



# Annual Report and Financial Statements

**for the year ended 31<sup>st</sup> July 2018**



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## Strategic report

### Our strategic objectives

City's *Vision and 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")

We will maintain our current upwards trajectory in research intensity, research quality, education quality and student experience more widely.

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

Quality-constrained growth will come vertically from existing subjects that have momentum, and horizontally where our existing strengths can be leveraged through new and joint degrees, or shared pathways and through improved student retention. Growth in student numbers will be accompanied by growth in research and enterprise income.

**Leverage partnerships within City, within London and internationally, with the aim of making us far more connected.**

### Progress towards strategic objectives

In 2017/18 we have made steady progress towards our strategic objectives.

We saw improvements in our student satisfaction, measured by the National Student Survey, in our student progression and in our graduate prospects. Our internal assessment of the quality of City's research output shows that, for the first time, half of City's total academic staff are producing 3\* or 4\* research. All of these factors contribute to our quality trajectory.

City has also continued to grow, maintaining our strong performance in recruiting within London, from the EU and internationally. We have successfully launched new programmes in English and History and have restructured our curriculum to better meet the needs of students and employers, for example in Engineering, Business and Management. City is ranked eighth in the UK based on undergraduate application numbers, indicating its popularity among prospective students.

We are proud of our international outlook and ability to attract well-qualified students from overseas, particularly to our postgraduate programmes. 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.

Although our graduate prospects are good and have improved compared with 2016/17, we have not yet reached the levels of our previous performance and this will be an area of focus for the coming year.

### Our values

Central to the achievement of our strategic objectives are the people at City – our staff, our students and our partners. The City values describe how we will work towards our shared goals:

#### Ambitious

A place where people seek new challenges and go the extra mile.

#### Collaborative

A place where successes are shared and problems are solved by working together for the common good.

#### A community

A place where people have pride in their institution, are respectful, know and are concerned for each other.

### Diverse and inclusive

A place where diversity is a strength and inclusiveness is promoted proactively.

### Institutionally self-confident

A place that knows its strengths and is open about and strives to address its weaknesses.

### 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 the 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 reach out locally and globally, building links and sharing expertise so that our resources and knowledge can benefit others.

Our Public Benefit Statement explains more about the value we create and the benefits that this 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 P Curran, President



Signed .....

Ms J 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.

**Undergraduate students**

City is first in London and third in the UK for the proportion of undergraduate students from minority ethnic backgrounds.

Sixty-four per cent of City students come from under-represented groups in higher education (known as “Widening Participation” students).

The average starting salary for City is £25,000, 11<sup>th</sup> highest in the UK, according to *The Times and Sunday Times 2019 Good University Guide*.

Our Access Agreement sets out how we relieve barriers to access and participation, including outreach work targeted at underrepresented groups in local schools and colleges, mentoring for young people, tutoring, university visits, careers guidance, master classes and early engagement with primary school pupils.

In 2017/18, the Widening Participation Outreach team engaged with almost 4,500 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 across the full life-cycle, from primary school through to transition into higher education, all underpinned by our attainment raising tutoring programmes in Mathematics and English.

Our campus visits and Spotlight days provide an introduction to 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. In the 2017/18 academic year we focussed on bridging the gap between Key Stage 5 and entry into higher education, through the pilot of our refreshed Snapshot week for BTEC students and the restructuring of the pre-induction process into the newly launched Start@City18, a two day transition support programme for Widening Participation students.

We provide individual support for care leavers to help them to make the transition to university life, support them during study and prepare them for life after graduation. In 2017/18 this support was extended to other vulnerable groups including students who are estranged from their families, those with unpaid caring responsibilities and refugees and asylum seekers.

Support from the Hardship Fund was provided to 266 students in 2017/18 across all disciplines. The fund provides financial assistance to all our current students who have met unforeseen financial hardship during their studies.

In 2017 we worked in partnership with the Article 26 project to offer three new Article 26 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 a maintenance grant to a value of £12,102.

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

A major project for 2017/18 has been Automating Services for Students, enabling students to download personal timetables, update personal details on their student record and generate and print official letters.

**Postgraduate students**

With 45 per cent of City students studying taught postgraduate degrees, we provide a “passport to the professions”.

City offers 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.

City is one of the most popular universities in the UK for international students and staff; our students come from over 160 countries. In 2017/18 we invested heavily in internationalisation, offering new programmes through our Dubai Centre and our continued participation in the WC2 Network. This brings together top universities located in the heart of major world cities to address culture, environment and political issues.

**Our people**

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

Around 1,900 students and over 500 organisations are currently registered with City Volunteering, our online volunteering brokerage service.

The Community Volunteering Service supports students in running their own community initiatives as well as arranging one-off volunteering activities to allow students with limited time to participate. Our staff are able to request up to two days per year to take part in volunteering activities and 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 further to enhance other local spaces while giving students and staff the opportunity to 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 United Nations. This year, PIEL’s activities have expanded to include further volunteer roles for students in providing editorial support for Action4Justice, an organisation sharing best practice on using public interest litigation to address social justice issues.

The new City Faith Centre facilities have proved valuable for our student Faith Societies which have held many of their regular and one-off events in the Multi-Faith Room. The centre has also provided a focus for occasions to celebrate community, such as the “We Stand Together” event, a moment to celebrate the diverse nature of the University in direct contrast and challenge to a planned day highlighted on social media designed to spread Islamophobia. During 2017/18 we have developed the President’s Lunch, an opportunity for the leaders of our faith societies to gather, share news of their society and to enable the Chaplaincy team to put forward their priorities at City. During Inter-Faith Week 2017 the Chaplains were on hand for our “Chat-up a Chaplain” event.

## Public benefit statement

The team offered refreshments and the opportunity to raise any queries regarding faith.

Our staff and students run equality, diversity and inclusion networks which have an open membership. We hold an Athena SWAN Bronze Award which recognises the University's commitment to tackling issues relating to gender equality and diversity, helping to advance the careers of women. Being a member of the Athena SWAN Charter enables us to raise our equality and diversity profile, both internally and externally, and provides a framework on which to build on current good practice.

In 2017/18, City's School of Health Sciences was awarded an Athena SWAN Bronze Award.

### Research highlights

Our research has both national and global impact. Through our high-quality research, we contribute to public policy debate and support the development of innovative and evidence-based approaches to understanding and tackling some of the fundamental social and economic issues of our time.

A City study revealed the time and day that women are most likely to give birth. Conducting the first national analysis to look at all aspects of time of birth in England, Professor Alison Macfarlane, Professor of Perinatal Health and colleagues, analysed over five million births over a ten year period in England.

Publishing their research in *PLOS ONE*, they found that 28.5 per cent of births occurred between 9am and 4.59pm on weekdays while 71.5 per cent of births occurred outside these hours at weekends, on public holidays or between 5pm and 8.59am on non-holiday weekdays.

Board diversity has a positive impact on bank performance in times of financial turbulence, researchers from Cass Business School found. The results suggest that banks with boards which are more diverse in terms of gender, employee representation, internationalisation and age have higher and less volatile performance. The study, led by Professor Barbara Casu Lukac, was published in the *Journal of European Finance*.

City academic Dr Andrea Baronchelli provided validation of the theory of Critical Mass in a study published in *Science*. From gender equality to the popular acceptance of (or intolerance toward) tobacco use, Critical Mass has been used to account for countless cases of changes in social conventions. The theory had not been previously tested in the laboratory due to the difficulty of independently varying the size of minority groups within an evolving system of social coordination.

Professor Jason Chuah's research featured in the *Journal of Maritime Law* and considered EU Rules on maritime safety for passenger vessels and the post-Brexit possibilities for free ports in the UK.

The 2008 Great Recession led to an increase in obesity, diabetes and mental health issues, according to a study by City academics Professor Mireia Jofre-Bonet and Dr Victoria Serra-Sastre. The research, published in the journal *Social Science and Medicine*, also found that there was a decrease in smoking and drinking, as well as fruit intake. These changes were also seen to impact particularly on women and those less educated.

### Enterprise activities and knowledge sharing

Our location between the City of London and Tech City (Europe's largest cluster of digital and technology start-ups) has enabled us to foster a strong entrepreneurial spirit among staff and students.

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

We host the City Launch Lab, a business incubator providing co-working and meeting space for City start-ups, enabling them to grow. The Launch Lab provides economic development through fundraising and revenue generation as well as offering local employment. City Launch Lab is a great opportunity for graduate start-ups to engage with external investors.

According to data from the Higher Education Statistics Agency (HESA), City is the 6<sup>th</sup> best university in the UK for start-up investment.

City is an increasingly active member of the Knowledge Quarter, an influential partnership of over 75 academic, cultural, research, scientific and media organisations located within a one-mile radius of King's Cross station, all of whom have the purpose of creation and dissemination of knowledge.

### Cass Centre for Charity Effectiveness

City ensures that non-profit organisations have the same level of access to education and knowledge as the corporate and public sectors through the work of the Cass Centre for Charity Effectiveness (CCE).

City's Charities Masters programme remains fully subscribed with 140 students on the two-year programme. Over the past 12 months Cass CCE has delivered over 100 consulting assignments, supporting UK and overseas non-profit organisations to strengthen their performance.

Highlights from 2017/18 include:

- 'Peering over the Precipice: a toolkit for non-profit organisations to reinvent and thrive', developed to help charity leaders manage today's challenging times
- The first year of a flagship alumni engagement programme, designed to convene senior leaders in the sector and foster a thriving professional community
- Strategic partnerships with Hospice UK to deliver a new hospice leadership module, as well as with leading legal and financial services organisations to foster knowledge exchange between those working alongside the charity sector.

### Sustainable City

We have an enduring commitment to improving the contribution we make to environmental sustainability. Compared with our 2005/6 baseline (the standard method for comparing university performance), we have reduced carbon emissions by approximately 45 per cent.

City is 1<sup>st</sup> in London and 10<sup>th</sup> in the UK in the People and Planet Green League – the UK's only comprehensive and independent green ranking of universities.

Our 2017/18 sustainability programme has included projects spanning a range of sustainability issues across the campus. City continues to promote Fairtrade in conjunction with City students and the Students' Union and in 2018 renewed our Fairtrade University accreditation. Working with our catering contractors we have achieved the highest available three-star Sustainable Restaurant Association rating at our Northampton Square campus.

## Public benefit statement

The University Travel Plan has also been updated, focusing on measures to increase active, low carbon travel (walking and cycling).

We have supported students in carrying out their own sustainability projects, both on and off campus. Examples include establishing a local veg-box scheme, selling reusable cups to staff and students and delivering sustainability awareness campaigns.

Our staff environmental engagement programme, Sustainable City Challenge, continues to encourage staff to get involved in various team projects, from digitising student course material to hosting a University-wide 'swap-shop'.

The roof of University Building now houses our beehives, supporting efforts to enhance biodiversity on campus. The staff and student Bee team is responsible for looking after the hives and harvesting the honey, yielding around 10-20kg a year.

### City community

We have a significant and positive impact on our local community, promoting employment and economic growth. Our location in the heart of London and strong links with business and the professions provide opportunities for our students, staff, alumni and local business and industry to contribute to and benefit from our impact.

Our estimated contribution to the London economy is in the region of £550M a year.

In 2017/18, over 2,000 members of the local community registered with Unitemps, our in-house employment agency.

Our Unitemps recruitment service continues to help our students to secure part-time and temporary work while they study, giving them the opportunity to develop transferable skills. An increasing number of local residents are also registering with the service to secure part-time work. The service also helps small businesses with their recruitment needs. Eight external companies utilised the service last year.

The Santander Internship and Placement Programme provides funding for local companies to recruit final year students and graduates, benefitting both students and local employers. We helped provide 15 placements last year in a variety of companies and organisations including a legal consultancy, an investment firm, a media publisher and a community centre.

We continue to hold bi-annual meetings with our neighbours to support better community engagement and listen to ways our residents feel we can build good relations. We have a dedicated resource to address any queries or issues raised by our neighbours outside of these meetings, to ensure that concerns are dealt with correctly and resolved in a timely manner.

We have established a relationship with local charity The Peel Institute, an organisation working to build a more cohesive community in Clerkenwell. We have acted as a broker between the charity and local resident groups who attend our resident's forum.

We contribute to the local community through shared use of our facilities. The Peel Institute and Finsbury and Clerkenwell Volunteers have used spaces at the University for meetings and events.

Almost 200 people visited City's campus as part of the annual Open House London weekend.

Members of the City Carrot Runners, a free running group to encourage fitness and wellbeing, organise volunteering activities in the local area, such as litter collection along the canal in Angel,

close to the University campus. City also works with Plan Zeroes, a charity which collects and redistributes leftover food from local restaurants and cafes.

Our CitySight Optometry clinics offer free eye tests, contact lenses and discounted spectacles to the general public. They also offer specialist clinics for children and services for those with binocular vision problems, specific learning difficulties, visual impairment and colour vision defects.

Our Sport & Leisure department comprises a Sport Development team, which liaises with national governing bodies to encourage participation in sport and an Operations team which oversees the day-to-day running of CitySport. CitySport is our sports and leisure facility in Clerkenwell, providing fitness, wellbeing and sporting opportunities to City students, staff and alumni, as well as students from other universities, local residents and corporate organisations.

Community gym membership at CitySport is now 28 per cent of total gym membership, an increase of three per cent from the previous year.

Local organisations using CitySport facilities include Black Arrows Badminton Club, City and Islington College, Cumberland Netball Club, Greenhouse Charity Sports, Islington Council Health and Wellbeing team, School Improvement Service and Sport Inspired.

### Trade Union Facility Time

The Trade Union (Facility Time Publication Requirements) Regulations 2017 require the University to publish information on trade union facility time annually. For the period 1<sup>st</sup> April 2017 to 31<sup>st</sup> March 2018:

**Number of employees who were relevant union officials: 1**

**Full-time equivalent employees: 8.4**

| Percentage of time spent on facility time                       | Number of employees |
|---|---------------------|
| 0%  | 0                   |
| 1%-50%  | 9                   |
| 51%-99%   | 0                   |
| 100%  | 0                   |
| Total cost of facility time                                     | £94,592             |
| Total pay bill  | £130,785,170        |
| Percentage of total pay bill spent on facility time             | 0.07%               |
| Hours spent on paid facility time                               | 3,276               |
| Hours spent on paid trade union activities                      | 0                   |
| % of total paid facility time hours spent on paid TU activities | 0%                  |



## Public benefit statement

## City of London Academy, Islington

Together with the City of London Corporation, City co-sponsors the City of London Academy, Islington. We are proud to play a key role in the Academy's transformational journey.

The Academy's vision is:

*"To be an outstanding Academy, with a total commitment to improving the lives of the young people of Islington by serving the local community as a vibrant centre of learning, known for our academic excellence and our unrelenting determination for everyone to succeed".*

In 2016 the School was ranked 15<sup>th</sup> in the country, 6<sup>th</sup> in London and 1<sup>st</sup> in Islington for pupil progress. Results from 2017/18 show that the Academy continues to support students to achieve their potential.

