		(39,360)	(39,679)	24,257	23,166
Represented by:					
Endowment comprehensive income for the year		208	208	354	354
Restricted comprehensive income for the year		330	330	834	834
Unrestricted comprehensive (expense)/income for the year		(39,200)	(39,519)	23,069	21,978
Revaluation reserve comprehensive expense for the year		(698)	(698)	0	0
	20, 21	(39,360)	(39,679)	24,257	23,166

The statement of comprehensive income and expenditure is in respect of continuing activities, except for City University Students' Union which is a discontinued operation. Please refer to Note 11.

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

Group and City statements of changes in reserves for the year ended 31st July 2019

Group	Income and expenditure account			Revaluation reserve	Total
	Endowment	Restricted	Unrestricted		
	£000	£000	£000		
Balance at 1st August 2017	5,175	8,915	44,641	212,493	271,224
Surplus from the income and expenditure statement	567	3,127	10,946	0	14,640
Other comprehensive income	0	0	9,617	0	9,617
Release of restricted funds spent in year	(213)	(2,293)	2,506	0	0
Total comprehensive income for the year	354	834	23,069	0	24,257
Transfers between revaluation and income and expenditure reserve	0	0	9,696	(9,696)	0
Balance at 31st July 2018	5,529	9,749	77,406	202,797	295,481
Deficit from the income and expenditure statement	341	2,688	(37,848)	0	(34,819)
Other comprehensive expense	0	0	(3,843)	(698)	(4,541)
Release of restricted funds spent in year	(133)	(2,358)	2,491	0	0
Total comprehensive expense for the year	208	330	(39,200)	(698)	(39,360)
Transfers between revaluation and income and expenditure reserve	0	0	0	0	0
Balance at 31st July 2019	5,737	10,079	38,206	202,099	256,121
City	Income and expenditure account			Revaluation reserve	Total
	Endowment	Restricted	Unrestricted		
	£000	£000	£000	£000	£000
Balance at 1st August 2017	5,175	8,915	48,544	212,493	275,127
Surplus from the income and expenditure statement	567	3,127	9,855	0	13,549
Other comprehensive income	0	0	9,617	0	9,617
Release of restricted funds spent in year	(213)	(2,293)	2,506	0	0
Total comprehensive income for the year	354	834	21,978	0	23,166
Transfers between revaluation and income and expenditure reserve	0	0	9,696	(9,696)	0
Balance at 31st July 2018	5,529	9,749	80,218	202,797	298,293
Deficit from the income and expenditure statement	341	2,688	(38,167)	0	(35,138)
Other comprehensive expense	0	0	(3,843)	(698)	(4,541)
Release of restricted funds spent in year	(133)	(2,358)	2,491	0	0
Total comprehensive expense for the year	208	330	(39,519)	(698)	(39,679)
Transfers between revaluation and income and expenditure reserve	0	0	0	0	0
Balance at 31st July 2019	5,737	10,079	40,699	202,099	258,614

Group and City balance sheets as at 31st July 2019

	Note	Group 2019 £000	City 2019 £000	Group 2018 £000	City 2018 £000
Non-current assets					
Fixed assets	12	385,436	385,436	350,939	350,939
Investments	13	17,100	18,000	16,380	17,280
		402,536	403,436	367,319	368,219
Current assets					
Stock		74	74	48	48
Trade and other receivables	15	16,177	16,194	13,382	13,396
Investments	16	24,412	24,412	32,595	32,595
Cash and cash equivalents	22	60,232	60,232	77,518	77,518
		100,895	100,912	123,543	123,557
Less: creditors: amounts falling due within one year	17	(53,690)	(53,640)	(51,526)	(51,482)
Share of net liabilities in joint venture	14	(1,526)	0	(1,854)	0
Net current assets		45,679	47,272	70,163	72,075
Total assets less current liabilities		448,215	450,708	437,482	440,294
Creditors: amounts falling due after more than one year	18	(81,009)	(81,009)	(81,039)	(81,039)
Provisions					
Pension provisions	19	(111,085)	(111,085)	(60,951)	(60,951)
Other provisions	19	0	0	(11)	(11)
Total net assets		256,121	258,614	295,481	298,293
Restricted reserves					
Income and expenditure reserve - endowment reserve	20	5,737	5,737	5,529	5,529
Income and expenditure reserve - restricted reserve	21	10,079	10,079	9,749	9,749
Unrestricted reserves					
Income and expenditure reserve - unrestricted		38,206	40,699	77,406	80,218
Revaluation reserve		202,099	202,099	202,797	202,797
Total reserves		256,121	258,614	295,481	298,293

All items of income and expenditure relate to continuing activities. The notes on pages 30 to 45 form part of the financial statements.

