

Financial Statements 2016-17

LONDON
SCHOOL of
HYGIENE
& TROPICAL
MEDICINE



COUNCIL MEMBERSHIP 2016/17

EXTERNAL MEMBERS (9 members)

	Appointed Until
Dame Marjorie Scardino, DBE FRSA (Chairman)	31 July 2018
Dr Diana Walford, CBE MA BSc MSc MD FRCP FRCPATH FFPH (Deputy Chair)	31 July 2018
Dr Wendy Ewart, PhD (appointed 01.08.17)	31 July 2020
Dr Andree Carter PhD FISOilSci MCIWEM (resigned 31.07.17)	
Dr Precious Lunga PhD (appointed 01.08.17)	31 July 2020
Mr Kash Chandarana Bsc ACA (resigned 31.07.17)	
Ms Ann Grant, BA MSc	31 July 2020
Mr Paul Klingenstein	31 July 2019
Mr John O'Donnell, BA LLB LLM	31 July 2019
Mr Jonathan Roper, MA (Cantab)	31 July 2019
Mr Andrew Witty, BA (Hons) (appointed 01.08.17)	31 July 2020
Professor John Stephenson, Bsc PhD CBiol FIBiol (resigned 31.07.17)	
Mr Sushil Premchand, BA FCA (resigned 31.07.17)	

ELECTED MEMBERS OF STAFF (3 academics and 1 professional support staff)

Professor Alison Grant, MBBS MSc PhD DTM&H	31 July 2020
Dr Susannah Mayhew, BA MA PhD	31 July 2018
Professor Richard White MSc, PhD (appointed 01.08.17)	31 July 2020
Professor Helen Weiss MSc DPhil (resigned 31.07.17)	
Ms Gemma Donaldson, MA (Cantab)	31 July 2019

DIRECTOR AND HANDA PROFESSOR OF GLOBAL HEALTH

Professor Baron Peter Piot, PhD DTM, FRCP FMedSci	<i>ex officio</i>
---	-------------------

CHAIR OF THE STUDENTS' REPRESENTATIVE COUNCIL

To be appointed	<i>ex officio</i>
-----------------	-------------------

SECRETARY TO THE COUNCIL

Mrs Lucinda Parr, BMus MMus	<i>ex officio</i>
-----------------------------	-------------------

IN ATTENDANCE

DEPUTY DIRECTOR AND PROVOST

Professor Anne Mills, DCMG CBE MA DHSA PhD FMedSci FRS	<i>ex officio</i>
--	-------------------

KEY ADVISORS:

Bankers: National Westminster Bank Plc
Bloomsbury Parr's Branch
PO Box 158
214 High Holborn
London WC1V 7BX

Lawyers: Mills & Reeve
Botanic House
100 Hills Road
Cambridge CB2 1PH

External Auditors: Grant Thornton UK LLP
30 Finsbury Square
London EC2P 2YU

Internal Auditors: Kingston City Group
Kingston University
Room 62, Kenry House
Kingston Hill Campus
Kingston Upon Thames
Surrey KT2 7LB

REGISTERED OFFICE: Keppel Street, London WC1E 7HT (www.lshtm.ac.uk)

Financial Statements for the Year Ended 31 July 2017

Contents

Treasurer's Report.....	2
Corporate Governance	9
Responsibilities of the Council.....	11
Independent Auditor's Report to the Council	16
Statement of Principal Accounting Policies	18
Statement of Comprehensive Income and Expenditure.....	24
Statement of Changes in Reserves.....	25
Balance Sheets.....	26
Consolidated Cash Flow Statement.....	27
Notes to the Financial Statements.....	28

Treasurer's Report

Introduction and scope of financial statements

The London School of Hygiene & Tropical Medicine is a world-leading centre for research and postgraduate education in public and global health.

This report provides an overview of the School's finances and activities during 2016-17, and highlights key trends or changes which have affected the School during the year or may affect the School in the coming years.

The impact of technology and the collaborative nature of scientific research have dramatically accelerated global improvements in public health and scientific research. The work of the School has never been more relevant or had a greater impact in the UK, Europe and throughout the world.

To maintain the current impact and relevance of its scientific research, the School must shape its strategy to address future health challenges that public and global health will need to address in the next 15-20 years. Without that long-term strategic focus the School may not have the capability or capacity to meet the myriad challenges of working in global public health - from educating health workers to handling epidemics - and to continue to undertake ground-breaking research.

This strategic challenge needs to be addressed against a background of unprecedented change in the higher education sector in the United Kingdom, increased competition for funding from institutions throughout the world and the impact of Brexit on future scientific collaboration with research partners across Europe.

During 2016-17 the School's income from its core research activity grew, and we believe that this is an indication of the quality, relevance and impact of our work. The School secured funding for major new research programmes from UK government departments, the Medical Research Council, the Wellcome Trust Limited, the Bill & Melinda Gates Foundation and many others.

The development of our teaching programme also continued. Student recruitment to the School's London-based courses increased year on year across both Masters and Research degree programmes. Overseas recruitment to the School taught programmes was particularly strong, up 51 full time equivalents (fte) compared to 2015-16. Home recruitment was up 39 fte, whilst EU recruitment was stronger by 11.

If the current pace of change continues, we could be on the cusp of a golden age of health care and disease prevention.

The School aims to continue to play a leading role in public and global health by:

- strengthening key areas of global and public health research
- sustaining the School's position as a world leader in current areas of strength in research and education
- increasing our global presence through partnerships
- enhancing multidisciplinary interactions across the School and with partners
- further expanding and diversifying our income streams
- maintaining a nurturing and supportive environment for research and education, with systems and facilities appropriate for the School's standing as a leader in the field.

An overview of some of the key actions that will take place over the next 2-3 years to ensure that the School is positioned to continue to be a thought leader in public and global health is set out later in this report.

Treasurer's Report

Financial highlights and commentary

These financial statements report the results of the School's activities for the year ended 31 July 2017 and have been produced in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education 2015 (2015 SORP) and in accordance with Financial Reporting Standards (FRS102).

The School's primary financial objectives are to manage our financial risks effectively, and to operate in a way that is financially sustainable and generates the funds needed to support our academic objectives.

Income and Expenditure for 2016-17 are summarised in the following table:

Income and Expenditure for 2016-17 Summary	2017	2016	% +/- v Prior Year
	£m	£m	
Income	178.47	167.80	6%
Expenditure	(177.52)	(162.86)	9%
Operating Surplus	0.95	4.94	
Operating Surplus : % of Income	0.5%	2.9%	
Gain on Investments	0.67	0.22	
Share of operating (deficit) in joint venture	(0.13)	(0.07)	
Surplus before tax	1.49	5.10	
Taxation	(0.12)	(0.27)	
Surplus for Year	1.37	4.83	
Change in Fair Value of Hedging Instruments	1.60	(2.13)	
Total Comprehensive Income for the Year	2.97	2.70	

Income and Expenditure for 2016-17

The School's operating surplus for 2016-17 was £0.95m compared with a £4.94m surplus in 2015-16, representing a year on year decrease of (£3.99m).

Total income has increased by 6% compared to the prior year and reflects the following key movements:

Tuition Fees and Education Contracts have increased by £2.0m, £1.1m of which is attributable to Overseas student fees. Fees from Distance Learning Courses have improved by £0.5m to an annual value of £6.4m, representing 34% of total Tuition Fee and Education Contracts Income.

Tuition fee income improved by 12% in 2016-17, driven primarily through the strong student recruitment numbers achieved at the start of the academic year.

Student Numbers

	2016-17	2015-16	2016-17 increase over 2015-16
London based taught Master's students	746	645	101
London based research degree students	453	433	20
Distance Learning students	3396	2993	403

Treasurer's Report

The table above provides a year on year comparison of the number of London based and distance learning students studying the School curriculum.

Registration numbers for the School's face-to-face taught Masters programmes were higher than prior year by 101 students. This increase can be further broken down as follows

- Home registrations	+39
- EU registrations	+11
- Overseas registrations	+51

Registration numbers of research degree students rose by 20 compared to the same point in the 2015/16 academic year. The total number of Distance Learning (DL) students registered in 2016/17 was 3,396, an increase of 403 on the previous year. However, this increase was due to higher continuing student numbers masking an underlying reduction in the number of newly registered students which is down from 760 in 2015/16 to 744 in 2016/17, a drop of 16 students year on year. Two new DL programmes were launched in 2016/17, DL Msc Demography & Health and a short course Pharmacoepidemiology and Pharmacovigilance.