**A-levels** – 76% of examination entrants achieved grades A\* to C. 91% of students secured a place at university, with some students beginning courses at Russell Group universities.

**GCSE** – 86% achieved a pass at English of Grade 4 or better; 72% achieved a pass at Mathematics of Grade 4 or better; 12 out of 14 subjects had better than national average passes at grades 4 and above. The Academy achieved an outstanding progress 8 score of 0.46.

To achieve these results, the Academy works with students, parents, families and the wider community to address and overcome some significant challenges. Around 70% of pupils are either currently receiving free school meals or have received free school meals in the last six years. This is more than double the national average of 29%. More than half of Academy students speak English as an additional language. Many students enter the Academy with prior attainment levels significantly below the national average.

## City's role

City nominates four Governors to the Academy; Professor Richard Verrall from Cass Business School, who serves as Deputy Chair and will take up the Chair in 2019; Marion O'Hara, City's Deputy Chief Financial Officer who chairs the COLAI Finance Committee; Mr Ronald W. Zeghibe, a member of the University Council and entrepreneur; and Lady Curran, wife of City President Sir Paul Curran 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 the University. 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. City also extends 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 teaching and research, both within the institution and in close association with business and the professions, for the benefit of individuals and society at large.

Our approach to fundraising

In line with the Charities (Protection and Social Investment) Act (2016), City shares its approach to fundraising and benefactors.

City seeks, stewards and accepts benefactions in support of its charitable objective. It does so under the leadership of the Director of Development and Alumni Relations and the Head of Fundraising. In its fundraising activities it follows the Principles of Practice for Fundraising Professionals at Educational Institutions approved by the Council for Advancement and Support of Education's Board of Trustees in July 2014. This sets out ethical principles of personal integrity, confidentiality and public trust to support the charitable work of the University. We received £3,824,273 in philanthropic donations during 2017/18. We receive funding from a wide range of benefactors including many of our alumni and we are grateful for their support. Other benefactors include 19 trusts and foundations, 12 livery companies and 19 corporate organisations.

## Corporate governance statement

City is an independent corporation governed by a Royal Charter, first granted in 1966 and amended by a supplemental Charter which came into effect on 1<sup>st</sup> September 2016 to reflect City's 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 the City 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 strategic direction, ensuring effective management and control of our affairs, property and finances and determining structure, staffing and overall composition. Council appoints the President, the Chair and Deputy Chair of Council and the College Secretary. It has given significant delegated powers to its Committees and to the President through a delegations 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/about/city-information/charter](http://www.city.ac.uk/about/city-information/charter).

City structures its governance arrangements in accordance with the recommendations of recent reviews of corporate governance, the seven Principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership) and with the guidance 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 1<sup>st</sup> April 2018, the Office for Students (OfS) has been the 'principal regulator' for charity law purposes of those English universities which are exempt charities. Prior to 1<sup>st</sup> April 2018, the Higher Education Funding Council for England (HEFCE) was the principal regulator. City's Council members act as trustees for charitable law purposes.

**Council**

Council consists of a maximum of 21 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 4 additional members drawn from staff and students. City's Council comprised 20 members on 25<sup>th</sup> November 2018 of whom 14, including the Chair and Deputy Chair, were external independent members. There was one vacancy for a staff or student member. The staff and student members of Council at that date comprised City's Chief Financial Officer, its Director of Human Resources, two Deans and the President of the Students' Union.

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

All of these Committees are formally constituted with terms of reference. Terms of reference, Committee membership and dates of meetings of Council and Committees can be found at:

[www.city.ac.uk/about/city-information/governance/council-senate-and-committees](http://www.city.ac.uk/about/city-information/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. There are some exceptions: 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. Three independent members of Council attended meetings of Senate in 2017/18. 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 was formed in 2017/18.

We normally use executive search to assist in the appointment of members of Council. We re-tendered the contract for this role in early 2018. Russell Reynolds Associates was the successful bidder. In 2017/18, Russell Reynolds Associates assisted in the appointment of one independent member 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 City, apart from the reimbursement of expenses. A term of office for a Council member is limited to three years or for such shorter period as Council may determine. Members are eligible for re-appointment but may not serve more than three terms of three years or nine years in total with the exception of a member who becomes Chair of Council who can then serve a further two terms of three years as Chair. City maintains a Register of Interests of members of the Council, which may be viewed on City's Governance web pages.

The College Secretary is responsible for managing City's governance processes and reports directly to the Chair of Council.

The minutes of Council appear on the governance public web pages following their approval by Council. A short report on the Council meeting is sent to all staff shortly 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



## Corporate governance statement

general public, with the exception of arrangements for Senate and for RemCo, which are described below.

Council had six meetings in 2017/18, one of which was an Away Day. It had three plenary sessions on the evenings before the Council meeting and three informal dinners for the Chairs of Committees which all independent members have an open invitation to attend. City's governance arrangements seek to ensure that all Council members fully participate in Council discussions and that there are constructive relationships between the Executive and the 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 2017/18 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.

City provided a self-assessment of its management and governance arrangements to OfS in April 2018 to support its application for registration.

#### 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 judgements – 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 Nouss. The Committee membership includes two co-opted members appointed for their relevant expertise. The term of office of Mr James Friend as a co-opted member expired at the end of February 2018. Mr Nick Avery was appointed as a co-opted member of ARC from 1<sup>st</sup> March 2018. The term of office for Mr Hanif Barma expired at the end of July 2018. A new appointment is pending. The internal and external auditors attend each meeting.

The Committee met four times in 2017/18. 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 does on a bi-annual basis. The Committee reviews its own effectiveness and the effectiveness of the internal and external auditors on an annual basis.

#### Corporate Governance and Nominations Committee (CGNC)

This Committee advises Council on matters concerning City's corporate governance capability, structural arrangements and practices, membership of the Council and its Committees and amendments to the Charter, Statutes and Ordinances. This Committee is also responsible for making recommendations to Council on nominations for honorary degrees.

CGNC met three times in 2017/18. The first meeting of Committee in 2017/18 was chaired by Dame Lynne Brindley, an independent member of Council. The second meeting was chaired by Ms Julia Palca, the Chair of Council. Mr Adrian Haxby was appointed as Chair of CGNC with effect from 1<sup>st</sup> March 2018.

CGNC recommended for approval to Council: the appointment of one independent member of Council and one staff member of Council; membership changes to Council Committees; and five nominations for the award of an Honorary Degree. CGNC also reviewed the comments from the Council annual appraisal scheme.

#### Remuneration Committee (RemCo)

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, taking into account recommendations from the Chair of Council or the President, OfS guidance, market related factors, equal pay and other relevant legislation. RemCo also has overall responsibility for and oversight of the remuneration of staff earning more than £100,000 p.a.

The Committee's Terms of Reference also require it to continuously review progress in addressing equality and diversity issues at City.

RemCo met five times in 2017/18. The Committee was chaired in 2017/18 by an independent member of Council, Ms Philippa Hird until 31<sup>st</sup> December 2017. Sir John Low, an independent member of Council, was appointed as Chair of RemCo with effect from 1<sup>st</sup> March 2018. The Committee did not meet in January or February 2018.

The Committee is advised by Mr Peter Smith, a Director from the Hay Group, and has one co-opted member, Mr Peter Blausten, appointed for his relevant expertise. The Chair of Council is a member of the Committee, as are two other independent members of Council. 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 available at:

[www.city.ac.uk/about/city-information/governance/council-senate-and-committees/remuneration-committee](http://www.city.ac.uk/about/city-information/governance/council-senate-and-committees/remuneration-committee).

A report on the work of RemCo in 2017/18, compiled in accordance with the CUC Higher Education Senior Staff Remuneration Code is below.

#### Strategy, Implementation and 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 City's performance in the round and that of its constituent Schools and to consider any proposals or development related to the institution's strategic objectives.

## Corporate governance statement

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 2017/18; and was chaired in 2017/18 by an independent member of Council, Mr Andy Friend. SIPCo approved the Annual Transparency Return (TRAC) to HEFCE on behalf of Council in 2018.

### 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 2017/18 the composition initially allowed 16 *ex-officio* positions and an equal number of members elected from the academic staff plus up to five students and a member of staff elected from Visiting Academic Staff, making a potential total membership of up to 38. As some members of academic staff held more than one office in 2017/18, Senate in 2017/18 had an initial total membership of 36.

Following revisions to City's Ordinances, agreed by Council, which took effect from 1<sup>st</sup> April 2018, the number of *ex-officio* and elected Senators was reduced to 14 in each case and reduced the maximum total membership of Senate to 34.

Elected Members are appointed for a three-year period and at least two elected members must be drawn from each Board of Studies area. All Senators are expected to express views that benefit City as a whole.

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

Senate delegates many of its responsibilities to the President and to 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 four times in 2017/18. Minutes and papers are available to the public on the website at:

[www.city.ac.uk/about/city-information/governance/council-senate-and-committees/senate](http://www.city.ac.uk/about/city-information/governance/council-senate-and-committees/senate).

Restricted papers are only available to staff and students. A short report on the Senate meeting is sent to all staff shortly after the meeting.

### 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 the Council for maintaining and promoting the efficiency and good order of City.

Under the terms of 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 delegations framework agreed by Council. The President is advised by an Executive Committee comprising the Deputy President and Provost, Vice-Presidents, Chief Financial Officer and Director of Human Resources, together with the Deans and key Professional Services directors.



In determining the remuneration of the President and senior staff as defined in City's Ordinances as higher paid staff, the RemCo works within the context of remuneration and HR strategies that have been developed to support delivery of City's *Vision & Strategy 2026*. Details of that strategy and of progress in its implementation can be found on the City website at [www.city.ac.uk/about/city-information/vision-strategy-2026](http://www.city.ac.uk/about/city-information/vision-strategy-2026). A synopsis of City's remuneration strategy is publicly available at [www.city.ac.uk/about/working-at-city/why-work-at-city/pay-and-benefits](http://www.city.ac.uk/about/working-at-city/why-work-at-city/pay-and-benefits).

In making individual remuneration decisions, RemCo is also informed by salary benchmark data, retention considerations, relevant market conditions and performance data. 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, members of the Russell Group) and comparators in other relevant sectors, for Professional Services staff. City reviews the data within the surveys it uses regularly to ensure that RemCo has access to the most relevant information for all positions. City's approach to benchmarking will be reviewed in 2018/19.

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 (USS).

An important element of City's remuneration strategy is that pay for senior staff includes an element of Performance Related Remuneration. Details of City's Performance Related Remuneration Scheme (PRRS) are available at [www.city.ac.uk/about/working-at-city/why-work-at-city/pay-and-benefits](http://www.city.ac.uk/about/working-at-city/why-work-at-city/pay-and-benefits). The policy applies to senior staff (as defined in City's Ordinances), to members of City's Executive Committee and to the President's Executive Officer. The remuneration of some members of this group is below £100,000 per annum and so is not determined by RemCo. The maximum award for eligible staff is equivalent to 10 per cent of base salary, including Personal Elements. 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 payments are made at the discretion of RemCo. The PRRS scheme, which supports recommendations to RemCo from the Chair of Council and the President to RemCo for payments to be made under the scheme, is based on an annual appraisal of personal performance plus institutional performance against strategic measures including City's four academic KPIs and three institutional PIs. Accordingly, the awards made for 2017/18 reflect the achievement at City in that year of four of the seven City-wide indicators used for the determination of PRRS – three City-wide indicators were not met in 2017/18. A table setting out City's performance against the indicators used in the PRRS is at [www.city.ac.uk/about/working-at-city/why-work-at-city/pay-and-benefits](http://www.city.ac.uk/about/working-at-city/why-work-at-city/pay-and-benefits).

## President's remuneration

Remuneration of the President at City is determined by the Remuneration Committee of Council.

The President's total remuneration comprises: salary, taxable benefits in kind, PRRS, pension contribution and non-taxable benefits.

The President's salary is reviewed by the RemCo each year to determine the salary effective from August. The Committee's annual review of salary is 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. It is not automatically increased by the annually negotiated cost of living increase for university staff across the higher education sector.

For 2017/18, the Committee determined in June 2017 that the salary of the President should be increased by the same percentage as that of other staff, namely by the annually negotiated cost of living increase of 1.7 per cent.

The Chair's annual appraisal of the performance of the President for the year 2017/18 was that the President had met his objectives. Under the terms of City's PRRS, this assessment was reflected (alongside the achievement by City of four of the basket of seven KPIs and PIs that form part of the scheme) in the Chair's recommendation to RemCo and the decision by RemCo to award, in November 2018, to the President a sum which represents 7 per cent of salary against a maximum total opportunity of 10 per cent.

Employer pension contributions for the President are at the same rate for the President as for other City members of staff and constitute 18 per cent of salary.

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

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. The benefit, calculated on the basis required by OFS, namely as the opportunity cost to City of the provision of this accommodation, is given in Note 7 to the accounts. This is a new requirement and the calculation of opportunity cost has been made for the first time this year.

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 below to cover 2017/18.

## Remuneration report

| Academic year  | 2015/16 | 2016/17 | 2017/18 |
|--|---------|---------|---------|
| <b>Salary (£k)</b>   | 294     | 309     | 314     |
| <b>Taxable benefits in kind (£k)</b>                                   | 1       | 1       | 1       |
| <b>Performance Related Remuneration (PRR) (£k)</b>                     | 13      | 24      | 21      |
| <b>Total pay (£k)</b>  | 308     | 334     | 336     |
| <b>Pension contribution (£k)</b>                                       | 49      | 56      | 57      |
| <b>Ratio of President's salary to median salary for academic staff</b> |         |         |         |
| <b>National</b>  | 5.6     | 5.7     | N/A     |
| <b>City</b>  | 5.1     | 5.4     | 5.4     |
| <b>Ratio of President's salary to median salary for all staff</b>      |         |         |         |
| <b>National</b>  | 6.8     | 6.8     | N/A     |
| <b>City</b>  | 6.8     | 7.3     | 7.5     |

The above ratios follow CUC guidance and use UCEA formulae and national data. UCEA revised their formulae and resultant national ratios in July of this year and the above ratios restate the prior years on the current basis. Further ratios, as required by the OfS, 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 2017/18 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 amount retained from external bodies by the President in 2017/18 was £5,250. 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, we also require 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 on request. The President retained no income from consultancy in 2017/18.

**Expenses**

City's expenses policy for members of staff is publicly available at [www.city.ac.uk/about/working-at-city/why-work-at-city/pay-and-benefits](http://www.city.ac.uk/about/working-at-city/why-work-at-city/pay-and-benefits). This policy applies to all members of staff including the President, senior staff and higher paid staff.

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

City's expenses policy for the reimbursement of expenses by Council members is publicly available at: [www.city.ac.uk/data/assets/pdf\\_file/0018/400059/Expenses\\_Re-imbursement\\_20180305.pdf](http://www.city.ac.uk/data/assets/pdf_file/0018/400059/Expenses_Re-imbursement_20180305.pdf).