The financial statements on pages 26 to 45 were approved by Council on 22nd November 2019 and signed on its behalf by:

Ms Julia Palca
Chair of Council

Professor Sir Paul Curran
President

Group statement of cash flows for the year ended 31st July 2019

	Notes	2019 £000	2018 £000
Cash flow from operating activities			
(Deficit)/Surplus for the year		(34,819)	14,640
Adjustment for non-cash items			
Depreciation	12	15,872	15,635
Gain on investments	20, 21	(343)	(869)
Increase in stock		(26)	(4)
Increase in trade and other receivables	15	(2,795)	(634)
Increase in creditors	17, 18	2,134	594
Movement in pension provision	19	46,291	1,231
Decrease in other provisions	19	(11)	(1,562)
Share of deficit in joint venture	14	(328)	(1,188)
Adjustment for investing or financing activities			
Investment income	5	(1,518)	(1,108)
Interest payable on borrowings	8	1,100	1,348
Endowment income		(53)	(96)
Profit on sale of investment property		0	(200)
Capital grant income		(1,486)	(1,533)
Net cash inflow from operating activities		24,018	26,254
Cash flows from investing activities			
Proceeds from sale of investment property		0	17,320
Capital grants receipts		1,486	1,533
Investment income		1,518	1,108
Payments made to acquire fixed assets		(51,067)	(27,749)
New non-current asset investments (acquisitions)/ disposal		(377)	16
Investment in joint venture		0	(900)
Decrease/(Increase) in current asset investments	16	8,183	(14,927)
		(40,257)	(23,599)
Cash flows from financing activities			
Interest payable on borrowings		(1,100)	(1,348)
Endowment cash received		53	96
New unsecured borrowings		0	0
	22	(1,047)	(1,252)
(Decrease)/Increase in cash and cash equivalents in the year		(17,286)	1,403
Cash and cash equivalents at beginning of the year		77,518	76,115
Cash and cash equivalents at end of the year		60,232	77,518

The notes on pages 30 to 45 form part of the financial statements.

Notes to the accounts for the year ended 31st July 2019

1. Tuition fees and education contracts

	Group 2019 £000	City 2019 £000	Group 2018 £000	City 2018 £000
Full-time home and EU students	89,871	89,871	81,898	81,898
Full-time international students	72,709	72,709	69,535	69,535
Part-time students	14,091	14,091	13,670	13,670
Education contracts with National Health Service	9,414	9,414	14,808	14,808
Other tuition fees	9,221	9,221	9,941	9,941
	195,306	195,306	189,852	189,852

2. Funding body grants

	Group 2019 £000	City 2019 £000	Group 2018 £000	City 2018 £000
Recurrent grant				
Office for Students	8,275	8,275	7,793	7,793
Research England	10,143	10,143	10,269	10,269
	18,418	18,418	18,062	18,062
Specific grants				
Higher Education Innovation Fund				
Recurrent grant	1,674	1,674	1,909	1,909
Industrial Strategy Uplift	558	558	490	490
Connecting Capability Fund	0	0	191	191
	2,232	2,232	2,590	2,590
Global Challenges Research Fund	471	471	388	388
Other specific grants	155	155	105	105
	2,858	2,858	3,083	3,083
Release of deferred capital grants				
Buildings	1,953	1,953	1,854	1,854
	1,953	1,953	1,854	1,854
	23,229	23,229	22,999	22,999

The teaching grant was received from the OFS and the research and higher education innovation fund grants were received from Research England.

3. Research grants and contracts

	Group 2019 £000	City 2019 £000	Group 2018 £000	City 2018 £000
Research Councils	2,103	2,103	2,588	2,588
UK based charities	1,862	1,862	1,891	1,891
UK Government and health authorities	2,403	2,403	1,719	1,719
UK industry and commerce	722	722	753	753
European Union	3,128	3,128	3,711	3,711
Other sources	1,498	1,498	1,330	1,330
	11,716	11,716	11,992	11,992

4. Other income

	Group 2019 £000	City 2019 £000	Group 2018 £000	City 2018 £000
Catering and conferences	2,451	2,451	2,587	2,587
Other services rendered	3,419	3,419	3,544	3,544
Other income	4,160	4,160	5,329	5,329
	10,030	10,030	11,460	11,460

Notes to the accounts for the year ended 31st July 2019**5. Investment income**

	Note	Group 2019 £000	City 2019 £000	Group 2018 £000	City 2018 £000
Investment income on endowments	20	170	170	132	132
Investment Income on restricted reserves	21	325	325	206	206
Other investment income		1,023	1,023	770	770
		1,518	1,518	1,108	1,108

6. Donations and endowments

	Note	Group 2019 £000	City 2019 £000	Group 2018 £000	City 2018 £000
New endowments	20	53	53	96	96
Donations with restrictions	21	2,138	2,138	2,391	2,391
Unrestricted donations		90	90	1,337	1,337
		2,281	2,281	3,824	3,824

7. Staff

	Group 2019 £000	City 2019 £000	Group 2018 £000	City 2018 £000
Staff costs				
Salaries	114,024	114,024	107,693	107,693
Social security costs	11,785	11,785	11,151	11,151
Pension costs	16,476	16,476	16,129	16,129
Restructuring costs	821	821	820	820
	143,106	143,106	135,793	135,793
Movement on USS provision	41,622	41,622	(3,130)	(3,130)
Movement on LPFA provision	3,180	3,180	2,707	2,707
Movement on holiday accrual	(3,371)	(3,371)	(269)	(269)
	41,431	41,431	(692)	(692)
	184,537	184,537	135,101	135,101

A further breakdown of pension costs has been included in Note 19.