Funding body grants are down by £0.4m. This year on year decline sits within the HEFCE Research Grants Funding stream. Currently, 76.7% of the funding body grants from HEFCE relate to research activities which are driven by performance in the Research Excellence Framework (REF), and the results of the most recent exercise (announced in December 2014) were positive for the School.

The School has historically been less dependent than many universities on the recurrent grant from HEFCE. However, this pattern has shifted in recent years as levels of HEFCE funding have declined in real terms. Other universities have seen cuts in their HEFCE teaching funds replaced by higher tuition fees for undergraduate students. As an entirely postgraduate institution, we have not benefited from the increase in undergraduate fees, but HEFCE funding remains essential to maintaining the infrastructure to support our teaching and research and providing the stability that we need for future planning.

Research Grants and Contracts income is up year on year by £11.8m. Key movements by funder include, UK Research Councils £1.2m, UK government departments & health authorities £2.2m, EU Commission and other Government Bodies £2.4m, charities based outside the EU £3.4m and Government bodies outside the EU £2.5m.

Within the Research Grants and Contracts income stream, the School has accounted for "in kind contribution" to the value of £14.5m (2016: £13.2m) associated with the Janssen Vaccines & Prevention B.V. (part of Janssen Pharmaceuticals) contribution to the Innovative Medicines Initiative (IMI) sponsored Ebola eradication programmes (EBOVAC1, EBOVAC2 and EBODAC). The School has accounted for a further £194k (2016: nil) "in kind contribution", associated with malaria research in West Africa from GlaxoSmithkline (GSK).

Other Income is less than the prior year to the value of £1.7m, driven predominately through reduced foreign currency exchange gains. In 2015-16, the School benefited from exchange gains against both US dollar and euro transactions to the value of £2.6m, whilst in the year 2016-17, exchange gains of £0.2m were recorded. Restricted donations income was also down compared to prior year to the value of £0.9m.

In March 2015, the School submitted a claim for eligible research spend under the Research and Development Expenditure Credits (RDEC) scheme for the 16 month period to July 2014. The value of the claim was £3.5m per prior year accounts pre-tax and the claim was paid by Her Majesty's Revenue & Customs (HMRC) in August 2015. The School has now established a further RDEC claim valued at £3.1m pre-tax for the 12 month period to July 2015 and this is currently being reviewed by HMRC. The scheme is now closed with effect from July 2015. The School has benefited from the scheme in total to the value of £6.5m gross. The RDEC income is subject to tax at 20%. The income recognised for the RDEC claim net of tax in 2016-17 is £0.5m (2016: £1.01m).

Expenditure

Staff costs increased by 5% compared to the previous year. Average staff numbers increased from 1,243 in 2015-16 to 1,285 in 2016-17, representing an increase of 42. Annual pay awards and incremental progression costs also contribute to this year on year increase. The 2016-17 staff costs also reflect the impact of moving academic staff to non-duration contracts. This change is designed to make the School more competitive in securing future research contract funding.

Other operating expenses have risen by £10.96m, driven primarily through additional spend associated with Research grants and contracts.

Highlights of movements in assets and liabilities

Current assets have increased by £1.9m compared to prior year, driven through an increase in trade and other receivables to the value of £3.7m, partly off-set in turn through a reduction in cash and cash equivalents of £1.8m.

Creditors falling due within one year have increased from £74.6m at 31 July 2016 to £76.1m at 31 July 2017, driven primarily through an increase in trade payables of £1.6m.

Treasurer's Report

Highlights of movements in assets and liabilities (continued)

Creditors falling due after more than one year have decreased from £49.0m at 31 July 2016 to £47.1m at 31 July 2017. This is primarily due to a decrease in liability for derivatives, namely the interest rate swaps, which are shown at fair values as required by the FRS 102.

Future Developments, Challenges and Risks

The School has identified the following strategic risks:

- If support for research grant management and contracts is not improved then the School risks not obtaining research grants and contracts and/or may incur penalties for noncompliance with grant specifications. The School Senior Leadership Team address this risk by annually reviewing the Research Support Function's annual plans and monitor progress regarding the implementation of clear policies and processes.
- If the School's student and staff UKVI sponsors status is revoked then staff and student recruitment will be hindered. This risk is mitigated through an internal audit review of compliance, an external procured audit on current processes and monitoring key indicators such as visa declined rates.
- If cyber risks are not effectively mitigated then there is a risk of breach of confidentiality, damage to integrity of and impact of availability of data held electronically. Key mitigating actions include providing education and training across the School to increase awareness of the risk of cyber attacks, patching of machines and nextthink monitoring.
- If estates plans are not managed properly then the School's financial sustainability and surplus targets will not be met. Review of estate budgets both revenue and capital are undertaken regularly through out the project/(projects) lifecycle.
- If the School does not prepare for and understand the impacts of Brexit, then the School's ability to mitigate the impact to research funding, and recruitment and retention of staff and students maybe hindered. The School regularly monitors Brexit negotiations through professional networks and sector specific briefing networks.
- Foreign exchange currency fluctuations. The School's global research activities include many grants which are funded in overseas currencies. Collaborators on overseas grants are paid in the grant's currency to minimise the exchange rate risk to the School and conversion into sterling only occurs to match sterling expenditure. Consequently, the School maintains substantial currency balances (mainly in US Dollar and Euro) to meet its overseas currency liabilities. In 2016-17, the US Dollar and Euro exchange rates against GB sterling accounted for exchange gains of £0.2m. In 2015-16, there were exchange gains of £2.6m as shown in Note 4 to the financial statements.

The School's management monitors the status of each risk regularly and risk reports are provided to the Audit and Risk Committee. The internal auditors examine, on a selective basis, how risks are dealt with at an operational level and report their findings to management and the Audit and Risk Committee.

Estates

The Estates strategy sets out a development framework for the estate covering a 10-year period to 2027 with the aim of providing the physical environment required for research and teaching in a changing educational and economic environment.

In line with the School's Estates strategy, significant investment of £12m to fund phase 1 over the next five years has been ringfenced to refurbish the infrastructure of Keppel Street. The project comprises refurbishment of an existing building that has had various stages of construction and redesign during its long lifetime.

Investment in high quality research facilities is essential to attract and retain scientists. To this end and in keeping with the School's Estate strategy, the School will build a dry office and open plan research building on an existing LSHTM site at Tavistock Place. The project comprises demolition of an old milking station and construction of a new three storey build property with one storey basement excavation. The expected cost of this development is £33.0m, of which £0.6m has been committed as at 31 July 2017. Both of these projects will be financed from capital grants, the School's own resources, and fund raising.

Treasurer's Report

Development of our teaching programmes

As an entirely postgraduate institution, the School has been less affected than many universities by changes to HEFCE's funding arrangements for teaching introduced in recent years. The School experienced a very successful recruitment period in 2016-17 for its face-to-face master's provision. However, numbers were slightly down for distance learning master's programmes.

At an institutional level, the School is responding to sector-wide challenges by reviewing and developing our education programmes to ensure that they remain globally competitive and relevant for students' future careers. The School's approach is to maintain the excellent reputation that we have established globally for the quality of our teaching, and the strong links between our teaching and world class research. In the years ahead, we will build on these strengths and the success of our distance learning programmes to provide flexible mixed-mode programmes that address the developing needs of students and employers. This model may become increasingly attractive as levels of undergraduate debt increase, and those wishing to undertake a master's degree look for alternative routes that do not require full-time study. In order to develop the School's blended learning provision further, we will need to address the differing structures and regulations between the face-to-face and distance learning provision.

The School continues to promote global widening of participation, transference of expert knowledge and professional endorsement / recognition in the areas of international health equity, policy, leadership, applied practice and research through investment toward its expanding Massive Open Online Course (MOOC) portfolio, with 7 courses now live and a further 3 scheduled for release in early 2018. Courses are often translated into multiple languages including Spanish, Portuguese, French and Chinese to contribute to the expansion of School global significance. A late 2017 thematic review of the School's historical approach to MOOC development has now concluded and provides recommendations to the Senior Leadership team for optimisation of the methodology for MOOC production, with closer and clearer alignment to the School strategy around health equity, policy, leadership, applied practice and research. Internally delivered programmes continue to experience both financial and non-financial benefits of MOOC production, including conversion to fee-paying students, School brand raising, improved course design and increased innovative discourse / training around the use of technology for both learning and research.

At a national level, the School will continue to work with Universities UK and others to lobby government on the importance of postgraduate study to the advanced skills needed in the bioscience and public health sectors, and the future success of the UK economy.