We do not currently have a single scheme for the publication of all staff expenses as recommended in the CUC Remuneration Code, but will develop a publication code in the light of the outcome of the current Cabinet Office consultation on a new Freedom of Information Code of Practice. RemCo will oversee the workings of such a Code of Practice in so far as it relates to Senior Staff. (The Cabinet Office is currently analysing the responses to its consultation, on a new Freedom of Information Code of Practice, which ran from November 2017 to February 2018.)

Under our current Freedom of Information Code of Publication, the extent of the expenses reimbursed to the President in 2017/18 is publicly available at [www.city.ac.uk/about/city-information/governance/council-senate-and-committees/remuneration-committee](http://www.city.ac.uk/about/city-information/governance/council-senate-and-committees/remuneration-committee). The extent of the expenses reimbursed to Council members in 2017/18 is reported in Note 7 to the Accounts.

**Severance payments to senior and higher paid staff**

RemCo agreed one severance payment to a member of higher paid staff in 2017/18. Details of this payment are included in the figures reported in Note 7 to the Accounts.



## Membership of Council

**City's Council comprised the following members for the period 1<sup>st</sup> August 2017 to 23<sup>rd</sup> November 2018.**

### Rector

The Right Honourable, The Lord Mayor of London

### Chair of Council

Mr R Woodward (to 31<sup>st</sup> January 2018)

Ms J Palca (from 1<sup>st</sup> February 2018)

### Deputy Chair of Council

Ms J Palca (to 31<sup>st</sup> January 2018)

Ms J Legrand (from 1<sup>st</sup> February 2018)

### President

Professor Sir P Curran

### Other key officers

Professor D Bolton, Deputy President and Provost

Professor A Jones, Vice-President, Research & Enterprise

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

Professor R Verrall, Vice-President, Strategy & Planning  
(to 31<sup>st</sup> July 2018)

Professor Z Radnor, Vice-President, Strategy & Planning  
(from 24<sup>th</sup> September 2018)

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

Professor T Farrell, Dean, School of Arts and Social Sciences  
(to 30<sup>th</sup> September 2017)

Professor K Grattan, Dean, City Graduate School

Professor C Greer, Dean, School of Arts and Social Sciences  
(from 1<sup>st</sup> October 2017)

Professor M Lewis, Dean, Cass Business School

Professor D Salmon, Dean, School of Health Sciences

Professor C Stychin, Dean, City Law School (to 15<sup>th</sup> February 2018)

Professor C Ryan, Interim Dean, City Law School  
(from 20<sup>th</sup> February 2018)

Dr W Jordan, College Secretary

Ms M Luckiram, Director of Human Resources

Ms C Rylatt, Chief Financial Officer

### Independent members

Sir B Barber

Dame L Brindley

Dr P Franklin (from 1<sup>st</sup> July 2018)

Mr A Friend

Professor I Gray

Mr A Haxby

Ms P Hird

Professor C Jenks

Sir J Low

Ms H Nouss

Ms J Wright

Mr R Zeghibe

### Staff and student members

Professor M Lewis

Ms M Luckiram

Ms O Matcovschi (to 30<sup>th</sup> June 2018)

Professor S Newman (to 8<sup>th</sup> February 2018)

Ms K Perelygina (from 1<sup>st</sup> July 2018)

Ms C Rylatt

Professor D Salmon (from 9<sup>th</sup> February 2018)

### Honorary Rectors (not members of Council)

The Hon Mr A Bagri

Professor Sir D Bone

Mr R Woodward (from 1<sup>st</sup> February 2018)

### Senior Elected Senator (not a member of Council)

Dr R Cohen

## 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 our financial position and enable us 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 HEFCE, OfS 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 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 and the authority delegated to Schools and Professional Services

- A medium and short-term planning process, supplemented by detailed annual income, expenditure, capital and cash flow budgets
- Regular reviews of financial results involving variance reporting and updates of forecast out-turns
- Defined and formalised requirements for approval and control of expenditure, with investment decisions involving capital or revenue expenditure being subject to appraisal and review according to approval levels set by the Council and the President
- Financial Regulations, detailing financial controls and procedures
- A professional Internal Audit Service whose annual programme is approved by the Audit and Risk Committee and is endorsed by the Council. The Director of Internal Audit provides the Council with an annual report on internal audit activity within City and an opinion on the adequacy and effectiveness of City's system of internal control, including risk management, corporate governance and value for money
- 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 and 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 1<sup>st</sup> August 2017 to 23<sup>rd</sup> November 2018.

### Risk management

The key elements of our 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 us from achieving our vision are clearly described. The highest risks as we enter the next academic and financial year are:



## Statement of the responsibilities of City's Council

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**Strategic risks** that would prevent us from maintaining and improving student satisfaction and recruiting planned numbers of students, particularly international 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. We are undertaking a review of our *Education and Student Strategy* to ensure we are taking proactive steps to give students high quality services and support. Our *People Strategy* sets out how we will support and develop our staff, with a new approach to succession planning. We have strengthened our information governance and data management processes. We have a robust Health & Safety Management Framework and a continuing focus on embedding Health & Safety within the organisational culture.

### Prevent Duty

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

Our Council approved in November 2018 its Prevent Annual Report and Risk Assessment to OfS and authorised signature of the required annual assurance statement to OfS for the academic year 2017/18 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

## Financial sustainability

City's Financial and Investment Plan demonstrates that it is financially sustainable. This means that we generate sufficient cash and surpluses to enable us to both run day-to-day activities and deliver strategic investment objectives and plans.

We actively monitor several widely used financial indicators and these are presented in the table below.

|   | 2018  | 2017  |
|---|-------|-------|
| Surplus (before other gains and share of operating surplus of joint ventures and associates) as a % of total income | 5.2   | 2.5   |
| Unrestricted reserves as a % of total income  | 116.2 | 113.4 |
| External borrowing as a % of total income   | 25.0  | 26.6  |
| Net cash flow from operating activities as a % of total income  | 11.5  | 10.6  |
| Net liquidity days  | 189   | 166   |
| Core staff costs as a % of total income   | 56.3  | 56.9  |
| Total staff costs (including movements on pension funds and holiday accrual) as a % of total income                 | 56.0  | 57.9  |

These indicators show that City continues to be financially strong.

Income from tuition 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 City's *Vision and Strategy 2026*.

Staff costs have increased, reflecting increases in staff numbers and employment costs. Other operating expenses have also increased, including rents (reflecting City's central London location) and expenditure on repairs and maintenance (reflecting continuing work to improve City's estate and infrastructure).

We continue to invest in several projects and services that will have long-term benefits for our staff, students and wider community, such as our 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 2017/18, the team focused on two projects: student attendance and monitoring and personalised timetables. A pilot of the new approach was successfully launched in autumn 2018.

Construction of the new home for City Law School at Sebastian Street continues to progress well. The building will provide 7,200 sq. m of world-class educational facilities for our students and staff, opening in 2019. The complete redevelopment of the Drysdale Ground Floor area was completed in 2018, creating cutting-edge PC labs, increased student social and breakout space, improved access, connectivity and external landscaping.

## Scope of the financial statements

The financial statements for 2018 comprise the consolidated results of City and its two subsidiaries – City Foundations Limited and City Entrepreneurship Limited – and the results of the INTO City LLP associate company which is accounted for under the equity method.

We have one dormant company, Cass Executive Education Limited.

The significant majority of activity is within City itself. The University has two active wholly owned subsidiaries, the first being City Foundations Limited, which began trading in January 2010 and is the ownership vehicle for City's 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 using equity accounting. The other subsidiary is City Entrepreneurship Limited, which holds various investments relating to Cass Business School.

## 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 Financial Reporting Standard (FRS) 102.

The **Financial Report** below sets out the details of City's financial results and position for 2018.

## Summary results for the year

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

|                                    | 2018        | 2017       |
|------------------------------------|-------------|------------|
|                                    | £M          | £M         |
| Income                             | 241.2       | 226.7      |
| Expenditure                        | 228.8       | 221.1      |
| <b>Operating surplus</b>           | <b>12.4</b> | <b>5.6</b> |
| Deconsolidation of Students' Union | (0.1)       | 0.0        |
| Gain on investments                | 0.9         | 0.4        |
| Gain on disposal of fixed asset    | 0.2         | 0.0        |
| Share of surplus in joint venture  | 1.2         | 0.5        |
| <b>Surplus for the year</b>        | <b>14.6</b> | <b>6.5</b> |

The Surplus of £14.6M is £8.1M more than that reported for 2017. The key variances between 2017 and 2018 are summarised as follows:

**Income:** increases across all income lines: £10.2M tuition fee and educational contract income, £1.5M other income, £1.1M funding body grants, £1M donations and endowment income, £0.4M investment income and £0.4M research grants and contracts.

**Expenditure:** increases in: staff costs £6.9M, other operating costs £3M and depreciation £0.8M, with interest and other costs remaining steady at £3M. These increases are offset against a £3.1M positive swing relating to movements on pension provisions and the annual holiday accrual.

**Other gains:** increases in: the INTO joint venture surplus £0.7M, investment gains £0.4M and a one-off gain on the disposal of our Bath Street investment property £0.2M. These are offset by a one-off adjustment relating to the deconsolidation of the Students' Union from the group.

## Financial report

## Comprehensive income for the year

The movement from the surplus above to total comprehensive income is as follows:

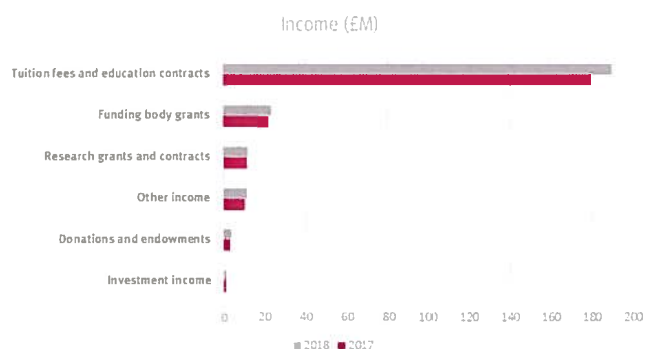
|   | 2018        | 2017        |
|---|-------------|-------------|
|   | £M          | £M          |
| Surplus for the year as above                           | 14.6        | 6.5         |
| Unrealised surplus on revaluation of Land and Buildings | 0.0         | 2.3         |
| Actuarial gain/(loss) in respect of Pension Schemes     | 9.6         | 5.5         |
| <b>Total comprehensive income for the year</b>          | <b>24.3</b> | <b>14.3</b> |

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

## Income

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

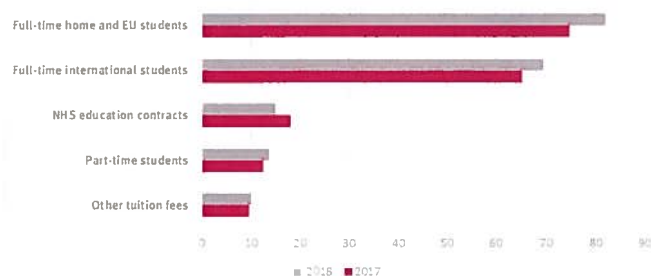
|                                      | 2018         | 2017         |
|--------------------------------------|--------------|--------------|
|                                      | £M           | £M           |
| Tuition fees and education contracts | 189.9        | 179.7        |
| Funding body grants                  | 23.0         | 21.9         |
| Research grants and contracts        | 12.0         | 11.6         |
| Other income                         | 11.4         | 10.0         |
| Donations and endowments             | 3.8          | 2.8          |
| Investment income                    | 1.1          | 0.7          |
| <b>Total operating income</b>        | <b>241.2</b> | <b>226.7</b> |



Total operating income increased by £14.5M (6.4%) to £241.2M.

Tuition fee and education contract income increased by £10.2M (5.7%), to £189.9M. Tuition fees from full-time home and EU students increased by £7.3M, full-time international students increased by £4.3M, part-time students increased by £1.3M and other tuition fees by £0.4M. This was offset by expected reductions in NHS contract income of £3.1M, consequent on the national change of funding arrangements for NHS students. This is indicated in the graph below.

Tuition fees and education contracts (£M)



The £23M funding body grants that we received from HEFCE, the OfS and Research England during 2018 continue to represent a diminishing proportion of our total income, now standing at 9.5% (9.7% in 2017).

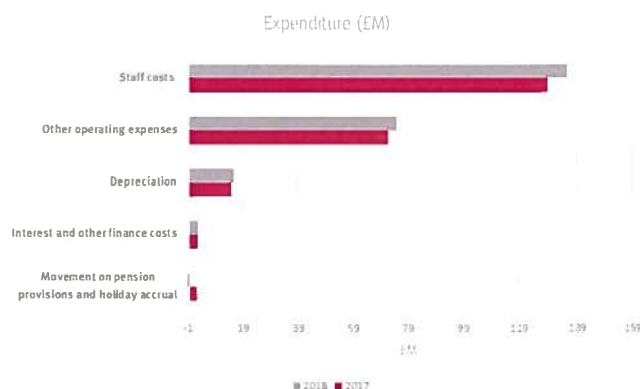
Income from research grants and contracts increased by £0.4M from the previous year to £12M and donations and endowments income increased by £1M to £3.8M.

Investment income increased by £0.4M due to improved market gains and having more money to invest than the previous year. All of our cash and endowment investments are managed in line with our Investment Policy.