	2019 £000	2018 £000
Emoluments of President, Professor Sir Paul Curran		
Salary	314	314
Performance-related remuneration	18	21
Taxable benefits in kind	1	1
Non-taxable benefits in kind	40	39
	373	375
Pension contributions and payments in lieu of pension contributions	49	57
	422	432

Employer pension contributions for the President for membership of the USS were paid from 1st August 2018 to 31st March 2019 at the same rate as for other members of staff and constituted 18 per cent of salary for this period. This amount totaled £37,674. The President ceased to be a member of the USS from 1st April 2019. The Remuneration Committee (RemCo) agreed that an adjustment should be made to the President's remuneration to reflect this decision. The adjustment has been agreed at the level of 11 per cent of the President's base salary, totaling £11,511.

The President received a taxable benefit in kind consisting of private health insurance.

The President's non-taxable benefit arises from City's ownership of a property at which City's Service Agreement with the President states that it is necessary for him to reside for the proper performance of his duties. This benefit has been calculated as £39,793 for 2018/19 (£39,179 for 2017/18); this figure is derived by assessing the net opportunity cost of renting out the accommodation on a commercial basis and adding the direct costs to City of providing the accommodation. These costs have then been pro-rated to ensure that the official use of the property is not included as a benefit.

The emoluments shown have been independently determined by RemCo, including performance-related remuneration. The remuneration report (on pages 10 to 12 above) set out the basis for the decisions taken by RemCo about the remuneration of the President.

The decisions of RemCo in relation to the President's salary are informed by remuneration benchmark data from, among other sources, the Committee of University Chairs and with reference to City's Remuneration Strategy. Salary is determined by an assessment of long-term performance, retention considerations and relevant market conditions. RemCo also considers annually the ratio of the President's salary to the median salary for academic staff and the ratio of the President's salary to the median salary for all staff. The ratios reflect the two roles of

Notes to the accounts for the year ended 31st July 2019

the President, as academic leader and Chief Executive. The ratios nationally and for City, in the form which they are considered by RemCo, are published above in the remuneration report. For 2018/19, RemCo determined that it would not be appropriate to agree an increase in the salary of the President.

The President's performance-related remuneration is determined in line with the PRR scheme for senior staff. The Chair's annual appraisal of the performance of the President for the year 2018/19 was that the President had met his objectives. Under the terms of City's PRR scheme, this assessment was reflected (alongside the achievement by City of [two] of the basket of seven KPIs and PIs that form part of the scheme) in the award, in November 2019, to the President of [5.1 per cent] of salary against a maximum total opportunity of 10 per cent.

OfS pay ratios

The Accounts Direction from OfS defines two pay ratios to be included in the financial statements: 'basic salary ratio' and 'total remuneration ratio'.

'Basic salary ratio' is defined as: The Presidents salary / The median salary of the whole workforce.

The ratio of the President's 'basic salary', so defined, to that of all staff is 8.2 times (£313,948 / £38,460) the median pay of all staff for 2019 (8.3 times for 2018), where the median pay is calculated on a full-time equivalent basis for the salaries paid by City to its staff.

'Total remuneration ratio' is defined as: The Presidents total remuneration including both taxable and non-taxable benefits / The median total remuneration of the whole workforce, including taxable benefits.

The ratio of the President's 'total remuneration', so defined, to that of all staff is 9.5 times (£422,421 / £44,627) the median total remuneration of all staff for 2019 (10.0 times for 2018), where the median total remuneration is calculated on a full-time equivalent basis for the total remuneration of all of City's staff.

For both of these ratios, the figures above include all academic and non-academic staff and include all employees who are required to be included in real-time reporting to Her Majesty's Revenue and Customs (HMRC). This is in line with the OfS report Compliance with the 2017/18 Accounts Direction and 2019/20 Accounts Direction.

The number of staff members with a basic salary of over £100,000 per annum has been included below:

Remuneration of senior paid staff, excluding employer's pension contributions and restructuring costs	2019	2018
	Number	Number
£100,000 - £105,000	19	20
£105,001 - £110,000	19	19
£110,001 - £115,000	9	11
£115,001 - £120,000	10	6
£120,001 - £125,000	7	10
£125,001 - £130,000	9	12
£130,001 - £135,000	7	6
£135,001 - £140,000	8	6
£140,001 - £145,000	5	4
£150,001 - £155,000	1	4
£155,001 - £160,000	3	0
£160,001 - £165,000	0	1
£165,001 - £170,000	1	0
£175,001 - £180,000	0	2
£180,001 - £185,000	2	0
£190,001 - £195,000	1	0
£200,001 - £205,000	1	0
£205,001 - £210,000	0	1
£210,001 - £215,000	0	2
£215,001 - £220,000	1	2
£225,001 - £230,000	1	0
£255,001 - £260,000	0	1
£260,001 - £265,000	1	0
Compensation for loss of office costs	2019	2018
	£000	£000
These costs are in respect of 74 (2018: 80) staff members	821	820
Average staff numbers - full-time equivalents	2019	2018
	Number	Number
Academic	840	809
Research	115	114
Management and specialist	1,157	1,095
Technical	10	9
	2,122	2,027

Notes to the accounts for the year ended 31st July 2019**Severance payments**

During the year City made payments of £821k in compensation for loss of office being paid to 74 employees (2018: £820k to 80 employees).