Research

Research grants and contracts will remain the School's largest source of income. In an increasingly competitive environment, maintaining the current level of income will be a challenge, but one which the research excellence of the School means that it is well placed to meet. Improving rates of cost recovery will also be essential and it is encouraging that the School again secured an increased level of income over the previous year from the research councils and UK government sources that make awards on the basis of full economic cost.

Given the focus of our work, it is anticipated that charities and foundations will continue to be major sponsors of the School's research. Such work is fundamental to our mission, and to the UK science base. However, research funded by charities and foundations does not generally contribute towards the recovery of indirect costs.

Within the framework of the School's Strategy, in the coming years, the School may nevertheless need to take a view on the volume of research undertaken on behalf of certain sponsors where full economic costs are not recovered. Whether strategically, or on a case by case basis, this may include taking action to limit activity and proposal submissions in certain areas where indirect costs are not recovered. However, the School's priority will be to maintain research of the highest international standards, where we can make a distinctive impact on public health needs and the advancement of science.

Diversifying our income

The School's current financial model relies on its research activities which make low returns compared with the other core activities of education and knowledge translation. Other research intensive institutions face similar challenges but offer undergraduate teaching, where financial returns are considerably higher. As a postgraduate institution, opportunities are more limited but we have been successful in improving our surpluses from education including distance learning.

The School established a subsidiary company, Chariot Innovations Limited, during 2013-14 and this has so far been used as a vehicle for a group providing contract research and testing services for insect repellents and other products. Chariot Innovations Limited recorded a small surplus of £16k in 2015-16, followed by a surplus of £36k in 2016-17.

Chariot Innovations Limited has a non-controlling interest in a company to develop bed bug and house dust mite lures and income from a modest investment should be generated within three years.

The School has developed a suite of technologies which facilitate the rapid and efficient production of animal vaccines and is constantly seeking to commercialise this intellectual property. Other potential opportunities to exploit the School's intellectual property have been identified and will be implemented as and when market opportunities arise.

Treasurer's Report

The School recognises the importance that fund raising will play in helping it achieve its strategic objectives. It has strengthened its fundraising capabilities and is looking to significantly expand its fund raising activities across all areas over the next three years.

Brexit

The School has a long history of successful collaboration and partnership with other European institutions and in applying for EU research funding. Following the UK government's triggering of Article 50 on 29 March 2017 and until the process of exit negotiations has concluded, the UK will remain a member of the EU and so its universities and researchers will continue to be eligible to bid and apply for funding through Horizon 2020. The UK government confirmed in August 2016 that European Commission research grants, including Horizon 2020 grants, awarded while the UK is still a member of the EU will be guaranteed by the Treasury. This will be the case even when the project continues beyond the UK's departure from the EU.

Whilst the impact on student recruitment is difficult to predict at this stage, there are some concerns regarding the impact of potential visa restrictions and higher fees being charged for "International Students" following the UK's departure from the EU.

Financial sustainability

In March 2017, the Higher Education Funding Council England (HEFCE) reported on the financial health of the sector based upon published 2015/16 results. It was reported that while the sector remains in a financially sound position, overall there are increasing variations in the performance of institutions, some having significant challenges ahead. The financial risks facing institutions included the recruitment of international and home students, the increases in pension liabilities and the uncertainties that could arise through Brexit.

Given the opportunities and risks outlined above, the School is taking a number of steps to ensure our financial sustainability, and make sure that we can continue to invest in our core research and teaching whilst also funding the capital programme.

Going Concern

After making appropriate enquiries, which include the review of medium term forecasts and the consideration of the availability of funding in this period, the Council considers that the School has adequate resources to continue in operational existence for the foreseeable future. For this reason the financial statements have been prepared on a going concern basis.

MRC Overseas Strategic Alliance

In July 2017, the School announced plans to form a strategic alliance with the Medical Research Council (MRC) which would transfer the MRC Unit The Gambia and the MRC Unit Uganda to become part of LSHTM. This partnership will enhance collaborations, strengthen the School's research and improve training and career opportunities for staff. Completion date is expected to be 1 February 2018, subject to the approval of the School's Governing Body and MRC. It is anticipated that this initiative will add at least 1500 new members of staff to existing staff numbers.

Public Benefit Statement

The School is an exempt charity within the meaning of Schedule 3 of the Charities Act 2011. The School's Council serves as our trustee and is responsible for defining our strategic aims and for directing the senior management of the School in the furtherance of our mission. When setting objectives and planning activities, Council, its committees and the Senior Leadership Team give careful consideration to the Charity Commission's guidance on public benefit and to the guidance issued by HEFCE in its role as principal regulator.

The School's objectives are defined in our Charter as being "to promote original research, consultancy and education in public health and tropical medicine, both within the UK and internationally". The School remains dedicated to these objectives, and to reducing inequalities in health and global disease burdens through research and education.

Treasurer's Report

The School's research encompasses a spectrum from fundamental laboratory research in infectious diseases and studies of disease causation, through development and assessment of novel interventions and services, to advising on implementation in real life settings of interventions, service and system reforms, and evaluation that informs policy and practice. We work with a range of partners at every stage; these include research collaborators in other academic settings, clinical and health practitioners, user communities and public, private and voluntary sector organisations.

In the 2014 Research Excellence Framework (REF), the School was ranked in the top 10 universities in the UK in tables published by the Times Higher Education, and second (after the Institute for Cancer Research) on the key measure of Impact. The School had the largest volume of world-leading research in the UK in Public Health, Health Services and Primary Care.

In education, the School's overarching aims are to provide future leaders, practitioners, educators and researchers in public and global health with relevant education and to provide training of the highest quality, founded on our research. We have an excellent and highly committed multinational student and alumni population, with alumni in influential places and positions worldwide.

Examples which illustrate the public benefit of the School's work include:

- The School was named Times Higher Education (THE) "University of the Year 2016" for innovative research, education, staff, student and policy engagement related to the Ebola response in West Africa in 2014/15.
- In November 2016, the School was chosen to jointly run the newly established UK Public Health Rapid Support Team in partnership with Public Health England. The £20m initiative, funded by the UK Government, means the UK has a fully operational specialist team that can be deployed anywhere in the world within 48 hours to tackle disease outbreaks which have the potential to develop into major health emergencies.
- In April 2017, the Center for World University Rankings by Subject placed the School first in the world for research performance in Tropical Medicine, second for Parasitology, and seventh for Infectious Diseases, Public Environment & Occupational Health and Social Sciences & Biomedical. The School ranked sixth in the world for social sciences and public health in the US News Best Global Universities Ranking in 2017. In May 2017, it was ranked first in Europe and fifth in the world for research impact in sciences, based on its proportion of publications that belong to the top 1% most frequently cited.
- In July 2017, a long-lasting insecticide treatment net developed by the School and its partners was recommended for use in malaria control by the World Health Organisation. The bed net, which kills mosquitoes that have become resistant to existing insecticide-treated nets and has the potential to save thousands of lives, will be rolled out to malaria control programmes and aid organisations towards the end of 2017.
- Our world-class researchers all contribute to education programmes, and supervise masters and doctoral research projects that may align with larger staff-led research projects, relate to students' past or intended field of work, or meet the needs of host organisations. Students undertake research projects in the UK with Public Health England, NHS Trusts, private companies and charities. Many students' research projects are located overseas, often in low or middle income countries and in collaboration with NGOs such as MSF and Sight Savers.

Although the School is a wholly postgraduate institution, it is committed to widening participation and offers a number of scholarships to students both for its London-based and distance learning courses. We are also actively fundraising to increase the number and value of such scholarships.

The School's public benefits are funded through funding council grants; public funding for teaching and research; tuition fees and donations from individuals and charitable foundations. The charitable work of the School is also supported by its Council members, who give their time freely and unstintingly in support of the School.

In closing, I would like to thank my fellow members of the Finance and Development Committee and the School officials who support the Committee's work for their continued support and willingness to make their considerable experience available to the School quietly and with great dedication.

Approved by the Council on 22 November 2017 and signed on its behalf on 30 November 2017 by:



J O'Donnell
Treasurer

Corporate Governance

Corporate Governance Statement

The following statement provides information about the School's governance procedures.

The School is committed to exhibiting best practice in all aspects of corporate governance, including compliance with the Governance Code of Practice published by the Committee of University Chairs (CUC). Since the publication of the new CUC Code of Governance in December 2014, the School has undertaken a detailed analysis of the School's position against the new Code, and has held a joint workshop of Audit Committee and Standing Committee on Governance, facilitated by the School's solicitors Mills & Reeve. The School has implemented the recommendations from that workshop and has an Internal Audit in 2017 that provide substantial assurance around the quality of the School's corporate governance.