## Expenditure

The table and graph below reports expenditure compared to the prior year:

|  | 2018         | 2017         |
|--|--------------|--------------|
|  | £M           | £M           |
| Staff costs  | 135.8        | 128.9        |
| Other operating expenses                           | 75.0         | 72.0         |
| Depreciation                                       | 15.7         | 14.8         |
| Interest and other finance costs                   | 3.0          | 3.0          |
| <b>Core expenditure</b>                            | <b>229.5</b> | <b>218.7</b> |
| Movement on pension provisions and holiday accrual | (0.7)        | 2.4          |
| <b>Total operating expenditure</b>                 | <b>228.8</b> | <b>221.1</b> |



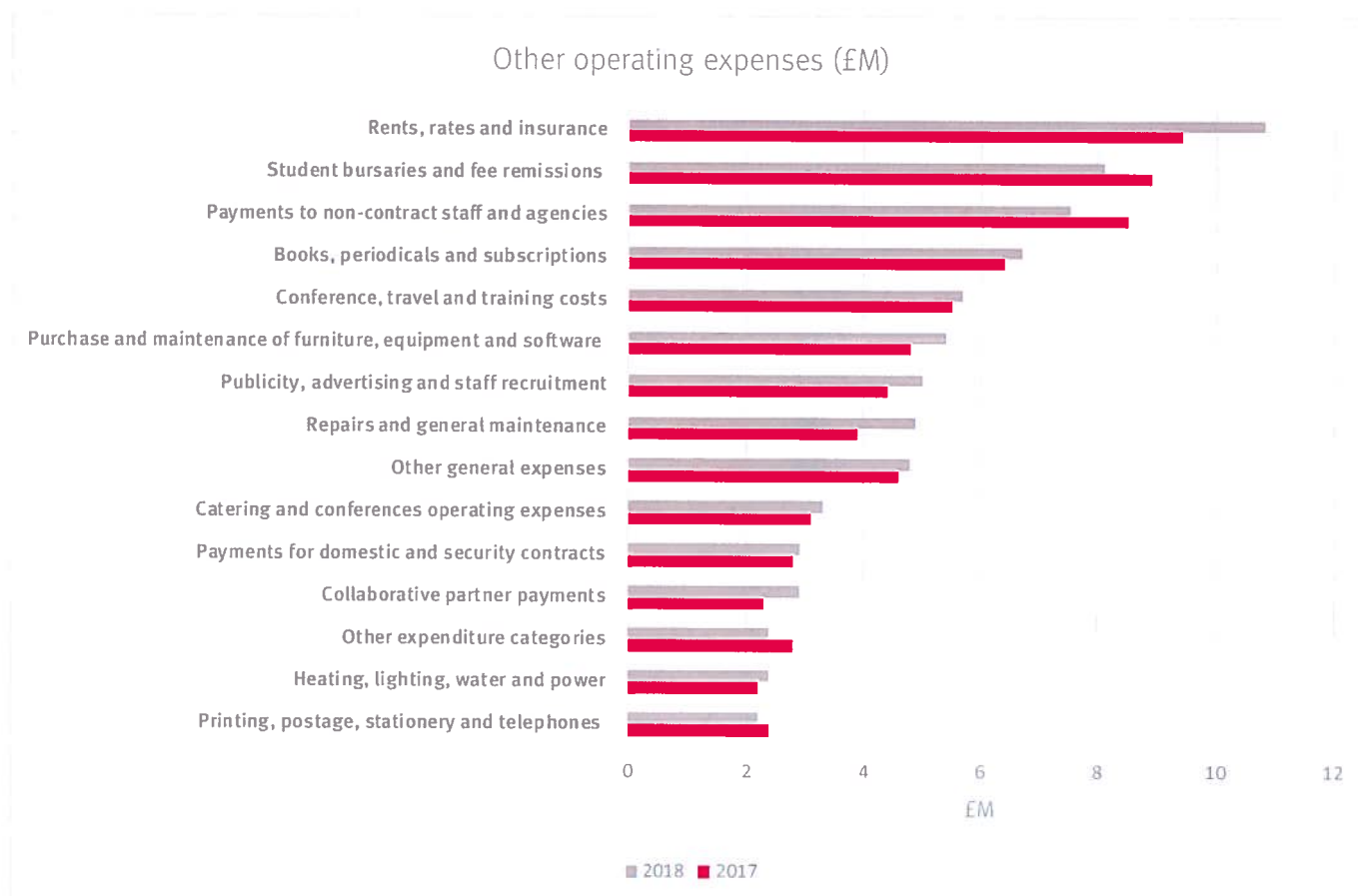


## Financial report

Core expenditure increased by £10.8M (4.9%) compared to the previous year.

Staff costs increased by £6.9M (5.4%), reflecting in-year increases in staff numbers and employment costs.

Other operating expenses, excluding depreciation, increased by £3M (4.2%) to £75M. This reflects an increase in inflation within the general economy. The largest cost increase was in the area of rents (£1.5M), which reflects our central London location and repairs and maintenance (£0.9M), which is due to continuing work to improve our estate and infrastructure. The breakdown of other operating costs is shown in the following graph.



Depreciation for the year increased from £14.8M to £15.7M reflects City's continuing investments in its estate and IT infrastructure.

Interest and other finance costs of £3M were the same as 2017.

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

|                             | 2018         | 2017       |
|-----------------------------|--------------|------------|
|                             | £M           | £M         |
| Movement on USS provision   | (3.1)        | 0.0        |
| Movement on LPFA provision  | 2.7          | 1.6        |
| Movement on holiday accrual | (0.3)        | 0.8        |
| <b>Total movements</b>      | <b>(0.7)</b> | <b>2.4</b> |

The reduction of the USS provision is due to our continuing contribution towards its USS deficit reduction obligations, in excess of its annual service cost and changes to discount rates and other assumptions.

The increase of the LPFA provision is mainly due to changes in the current service cost relating to employees on the LPFA scheme.

The reduction of the holiday accrual is due to the changes associated with our new holiday arrangements which came into effect during 2018.

## Financial report

## Capital projects and investment property

The value of City's Tangible Fixed Assets increased by £12.1M to £350.9M. This is mainly due to the continuing investment in the University's estates and IT infrastructure, as part of our *Strategic Investment Plan*. City sold its Investment Property at Bath Street during the year for £17.3M. This was a planned sale and the proceeds are to be utilised to contribute towards the overall funding of our *Strategic Investment Plan*.

Our working capital cash and endowment reserves of £124.6M continue to be managed in accordance with our Investment Policy and under the management of its external investment managers.

The balance of our investments are made up of £1.7M bonds relating to postgraduate loans and £0.2M of shares in spin-out companies.

## INTO City LLP

INTO City LLP is a joint venture between City and INTO University Partnerships Limited which began trading in January 2010. Its principal activity is the provision of pre-University education for international students, with the intention that a significant proportion of those students progress to degree level programmes at City.

The accounting impact for City's share of the joint venture's results in 2018 was a surplus of £1.2M (£0.5M in 2017), a capital injection of £0.9M and the receipt of a £0.9M on demand loan from the joint venture. These were reflective of the changes made to the joint venture's financial and management arrangements. These changes came fully into effect from 1<sup>st</sup> September 2017 and are expected to ensure the joint venture's future sustainability and a reduction of its built up losses being made over time. Prior to 1<sup>st</sup> September 2017, a 50 per cent share of the net assets and liabilities was included in City's balance sheet and 50 per cent of its net income was reported in the consolidated income and expenditure account. Since 1<sup>st</sup> September 2017, City's share of net income has been reduced to 15 per cent.

## Investments

FRS102 and the HE SORP requires 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, City's 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.

City's allocation of Cash and Investments at the year-end is indicated in the table below:

|  | Non-Current<br>Asset Invest's | Current Asset Invest's | Cash and Cash Equiv's | Total        |
|--|-------------------------------|------------------------|-----------------------|--------------|
|  | £M                            | £M                     | £M                    | £M           |
| Working capital cash                         | 0.0                           | 32.6                   | 76.8                  | 109.4        |
| Endowments and restricted reserves           | 14.5                          | 0.0                    | 0.7                   | 15.2         |
| Bonds relating to postgraduate student loans | 1.7                           | 0.0                    | 0.0                   | 1.7          |
| Investments in spinout companies             | 0.2                           | 0.0                    | 0.0                   | 0.2          |
| <b>Total</b>                                 | <b>16.4</b>                   | <b>32.6</b>            | <b>77.5</b>           | <b>126.5</b> |

## Financial report

## Cash flows

Our balance sheet shows a balance of cash and cash equivalents of £77.5M at the year end. This is a £1.4M increase from 2017. This increase is mainly as a result of generating £26.3M cash from operations and receiving £17.3M from the sale of the Bath Street investment property. These inflows are offset by the conversion of £14.9M to investments and deposits and spending £27.8M on fixed assets, as part of our *Strategic Investment Plan*.

Our cash generation and cash position remains healthy and in line with its forecasts.

## Borrowings

2017 was the first year that we have undertaken a large borrowing exercise. In April 2017, we completed a privately arranged and competitive borrowing exercise, which secured £60M of long term funds to use in financing its Strategic Investment Plan which is now included in our cash balances. In September 2016, we secured a £20M revolving credit facility, which we have not drawn down. This facility is intended to only be utilised should we require future funding flexibility.

## Pensions

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

Nearly 80 per cent of staff members are in the USS. Because of the mutual nature of the scheme, the scheme's assets are not notionally allocated 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 FRS102, accounts for the scheme as if it were a defined contribution scheme. The scheme was subject to a triennial valuation as at 31<sup>st</sup> March 2014. The consultation around the 2017 valuation is taking place and we are monitoring developments closely.

Under FRS102, we have accounted for our estimated share of the 2014 valuation deficit recovery plan relating to the USS. This is calculated using the approved sector wide method. The liability for 2018 is currently estimated to be £21.1M and has been accounted for as such.

The LPFA scheme currently shows an FRS102 deficit of £39.9M for City, a decrease of £5.7M from 2017. The present value of the fund's liabilities for City has decreased by £1.1M to £104.7M and assets have increased in value by £4.6M to £64.8M. Our share of the LPFA scheme deficit is reflected in the balance sheet in accordance with FRS102. This calculation reflects the position of the fund on one particular day based on a prescribed set of assumptions and does not determine the contributions that employers pay into the fund. The contribution level is set based on the actuary's recommendation following the revaluation, which last took place in March 2016.

## City University London Students' Union

The Students' Union amended its governance and constitutional arrangements with City last year. They also changed their legal persona by moving 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 23<sup>rd</sup> June 2017 and started trading from 1<sup>st</sup> 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 onwards.

## Strategic risks

We actively monitor all of the risks we face through the comprehensive risk management systems that have been discussed in the Corporate Governance Statement. Currently, the primary strategic risks facing City are the outcomes of the Government's Post-18 Education Review and its potential effect on student funding, the continuing consultation regarding the USS pension scheme with the associated potential increases in staff costs and the outcomes from Brexit and the related impact on students, staff and funding streams. We are actively monitoring these (and all other risks) and are regularly reviewing its plans to mitigate any potential impacts, should these materialise.

## Going concern and future outlook

The Chief Financial Officer, on behalf of the Executive Committee, has conducted an assessment of whether City is a going concern. This assessment is the product of City's annual planning round and the assessment of its financial risks. 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 £126.5M at the balance sheet date and comparatively small level of external borrowing £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 its operation in the coming year. The Statement of Council's Responsibilities and the Corporate Governance Statement summarise the arrangements in place for the on-going identification and management of risk. We have therefore a reasonable expectation that adequate resources exist to continue operations for the foreseeable future and the going concern basis continues to be appropriate for preparing the annual financial statements.

Signed .....  .....

Ms. C Rylatt

Chief Financial Officer

23<sup>rd</sup> November 2018



## Independent auditors' 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 the University's affairs as at 31 July 2018 and of the group's and of the University's income and expenditure, gains and losses, and changes in reserves, and of the group's cash flows for the year then ended;
- Have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (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 Sheet as at 31 July 2018; 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. 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's and the university'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 the university'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 the responsibilities of City's Council set out on page 14 and 15, 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's and the university'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 the university 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](http://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**

**23<sup>rd</sup> November 2018**

## Statement of accounting policies

**1 Basis of preparation**

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

**2 Basis of consolidation**

The consolidated financial statements include City, University of London (City) and its subsidiaries, City Foundations Limited and City Entrepreneurship Limited for the financial year ended 31<sup>st</sup> July 2018. City, University of London Students' Union is also included for the financial year ended 31<sup>st</sup> July 2017. Intra-group sales and profits are eliminated fully on consolidation. The joint venture is accounted for using the equity method.

**3 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.

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.

**4 Pension schemes**

The two main pension schemes for City 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 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.

**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



## Statement of accounting policies

than expected) and investment risk (that returns on assets set aside to fund the benefits will differ from expectations) are borne, in substance, by City. The Group 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. The LPFA scheme is accounted for under this method.

## 5 Employment benefits

Short term employment benefits such as salaries and compensated absences are recognised as an expense in the year in which the employees render service to City. Any unused benefits are accrued and measured as the additional amount City expects to pay as a result of the unused entitlement. 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 31<sup>st</sup> July.

## 6 Finance leases

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

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

## 7 Operating leases

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

## 8 Foreign currencies

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

## 9 Fixed assets

### Land and buildings

Operational land and buildings are stated at cost less depreciation and accumulated impairment losses. Land and buildings that were revalued for the purpose of transition to the 2015 HE SORP, are measured at deemed cost, being the revalued amount at 31<sup>st</sup> 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.

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 three and five years
- Other equipment: over five years

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

### Borrowing costs

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

## 10 Investment properties

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

Investment properties are measured initially at cost and subsequently at fair value with movements recognised in the Statement of Comprehensive Income and Expenditure. Properties are not depreciated but are revalued or reviewed annually according to market conditions as at 31<sup>st</sup> July each year.

## 11 Investments

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

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

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

## 12 Stock

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

## 13 Cash and cash equivalents

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

## Statement of accounting policies

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

**14 Provisions**

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

**15 Reserves**

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

**16 Taxation**

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

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

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

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

**17 Termination benefits**

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

**18 Financial instruments**

Financial instruments are accounted for using the provisions of both section 11 and section 12 of FRS 102 in full.

Financial instruments are recognised initially net of any transaction costs. They are then held at amortised cost using the effective interest rate method and are subject to an annual impairment review.

**19 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.

**20 Critical accounting judgements and estimates**

In the application of City's accounting policies judgements, estimations and assumptions are required about the carrying value of assets and liabilities that are not readily apparent from other sources. These judgements have been consistently applied to both the current and prior year and are reviewed on a continuing basis, taking into account historical experience and other relevant factors. In City's financial statements, the principal estimates have been applied to the incorporation of the University's commitments to the USS recovery plan and the LPFA multi-employer pension scheme (refer to note 19).

To calculate appropriate values for the USS recovery plan, City has applied an accounting model and suggested discount rate developed by the British Universities Finance Director's Group (BUFDG) in conjunction with USS. A review was conducted of the recovery plan documentation and the bond market to ensure the model and rates were reasonable and appropriate.

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 31<sup>st</sup> March 2016 rolled forward using the latest financial assumptions.