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 them. Key management personnel are the seven staff members totaling 6.6 FTE (2018: seven members, 6.6 FTE) on the Executive Team and is comprised of:

- President
- Deputy President and Provost
- Vice-President, International (part time)
- Vice-President, Research & Enterprise
- Vice-President, Strategy & Planning
- Chief Financial Officer
- Director of Human Resources

	2019	2018
	£000	£000
Key management personnel remuneration, including pension contributions	1,609	1,609

Council Members' expenses

Council members received no remuneration (2018: £nil). Council members' expenses include out-of-pocket travel expenses. Seven of the twenty Council members received out-of-pocket travel reimbursements totaling £2,350 (2018: seven Council members, £2,228) for expenses incurred directly.

8. Interest and other finance costs

		Group	City	Group	City
	Note	2019	2019	2018	2018
		£000	£000	£000	£000
Interest on borrowings		1,017	1,017	1,376	1,376
Exchange differences		73	73	(38)	(38)
Net charge on pension scheme - USS	26	466	466	454	454
Net charge on pension scheme - LPFA	26	1,023	1,023	1,199	1,199
		2,579	2,579	2,991	2,991

Notes to the accounts for the year ended 31st July 2019**9. Other operating expenses**

	Group	City	Group	City
	2019	2019	2018	2018
	£000	£000	£000	£000
Student bursaries and fee remissions	8,661	8,661	8,119	8,119
Payments to non-contract staff and agencies	8,317	8,317	7,483	7,483
Other expenses	4,595	4,595	4,825	4,825
Books, periodicals and subscriptions	7,093	7,093	6,683	6,683
Purchase and maintenance of furniture, equipment and software	5,681	5,681	5,427	5,427
Rents, rates and insurance	11,674	11,674	10,820	10,820
Conference, travel and training costs	5,772	5,772	5,663	5,663
Publicity, advertising and staff recruitment	5,102	5,102	5,035	5,035
Collaborative partner payments	2,815	2,815	2,931	2,931
Printing, postage, stationery and telephones	2,080	2,080	2,241	2,241
Repairs and general maintenance	3,237	3,237	4,853	4,853
Payments for domestic and security contracts	2,901	2,901	2,948	2,948
Heating, lighting, water and power	2,394	2,393	2,384	2,384
Catering and conferences operating expenses	3,365	3,364	3,286	3,286
Other professional fees	966	966	748	746
External venue hire	1,085	1,085	802	802
IT and academic consumables	716	716	676	676
Auditors' remuneration in respect of other audit related assurance work - PwC	23	23	40	40
Auditors' remuneration in respect of other audit related assurance work - KPMG	0	0	9	9
Auditors' remuneration in respect of group UK statutory audits	68	61	63	57
	76,545	76,536	75,036	75,028

The auditors' remuneration in respect of group UK statutory audits includes VAT at 20 per cent. The fee paid (excluding VAT) directly to PwC in 2019 as the external auditors are £56,302 for the group and £50,615 for City. In 2018 the fee paid (excluding VAT) directly to PwC as the external auditors were £53,000 for the group and £47,500 for City.

Notes to the accounts for the year ended 31st July 2019**10. Taxation**

	Group 2019 £000	City 2019 £000	Group 2018 £000	City 2018 £000
Recognised in the Statement of Comprehensive Income current tax				
UK Corporation Tax expense	0	0	0	0
Foreign tax	37	37	0	0
Adjustment in respect of previous years	0	0	0	0
Current tax expense	37	37	0	0
Deferred tax				
Origination and reversal of timing differences	0	0	0	0
Reduction in tax rate	0	0	0	0
Recognition of previously unrecognised tax losses	0	0	0	0
Deferred tax expense	0	0	0	0
Total tax expense	37	37	0	0

Factors affecting the UK Corporation Tax charge

The tax assessed for the year is lower than the standard rate of Corporation Tax in the UK. The difference is explained below:

	Group 2019 £000	City 2019 £000	Group 2018 £000	City 2018 £000
(Deficit)/Surplus before taxation	(34,782)	(35,138)	14,640	13,549
UK Corporation Tax at 19% (2018: 19%)	(6,609)	(6,676)	2,782	2,574
Effect of:				
Surplus falling within charitable exemption	6,609	6,676	(2,782)	(2,574)
Other differences attributable to subsidiaries	0	0	0	0
Deferred tax movement	0	0	0	0
Total tax expense	0	0	0	0

11. Discontinued operation

	2019 £000	2018 £000
Income	0	0
Expenditure	0	(89)
Surplus before and after tax	0	(89)

The discontinued operation in 2018 refers to City University Students' Union which was changed from an unincorporated charity to an incorporated charitable company limited by guarantee. The new entity, now called City, University of London Students' Union, was incorporated on 23rd June 2017 and started trading from 1st August 2017.