A list of the Council members, who served during the financial year and until the date the financial statements were formally approved, can be found at the beginning of this document.

Statement of Internal Control

The Council is responsible for the School's system of control and for reviewing its effectiveness. The School has established a risk management framework to support the School Strategy, and this framework was reviewed and updated by the Senior Leadership Team and the School's Audit and Risk Committee in June 2017. The framework includes a strategic risk register which identifies the high level "red" and "amber" risks linked to the Strategy, and provides a tool for evaluating and managing each risk. Strategic risks are monitored by the Senior Leadership Team, the Management Board and the Committees of Council. Risk is also a standing item at all meetings of Council. Risk registers are in place for all faculties and for central services which assess the likelihood and impact of operational risks.

The risk management framework is intended to ensure that the School has the skills, management arrangements and organisational structures in place to take advantage of opportunities, whilst managing the strategic and operational risks that may prevent us from achieving our strategic objectives. The School takes its responsibilities to its stakeholders seriously and regards risk management as both a tool of good management and an important factor in ensuring that the School meets its obligations to its key stakeholders.

The approach to internal control is risk based and is supported by a programme of internal audit work which reflects this approach. The Audit and Risk Committee approves the internal audit programme and receives the internal audit reports at its regular meetings during the year. The Committee has also developed an assurance matrix which sets out sources of external and internal assurance for key areas of control.

The internal auditors provide an annual report which includes an opinion on the School's controls. The report for 2016-17 concludes that, in the internal auditors' opinion, the School's arrangements for risk management, control and governance, and for ensuring value for money, were adequately designed and effective.

The School's system of control is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and can only provide a reasonable and not absolute assurance against material misstatement or loss.

Summary of the School's Structure of Corporate Governance

The School was established in 1899 and is incorporated under a Royal Charter granted in 1924. Following approval by the Privy Council, a Supplemental Charter came into effect in March 2009.

Under the terms of the Charter the Council is our governing body and has sole management control and supervision of the School including the appointment and payment of officers, the management of property and responsibility for ensuring that Financial Statements accurately reflect the year's operation and are in line with the guidelines and appropriate accounting standards set by the Higher Education Funding Council for England (HEFCE).

A Statement of Council's Primary Responsibilities is set out in the next section of this document.

Council comprises a majority of external members, as well as staff members and a student member. The roles of the Chairman and Deputy Chairman of the Council are separated from the role of the School's Chief Executive, the Director.

Council is responsible for the ongoing strategic direction of the School, approves major developments and receives regular reports from Executive Officers on the operations of its business, in accordance with the Memorandum of Assurance and Accountability between the School and HEFCE.

Corporate Governance

Council meets four times a year and has several committees, including a Finance and Development Committee, an Audit and Risk Committee, a People and Remuneration Committee, and a Nominations Committee. Council delegates a number of functions to these committees which are formally constituted with terms of reference and include members of Council. Each of these committees is chaired by a non-staff member of Council. Council has also established an Institutional Policies and Principles Committee to advise on governance issues and ensure that Council and its sub-committees continue to comply with best practice. It also has a clear delegations framework in place.

Council undertook a formal review of its effectiveness in 2013, in accordance with good practice. The review found that Council was fulfilling its responsibilities effectively, but also made a number of recommendations which have subsequently been adopted by Council. The review also resulted in a number of minor amendments to the Charter as set out in the Schedule to the Order of the Privy Council. These changes are explained in the governance section of the School's web-site.

The Institutional Principles and Policies Committee has established a rolling programme of effectiveness reviews for Council committees, including an annual programme of light touch reviews of all of its committees. An in depth effectiveness review of Council will take place in the 2017-2018 Academic session.

The Finance and Development Committee meets four times each year and *inter alia* recommends to Council the School's annual revenue and capital budgets, monitors performance in relation to the approved budgets, and advises on all resource and strategic planning issues.

The Audit and Risk Committee meets four times each year with the School's external and internal auditors. The Committee considers detailed reports together with recommendations for the improvement of the School's systems of control, and management's responses and implementation plans. It also considers reports from HEFCE and other School funders as they affect the School's business, and monitors adherence with regulatory requirements. The Committee adopts a risk-based approach to internal audit planning and the internal audit work undertaken in the year ended 31 July 2017 has been governed by this approach. Whilst senior executives attend meetings of the Audit Committee as necessary, they are not members of the Committee. The Committee produces an annual report to Council covering all aspects of its work.

The Audit and Risk Committee reviews the School's Annual Financial Statements, with particular regard to this statement of Corporate Governance, the external auditors' report, and adherence to the School's accounting policies. Responsibility for assessing the School's financial performance rests with the Finance and Development Committee.

The Nominations Committee considers vacancies for external members on Council and its sub-committees in accordance with CUC guidance. Because of the specialist nature of the School's activities vacancies for external members of Council are advertised extensively across relevant networks. Members are identified by a selection process comprising of shortlisting and interviews.

The Nominations Committee's recommendations to Council take into account the balance of skills, knowledge and experience of Council and committees' members. An audit of Council members' skills and experience was undertaken as part of the selection process, and the Nominations Committee will keep the mix of skills under review when considering future vacancies. The School will also look to improve the diversity of Council and its sub-committees, reflecting its commitment to Athena SWAN charter, Equality Challenge and the values set out in the School Strategy.

The People and Remuneration Committee reviews the performance and determines the annual remuneration of senior staff and policies related thereto.

The senior forum for consideration of all academic matters is the Senate, which includes representatives of senior and junior members of academic staff from across the School together with professional support staff members and student representatives. The Senate reports to Council following each meeting.

The Safety Committee reports to Council on issues relating to the safety of School staff, students and visitors.

The School maintains a register of interests for members of Council, external members serving on committees and senior officers, which may be consulted by arrangement with the Secretary and Registrar.

Details of related party transactions involving members of Council or senior officers are disclosed in Note 8 and Note 27 to the Financial Statements. The external members of Council do not receive any payment for the work they do for the School, apart from the reimbursement of expenses.

Approved by the Council on 22 November 2017 and signed on its behalf on 30 November 2017 by:



Dame Marjorie Scardino
Chairman, Council

Responsibilities of the Council

STATEMENT OF PRIMARY RESPONSIBILITIES

- i. To approve the mission and strategic vision of the School, long-term academic and business plans and key performance indicators, and to ensure that these meet the interests of stakeholders;
- ii. To ensure that processes are in place to monitor and evaluate the performance and effectiveness of the School against the plans and approved key performance indicators, which should be – where possible and appropriate – benchmarked against other comparable institutions;
- iii. To appoint the Director of the School as chief executive, and to put in place suitable arrangements for monitoring his/her performance;
- iv. To delegate authority to the Director for the academic, corporate, financial, estate and human resource management of the School. To establish and keep under regular review the policies, procedures and limits of such delegated management functions;
- v. To ensure the establishment and monitoring of systems of control and accountability, including financial, human resources and other operational controls and risk assessment, and procedures for handling internal grievances and for managing conflicts of interest;
- vi. To have the ultimate financial and business responsibility for the School, to ensure that proper books of account are kept, to approve the annual budget and financial statements, and to have overall responsibility for the School's assets, property and estates. This ultimate financial and business responsibility recognises that the Director has delegated powers from Council under iv above;
- vii. To be assured that the students' experience (including welfare) is maintained at a high level;
- viii. To safeguard the reputation and values of the School;
- ix. To be the School's ultimate legal authority and as such, to ensure that systems are in place for meeting all the School's legal obligations and that the School's constitution is always followed;
- x. To ensure that good governance operates including academic governance, conducting Council's business in accordance with the best practice in HE corporate governance and with the principles of public life drawn up by the Committee on Standards in Public Life – i.e. *Selflessness, Integrity, Objectivity, Accountability, Openness, Honesty and Leadership*;
- xi. To act as trustee for any property, legacy, endowment, bequest or gift in support of the School; and
- xii. To appoint a School Secretary to act as clerk to the Council ensuring that he/she is solely accountable to the Chairman of the Council for this governance role and that he/she has access to all information he/she requires to ensure good governance operates.

Statement of Responsibilities of Council

The Council is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the School and to enable it to ensure that the financial statements are prepared in accordance with the School's Charter and Statutes, United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", the Statement of Recommended Practice: Accounting for Further and Higher Education published in March 2014 and any subsequent amendments and the HEFCE Accounts Direction.