Group and City statement of comprehensive income and expenditure for the year ended 31<sup>st</sup> July 2018

|   | Notes  | Year ended 31 <sup>st</sup> July 2018 |                | Year ended 31 <sup>st</sup> July 2017 |                |
|---|--------|---------------------------------------|----------------|---------------------------------------|----------------|
|   |        | Group<br>£000                         | City<br>£000   | Group<br>£000                         | City<br>£000   |
| <b>Income</b>   |        |                                       |                |                                       |                |
| Tuition fees and education contracts  | 1      | 189,852                               | 189,852        | 179,663                               | 179,663        |
| Funding body grants   | 2      | 22,999                                | 22,999         | 21,917                                | 21,917         |
| Research grants and contracts   | 3      | 11,992                                | 11,992         | 11,640                                | 11,640         |
| Other income  | 4      | 11,460                                | 11,460         | 9,987                                 | 10,245         |
| Investment income   | 5      | 1,108                                 | 1,108          | 741                                   | 741            |
| Donations and endowments  | 6      | 3,824                                 | 3,824          | 2,753                                 | 2,750          |
| <b>Total income</b>   |        | <b>241,235</b>                        | <b>241,235</b> | <b>226,701</b>                        | <b>226,956</b> |
| <b>Expenditure</b>  |        |                                       |                |                                       |                |
| Staff costs   | 7      | 135,793                               | 135,793        | 128,904                               | 128,789        |
| Movement on pension provision and holiday accrual   | 7      | (692)                                 | (692)          | 2,366                                 | 2,366          |
| Other operating expenses  | 9      | 75,036                                | 75,028         | 72,040                                | 72,429         |
| Depreciation  | 11     | 15,635                                | 15,635         | 14,827                                | 14,827         |
| Interest and other finance costs  | 8      | 2,991                                 | 2,991          | 3,003                                 | 3,003          |
| <b>Total expenditure</b>  |        | <b>228,763</b>                        | <b>228,755</b> | <b>221,140</b>                        | <b>221,414</b> |
| <b>Surplus before other gains and share of operating surplus of joint ventures and associates</b> |        | <b>12,472</b>                         | <b>12,480</b>  | <b>5,561</b>                          | <b>5,542</b>   |
| Deconsolidation of Students' Union  |        | (89)                                  | 0              | 0                                     | 0              |
| Gain on disposal of investment properties   |        | 200                                   | 200            | 0                                     | 0              |
| Gain on investments   |        | 869                                   | 869            | 430                                   | 430            |
| Share of operating surplus in joint venture   | 14     | 1,188                                 | 0              | 523                                   | 0              |
| <b>Surplus for the year - continuing operations</b>   |        | <b>14,729</b>                         | <b>13,549</b>  | <b>6,487</b>                          | <b>5,972</b>   |
| Surplus for the year - discontinued operation   | 10     | (89)                                  | 0              | 27                                    | 0              |
| <b>Surplus for the year</b>   |        | <b>14,640</b>                         | <b>13,549</b>  | <b>6,514</b>                          | <b>5,972</b>   |
| Unrealised surplus on revaluation of land and buildings   |        | 0                                     | 0              | 2,275                                 | 2,275          |
| Actuarial gain in respect of pension schemes  |        | 9,617                                 | 9,617          | 5,490                                 | 5,490          |
| <b>Total comprehensive income for the year</b>  |        | <b>24,257</b>                         | <b>23,166</b>  | <b>14,279</b>                         | <b>13,737</b>  |
| Represented by:   |        |                                       |                |                                       |                |
| Endowment comprehensive income for the year   |        | 354                                   | 354            | 95                                    | 95             |
| Restricted comprehensive income for the year  |        | 834                                   | 834            | 729                                   | 729            |
| Unrestricted comprehensive income for the year  |        | 23,069                                | 21,978         | 11,180                                | 10,638         |
| Revaluation reserve comprehensive income for the year   |        | 0                                     | 0              | 2,275                                 | 2,275          |
|   | 20, 21 | <b>24,257</b>                         | <b>23,166</b>  | <b>14,279</b>                         | <b>13,737</b>  |

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 10.

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



Group and City statement of changes in reserves as at 31<sup>st</sup> July 2018

| Group  | Income and expenditure account |                   |                     | Revaluation reserve | Total          |
|--|--------------------------------|-------------------|---------------------|---------------------|----------------|
|  | <i>Endowment</i>               | <i>Restricted</i> | <i>Unrestricted</i> |                     |                |
|  | £000                           | £000              | £000                | £000                | £000           |
| <b>Balance at 1<sup>st</sup> August 2016</b>                     | <b>5,080</b>                   | <b>8,186</b>      | <b>33,476</b>       | <b>210,218</b>      | <b>256,960</b> |
| Surplus from the income and expenditure statement                | 196                            | 3,163             | 3,153               | 0                   | 6,512          |
| Other comprehensive income                                       | 0                              | 0                 | 5,490               | 2,275               | 7,765          |
| Funds introduced from subsidiary                                 | 0                              | 0                 | (13)                | 0                   | (13)           |
| Release of restricted funds spent in year                        | (101)                          | (2,434)           | 2,535               | 0                   | 0              |
| <b>Total comprehensive income for the year</b>                   | <b>95</b>                      | <b>729</b>        | <b>11,165</b>       | <b>2,275</b>        | <b>14,264</b>  |
| <b>Balance at 1<sup>st</sup> August 2017</b>                     | <b>5,175</b>                   | <b>8,915</b>      | <b>44,641</b>       | <b>212,493</b>      | <b>271,224</b> |
| 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              |
| <b>Total comprehensive income for the year</b>                   | <b>354</b>                     | <b>834</b>        | <b>23,069</b>       | <b>0</b>            | <b>24,257</b>  |
| Transfers between revaluation and income and expenditure reserve | 0                              | 0                 | 9,696               | (9,696)             | 0              |
| <b>Balance at 31<sup>st</sup> July 2018</b>                      | <b>5,529</b>                   | <b>9,749</b>      | <b>77,406</b>       | <b>202,797</b>      | <b>295,481</b> |

| City   | Income and expenditure account |                   |                     | Revaluation reserve | Total          |
|--|--------------------------------|-------------------|---------------------|---------------------|----------------|
|  | <i>Endowment</i>               | <i>Restricted</i> | <i>Unrestricted</i> |                     |                |
|  | £000                           | £000              | £000                | £000                | £000           |
| <b>Balance at 1<sup>st</sup> August 2016</b>                     | <b>5,080</b>                   | <b>8,186</b>      | <b>37,921</b>       | <b>210,218</b>      | <b>261,405</b> |
| Surplus from the income and expenditure statement                | 196                            | 3,167             | 2,609               | 0                   | 5,972          |
| Other comprehensive income                                       | 0                              | 0                 | 5,490               | 2,275               | 7,765          |
| Adjustment to prior year reserves                                | 0                              | 0                 | (15)                | 0                   | (15)           |
| Release of restricted funds spent in year                        | (101)                          | (2,438)           | 2,539               | 0                   | 0              |
| <b>Total comprehensive income for the year</b>                   | <b>95</b>                      | <b>729</b>        | <b>10,623</b>       | <b>2,275</b>        | <b>13,722</b>  |
| <b>Balance at 1<sup>st</sup> August 2017</b>                     | <b>5,175</b>                   | <b>8,915</b>      | <b>48,544</b>       | <b>212,493</b>      | <b>275,127</b> |
| 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              |
| <b>Total comprehensive income for the year</b>                   | <b>354</b>                     | <b>834</b>        | <b>21,978</b>       | <b>0</b>            | <b>23,166</b>  |
| Transfers between revaluation and income and expenditure reserve | 0                              | 0                 | 9,696               | (9,696)             | 0              |
| <b>Balance at 31<sup>st</sup> July 2018</b>                      | <b>5,529</b>                   | <b>9,749</b>      | <b>80,218</b>       | <b>202,797</b>      | <b>298,293</b> |

Group and City balance sheet as at 31<sup>st</sup> July 2018

|   |       | Group          | City           | Group          | City           |
|---|-------|----------------|----------------|----------------|----------------|
|   | Notes | 2018           | 2018           | 2017           | 2017           |
|   |       | £000           | £000           | £000           | £000           |
| <b>Non-current assets</b>                                       |       |                |                |                |                |
| Fixed assets  | 11    | 350,939        | 350,939        | 338,825        | 338,825        |
| Investment properties   | 12    | 0              | 0              | 17,120         | 17,120         |
| Investments   | 13    | 16,380         | 17,280         | 15,527         | 15,527         |
|   |       | <b>367,319</b> | <b>368,219</b> | <b>371,472</b> | <b>371,472</b> |
| <b>Current assets</b>   |       |                |                |                |                |
| Stock   |       | 48             | 48             | 44             | 37             |
| Trade and other receivables                                     | 15    | 13,382         | 13,396         | 12,748         | 12,783         |
| Investments   | 16    | 32,595         | 32,595         | 17,668         | 17,668         |
| Cash and cash equivalents                                       | 22    | 77,518         | 77,518         | 76,115         | 76,116         |
|   |       | <b>123,543</b> | <b>123,557</b> | <b>106,575</b> | <b>106,604</b> |
| Less: creditors: amounts falling due within one year            | 17    | (51,526)       | (51,482)       | (50,519)       | (50,586)       |
| Share of net liabilities in joint venture                       | 14    | (1,854)        | 0              | (3,942)        | 0              |
| <b>Net current assets</b>                                       |       | <b>70,163</b>  | <b>72,075</b>  | <b>52,115</b>  | <b>56,018</b>  |
| <b>Total assets less current liabilities</b>                    |       | <b>437,482</b> | <b>440,294</b> | <b>423,587</b> | <b>427,490</b> |
| Creditors: amounts falling due after more than one year         | 18    | (81,039)       | (81,039)       | (81,452)       | (81,452)       |
| <b>Provisions</b>   |       |                |                |                |                |
| Pension provisions  | 19    | (60,951)       | (60,951)       | (69,338)       | (69,338)       |
| Other provisions  | 19    | (11)           | (11)           | (1,573)        | (1,573)        |
| <b>Total net assets</b>   |       | <b>295,481</b> | <b>298,293</b> | <b>271,224</b> | <b>275,127</b> |
| <b>Restricted reserves</b>                                      |       |                |                |                |                |
| Income and expenditure reserve - permanently restricted reserve | 20    | 5,529          | 5,529          | 5,175          | 5,175          |
| Income and expenditure reserve - temporarily restricted reserve | 21    | 9,749          | 9,749          | 8,915          | 8,915          |
| <b>Unrestricted reserves</b>                                    |       |                |                |                |                |
| Income and expenditure reserve - unrestricted                   |       | 77,406         | 80,218         | 44,641         | 48,544         |
| Revaluation reserve   |       | 202,797        | 202,797        | 212,493        | 212,493        |
| <b>Total reserves</b>   |       | <b>295,481</b> | <b>298,293</b> | <b>271,224</b> | <b>275,127</b> |

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 23<sup>rd</sup> November 2018 and signed on its behalf by:



Ms J Palca

Chair of Council



Professor Sir P Curran

President

Group statement of cash flows for the year ended 31<sup>st</sup> July 2018

|  |        | 2018            | 2017            |
|--|--------|-----------------|-----------------|
|  | Notes  | £000            | £000            |
| <b>Cash flow from operating activities</b>               |        |                 |                 |
| Surplus for the year                                     |        | 14,640          | 6,514           |
| <b>Adjustment for non-cash items</b>                     |        |                 |                 |
| Depreciation   | 11     | 15,635          | 14,827          |
| Gain on investments                                      | 20, 21 | (869)           | (430)           |
| (Increase)/decrease in stock                             |        | (4)             | 12              |
| (Increase)/decrease in trade and other receivables       | 15     | (634)           | 2,162           |
| Increase/(decrease) in creditors                         | 17, 18 | 594             | (1,320)         |
| Movement in pension provision                            | 19     | 1,231           | 3,211           |
| (Decrease)/increase in other provisions                  | 19     | (1,562)         | 366             |
| Share of operating in joint venture                      | 14     | (1,188)         | (523)           |
| <b>Adjustment for investing or financing activities</b>  |        |                 |                 |
| Investment income  | 5      | (1,108)         | (741)           |
| Interest payable on borrowings                           | 8      | 1,348           | 2,603           |
| Endowment income   |        | (96)            | 37              |
| Profit on sale of investment property                    |        | (200)           | 0               |
| Capital grant income                                     |        | (1,533)         | (1,752)         |
| <b>Net cash inflow from operating activities</b>         |        | <b>26,254</b>   | <b>24,966</b>   |
| <b>Cash flows from investing activities</b>              |        |                 |                 |
| Proceeds from sale of investment property                |        | 17,320          | 0               |
| Capital grants receipts                                  |        | 1,533           | 1,752           |
| Investment income  |        | 1,108           | 741             |
| Payments made to acquire fixed assets                    |        | (27,749)        | (21,475)        |
| New non-current asset investments                        |        | 16              | (6,932)         |
| Investment in joint venture                              |        | (900)           | 0               |
| Increase in current asset investments                    | 16     | (14,927)        | (17,668)        |
|  |        | <b>(23,599)</b> | <b>(43,582)</b> |
| <b>Cash flows from financing activities</b>              |        |                 |                 |
| Interest payable on borrowings                           |        | (1,348)         | (2,603)         |
| Endowment cash received                                  |        | 96              | (37)            |
| New unsecured borrowings                                 |        | 0               | 60,226          |
|  |        | <b>(1,252)</b>  | <b>57,586</b>   |
| <b>Increase in cash and cash equivalents in the year</b> | 22     | <b>1,403</b>    | <b>38,970</b>   |
| Cash and cash equivalents at beginning of the year       |        | 76,115          | 37,145          |
| Cash and cash equivalents at end of the year             |        | 77,518          | 76,115          |