These collective changes have resulted in the Students' Union no longer meeting the criteria for being classed as a group entity from 2017/18 onwards.

Notes to the accounts for the year ended 31st July 2019**12. Fixed assets - Group and City cost or valuation**

	Freehold land and buildings	Residential property	Assets under construction	Leasehold buildings	Equipment	Total
	£000	£000	£000	£000	£000	£000
At 1 st August 2018	337,316	3,740	20,169	21,094	32,819	415,138
Additions	3,334	0	40,947	716	6,070	51,067
Transfers	263	0	(1,063)	4	796	(0)
Impairment	0	(698)	0	0	0	(698)
At 31st July 2019	340,913	3,042	60,053	21,814	39,685	465,507
Depreciation						
At 1 st August 2018	31,151	62	0	9,969	23,017	64,199
Charge for year	9,178	31	0	1,129	5,534	15,872
At 31st July 2019	40,329	93	0	11,098	28,551	80,071
Net book value at 31st July 2019	300,584	2,949	60,053	10,716	11,134	385,436
Net book value at 31st July 2018	306,165	3,678	20,169	11,125	9,802	350,939

The residential property was valued as at 31st July 2019 by an external Valuer, Gerald Eve, a regulated firm of Chartered Surveyors. The valuation was prepared in accordance with the requirements of RICS Valuation – Global Standard 2017 and the UK national accounting standards Financial Reporting Standard 102 and the Statement of Recommended Practice “Accounting for Further and Higher Education”.

13. Non-current investments

	Subsidiary companies	Other non-current asset investments	Total
	£000	£000	£000
Group			
At 1 st August 2018	0	16,380	16,380
Additions	0	270	270
Disposals	0	(298)	(298)
Gains	0	1,018	1,018
Impairment	0	(270)	(270)
At 31st July 2019	0	17,100	17,100
City			
At 1 st August 2018	900	16,380	17,280
Additions	0	270	270
Disposals	0	(298)	(298)
Gains	0	1,018	1,018
Impairment	0	(270)	(270)
At 31st July 2019	900	17,100	18,000
Other non-current asset investments consist of:			
			Group and City
			£000
Endowments			15,571
Bonds relating to postgraduate student loans			1,367
Investment in spin out companies			162
			17,100

14. Investment in Joint Venture

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

The financial and management arrangements of the INTO City LLP joint venture have been reviewed and new agreements were executed on 1st September 2017. The restructuring led to a change in the share of the LLP's net income that City will receive from 50 per cent of net income to 15 per cent. Each partner also made a further capital injection and received loans from the LLP. As a consequence, City Foundations Limited increased its investment in the LLP by £900k and received a loan of £900k from the LLP, which is not interest bearing and is repayable on demand. The changes are expected to ensure the joint venture's future sustainability and reduce built up losses within the LLP.

City's share of the net liabilities of the LLP is included in City's Group balance sheet and its share of the net income is reported in City's statement of comprehensive income and expenditure. City's share of the LLP's net income was 50 per cent of net income up until 1st September 2017 reducing to 15 per cent from this date onwards.

Notes to the accounts for the year ended 31st July 2019**15. Trade and other receivables**

	Group 2019 £000	City 2019 £000	Group 2018 £000	City 2018 £000
Amounts falling due within one year:				
Research grants receivables	2,267	2,267	2,320	2,320
Other trade receivables	7,110	7,110	4,285	4,285
Other receivables	354	354	381	381
Prepayments and accrued income	6,446	6,446	6,396	6,396
Amounts due from subsidiary companies	0	17	0	14
	16,177	16,194	13,382	13,396

16. Current investments

	Group 2019 £000	City 2019 £000	Group 2018 £000	City 2018 £000
Short-term deposits	24,412	24,412	32,595	32,595
	24,412	24,412	32,595	32,595

17. Creditors: amounts falling due within one year

	Group 2019 £000	City 2019 £000	Group 2018 £000	City 2018 £000
Trade payables	10,532	10,532	6,735	6,735
Social security and other taxation payable	3,416	3,416	3,486	3,486
Accruals and deferred income	36,180	36,171	38,119	38,110
Amounts due to subsidiary companies	0	859	0	865
Loan from joint venture repayable on demand (Note 14)	900	0	900	0
Other creditors	2,662	2,662	2,286	2,286
	53,690	53,640	51,526	51,482

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 2019 £000	City 2019 £000	Group 2018 £000	City 2018 £000
Research grants received on account	6,970	6,970	5,380	5,380
Grant income	1,426	1,426	1,854	1,854
	8,396	8,396	7,234	7,234

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

	Group 2019 £000	City 2019 £000	Group 2018 £000	City 2018 £000
Deferred income - 2-5 years	5,705	5,705	5,309	5,309
Deferred income - more than 5 years	15,058	15,058	15,494	15,494
Unsecured borrowings	60,246	60,246	60,236	60,236
	81,009	81,009	81,039	81,039

Unsecured borrowings

	Group 2019 £000	City 2019 £000	Group 2018 £000	City 2018 £000
Unsecured borrowings are repayable as follows:				
Private placement repayable by 2047	60,246	60,246	60,236	60,236
	60,246	60,246	60,236	60,236

City's unsecured borrowings relate to funds raised via a private placement with MetLife in May 2017. The funds are repayable over three terms in 2037, 2042 and 2047 and are at fixed interest rates. The weighted average interest rate of the borrowed funds is 2.85 per cent at 31st July 2019 (2018: 2.85 per cent).