The School's Charter vests the custody and control of all assets in the Council. The Memorandum of Assurance and Accountability (July 2017) between the HEFCE and the School requires the Council to ensure that Financial Statements are prepared for each financial year which give a true and fair view of the state of affairs of the School and of its income and expenditure, cash flows and recognised gains and losses for that period.

1. Under the School's Charter the Council has appointed a Finance and Development Committee *inter alia* to:
 - i. approve and recommend to the Council the School's annual budget and longer-term financial projections and to monitor performance against budget;
 - ii. approve systems of internal financial control and accounting.

Responsibilities of the Council

2. In causing the Financial Statements to be prepared, the Finance and Development Committee, on behalf of the Council, seeks to ensure that:
 - i. suitable accounting policies are selected;
 - ii. judgements and estimates are made that are reasonable and prudent;
 - iii. applicable United Kingdom accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
 - iv. the Financial Statements are prepared on the going concern basis unless it is inappropriate to presume that the School will continue to operate as an institution providing teaching and research.
 - v. there is no relevant audit information of which the auditors are unaware; and
 - vi. each member has taken all the steps that he or she ought to have taken to be aware of any relevant audit information and to establish that the auditors are aware of that information.

3. On behalf of the Council, the Finance and Development Committee is responsible for ensuring that proper accounting records are kept which disclose with reasonable accuracy at any time the financial position of the School and enable it to ensure that the Financial Statements comply with the Memorandum of Assurance and Accountability between the Higher Education Funding Council for England and the School. It is also responsible for ensuring that the assets of the School are safeguarded.

4. On behalf of the Council the Audit and Risk Committee is responsible for reviewing the effectiveness of internal control systems and thereby ensuring that controls are in place to prevent and detect fraud or other irregularities. The Committee reviews whether satisfactory arrangements are in place to promote economy, efficiency and effectiveness and monitors the performance and effectiveness of external and internal audit. The Committee also ensures that there are adequate and effective arrangements in place for risk management. The committee is responsible for recommending the School's Financial Statements to the Council for approval.

5. The Council has taken reasonable steps to:
 - i. ensure that funds from the HEFCE are used only for the purposes for which they have been given and in accordance with the Memorandum of Assurance and Accountability between the Higher Education Funding Council for England and the School and any other conditions which the Funding Council may from time to time prescribe;
 - ii. ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources;
 - iii. ensure that there is an ongoing process for identifying, evaluating and managing the School's significant risks, control and corporate governance;
 - iv. safeguard the assets of the School and to prevent and detect fraud, bribery and other irregularities; and
 - v. secure the economical, efficient and effective management of the School's resources and expenditure.

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

- i. Clear definitions of the responsibilities of, and the authority delegated to, heads of academic schools and professional service departments;
- ii. A comprehensive medium and short-term planning process, supplemented by detailed annual income, expenditure, capital and cash flow budgets;
- iii. Regular reviews of academic performance and financial results involving variance reporting and updates of forecast outturns;
- iv. Clearly defined and formalised requirements for approval and control of expenditure, with investment decisions involving capital or revenue expenditure being subject to formal detailed appraisal and review according to approval levels set by the Council;
- v. Comprehensive Financial Regulations, detailing financial controls and procedures, approved by the Finance and Development Committee and the Council; and
- vi. A professional Internal Audit function whose annual programme takes into account matters included in the Risk Register and is approved by the Audit and Risk Committee in line with the Statement of Internal Control.

Responsibilities of the Council

MEMBERSHIP

- i. The Charter states that "the Council shall be comprised of not more than 16 persons". It requires the following to be ex-officio members – the Director of the School and the Chair of the Student Representative Council.
- ii. Council has decided that there will be up to 10 independent members and up to 4 drawn from the School Staff. The Charter requires that the independent members shall comprise the majority of all members of Council;
- iii. The Charter states that other than the ex-officio members, "the members shall be appointed or elected for a period of 3 years and shall be eligible for re-appointment or re-election except that members will not normally serve for more than three consecutive terms of three years".

STANDING ORDERS – MEETINGS OF COUNCIL AND ITS COMMITTEES

QUORUM

(a) COUNCIL

The Charter states that "the Council shall be deemed to be quorate when: at least 7 members are present; and the majority of those members present at any meeting are persons who are neither students nor members of staff of the London School. No business of Council shall be transacted at any inquorate meeting except the adjournment of the meeting. At a reconvened meeting following an adjournment for lack of quorum then the business for which the original meeting was called may be completed in the absence of a quorum".

(b) COUNCIL COMMITTEES

The quorum for Council Committees is a minimum of two independent members of Council with a conference call counting as attendance with the exception of:

Senate – the quorum is 10 staff and student members

Safety Committee – the quorum is one third of the membership

The independent members should normally be in the majority.

Where there is no quorum the meeting may proceed but no decisions can be taken. However, decisions can be taken by the Committee by telephone, correspondence or by email provided all members are invited to participate and vote and the minimum quorum numbers do vote. So an inquorate meeting may propose a decision which can then be approved by a telephone, correspondence or email exchange.

DECISIONS

(a) COUNCIL

Our legal advice is that the Charter requires that Council may only take decisions at a meeting of Council unless it has taken a decision at a meeting to delegate the decision to a member of Council, the Director or a Council Committee.

(b) COUNCIL COMMITTEES

Decisions can be taken by the Committee by telephone, correspondence or by email provided all members are invited to participate and vote and the minimum quorum numbers do vote.

SECRETARY AND REGISTRAR

The School Secretary and Registrar or his/her nominee will act as Secretary to Council and all Council Committees.

Responsibilities of the Council

CHAIRMAN'S ACTION

The Chairmen of Council Committees, including Senate, have the authority to act on behalf of their Committee in matters of urgency, if this power has been delegated to them by their Committee. The exercise of this power will be reported to the following meeting of the Committee. The Chairman of Council powers of action are covered in Ordinance B3.

STANDING ORDERS – MEETINGS OF COUNCIL AND ITS COMMITTEES

ADDITIONAL MEETINGS

(a) COUNCIL

An additional meeting of Council may be convened at any time by the Chairman of Council or on receipt of a written or email request from at least a third of the current Council membership. The members requesting the meeting must set out in a statement the matters they wish to be discussed at the additional meeting.

(b) COUNCIL COMMITTEES

An additional meeting of a Committee may be convened at any time by its Chairman or the Chairman of Council. Members of Senate may request a meeting provided they comply with the terms set out in Senate's Terms of Reference.

CANCELLING OR RE-ARRANGING SCHEDULED MEETINGS

The Chairman has the power to cancel a scheduled meeting if in his/her view there is insufficient business to be transacted and should normally do so with one week's notice. The Chairman also has the power to re-arrange a scheduled meeting if in his/her view this is necessary.

AGENDAS and MINUTES

- i. The School Secretary and Registrar is responsible for drawing up the Agenda for Council and Committee meetings with the approval of the relevant Chairman and ensuring adequate supporting information. Any Council or Committee member wishing to request that an item is placed on the agenda should communicate with the School Secretary and Registrar
- ii. The Agenda for a meeting and the Minutes of the previous meeting shall normally be despatched to each member seven days in advance. The Minutes of the previous meeting will be approved at the next meeting of the Council or Committee and any agreed alterations will be minuted at that meeting;
- iii. Decisions and the reasons leading to those decisions are recorded in the minutes and would normally be released if there was a Freedom of Information Request except where the Council or Committee agrees matters are confidential for commercial, personal or other reasons permitted by the legislation; and
- iv. Minutes shall be kept by the Secretary and Registrar, who shall be responsible for retaining all minutes, agendas and papers in an archive.

CONDUCT OF MEETINGS

- i. The Chairman has discretion to determine the conduct of discussion and debate at meetings and how business is to be brought to conclusion;
- ii. Every matter for decision shall be determined after due deliberation by those present, the Chairman taking the sense of the meeting. Any member may request that the matter be put to a vote. Only the Chairman can approve that a proposal or motion proposed during the course of the meeting shall be put to the meeting for resolution;
- iii. All those present and eligible shall vote and the result shall be determined by simple majority;
- iv. If the vote shall be equally divided for and against, the Chairman shall have a second and casting vote; and

Responsibilities of the Council

- v. Members must support collective decisions once made. They may, if they choose, indicate that the reason for their disagreeing with the decision should be noted in the Minutes.

ATTENDANCE TO OBSERVE

- i. The Chairman of Council will determine who attends Council meetings other than Council Members and the School Secretary and Registrar.
- ii. Any member of the Council may, with approval of the relevant Committee Chairman, attend a Committee meeting as an observer, unless they have a conflict of interest.