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



Notes to the accounts for the year ended 31<sup>st</sup> July 2018

|  |  |                |                |                |                |
|--|--|----------------|----------------|----------------|----------------|
| 1  | <b>Tuition fees and education contracts</b>          | <b>Group</b>   | <b>City</b>    | <b>Group</b>   | <b>City</b>    |
|  |  | <b>2018</b>    | <b>2018</b>    | <b>2017</b>    | <b>2017</b>    |
|  |  | <b>£000</b>    | <b>£000</b>    | <b>£000</b>    | <b>£000</b>    |
|  | Full-time home and EU students                       | 81,898         | 81,898         | 74,581         | 74,581         |
|  | Full-time international students                     | 69,535         | 69,535         | 65,262         | 65,262         |
|  | Part-time students                                   | 13,670         | 13,670         | 12,390         | 12,390         |
|  | Education contracts with the National Health Service | 14,808         | 14,808         | 17,932         | 17,932         |
|  | Other tuition fees                                   | 9,941          | 9,941          | 9,498          | 9,498          |
|  |  | <b>189,852</b> | <b>189,852</b> | <b>179,663</b> | <b>179,663</b> |
| 2  | <b>Funding Council grants receivable</b>             | <b>Group</b>   | <b>City</b>    | <b>Group</b>   | <b>City</b>    |
|  |  | <b>2018</b>    | <b>2018</b>    | <b>2017</b>    | <b>2017</b>    |
|  |  | <b>£000</b>    | <b>£000</b>    | <b>£000</b>    | <b>£000</b>    |
|  | Recurrent grant                                      |                |                |                |                |
|  | Teaching   | 7,793          | 7,793          | 7,188          | 7,188          |
|  | Research   | 10,269         | 10,269         | 10,723         | 10,723         |
|  |  | <b>18,062</b>  | <b>18,062</b>  | <b>17,911</b>  | <b>17,911</b>  |
|  | Specific grants                                      |                |                |                |                |
|  | Higher Education Innovation Fund                     |                |                |                |                |
|  | Recurrent grant                                      | 1,909          | 1,909          | 1,872          | 1,872          |
|  | Industrial Strategy Uplift                           | 490            | 490            | 0              | 0              |
|  | Connecting Capability Fund                           | 191            | 191            | 55             | 55             |
|  |  | <b>2,590</b>   | <b>2,590</b>   | <b>1,927</b>   | <b>1,927</b>   |
|  | Global Challenges Research Fund                      | 388            | 388            | 0              | 0              |
|  | Other specific grants                                | 105            | 105            | 327            | 327            |
|  |  | <b>3,083</b>   | <b>3,083</b>   | <b>2,254</b>   | <b>2,254</b>   |
|  | Release of deferred capital grants                   |                |                |                |                |
|  | Buildings  | 1,854          | 1,854          | 1,752          | 1,752          |
|  |  | <b>1,854</b>   | <b>1,854</b>   | <b>1,752</b>   | <b>1,752</b>   |
|  |  | <b>22,999</b>  | <b>22,999</b>  | <b>21,917</b>  | <b>21,917</b>  |
| The teaching, research and higher education infrastructure fund 2 grants were received from the HEFCE up until 31 <sup>st</sup> March 2018. From this date, the teaching grant was received from the OfS and the research and higher education innovation fund grants were received from Research England. |  |                |                |                |                |
| 3  | <b>Research grants and contracts</b>                 | <b>Group</b>   | <b>City</b>    | <b>Group</b>   | <b>City</b>    |
|  |  | <b>2018</b>    | <b>2018</b>    | <b>2017</b>    | <b>2017</b>    |
|  |  | <b>£000</b>    | <b>£000</b>    | <b>£000</b>    | <b>£000</b>    |
|  | Research Councils                                    | 2,588          | 2,588          | 2,690          | 2,690          |
|  | UK based charities                                   | 1,891          | 1,891          | 1,628          | 1,628          |
|  | UK Government and health authorities                 | 1,719          | 1,719          | 2,167          | 2,167          |
|  | UK Industry and Commerce                             | 753            | 753            | 1,173          | 1,173          |
|  | European Union                                       | 3,711          | 3,711          | 3,497          | 3,497          |
|  | Other sources  | 1,330          | 1,330          | 485            | 485            |
|  |  | <b>11,992</b>  | <b>11,992</b>  | <b>11,640</b>  | <b>11,640</b>  |
| 4  | <b>Other income</b>                                  | <b>Group</b>   | <b>City</b>    | <b>Group</b>   | <b>City</b>    |
|  |  | <b>2018</b>    | <b>2018</b>    | <b>2017</b>    | <b>2017</b>    |
|  |  | <b>£000</b>    | <b>£000</b>    | <b>£000</b>    | <b>£000</b>    |
|  | Catering and conferences                             | 2,587          | 2,587          | 2,254          | 2,096          |
|  | Other services rendered                              | 3,544          | 3,544          | 3,281          | 3,281          |
|  | Other income   | 5,329          | 5,329          | 4,452          | 4,868          |
|  |  | <b>11,460</b>  | <b>11,460</b>  | <b>9,987</b>   | <b>10,245</b>  |

Notes to the accounts for the year ended 31<sup>st</sup> July 2018

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| Investment income                        |      | Group | City  | Group | City |
|--|------|-------|-------|-------|------|
|  | Note | 2018  | 2018  | 2017  | 2017 |
|  |      | £000  | £000  | £000  | £000 |
| Investment income on endowments          | 20   | 132   | 132   | 73    | 73   |
| Investment income on restricted reserves | 21   | 206   | 206   | 122   | 122  |
| Other investment income                  |      | 770   | 770   | 546   | 546  |
|  |      | 1,108 | 1,108 | 741   | 741  |

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| Donations and endowments    |      | Group | City  | Group | City  |
|-----------------------------|------|-------|-------|-------|-------|
|                             | Note | 2018  | 2018  | 2017  | 2017  |
|                             |      | £000  | £000  | £000  | £000  |
| New endowments              | 20   | 96    | 96    | (37)  | (37)  |
| Donations with restrictions | 21   | 2,391 | 2,391 | 2,775 | 2,775 |
| Unrestricted donations      |      | 1,337 | 1,337 | 15    | 12    |
|                             |      | 3,824 | 3,824 | 2,753 | 2,750 |

7

| Staff                       |  | Group   | City    | Group   | City    |
|-----------------------------|--|---------|---------|---------|---------|
|                             |  | 2018    | 2018    | 2017    | 2017    |
|                             |  | £000    | £000    | £000    | £000    |
| Staff costs                 |  |         |         |         |         |
| Salaries                    |  | 107,693 | 107,693 | 101,913 | 101,798 |
| Social Security costs       |  | 11,151  | 11,151  | 10,751  | 10,751  |
| Pension costs               |  | 16,129  | 16,129  | 15,597  | 15,597  |
| Restructuring costs         |  | 820     | 820     | 643     | 643     |
|                             |  | 135,793 | 135,793 | 128,904 | 128,789 |
| Movement on USS provision   |  | (3,130) | (3,130) | (38)    | (38)    |
| Movement on LFPA provision  |  | 2,707   | 2,707   | 1,641   | 1,641   |
| Movement on holiday accrual |  | (269)   | (269)   | 763     | 763     |
|                             |  | (692)   | (692)   | 2,366   | 2,366   |
|                             |  | 135,101 | 135,101 | 131,270 | 131,155 |

|   |      |      |
|---|------|------|
|   | 2018 | 2017 |
|   | £000 | £000 |
| Emoluments of President, Professor Sir P Curran |      |      |
| Salary  | 314  | 309  |
| Performance related remuneration                | 21   | 24   |
| Taxable benefits in kind                        | 1    | 1    |
|   | 336  | 334  |
| Pension contributions                           | 57   | 56   |
|   | 393  | 390  |

The President's pension contributions are deducted from his pensionable salary via salary sacrifice.

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 £39,179 for 2017/18 (£39,593 for 2016/17); 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.

Notes to the accounts for the year ended 31<sup>st</sup> July 2018

The emoluments shown have been independently determined by the Remuneration Committee, including Performance Related Remuneration. The remuneration report (on pages 11 to 12 above) set out the basis for the decisions taken by City's Remuneration Committee about the remuneration of the President.

## 7.1 Remuneration of higher paid staff, excluding employer's

## Pension contributions and restructuring costs

|                     | 2018   | 2017   |
|---------------------|--------|--------|
|                     | Number | Number |
| £100,000 - £105,000 | 20     | 25     |
| £105,001 - £110,000 | 19     | 19     |
| £110,001 - £115,000 | 11     | 11     |
| £115,001 - £120,000 | 6      | 7      |
| £120,001 - £125,000 | 10     | 11     |
| £125,001 - £130,000 | 12     | 7      |
| £130,001 - £135,000 | 6      | 6      |
| £135,001 - £140,000 | 6      | 5      |
| £140,001 - £145,000 | 4      | 2      |
| £145,001 - £150,000 | 0      | 3      |
| £150,001 - £155,000 | 4      | 1      |
| £155,001 - £160,000 | 0      | 1      |
| £160,001 - £165,000 | 1      | 0      |
| £170,001 - £175,000 | 0      | 1      |
| £175,001 - £180,000 | 2      | 1      |
| £200,001 - £205,000 | 0      | 1      |
| £205,001 - £210,000 | 1      | 0      |
| £210,001 - £215,000 | 2      | 4      |
| £215,001 - £220,000 | 2      | 0      |
| £250,001 - £255,000 | 0      | 1      |
| £255,001 - £260,000 | 1      | 0      |

## Compensation for loss of office costs

These costs are in respect of 80 (2017: 56) staff members

| 2018 | 2017 |
|------|------|
| £000 | £000 |
| 820  | 643  |

## Average staff numbers - full-time equivalents

|                           | Number       | Number       |
|---------------------------|--------------|--------------|
| Academic                  | 809          | 778          |
| Research                  | 114          | 119          |
| Management and specialist | 1,095        | 1,025        |
| Technical                 | 9            | 9            |
|                           | <b>2,027</b> | <b>1,931</b> |

## OfS pay ratios

The Accounts Direction from OfS defines two pay ratios to be included in the Accounts: '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 8.3 times (£313,948 / £37,706) the median pay of all staff for 2018 (8.3 times for 2017), 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 ten times (£431,912 / £43,203) the median total remuneration of all staff for 2018 (ten times for 2017), 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 salaried staff, visiting staff and staff employed through Unitemps. It has not been possible to include agency staff in the figures this year as City's systems do not currently capture the hours worked by agency staff (required for calculations of full-time equivalents).



Notes to the accounts for the year ended 31<sup>st</sup> July 2018**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 6.6 FTE staff (2017: 6.6 FTE) on the Executive team.

| 7.2 |  | 2018  | 2017  |
|-----|--|-------|-------|
|     |  | £000  | £000  |
|     | Key management personnel remuneration, including pension contributions | 1,451 | 1,358 |

**Council Members' expenses**

Council members received no remuneration (2017: £nil). Council members' expenses include out-of-pocket travel expenses. Seven of the 21 Council members received out-of-pocket travel reimbursements totaling £2,228 (2017: nine Council members, £4,079) for expenses incurred directly.

8

| Interest payable                    |      | Group | City  | Group | City  |
|-------------------------------------|------|-------|-------|-------|-------|
|                                     | Note | 2018  | 2018  | 2017  | 2017  |
|                                     |      | £000  | £000  | £000  | £000  |
| Interest on borrowings              |      | 1,376 | 1,376 | 428   | 428   |
| Exchange differences                |      | (38)  | (38)  | 952   | 952   |
| Net charge on pension scheme - USS  | 26   | 454   | 454   | 400   | 400   |
| Net charge on pension scheme - LFPA | 26   | 1,199 | 1,199 | 1,223 | 1,223 |
|                                     |      | 2,991 | 2,991 | 3,003 | 3,003 |

9

| Other operating expenses   | Group  | City   | Group  | City   |
|--|--------|--------|--------|--------|
|  | 2018   | 2018   | 2017   | 2017   |
|  | £000   | £000   | £000   | £000   |
| Student bursaries and fee remissions   | 8,119  | 8,119  | 8,893  | 8,892  |
| Payments to non contract staff and agencies                                    | 7,483  | 7,483  | 8,507  | 8,479  |
| Other expenses   | 4,825  | 4,825  | 4,597  | 5,203  |
| Books, periodicals and subscriptions   | 6,683  | 6,683  | 6,432  | 6,432  |
| Purchase and maintenance of furniture, equipment and software                  | 5,427  | 5,427  | 4,809  | 4,780  |
| Rents, rates and insurance   | 10,820 | 10,820 | 9,353  | 9,353  |
| Conference, travel and training costs  | 5,663  | 5,663  | 5,532  | 5,511  |
| Publicity, advertising and staff recruitment                                   | 5,035  | 5,035  | 4,351  | 4,336  |
| Collaborative partner payments   | 2,931  | 2,931  | 2,315  | 2,315  |
| Printing, postage, stationery and telephones                                   | 2,241  | 2,241  | 2,429  | 2,415  |
| Repairs and general maintenance  | 4,853  | 4,853  | 3,933  | 3,933  |
| Payments for domestic and security contracts                                   | 2,948  | 2,948  | 2,848  | 2,848  |
| Heating, lighting, water and power   | 2,384  | 2,384  | 2,221  | 2,221  |
| Catering and conferences operating expenses                                    | 3,286  | 3,286  | 3,091  | 3,082  |
| Other professional fees  | 748    | 746    | 1,034  | 998    |
| External venue hire  | 802    | 802    | 1,032  | 980    |
| IT and academic consumables  | 676    | 676    | 569    | 569    |
| Auditor's remuneration in respect of other services                            | 0      | 0      | 0      | 0      |
| Auditor's remuneration in respect of other audit related assurance work - PwC  | 40     | 40     | 0      | 0      |
| Auditor's remuneration in respect of other audit related assurance work - KPMG | 9      | 9      | 17     | 17     |
| Auditor's remuneration in respect of group UK statutory audits                 | 63     | 57     | 77     | 65     |
|  | 75,036 | 75,028 | 72,040 | 72,429 |

The auditor's remuneration in respect of group UK statutory audits includes VAT at 20 per cent. The fee paid directly to PwC in 2018 as the external auditor is £63,480 for the group and £57,000 for City. In 2017 the fee paid directly to KPMG as the external auditor was £64,000 for the group and £54,000 for City.

Notes to the accounts for the year ended 31<sup>st</sup> July 2018

| 10 | Discontinued operation              | 2018        | 2017      |
|----|-------------------------------------|-------------|-----------|
|    |                                     | £000        | £000      |
|    | Income                              | 0           | 810       |
|    | Expenditure                         | (89)        | (783)     |
|    | <b>Surplus before and after tax</b> | <b>(89)</b> | <b>27</b> |

The discontinued operation 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 23<sup>rd</sup> June 2017 and started trading from 1<sup>st</sup> 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.

| 11 | Tangible 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 <sup>st</sup> August 2017                     | 328,961                     | 3,740                | 6,121                     | 21,078              | 27,489        | 387,389        |
|    | Additions  | 6,004                       | 0                    | 16,399                    | 16                  | 5,330         | 27,749         |
|    | Transfers  | 2,351                       | 0                    | (2,351)                   | 0                   | 0             | 0              |
|    | <b>At 31<sup>st</sup> July 2018</b>                | <b>337,316</b>              | <b>3,740</b>         | <b>20,169</b>             | <b>21,094</b>       | <b>32,819</b> | <b>415,138</b> |
|    | <b>Depreciation</b>                                |                             |                      |                           |                     |               |                |
|    | At 1 <sup>st</sup> August 2017                     | 22,332                      | 31                   | 0                         | 8,841               | 17,360        | 48,564         |
|    | Charge for year                                    | 8,819                       | 31                   | 0                         | 1,128               | 5,657         | 15,635         |
|    | <b>At 31<sup>st</sup> July 2018</b>                | <b>31,151</b>               | <b>62</b>            | <b>0</b>                  | <b>9,969</b>        | <b>23,017</b> | <b>64,199</b>  |
|    | <b>Net book value at 31<sup>st</sup> July 2018</b> | <b>306,165</b>              | <b>3,678</b>         | <b>20,169</b>             | <b>11,125</b>       | <b>9,802</b>  | <b>350,939</b> |
|    | <b>Net book value at 31<sup>st</sup> July 2017</b> | <b>306,629</b>              | <b>3,709</b>         | <b>6,121</b>              | <b>12,237</b>       | <b>10,129</b> | <b>338,825</b> |

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

| 12 | Investment properties                              | Investment asset |
|----|--|------------------|
|    | Cost or valuation                                  | £000             |
|    | At 1 <sup>st</sup> August 2017                     | 17,120           |
|    | Disposal   | (17,120)         |
|    | <b>At 31<sup>st</sup> July 2018</b>                | <b>0</b>         |
|    | <b>Net book value at 31<sup>st</sup> July 2017</b> | <b>17,120</b>    |

A valuation of City's Investment Property was carried out as at 31<sup>st</sup> July 2017, by Gerald Eve LLP, which is an independent, external and regulated firm of Chartered Surveyors employing RICS qualified staff. The valuation was prepared in accordance with the requirements of the RICS Valuation – Global Standards (July 2017 edition) ("the Standards") published by the Royal Institution of Chartered Surveyors (RICS) and Financial Reporting Standard 102 and the Statement of Recommended Practice 'Accounting for Further and Higher Education'.