Notes to the accounts for the year ended 31st July 2019**19. Provisions for liabilities**

	Obligation to fund deficit on USS Pension (Note 26)	Defined Benefit obligations (Note 26)	Total pension provisions	Other provisions	Total other
	£000	£000	£000	£000	£000
Group					
At 1 st August 2018	21,095	39,856	60,951	11	11
Financing charge	466	1,023	1,489	0	0
Amount recognised in other comprehensive income and expenditure	0	3,843	3,843	0	0
Other movement charged to the Statement of Income and Expenditure	41,622	3,180	44,802	0	0
Amount utilised	0	0	0	(11)	(11)
At 31st July 2019	63,183	47,902	111,085	0	0
City					
At 1 st August 2018	21,095	39,856	60,951	11	11
Financing charge	466	1,023	1,489	0	0
Amount recognised in other comprehensive income and expenditure	0	3,843	3,843	0	0
Other movement charged to the Statement of Income and Expenditure	41,622	3,180	44,802	0	0
Amount utilised	0	0	0	(11)	(11)
At 31st July 2019	63,183	47,902	111,085	0	0

USS deficit

The obligation to fund the past deficit on the 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 estimating the value of this provision. This is based on the scheme valuation as at 31st March 2017. Please refer to Note 27 for comparative information based on the scheme valuation as at 31st March 2018.

Other provisions

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

20. Endowment reserves - Group and City

	Restricted permanent reserves	Unrestricted permanent reserves	2019 Total	2018 Total
	£000	£000	£000	£000
Balance as at 1 st August 2018				
Capital	5,026	139	5,165	4,821
Accumulated income	361	3	364	354
Total	5,387	142	5,529	5,175
New endowments	0	53	53	96
Investment income	165	5	170	132
Expenditure	(31)	(103)	(134)	(213)
Increase in market value of investments	116	3	119	339
Total endowment comprehensive income for the year	250	(42)	208	354
At 31st July 2019	5,637	100	5,737	5,529
Represented by:				
Capital	5,141	98	5,239	5,165
Accumulated income	496	2	498	364
Total	5,637	100	5,737	5,529
Analysis by type of purpose				
Lectureships	2,734	0	2,734	2,614
Scholarships and bursaries	859	0	859	819
Prize funds	781	0	781	750
General	1,263	100	1,363	1,346
	5,637	100	5,737	5,529
Analysis by Asset				
Current and non-current asset investments			5,737	5,529
			5,737	5,529

Notes to the accounts for the year ended 31st July 2019**21. Temporarily restricted reserves - Group and City**

	Donations £000	2019 Total £000	2018 Total £000
Balance as at 1st August 2018	9,749	9,749	8,915
New donations	2,138	2,138	2,391
Investment income	325	325	206
Expenditure	(2,359)	(2,359)	(2,293)
Increase in market value of investments	226	226	530
Total restricted comprehensive income for the year	330	330	834
At 31st July 2019	10,079	10,079	9,749
Analysis by type of purpose			
Arts campaign		58	147
Lectureships		398	499
Scholarships and bursaries		1,758	1,363
Research support		5,890	5,434
Prize funds		326	305
General		1,649	2,001
		10,079	9,749

22. Cash and cash equivalents

	At 1 st August 2018 £000	Cash flows £000	At 31 st July 2019 £000
Group:			
Cash at bank	5,753	771	6,524
Cash equivalents	71,765	(18,057)	53,708
	77,518	(17,286)	60,232

23. Capital and other commitments

	Group and City	
	2019 £000	2018 £000
Provision has not been made for the following capital commitments at 31 st July:		
Expenditure authorised and contracted for	15,981	37,645
Expenditure authorised but not contracted for	31,291	37,461
	47,272	75,106

Notes to the accounts for the year ended 31st July 2019**24. Lease obligations****Total rentals payable under operating leases:**

	Land and buildings	Plant and machinery	2019 Total	2018 Total
	£000	£000	£000	£000
Payable during the year	6,501	779	7,280	6,533
Future minimum lease payments due:				
Not later than 1 year	6,509	779	7,288	7,016
Later than 1 year and not later than 5 years	19,317	436	19,753	23,721
Later than 5 years	39,211	0	39,211	53,242
Total lease payments due	65,037	1,215	66,252	83,979

Total rentals receivable under operating leases:

	Land and Buildings	Plant and Machinery	2019 Total	2018 Total
	£000	£000	£000	£000
Receivable during the year	163	0	163	472
Future minimum lease payments due:				
Not later than 1 year	126	0	126	131
Later than 1 year and not later than 5 years	114	0	114	125
Later than 5 years	18	0	18	33
Total lease payments due	258	0	258	289

Notes to the accounts for the year ended 31st July 2019**25. Related party transactions**

During the year ended 31st July 2019 City had transactions with a number of organisations which fell within the definition of Related Parties under FRS 102. 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 at arm's length and in accordance with City's financial regulations and normal procurement procedures. City has taken advantage of the exemption under FRS 102 not to disclose transactions with other members of its group who qualify as related parties.