EFFECTIVENESS REVIEWS

- i. Council and all its Committees should annually carry out a brief review of their operations and terms of reference in accordance with any guidelines established by the Institutional Principles & Policies Committee.
- ii. At approximately three year intervals, Council and its Committees will carry out a more rigorous review of their effectiveness (using external support where appropriate), in accordance with the programme and guidelines developed by Institutional Principles & Policies Committee.

Approved by the Council on 22 November 2017 and signed on its behalf on 30 November 2017 by:



Dame Marjorie Scardino
Chairman, Council

Independent Auditor's Report to the Council of the London School of Hygiene & Tropical Medicine

Opinion

We have audited the financial statements of London School of Hygiene & Tropical Medicine (the 'Parent School') and its subsidiary (the 'group') for the year ended 31 July 2017 which comprise the consolidated and School statement of comprehensive income, the consolidated and School statement of changes in reserves, the consolidated and School balance sheets, the consolidated statement of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent School's affairs as at 31 July 2017, and of the group's and the Parent School's income and expenditure, gains and losses, changes in reserves and the group's cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and the Statement of Recommended Practice: Accounting for Further and Higher Education published in March 2014.

Basis for opinion

We have been appointed as auditor under the Royal Charter and report in accordance with regulations made under it. We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Who we are reporting to

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

Conclusions relating to going concern

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

- the Council's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Council have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the School'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.

Other information

The Council are responsible for the other information. The other information comprises the information included in the Treasurer's Report, Corporate governance and responsibilities of Council set out on pages 2 to 15, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion 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 such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in 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 in this regard.

Opinion on other matters prescribed by HEFCE's Memorandum of assurance and accountability dated July 2017

In our opinion, in all material respects:

- funds from whatever source administered by the Parent School for specific purposes have been properly applied to those purposes and managed in accordance with the relevant legislation;

Independent Auditor's Report to the Council of the London School of Hygiene & Tropical Medicine

- funds provided by HEFCE have been applied in accordance with the Memorandum of assurance and accountability and any other terms and conditions attached to them; and
- the requirements of HEFCE's accounts direction have been met.

Responsibilities of the Council for the financial statements

As explained more fully in the Statement of responsibilities of the Council set out on pages 11 to 12, the Council is responsible for the preparation of the financial statements and for being satisfied they give a true and fair view, and for such internal control as the Council 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 are responsible for assessing the School's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the Council either intend to liquidate the School or to cease operations, or have no realistic alternative but to do so.

Auditor's 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Grant Thornton UK LLP

Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London

30 November 2017

Statement of Principal Accounting Policies

1. Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further Education and Higher Education 2015 (2015 FE HE SORP) and in accordance with Financial Reporting Standards 102 (FRS 102). The School is a public benefit entity and therefore has applied the relevant public benefit requirement of FRS 102.

2. Statement of compliance

The London School of Hygiene & Tropical Medicine is a not for profit School operating in England. The registered Office is Keppel Street London WC1E 7HT UK. The consolidated financial statements have been prepared in compliance with Financial Reporting Standard (FRS 102) as it applies to the financial statements of the group for the year ended 31 July 2017.

3. Basis of Accounting

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

4. Basis of consolidation

The consolidated financial statements include the School and its subsidiaries for the financial year to 31 July 2017. The results of subsidiaries acquired or disposed of during the period are included in the consolidated statement of income and expenditure from the date of acquisition or up to the date of disposal. Intra-group transactions are eliminated on consolidation. Associated companies and joint ventures are accounted for using the equity method.

5. Income recognition

Income from the sale of goods or services is credited to the Consolidated 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.

Tuition fee income is stated gross of any expenditure and credited to the Consolidated Statement of Income and Expenditure over the period in which students are studying. Scholarships are accounted for gross as expenditure and not deducted from income.

Investment income is credited to the Consolidated Statement of Comprehensive Income and Expenditure on a receivable basis.

Grant funding from Government Sources

Government revenue grants including the recurrent grant from the Higher Education Funding Council for England (HEFCE) and research grants are recognised in income over the periods in which the School 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, until the performance conditions are met within creditors and allocated between creditors due within one year and due after more than one year as appropriate.

Grant funding from Non-Government Sources

Research revenue grants from non-government sources are recognised in income according to the terms of the grant:

- a) Where the funder awards the grant on the basis of pre-agreed expenditure, which sets out the expected level of service or units of output, or a maximum total budget is agreed, then the expenditure against the project actual spent is used as the income recognition point.
- b) Where the funder reimburses costs properly incurred against the grant purpose, or will expect repayment of any unspent funds at the end of the project, the income recognition will be the expenditure on the project.
- c) Where the funder receives some form of benefit of approximately equal value to the funding provided, the grant shall be treated as a revenue transaction. Income recognition will be in line with the project's expenditure.

Statement of Principal Accounting Policies

Income received in advance of the performance related conditions being met, or expenditure against the project budget, is recognised as deferred income within creditors on the balance sheet and released to income as performance conditions are met or expended against the project budget.

Donations & Endowments

Donations without performance related conditions or restrictions are credited to the Consolidated Statement of Comprehensive Income and Expenditure under donations on entitlement to the income.

Donations and endowments with donor imposed restrictions are recognised in income when the School 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.

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

The School has adopted the total return approach to income derived from its permanent endowments in accordance with The Charities (Total Return) Regulations 2013.

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

- I. Restricted donations - the donor has specified that the donation must be used for a particular objective.
- II. Unrestricted permanent endowments - the donor has specified that the fund is to be permanently invested to generate an income stream for the general benefit of the School.
- III. Restricted expendable endowments - the donor has specified a particular objective other than the purchase or construction of tangible fixed assets, and the School has the power to use the capital
- IV. Restricted permanent endowments - the donor has specified that the fund is to be permanently invested to generate an income stream to be applied to a particular objective.

Capital grants

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

6. Accounting for retirement benefits

The School's employees participate in three defined benefit/hybrid pension schemes – the Universities' Superannuation Scheme (USS), which changed from a defined benefit only to a hybrid pension scheme with effect from 1 October 2016, the Superannuation Arrangements of the University of London (SAUL), both of which are externally funded schemes, and the National Health Service Scheme, which is unfunded.

USS and SAUL were contracted out of the State Second Pension (S2P) up to 31 March 2016. From 1 April 2016, contracting out was abolished.

Each fund is valued every three years by professionally qualified independent actuaries.

The USS and SAUL are multi-employer schemes for which it is not possible to identify the assets and liabilities to the School due to the mutual nature of the schemes and therefore these schemes are accounted for as defined contribution retirement benefit scheme.

A liability is recorded within provisions for any contractual commitment to fund past deficits within the USS and SAUL schemes.

7. 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 the School. Any unused benefits are accrued and measured as the additional amount the School expects to pay as a result of the unused entitlement.

8. Foreign currency

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to the functional currency at the foreign exchange rate ruling at that date or, where there are related forward foreign exchange contracts, at

Statement of Principal Accounting Policies

the contract rates. The resulting exchange differences are taken to the Consolidated Statement of Comprehensive Income and Expenditure.

9. Tangible Fixed assets

Fixed assets are stated at measured cost, less accumulated depreciation and accumulated impairment losses. Certain items of fixed assets that had been re-valued to fair value on the date of transition to the FRS 102, are measured on the basis of deemed cost, being the re-valued amount at the date of that transition.

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

Land

In keeping with the transitional rules set out in FRS 102 the freehold and leasehold land valuation is retained to be used as their 'deemed cost' going forward. Freehold land is not depreciated as it is considered to have an indefinite useful life. Leasehold land is depreciated over the life of the lease up to a maximum of 50 years.

Buildings

Freehold and leasehold buildings are stated at cost.

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

Freehold buildings are depreciated on a straight line basis over their expected useful economic life to the School of between 10 and 50 years. Long leasehold buildings are depreciated over a useful economic life of 50 years irrespective of the length of the lease. Short-leasehold buildings, where the lease is less than 50 years, are depreciated over the life of the lease.

Expenditure on buildings in the course of construction is capitalised in the year in which it arises. No depreciation is charged until the year in which the asset comes into use.

Finance costs which are directly attributable to the construction of buildings are not capitalised as part of the costs of the buildings and are charged to the Consolidated Statement of Comprehensive Income and Expenditure in the year in which the finance costs are payable.

Equipment

Equipment, including computers, costing less than £10,000 per individual item is recognised as expenditure and written off in full to the Consolidated Statement of Comprehensive Income and Expenditure in the year of acquisition.

All other equipment including computers above £10,000 per individual item is capitalised and stated at cost.