The investment property was sold on 18<sup>th</sup> May 2018 for a consideration of £17,320,000. The £200,000 gain is reflected in the Statement of Comprehensive Income and Expenditure in the Gain on Disposal of Investment Properties.

Notes to the accounts for the year ended 31<sup>st</sup> July 2018

| 13 | Non-current investments        | Subsidiary Companies | Other non-current asset investments | Total   |
|----|--------------------------------|----------------------|-------------------------------------|---------|
|    | Group                          | £000                 | £000                                | £000    |
|    | At 1 <sup>st</sup> August 2017 | 0                    | 15,527                              | 15,527  |
|    | Additions                      | 0                    | 1,093                               | 1,093   |
|    | Disposals                      | 0                    | (349)                               | (349)   |
|    | Gains                          | 0                    | 1,644                               | 1,644   |
|    | Impairment                     | 0                    | (1,535)                             | (1,535) |
|    | At 31 <sup>st</sup> July 2018  | 0                    | 16,380                              | 16,380  |

## City

|                                |     |         |         |
|--------------------------------|-----|---------|---------|
| At 1 <sup>st</sup> August 2017 | 0   | 15,527  | 15,527  |
| Additions                      | 900 | 1,093   | 1,993   |
| Disposals                      | 0   | (349)   | (349)   |
| Gains                          | 0   | 1,644   | 1,644   |
| Impairment                     | 0   | (1,535) | (1,535) |
| At 31 <sup>st</sup> July 2018  | 900 | 16,380  | 17,280  |

Other non-current asset investments consist of:

|  | Group and City |
|--|----------------|
|  | £000           |
| Endowments                                   | 14,552         |
| Bonds relating to postgraduate student loans | 1,660          |
| Investment in spin out companies             | 168            |
|  | 16,380         |

## 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 1<sup>st</sup> 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 1<sup>st</sup> September 2017 reducing to 15 per cent from this date onwards.

| 15 | Trade and other receivables           | Group  | City   | Group  | City   |
|----|---------------------------------------|--------|--------|--------|--------|
|    |                                       | 2018   | 2018   | 2017   | 2017   |
|    |                                       | £000   | £000   | £000   | £000   |
|    | Research grants receivables           | 2,320  | 2,320  | 2,598  | 2,598  |
|    | Other trade receivables               | 4,285  | 4,285  | 3,940  | 3,936  |
|    | Other receivables                     | 381    | 381    | 305    | 305    |
|    | Prepayments and accrued income        | 6,396  | 6,396  | 5,905  | 5,905  |
|    | Amounts due from subsidiary companies | 0      | 14     | 0      | 39     |
|    |                                       | 13,382 | 13,396 | 12,748 | 12,783 |

| 16 | Current investments | Group  | City   | Group  | City   |
|----|---------------------|--------|--------|--------|--------|
|    |                     | 2018   | 2018   | 2017   | 2017   |
|    |                     | £000   | £000   | £000   | £000   |
|    | Short term deposits | 32,595 | 32,595 | 17,668 | 17,668 |
|    |                     | 32,595 | 32,595 | 17,668 | 17,668 |



Notes to the accounts for the year ended 31<sup>st</sup> July 2018

| 17 | <b>Creditors: amounts falling due within one year</b> | <b>Group</b>  | <b>City</b>   | <b>Group</b>  | <b>City</b>   |
|----|---|---------------|---------------|---------------|---------------|
|    |   | <b>2018</b>   | <b>2018</b>   | <b>2017</b>   | <b>2017</b>   |
|    |   | <b>£000</b>   | <b>£000</b>   | <b>£000</b>   | <b>£000</b>   |
|    |   |               |               |               |               |
|    | Trade payables  | 6,735         | 6,735         | 4,868         | 4,866         |
|    | Social Security and other taxation payable            | 3,486         | 3,486         | 4,000         | 4,000         |
|    | Accruals and deferred income                          | 38,119        | 38,110        | 39,718        | 39,688        |
|    | Amounts due to subsidiary companies                   | 0             | 865           | 0             | 99            |
|    | Loan from joint venture repayable on demand (note 14) | 900           | 0             | 0             | 0             |
|    | Other creditors                                       | 2,286         | 2,286         | 1,933         | 1,933         |
|    |   | <b>51,526</b> | <b>51,482</b> | <b>50,519</b> | <b>50,586</b> |

**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 | City  | Group | City  |
|-------------------------------------|-------|-------|-------|-------|
|                                     | 2018  | 2018  | 2017  | 2017  |
|                                     | £000  | £000  | £000  | £000  |
| Research grants received on account | 5,380 | 5,380 | 6,352 | 6,352 |
| Grant income                        | 1,854 | 1,854 | 1,752 | 1,752 |
|                                     | 7,234 | 7,234 | 8,104 | 8,104 |

| 18 | <b>Creditors: amounts falling due after more than one year</b> | <b>Group</b>  | <b>City</b>   | <b>Group</b>  | <b>City</b>   |
|----|--|---------------|---------------|---------------|---------------|
|    |  | <b>2018</b>   | <b>2018</b>   | <b>2017</b>   | <b>2017</b>   |
|    |  | <b>£000</b>   | <b>£000</b>   | <b>£000</b>   | <b>£000</b>   |
|    |  |               |               |               |               |
|    | Deferred income – 2–5 years                                    | 5,309         | 5,309         | 5,427         | 5,427         |
|    | Deferred income – more than 5 years                            | 15,494        | 15,494        | 15,799        | 15,799        |
|    | Unsecured borrowings   | 60,236        | 60,236        | 60,226        | 60,226        |
|    |  | <b>81,039</b> | <b>81,039</b> | <b>81,452</b> | <b>81,452</b> |

**Unsecured borrowings**

|  | Group  | City   | Group  | City   |
|--|--------|--------|--------|--------|
|  | 2018   | 2018   | 2017   | 2017   |
|  | £000   | £000   | £000   | £000   |
| Unsecured borrowings are repayable as follows: |        |        |        |        |
| Private placement repayable by 2047            | 60,236 | 60,236 | 60,226 | 60,226 |
|  | 60,236 | 60,236 | 60,226 | 60,226 |

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% at 31<sup>st</sup> July 2018 (2017: 2.85%).

Notes to the accounts for the year ended 31<sup>st</sup> July 2018

## 19 Provisions for liabilities

| Group   | Obligation to fund deficit on USS Pension (Note 26)<br>£000 | Defined Benefit obligations (Note 26)<br>£000 | Total pension provisions<br>£000 | Other provisions<br>£000 | Total other<br>£000 |
|---|---|---|----------------------------------|--------------------------|---------------------|
| At 1 <sup>st</sup> August 2017                                    | 23,771  | 45,567  | 69,338                           | 1,573                    | 1,573               |
| Financing charge  | 454   | 1,199   | 1,653                            | 0                        | 0                   |
| Amount recognised in other comprehensive income and expenditure   | 0   | (9,617)                                       | (9,617)                          | 0                        | 0                   |
| Other movement charged to the statement of income and expenditure | (3,130)   | 2,707   | (423)                            | 0                        | 0                   |
| Amount utilised   | 0   | 0   | 0                                | (1,562)                  | (1,562)             |
| <b>At 31<sup>st</sup> July 2018</b>                               | <b>21,095</b>   | <b>39,856</b>                                 | <b>60,951</b>                    | <b>11</b>                | <b>11</b>           |

| City  | Obligation to fund deficit on USS Pension (Note 26)<br>£000 | Defined Benefit obligations (Note 26)<br>£000 | Total pension provisions<br>£000 | Other provisions<br>£000 | Total other<br>£000 |
|---|---|---|----------------------------------|--------------------------|---------------------|
| At 1 <sup>st</sup> August 2017                                    | 23,771  | 45,567  | 69,338                           | 1,573                    | 1,573               |
| Financing charge  | 454   | 1,199   | 1,653                            | 0                        | 0                   |
| Amount recognised in other comprehensive income and expenditure   | 0   | (9,617)                                       | (9,617)                          | 0                        | 0                   |
| Other movement charged to the statement of income and expenditure | (3,130)   | 2,707   | (423)                            | 0                        | 0                   |
| Amount utilised   | 0   | 0   | 0                                | (1,562)                  | (1,562)             |
| <b>At 31<sup>st</sup> July 2018</b>                               | <b>21,095</b>   | <b>39,856</b>                                 | <b>60,951</b>                    | <b>11</b>                | <b>11</b>           |

**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 assessing the value of this provision.

**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.

Notes to the accounts for the year ended 31<sup>st</sup> July 2018

## 20 Permanently restricted reserves - Group and City

|  | Restricted permanent reserves | Unrestricted permanent reserves | 2018 Total   | 2017 Total   |
|--|-------------------------------|---------------------------------|--------------|--------------|
|  | £000                          | £000                            | £000         | £000         |
| Balance as at 1 <sup>st</sup> August 2017                |                               |                                 |              |              |
| Capital  | 4,696                         | 125                             | 4,821        | 4,731        |
| Accumulated income                                       | 352                           | 2                               | 354          | 349          |
| <b>Total</b>   | <b>5,048</b>                  | <b>127</b>                      | <b>5,175</b> | <b>5,080</b> |
| New endowments   | 0                             | 96                              | 96           | (37)         |
| Investment income  | 129                           | 3                               | 132          | 73           |
| Expenditure  | (120)                         | (93)                            | (213)        | (101)        |
| Increase in market value of investments                  | 330                           | 9                               | 339          | 160          |
| <b>Total endowment comprehensive income for the year</b> | <b>339</b>                    | <b>15</b>                       | <b>354</b>   | <b>95</b>    |
| <b>At 31<sup>st</sup> July 2018</b>                      | <b>5,387</b>                  | <b>142</b>                      | <b>5,529</b> | <b>5,175</b> |
| <b>Represented by:</b>                                   |                               |                                 |              |              |
| Capital  | 5,026                         | 139                             | 5,165        | 4,821        |
| Accumulated income                                       | 361                           | 3                               | 364          | 354          |
| <b>Total</b>   | <b>5,387</b>                  | <b>142</b>                      | <b>5,529</b> | <b>5,175</b> |
| <b>Analysis by type of purpose</b>                       |                               |                                 |              |              |
| Lectureships   | 2,614                         | 0                               | 2,614        | 2,523        |
| Scholarships and bursaries                               | 819                           | 0                               | 819          | 752          |
| Prize funds  | 750                           | 0                               | 750          | 698          |
| General  | 1,204                         | 142                             | 1,346        | 1,202        |
|  | <b>5,387</b>                  | <b>142</b>                      | <b>5,529</b> | <b>5,175</b> |
| <b>Analysis by asset</b>                                 |                               |                                 |              |              |
| Current and non-current asset investments                |                               |                                 | <b>5,529</b> | <b>5,175</b> |
|  |                               |                                 | <b>5,529</b> | <b>5,175</b> |

## 21 Temporarily restricted reserves - Group and City

|   | Donations    | 2018 Total   | 2017 Total   |
|---|--------------|--------------|--------------|
|   | £000         | £000         | £000         |
| Balance as at 1 <sup>st</sup> August 2017                 | 8,915        | 8,915        | 8,186        |
| New donations   | 2,391        | 2,391        | 2,774        |
| Investment income   | 206          | 206          | 122          |
| Expenditure   | (2,293)      | (2,293)      | (2,436)      |
| Increase in market value of investments                   | 530          | 530          | 269          |
| <b>Total restricted comprehensive income for the year</b> | <b>834</b>   | <b>834</b>   | <b>729</b>   |
| <b>At 31<sup>st</sup> July 2018</b>                       | <b>9,749</b> | <b>9,749</b> | <b>8,915</b> |
| <b>Analysis by type of purpose</b>                        |              |              |              |
| Arts campaign   |              | 147          | 101          |
| Lectureships  |              | 499          | 439          |
| Scholarships and bursaries                                |              | 1,363        | 1,255        |
| Research support  |              | 5,434        | 4,944        |
| Prize funds   |              | 305          | 280          |
| General   |              | 2,001        | 1,896        |
|   |              | <b>9,749</b> | <b>8,915</b> |



Notes to the accounts for the year ended 31<sup>st</sup> July 2018

## 22 Cash and cash equivalents

**Group:**

Cash at bank

Cash equivalents

| At 1 <sup>st</sup> August<br>2017 | Cashflows    | At 31 <sup>st</sup> July<br>2018 |
|-----------------------------------|--------------|----------------------------------|
| £000                              | £000         | £000                             |
| 5,106                             | 647          | 5,753                            |
| 71,009                            | 756          | 71,765                           |
| <b>76,115</b>                     | <b>1,403</b> | <b>77,518</b>                    |

## 23 Capital and other commitments

Provision has not been made for the following capital commitments at 31<sup>st</sup> July 2018

Expenditure authorised and contracted for

Expenditure authorised but not contracted for

| Group and City |               |
|----------------|---------------|
| 2018           | 2017          |
| £000           | £000          |
| 37,645         | 3,693         |
| 37,461         | 60,532        |
| <b>75,106</b>  | <b>64,225</b> |

## 24 Lease obligations

Payable during the year

Future minimum lease payments due:

Not later than one year

Later than one year and not later than five years

Later than five years

Total lease payments due

| Land and<br>buildings | Plant and<br>machinery | 2018 Total    | 2017 Total    |
|-----------------------|------------------------|---------------|---------------|
| £000                  | £000                   | £000          | £000          |
| 5,972                 | 561                    | 6,533         | 4,673         |
| 6,237                 | 779                    | 7,016         | 4,673         |
| 22,506                | 1,215                  | 23,721        | 15,728        |
| 53,242                | 0                      | 53,242        | 38,093        |
| <b>81,985</b>         | <b>1,994</b>           | <b>83,979</b> | <b>58,494</b> |

Receivable during the year

Future minimum lease payments due:

Not later than one year

Later than one year and not later than five years

Later than five years

Total lease payments due

| Land and<br>buildings | Plant and<br>machinery | 2018 Total | 2017 Total |
|-----------------------|------------------------|------------|------------|
| £000                  | £000                   | £000       | £000       |
| 472                   | 0                      | 472        | 585        |
| 131                   | 0                      | 131        | 585        |
| 125                   | 0                      | 125        | 0          |
| 33                    | 0                      | 33         | 0          |
| <b>289</b>            | <b>0</b>               | <b>289</b> | <b>585</b> |

## 25 Related Party Transactions

During the year ended 31<sup>st</sup> July 2018, City had transactions with several organisations which fell within the definition of Related Parties under FRS102. Transactions are disclosed where members of Council and other senior members of staff disclose an interest in a body with which City undertakes transactions which are considered material to City's financial statements and/or the other party. Due to the nature of City's operations and the composition of Council, it is inevitable that transactions in the normal course of business will take place with organisations in which a member of Council may have an interest. All transactions involving organisations in which a member of Council may have an interest are conducted in accordance with City's financial regulations and normal procurement procedures. City has taken advantage of the exemption under FRS102 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.