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.

	Income/(expenditure)		Debtor/(creditor) balance	
	2019	2018	2019	2018
	£000	£000	£000	£000
Group investments				
City Occupational Ltd	5	0	(0)	0
Heliex Power Ltd	302	(360)	302	44
- of which bad debts provided for	0	0	(76)	(44)
INTO	(393)	(130)	64	93
Thomson Screening Solutions Ltd	14	0	6	45
- of which bad debts provided for	0	0	(45)	(45)
	Income/(expenditure)		Debtor/(creditor) balance	
	2019	2018	2019	2018
	£000	£000	£000	£000
Relationships with Council members and Co-opted members of Council sub committees				
BT Openreach	(62)	13	0	0
Bupa UK Foundation	0	3	0	0
City, University of London Students' Union	692	500	57	0
DLA Piper UK LLP	(6)	(17)	0	0
London Higher	(29)	(33)	(1)	0
Macmillan Cancer Support	14	106	(3)	3
Ordnance Survey	73	0	(10)	0
Royal Academy of Engineering	3	5	4	(1)
Royal Free Charity	14	7	12	0
- of which bad debts provided for	0	0	(8)	0
Royal Society of Edinburgh	25	0	7	0
St Christopher's Fellowship	0	6	0	0
The Children's Society	38	43	1	0
Wolfson Foundation	0	2	0	0
Worshipful Company of Goldsmiths	0	3	0	0
	Income/(expenditure)		Debtor/(creditor) balance	
	2019	2018	2019	2018
	£000	£000	£000	£000
Relationships with other senior executives who are not on Council but in attendance				
Association of Chartered Certified Accountants	0	2	0	0
Chartered Association of Business Schools	(3)	0	0	0

Notes to the accounts for the year ended 31st July 2019**26. 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 earnings after 1st October 2016 and a hybrid of career average salary and final pensionable salary for earnings before this date. LPFA provides similar benefits for other staff of City. The pension costs are assessed using the projected unit method.

Universities Superannuation Scheme

Pension costs

The total cost charged to the profit and loss account is £14,655,048 (2018: £13,590,696).

The latest available complete actuarial valuation of the Retirement Income Builder is at 31st March 2017 (the valuation date), which was carried out using the projected unit method. The valuation as at 31st March 2018 was approved in September 2019 and will be reported on in next year's financial statements, please refer to Note 27.

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

The 2017 valuation was the fourth valuation for the scheme 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 £60.0 billion and the value of the scheme's technical provisions was £67.5 billion indicating a shortfall of £7.5 billion and a funding ratio of 89 per cent.

The key financial assumptions used in the 2017 valuation are described below. More detail is set out in the Statement of Funding Principles.

Pension increases (CPI)	Term dependent rates in line with the difference between the fixed interest and index linked yield curves, less 1.3% p.a.
Discount rate (forward rates)	Years 1-10: CPI – 0.53% reducing linearly to CPI – 1.32% Years 11-20: CPI + 2.56% reducing linearly to CPI + 1.7% by year 21 Years 21 +: CPI + 1.7%

The main demographic assumption used relates to the mortality assumptions. These assumptions are based on analysis of the scheme's experience carried out as part of the 2017 actuarial valuation. The mortality assumptions used in these figures are as follows:

	2017 valuation
Mortality base table	Pre-retirement: 71% of AMC00 (duration 0) for males and 112% of AFC00 (duration 0) for females Post retirement: 96.5% of SAPS S1NMA "light" for males and 101.3% of RFV00 for females
Future improvements to mortality	CMI_2016 with a smoothing parameter of 8.5 and a long-term improvement rate of 1.8% p.a. for males and 1.6% p.a. for females

The current life expectancies on retirement at age 65 are:

	2019	2018
Males currently aged 65 (years)	24.6	24.5
Females currently aged 65 (years)	26.1	26
Males currently aged 45 (years)	26.6	26.5
Females currently aged 45 (years)	27.9	27.8

A new deficit recovery plan was put in place as part of the 2017 valuation, which requires payment of 5 per cent of salaries over the period 1st April 2020 to 30th June 2034. The 2019 pension liability provision reflects this plan. The provision figures have been produced using the following assumptions as at 31st March 2018 and 2019:

	2019	2018
Discount rate	2.44%	2.64%
Pensionable salary growth	n/a	n/a
Pension increases (CPI)	2.11%	2.02%

Notes to the accounts for the year ended 31st July 2019

USS pensions provision

Significant accounting policies

City participates in Universities Superannuation Scheme. The scheme is a hybrid pension scheme, providing defined benefits (for all members), as well as defined contribution benefits. The assets of the scheme are held in a separate trustee-administered fund. Because of the mutual nature of the scheme, the assets are not attributed to individual institutions and a scheme-wide contribution rate is set. City 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. As required by Section 28 of FRS 102 "Employee benefits", City therefore accounts for the scheme as if it were a wholly defined contribution scheme. As a result, the amount charged to the profit and loss account represents the contributions payable to the scheme. Since City has entered into an agreement (the Recovery Plan) that determines how each employer within the scheme will fund the overall deficit, City recognises a liability for the contributions payable that arise from the agreement (to the extent that they relate to the deficit) and therefore an expense is recognised.