It is depreciated over its expected useful economic life, as follows:

Computer equipment	4 years
Equipment acquired for specific research projects	the remaining project life
All other equipment	4 years
Furniture	4 years

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

10. Intangible Assets

Intangible assets costing less than £10,000 per individual item are recognised as expenditure and written off in full to the Consolidated Statement of Comprehensive Income and Expenditure in the year of acquisition, and assets costing above £10,000 are amortised over four years on a straight line basis.

Statement of Principal Accounting Policies

11. Investments

Fixed asset investments and endowment asset investments are held on the Balance Sheet at market value. Unlisted investments are stated at historical cost less any provision for impairment in their value.

12. Cash and cash equivalents

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

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

13. Provisions, contingent liabilities and contingent assets

Provisions are recognised in the financial statements when:

- (a) the School has a present obligation (legal or constructive) as a result of a past event;
- (b) it is probable that an outflow of economic benefits will be required to settle the obligation; and
- (c) a reliable estimate can be made of the amount of the obligation.

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

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

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

Contingent assets and liabilities are not recognised in the Balance Sheet but are disclosed in the notes.

14. Accounting for Joint Operations, Jointly Controlled Assets and Jointly Controlled Operations

The School, along with four other colleges in the Bloomsbury area, participates in the London International Development Centre (LIDC) which is a joint operation.

The School accounts for its share of the assets, liabilities and cash flows from LIDC in the financial statements measured in accordance with the terms of the arrangement (see Note 14 to the Financial Statements).

15. Taxation

The School is an exempt charity within the meaning of Schedule 3 of the Charities Act 2011, and, as such, is a charity within the meaning of Section 506 (1) of the Income and Corporation Taxes Act 1988. Accordingly, the School is potentially exempt from taxation in respect of income and capital gains received within categories covered by Section 478-488 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively for charitable purposes.

The School is partially exempt for the purposes of Value Added Tax (VAT) and is only able to reclaim a small element of VAT charged on its purchases of goods and services. Irrecoverable VAT on inputs is included in the costs of such inputs. Any irrecoverable VAT allocated to fixed assets is included in their cost.

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

Statement of Principal Accounting Policies

16. Financial Instruments

The School uses derivative financial instruments known as interest rate swaps to reduce exposure to interest rate movements.

Derivatives are held on the Balance Sheet at fair value. The School has adopted and complied with the requirements of hedge accounting and, as a result, movements in fair value are recorded within Other Comprehensive Income.

17. Reserves

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

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

18. Key Judgments & Estimates

FRS102 requires management to use judgments in applying estimates and assumptions which affect the reported amounts. Whenever a material judgment is called for, management relies upon advice and information from professional advisers, particularly where discount rates are required to calculate fair values.

Freehold and leasehold land

As the School has adopted a policy of revaluation of its freehold and leasehold land it is required to assess if there are any material changes. This has been independently assessed by the School's professional advisers.

Hedging provision

Another key judgment relates to the calculation of the hedging provision, again independently undertaken by the School's professional advisers.

Pension provision

The School uses a recognised model within the Higher Education sector to calculate the fair value of the contractual commitment to fund past deficits in the USS and SAUL pension schemes.

Research and Development Expenditure Credit claim

The School's final Research and Development Expenditure Credit (RDEC) claim was based on management's assessment of the qualifying expenditure at the balance sheet date and on previously accepted claim for 2013-14.

In kind contribution

The School received in kind contributions for four of its clinical trials, which include vaccines and expert staff time free of charge, and in accordance with FRS102, the valuation of the vaccines and expert staff time are based on the certificates and reports received from the organisations who provided such in-kind contributions. Where the financial year-end differs, an estimate is based on previous year's in kind contribution, or where additional information is available to distribute the costs equally over a period of time, such as Gantt charts or work packages. Full disclosure of the value received in year is stated in Notes 3 & 9.

Statement of Principal Accounting Policies

19. Going Concern

Council considers that the School has sufficient financial resources and is confident that its future income streams will maintain these resources. Council believes that the School is well placed to effectively manage its business risks, despite the uncertain economic situation.

Council has a reasonable expectation that the School has adequate resources to continue in operation for the foreseeable future. Thus, it continues to adopt the going concern basis in preparing the financial statements.

20. Restatement of prior year Balance Sheet

To the extent practicable, the School shall correct a material prior period error retrospectively in the first financial statements authorised for issue after its discovery by restating the comparative amounts for the prior period(s) presented in which the error occurred. Certain balance sheet accounts have been restated, for which the details are set out in note 29.

Consolidated and School Statement of Comprehensive Income and Expenditure Account for the year ended 31 July 2017

	Note	2017		2016	
		Consolidated £'000	School £'000	Consolidated £'000	School £'000
Income					
Tuition fees and education contracts	1	18,979	18,979	17,016	17,016
Funding body grants	2	23,329	23,329	23,734	23,734
Research grants and contracts	3	121,863	121,863	110,104	110,104
Other income	4	12,284	11,515	13,936	13,326
Investment income	5	128	128	347	347
Donations and endowments	6	1,884	1,884	2,662	2,662
Total income		178,467	177,698	167,799	167,189
Expenditure					
Staff costs	8	76,886	76,421	72,907	72,483
Other operating expenses	9	95,647	95,382	84,685	84,519
Depreciation and amortisation	11/12	3,963	3,961	4,033	4,031
Interest and other finance costs	7	1,023	1,022	1,231	1,230
Total expenditure		177,519	176,786	162,856	162,263
Surplus before other gains losses and share of operating deficit of joint ventures and associates		948	912	4,943	4,926
Gain on investments	20	671	671	217	217
Share of operating deficit in joint venture	14	(131)	(131)	(65)	(65)
Surplus before tax		1,488	1,452	5,095	5,078
Taxation	10	(116)	(116)	(266)	(266)
Surplus for the year		1,372	1,336	4,829	4,812
Change in fair value of hedging financial instruments	21	1,598	1,598	(2,134)	(2,134)
Total comprehensive income for the year		2,970	2,934	2,695	2,678
Represented by:					
Endowment comprehensive income for the year		1,878	1,878	68	68
Restricted comprehensive income for the year		(349)	(349)	(62)	(62)
Unrestricted comprehensive income for the year		(460)	(496)	4,767	4,750
Restricted Hedging reserve comprehensive income for the year		1,598	1,598	(2,134)	(2,134)
Revaluation reserve comprehensive income for the year		303	303	56	56
		2,970	2,934	2,695	2,678

All items of income and expenditure relate to continuing activities.

Consolidated and School Statement of Changes in Reserves

Year ended 31 July 2017

Consolidated

	Income and expenditure account			Hedging Reserve	Revaluation Reserve	Total
	<i>Endowment</i>	<i>Restricted</i>	<i>Unrestricted</i>			
	£'000	£'000	£'000			
Balance at 1 August 2015	11,372	411	72,378	(5,080)	1,964	81,045
Surplus from the income and expenditure statement	-	-	4,829	-	-	4,829
Other comprehensive income	-	-	-	(2,134)	-	(2,134)
Transfers between revaluation and income and expenditure reserve	-	-	(56)	-	56	-
Release of restricted funds spent in year	68	(62)	(6)	-	-	-
Total comprehensive income for the year	68	(62)	4,767	(2,134)	56	2,695
Balance at 1 August 2016	11,440	349	77,145	(7,214)	2,020	83,740
Surplus from the income and expenditure statement	-	-	1,372	-	-	1,372
Other comprehensive income	-	-	-	1,598	-	1,598
Transfers between revaluation and income and expenditure reserve	-	-	(303)	-	303	-
Release of restricted funds spent in year	1,878	(349)	(1,529)	-	-	-
Total comprehensive income for the year	1,878	(349)	(460)	1,598	303	2,970
Balance at 31 July 2017	13,318	-	76,685	(5,616)	2,323	86,710

School

	Income and expenditure account			Hedging Reserve	Revaluation Reserve	Total
	<i>Endowment</i>	<i>Restricted</i>	<i>Unrestricted</i>			
	£'000	£'000	£'000			
Balance at 1 August 2015	11,372	411	72,538	(5,080)	1,964	81,205
Surplus from the income and expenditure statement	-	-	4,812	-	-	4,812
Other comprehensive income	-	-	-	(2,134)	-	(2,134)
Transfers between revaluation and income and expenditure reserve	-	-	(56)	-	56	-
Release of restricted funds spent in year	68	(62)	(6)	-	-	-
Total comprehensive income for the year	68	(62)	4,750	(2,134)	56	2,678
Balance at 1 August 2016	11,440	349	77,288	(7,214)	2,020	83,883
Surplus from the income and expenditure statement	-	-	1,336	-	-	1,336
Other comprehensive income	-	-	-	1,598	-	1,598
Transfers between revaluation and income and expenditure reserve	-	-	(303)	-	303	-
Release of restricted and unrestricted funds spent in year	1,878	(349)	(1,529)	-	-	-
Total comprehensive income for the year	1,878	(349)	(496)	1,598	303	2,934
Balance at 31 July 2017	13,318	-	76,792	(5,616)	2,323	86,817