## Notes to the accounts for the year ended 31 July 2018

|  | Income/(expenditure) |      | Debtor/(creditor) balance |      |
|--|----------------------|------|---------------------------|------|
|  | 2018                 | 2017 | 2018                      | 2017 |
|  | £000                 | £000 | £000                      | £000 |
| <b>Group investments</b>                         |                      |      |                           |      |
| Heliex Power Ltd                                 | (360)                | 158  | 44                        | 404  |
| - of which bad debts provided for                | 0                    | (44) | (44)                      | (44) |
| INTO   | (130)                | (80) | 93                        | 211  |
| - of which bad debts provided for                | 0                    | (48) | 0                         | (5)  |
| Thomson Screening Solution Ltd                   | 0                    | 0    | 45                        | 45   |
| - of which bad debts provided for                | 0                    | 0    | (45)                      | (45) |
| <b>Relationships with Council Members</b>        |                      |      |                           |      |
| British Psychological Society                    | 0                    | (13) | 0                         | 0    |
| BT Openreach                                     | 13                   | 0    | 0                         | 0    |
| Bupa UK Foundation                               | 3                    | 0    | 0                         | 0    |
| Chartered Institute of Personnel and Development | 0                    | (6)  | 0                         | 0    |
| Cranfield University                             | (23)                 | (34) | 0                         | (5)  |
| Department of Health                             | 0                    | 6    | 0                         | 0    |
| DLA Piper UK LLP                                 | (17)                 | (35) | 0                         | (3)  |
| Euclid Network                                   | 0                    | 1    | 0                         | 0    |
| Homerton Hospital NHS Foundation Trust           | 0                    | (29) | 0                         | 7    |
| - of which bad debts provided for                | 0                    | (7)  | 0                         | (7)  |
| London First                                     | 0                    | (12) | 0                         | 0    |
| Macmillan Cancer Support                         | 106                  |      | 3                         |      |
| OFCOM  | 0                    | 3    | 0                         | 0    |
| The Children's Society                           | 43                   | 0    | 0                         | 0    |
| The Conversation                                 | 0                    | 1    | 0                         | 0    |
| The Leadership Foundation for Higher Education   | 0                    | (47) | 0                         | 0    |
| Royal College of Physicians                      | 0                    | 0    | 0                         | 2    |
| Royal Academy of Engineering                     | 5                    | 0    | (1)                       | 0    |
| Royal Free Charity                               | 7                    | 0    | 0                         | 0    |
| Transport for London                             | 0                    | 438  | 0                         | 64   |
| UCL Hospital NHS Foundation Trust                | 0                    | (73) | 0                         | (13) |
| University College London                        | 0                    | 26   | 0                         | 11   |
| University and Colleges Employers Association    | 0                    | (12) | 0                         | 0    |
| University of Cambridge                          | (36)                 | (18) | 1                         | 0    |
| University of Southampton                        | 0                    | (8)  | 0                         | 0    |
| Wolfson Foundation                               | 2                    | 1    | 0                         | 0    |
| Worshipful Company of Goldsmiths                 | 3                    | 3    | 0                         | 0    |

Notes to the accounts for the year ended 31<sup>st</sup> July 2018

|  | Income/(expenditure) |              | Debtor/(creditor) balance |              |
|--|----------------------|--------------|---------------------------|--------------|
|  | 2018<br>£000         | 2017<br>£000 | 2018<br>£000              | 2017<br>£000 |
| <b>Relationships with other Senior Executives who are not on Council but in attendance</b> |                      |              |                           |              |
| Academy of Social Sciences   | (2)                  | (2)          | 0                         | 0            |
| ACCA   | 2                    | 0            | 0                         | 0            |
| British Psychological Society  | (8)                  | 0            | (1)                       | 0            |
| Chartered Institute of Personnel and Development   | (2)                  | 0            | 0                         | 0            |
| City of London Academy Islington   | 0                    | (55)         | 0                         | 0            |
| City University London Students' Union   | 500                  | (649)        | 0                         | (99)         |
| Elsevier   | 0                    | (274)        | 0                         | 0            |
| Girls Day School Trust   | 0                    | 22           | 0                         | 9            |
| HEFCE  | 0                    | 20,165       | 0                         | 0            |
| Homerton Hospital NHS Foundation Trust   | 169                  | 0            | (33)                      | 0            |
| London Higher  | (33)                 | 0            | 0                         | 0            |
| Oxford University Press  | 0                    | (224)        | 0                         | (5)          |
| Royal Society  | 0                    | (12)         | 0                         | (4)          |
| Royal Society of Arts  | 2                    | 0            | 0                         | 0            |
| Royal Statistical Society  | 0                    | (2)          | 0                         | 0            |
| Sage Publications  | 0                    | (41)         | 0                         | (1)          |
| Sengenia   | 0                    | (16)         | 0                         | 0            |
| St Christopher's Fellowship  | 6                    | 0            | 0                         | 0            |
| The Conversation UK  | 1                    | 0            | 0                         | 0            |
| The London Borough of Hammersmith and Fulham   | 1                    | 0            | 1                         | 0            |
| The Royal Academy of Engineering   | 0                    | 15           | 0                         | (1)          |
| UCL  | (27)                 | 0            | (2)                       | 0            |
| University College Hospital NHS Trust  | 84                   | 0            | 26                        | 0            |
| University of Southampton  | (1)                  | 0            | 0                         | 0            |

## 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 1<sup>st</sup> 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 Statement of Comprehensive Income and Expenditure is £13,590,696 (2017: £13,272,237)

The latest available complete actuarial valuation of the Retirement Income Builder section of the Scheme is at 31<sup>st</sup> March 2014 (the valuation date), which was carried out using the projected unit method. The valuation as at 31<sup>st</sup> March 2017 is underway but not yet completed.

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



Notes to the accounts for the year ended 31<sup>st</sup> July 2018

The 2014 valuation was the third valuation for USS under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. At the valuation date, the value of the assets of the Scheme was £41.6 billion and the value of the Scheme's technical provisions was £46.9 billion indicating a shortfall of £5.3 billion. These figures will be revised once the 2017 Scheme Valuation is complete.

Defined benefit liability numbers for the Scheme for accounting purposes have been produced using the following assumptions as at 31<sup>st</sup> March 2017 and 2018:

|                           | 2018  | 2017  |
|---------------------------|-------|-------|
| Discount rate             | 2.64% | 2.57% |
| Pensionable salary growth | n/a   | n/a   |
| Pensions increases (CPI)  | 2.02% | 2.41% |

The main demographic assumption used relates to the mortality assumptions. These assumptions have been updated for the 31<sup>st</sup> March 2018 accounting position, based on updated 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:

|                                  | 2018  | 2017   |
|----------------------------------|---|--|
| Mortality base table             | <p><u>Pre-retirement:</u></p> <p>71% of AMCO0 (duration 0) for males and 112% of AFC00 (duration 0) for females.</p> <p><u>Post-retirement:</u></p> <p>96.5% of SAPS S1NMA "light" for males and 101.3% of RFV00 for females.</p> | <p>98% of SAPS S1NA "light" YOB unadjusted for males.</p> <p>99% of SAPS S1NA "light" YOB with a -1 year adjustment for females.</p> |
| Future improvements to mortality | CMI_2016 with a smoothing parameter of 8.5 and a long term improvement rate of 1.8% pa for males and 1.6% pa for females.   | CMI_2014 with a long term rate of 1.5% p.a.  |

The current life expectancies on retirement at age 65 are:

|                                   | 2018 | 2017 |
|-----------------------------------|------|------|
| Males currently aged 65 (years)   | 24.5 | 24.4 |
| Females currently aged 65 (years) | 26.0 | 26.6 |
| Males currently aged 45 (years)   | 26.5 | 26.5 |
| Females currently aged 45 (years) | 27.8 | 29.0 |

|                              | 2018    | 2017    |
|------------------------------|---------|---------|
| Scheme assets                | £63.6bn | £60.0bn |
| Total Scheme liabilities     | £72.0bn | £77.5bn |
| FRS 102 total scheme deficit | £8.4bn  | £17.5bn |
| FRS 102 total funding level  | 88%     | 77%     |

## USS pensions provision

### Significant accounting policies

The institution participates in USS. 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. The institution is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. As required by Section 28 of FRS 102 "Employee benefits", the institution therefore accounts for the scheme as if it were a wholly defined contribution scheme. As a result, the amount charged to the Statement of Comprehensive Income and Expenditure profit and loss account represents the contributions payable to the scheme. Since the institution has entered into an agreement (the Recovery Plan) that determines how each employer within the scheme will fund the overall deficit, the institution recognises a liability for the contributions payable that arise from the agreement (to the extent that they relate to the deficit) and therefore an expense is recognised.

Notes to the accounts for the year ended 31<sup>st</sup> July 2018

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 £21,094,989 (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.

The 2017 actuarial valuation of the scheme has been undertaken but has not yet been formally completed. Based on this valuation, the scheme has set out the challenges it is facing and is currently consulting on a significant increase in contributions to address these challenges.

In the judgement of City, although the scheme is in the process of consulting on amendments to future contribution rates under the agreement to fund the deficit in the scheme, there remains uncertainty over the length of the proposed recovery plan and the future contribution structure, as this remains under consultation. Therefore, City continues to calculate the provision in accordance with the plan agreed after the 2014 actuarial valuation.

However, there is a significant risk that the year-end provision will be materially adjusted once the future funding structure based on the 2017 actuarial valuation has been completed and this is expected to take place during the year ending 31<sup>st</sup> July 2019.

Assuming the discount rate used remains constant at 2.21 per cent, the impact on the provision of the following scenarios is:

| Key scenarios   | Change in value |
|---|-----------------|
| 1% change in contributions which relate to the deficit                        | £9,538,842      |
| Extending the deficit reduction plan so to finish 31 <sup>st</sup> March 2034 | £5,299,479      |

Notes to the accounts for the year ended 31<sup>st</sup> July 2018

## London Pensions Fund Authority Scheme

LPFA maintains a rate per institution related to assets and liabilities accruing to each individual institution. In order to comply with the requirements of Financial Reporting Standard 102, the following additional information is disclosed in relation to the LPFA scheme.

| Financial assumptions as at             | 31 <sup>st</sup> July 2018 | 31 <sup>st</sup> July 2017 |
|---|----------------------------|----------------------------|
|   | % per annum                | % per annum                |
| Price increases - Retail Prices Index   | 3.35                       | 3.60                       |
| Price increases - Consumer Prices Index | 2.35                       | 2.70                       |
| Salary increases                        | 3.85                       | 4.20                       |
| Pension increases                       | 2.35                       | 2.70                       |
| Discount rate                           | 2.65                       | 2.70                       |

## Mortality

The assumed life expectations from age 65 are:

|                    | Males      | Females    |
|--------------------|------------|------------|
| Current pensioners | 21.0 years | 24.2 years |
| Future pensioners  | 23.4 years | 26.5 years |

The assets of the LPFA scheme were:

|                         | Assets at 31 <sup>st</sup> July 2018 |            | Assets at 31 <sup>st</sup> July 2017 |            |
|-------------------------|--------------------------------------|------------|--------------------------------------|------------|
|                         | £000                                 | %          | £000                                 | %          |
| Equities                | 39,296                               | 61         | 36,894                               | 61         |
| Target return portfolio | 14,348                               | 22         | 12,484                               | 21         |
| Cash                    | 2,973                                | 4          | 4,172                                | 7          |
| LDI/cashflow matching   | 0                                    | n/a        | 0                                    | n/a        |
| Infrastructure          | 3,223                                | 5          | 2,712                                | 5          |
| Commodities             | 0                                    | n/a        | 0                                    | n/a        |
| Property                | 4,975                                | 8          | 3,919                                | 7          |
| <b>Total</b>            | <b>64,815</b>                        | <b>100</b> | <b>60,181</b>                        | <b>100</b> |

## Analysis of the amount shown in the balance sheet

|   | 31 <sup>st</sup> July 2018 | 31 <sup>st</sup> July 2017 | 31 <sup>st</sup> July 2016 |
|---|----------------------------|----------------------------|----------------------------|
|   | £000                       | £000                       | £000                       |
| Present value of defined benefit obligation | 104,671                    | 105,748                    | 98,608                     |
| Fair value of fund assets (bid value)       | 64,815                     | 60,181                     | 50,415                     |
| <b>Net defined benefit liability</b>        | <b>39,856</b>              | <b>45,567</b>              | <b>48,193</b>              |

## Revenue account costs

|   | 31 <sup>st</sup> July 2018 | 31 <sup>st</sup> July 2017 |
|---|----------------------------|----------------------------|
|   | £000                       | £000                       |
| Analysis of the amounts recognised in the statement of comprehensive income |                            |                            |
| Service cost  | 5,061                      | 3,956                      |
| Net interest on the defined liability                                       | 1,199                      | 1,223                      |
| Administration expenses   | 78                         | 66                         |
| <b>Total operating charge</b>   | <b>6,338</b>               | <b>5,245</b>               |

Reconciliation of opening and closing balances of the present value of the defined benefit obligation

|  | 31 <sup>st</sup> July 2018 | 31 <sup>st</sup> July 2017 |
|--|----------------------------|----------------------------|
|  | £000                       | £000                       |
| At 1 <sup>st</sup> August 2017                           | 105,748                    | 98,608                     |
| Current service cost                                     | 5,061                      | 3,956                      |
| Interest cost  | 2,838                      | 2,551                      |
| Changes in financial assumptions                         | (7,659)                    | 8,285                      |
| Changes in demographic assumptions                       | 0                          | (1,625)                    |
| Experience gain on defined benefit obligation            | 0                          | (5,037)                    |
| Estimated benefits paid net of transfers in              | (2,185)                    | (1,856)                    |
| Contributions by scheme participants and other employers | 868                        | 866                        |
| <b>At 31<sup>st</sup> July 2018</b>                      | <b>104,671</b>             | <b>105,748</b>             |

Notes to the accounts for the year ended 31<sup>st</sup> July 2018

|  | 31 <sup>st</sup> July 2018 | 31 <sup>st</sup> July 2017 |
|--|----------------------------|----------------------------|
|  | £000                       | £000                       |
| <b>Reconciliation of opening and closing balances of the fair value of fund assets</b> |                            |                            |
| At 1 <sup>st</sup> August 2017   | 60,181                     | 50,415                     |
| Interest on assets   | 1,639                      | 1,328                      |
| Return on assets less interest   | 2,036                      | 6,419                      |
| Other actuarial gains  | 0                          | 760                        |
| Administration expenses  | (78)                       | (66)                       |
| Contributions by employer including unfunded   | 2,354                      | 2,315                      |
| Contributions by scheme participants and other employers                               | 868                        | 866                        |
| Estimated benefits paid plus unfunded net of transfers in                              | (2,185)                    | (1,856)                    |
| <b>At 31<sup>st</sup> July 2018</b>  | <b>64,815</b>              | <b>60,181</b>              |



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