A provision is recognised in the financial statements for future contributions payable to the USS pension scheme that relate to the deficit in the scheme and arise from the agreement with scheme employers as to how the deficit is funded. The carrying amount of this liability is £63,182,777 (see Note 19) and a key factor used to calculate the provision is the element future contribution rate that relates to funding the existing deficit. This is finalised once the triennial valuation of the scheme has been completed.

London Pensions Fund Authority scheme

LPFA maintains a rate per institution related to assets and liabilities accruing to each individual institution. There are no minimum funding requirements in the LPFA but the contributions are generally set to target a funding level of 100 per cent using the actuarial valuation assumptions. In order to comply with the requirements of FRS 102, the following additional information is disclosed in relation to the LPFA scheme:

Notes to the accounts for the year ended 31st July 2019

Financial assumptions as at	31st July 2019		31st July 2018	
	% per annum		% per annum	
Price increases - Retail Prices Index	3.35		3.35	
Price increases - Consumer Prices Index	2.35		2.35	
Salary increases	3.85		3.85	
Pension increases	2.35		2.35	
Discount rate	2.1		2.65	
Mortality				
The assumed life expectations from age 65 are:	Males		Females	
Current pensioners	20.0 years		23.2 years	
Future pensioners	21.8 years		25.2 years	
The assets of the LPFA scheme were:				
	Assets at 31st July 2019		Assets at 31st July 2018	
	£000	%	£000	%
Equities	39,302	55	39,296	61
Target return portfolio	18,319	25	14,348	22
Cash	3,805	5	2,973	4
LDI/Cash flow matching	0	n/a	0	n/a
Infrastructure	4,134	6	3,223	5
Commodities	0	n/a	0	n/a
Property	6,571	9	4,975	8
Total	72,131	100	64,815	100
Analysis of the amount shown in the balance sheet				
	31st July 2019	31st July 2018	31st July 2017	
	£000	£000	£000	
Present value of defined benefit obligation	120,033	104,671	105,748	
Fair value of fund assets (bid value)	72,131	64,815	60,181	
Net defined benefit liability	47,902	39,856	45,567	
Revenue account costs				
Analysis of the amounts recognised in the Statement of Comprehensive Income				
	31st July 2019		31st July 2018	
	£000		£000	
Service cost	5,721		5,061	
Net Interest on the defined liability	1,023		1,199	
Administration expenses	84		78	
Return on fund assets in excess of interest	4,721		2,036	
Change in financial assumptions	(14,525)		7,659	
Change in demographic assumptions	6,045		0	
Total comprehensive expense	3,069		16,033	
Reconciliation of opening and closing balances of the present value of the defined benefit obligation				
	31st July 2019		31st July 2018	
	£000		£000	
At 1 st August	104,671		105,748	
Current service cost	4,989		5,061	
Interest cost	2,753		2,838	
Changes in financial assumptions	14,525		(7,659)	
Changes in demographic assumptions	(6,045)		0	
Experience gain on defined benefit obligation	0		0	
Estimated benefits paid net of transfers in	(2,546)		(2,185)	
Past service costs, including curtailments	732		0	
Contributions by scheme participants and other employers	954		868	
At 31st July	120,033		104,671	
Reconciliation of opening and closing balances of the fair value of fund assets				
	31st July 2019		31st July 2018	
	£000		£000	
At 1 st August	64,815		60,181	
Interest on assets	1,730		1,639	
Return on assets less interest	4,721		2,036	
Other actuarial gains	0		0	
Administration expenses	(84)		(78)	
Contributions by employer including unfunded	2,541		2,354	
Contributions by scheme participants and other employers	954		868	
Estimated benefits paid plus unfunded net of transfers in	(2,546)		(2,185)	
At 31st July	72,131		64,815	

27. Post balance sheet event**USS pension valuation**

Since 31st July 2019, there has been an updated valuation in relation to the Universities Superannuation Scheme (USS) which has been made available to all universities that are members of the scheme. This valuation is based on the new schedule of contributions and significantly decreases the deficit that City, University of London account for from the £63.2m that is currently in Note 26, to £36.5m. This is a release to the statement of comprehensive income and expenditure of £26.7m.

Due to this information not being available at the year-end date, the impact of the updated USS valuation has been reflected through this post balance sheet event disclosure and is not accounted for within the 2018/19 financial statements.

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