Consolidated and School Balance Sheet as at 31 July 2017

	Notes	2017		Restated 2016	
		Consolidated	School	Consolidated	School
		£'000	£'000	£'000	£'000
Non-current assets					
Intangible assets	11	523	523	283	283
Fixed assets	12	103,260	103,254	105,190	105,182
Investments	13	18,253	18,326	16,071	16,144
Investment in joint venture	14	106	106	106	106
		<u>122,142</u>	<u>122,209</u>	<u>121,650</u>	<u>121,715</u>
Current assets					
Trade and other receivables	16	41,171	41,121	37,435	37,303
Cash and cash equivalents	22	63,415	63,369	65,276	65,221
		<u>104,586</u>	<u>104,490</u>	<u>102,711</u>	<u>102,524</u>
Creditors: amounts falling due within one year	17	<u>(76,140)</u>	<u>(76,083)</u>	<u>(74,569)</u>	<u>(74,381)</u>
Net current assets		<u>28,446</u>	<u>28,407</u>	<u>28,142</u>	<u>28,143</u>
Total assets less current liabilities		<u>150,588</u>	<u>150,616</u>	<u>149,792</u>	<u>149,858</u>
Creditors: amounts falling due after more than one year	18	(47,130)	(47,130)	(49,010)	(49,010)
Provisions	19	(16,748)	(16,669)	(17,042)	(16,965)
Total net assets		<u>86,710</u>	<u>86,817</u>	<u>83,740</u>	<u>83,883</u>
Restricted Reserves					
Income and expenditure reserve - endowment reserve	20	13,318	13,318	11,440	11,440
Income and expenditure reserve - hedge reserve	21	(5,616)	(5,616)	(7,214)	(7,214)
Income and expenditure reserve - restricted reserve	21	-	-	349	349
Unrestricted Reserves					
Income and expenditure reserve - unrestricted		76,685	76,792	77,145	77,288
Revaluation reserve		2,323	2,323	2,020	2,020
Total Reserves		<u>86,710</u>	<u>86,817</u>	<u>83,740</u>	<u>83,883</u>

The Financial Statements on pages 18 to 48 were approved by the Council on 22 November 2017 and signed on its behalf on 30 November 2017 by:

Professor Baron Peter Piot
Director



Dame Marjorie Scardino
Chairman, Council



Consolidated Cash Flow Statement for the year ended 31 July 2017

	Notes	2017 £'000	Restated 2016 £'000
Cash flow from operating activities			
Surplus for the year		1,372	4,829
Adjustment for non-cash items			
Depreciation	12	3,757	4,033
Amortisation of intangibles	11	206	94
Gain on investments	20	(671)	(217)
(Increase)/decrease in debtors		(4,118)	17,499
Decrease in creditors		(570)	(25,106)
(Decrease)/increase in pension provision	19	(302)	569
Increase in other provisions	19	8	42
Share of operating deficit in joint venture	14	131	65
Adjustment for investing or financing activities			
Investment income	5	(128)	(347)
Interest payable	7	1,023	1,231
Endowment income	6	(561)	(415)
Capital grant income	2	(1,317)	(1,347)
Net cash (outflow)/inflow from operating activities		<u>(1,170)</u>	<u>930</u>
Cash flows from investing activities			
Capital grants receipts		1,630	2,038
Investment income	5	128	347
Payments made to acquire fixed assets	12	(1,827)	(4,080)
Payments made to acquire intangible assets	11	(446)	(377)
New deposits		(801)	(415)
		<u>(1,316)</u>	<u>(2,487)</u>
Cash flows from financing activities			
Interest paid	7	(737)	(764)
Endowment cash received	20	1,362	818
		<u>625</u>	<u>54</u>
(Decrease)/increase in cash and cash equivalents in the year		<u>(1,861)</u>	<u>(1,503)</u>
Cash and cash equivalents at beginning of the year	22	65,276	66,779
Cash and cash equivalents at end of the year	22	63,415	65,276

Notes to the Financial Statements

	2017		2016	
	Consolidated £'000	School £'000	Consolidated £'000	School £'000
1 Tuition fees and education contracts				
Fees from full-time students charged UK fees	2,967	2,967	2,628	2,628
Fees from full-time students charged overseas fees	6,534	6,534	5,465	5,465
Fees from students charged part-time fees	960	960	1,015	1,015
Fees from students on short courses	2,071	2,071	1,974	1,974
Fees from distance learning courses	6,447	6,447	5,934	5,934
	18,979	18,979	17,016	17,016

	2017		2016	
	Consolidated £'000	School £'000	Consolidated £'000	School £'000
2 Funding body grants				
Recurrent grant				
HEFCE Research Grants	17,895	17,895	18,397	18,397
HEFCE Teaching Grants	3,178	3,178	3,181	3,181
	21,073	21,073	21,578	21,578
Specific grants				
Higher Education Innovation Fund	939	939	749	749
Postgraduate Support Fund	-	-	60	60
	939	939	809	809
Release of Deferred Capital Grants	1,317	1,317	1,347	1,347
	23,329	23,329	23,734	23,734

Notes to the Financial Statements

	2017		2016	
	Consolidated £'000	School £'000	Consolidated £'000	School £'000
3 Research grants and contracts				
UK research councils	15,230	15,230	14,031	14,031
UK charities	16,388	16,388	16,983	16,983
UK government departments and health authorities	20,175	20,175	18,001	18,001
UK Industry & Commerce	1,369	1,369	1,233	1,233
UK other	681	681	701	701
EU charities	477	477	683	683
EU Commission and other government bodies	11,650	11,650	9,271	9,271
EU Industry & Commerce	15,069	15,069	13,855	13,855
EU other	146	146	95	95
Charities based outside the EU	22,512	22,512	19,082	19,082
Government bodies outside the EU	8,614	8,614	6,139	6,139
Industry and commerce outside the EU	1,557	1,557	2,424	2,424
Other sources outside the EU	7,995	7,995	7,606	7,606
	121,863	121,863	110,104	110,104

Included within EU Industry and Commerce in 2017 is an amount of £14,728k (2016: £13,243k) relating to the supply of vaccines and expert staff time on four clinical trials. The School received the vaccines and expert staff time free of charge for the trials and in, accordance with FRS 102, the income has been shown above and costs of £14,728k are shown in Other under Grants and Contracts (Note 9).

	2017		2016	
	Consolidated £'000	School £'000	Consolidated £'000	School £'000
4 Other income				
Research consultancy	1,679	910	1,515	905
Research and Development Expenditure Credit	570	570	1,284	1,284
Other non-research grant income	6,998	6,998	5,532	5,532
	9,247	8,478	8,331	7,721
Refectory	355	355	331	331
Currency exchange differences	224	224	2,593	2,593
Other income	2,458	2,458	2,681	2,681
	3,037	3,037	5,605	5,605
	12,284	11,515	13,936	13,326

	2017		2016	
	Consolidated £'000	School £'000	Consolidated £'000	School £'000
5 Investment income				
Other investment income	128	128	347	347
	128	128	347	347

Notes to the Financial Statements

	2017		2016	
	Consolidated	School	Consolidated	School
	£'000	£'000	£'000	£'000
6 Donations and endowments				
Endowments	561	561	415	415
Donations with restrictions	261	261	316	316
Unrestricted donations	1,062	1,062	1,930	1,930
	1,884	1,884	2,662	2,662

	2017		2016	
	Consolidated	School	Consolidated	School
	£'000	£'000	£'000	£'000
7 Interest and other finance costs				
Loan interest	737	737	764	764
Net charge on pension scheme	286	285	467	466
	1,023	1,022	1,231	1,230

Notes to the Financial Statements

8 Staff Costs	2017		2016	
	Consolidated £'000	School £'000	Consolidated £'000	School £'000
Staff Costs :				
Salaries	61,966	61,591	59,491	59,139
Social security costs	5,654	5,616	4,768	4,741
Other pension costs	9,775	9,723	8,309	8,265
Apprenticeship levy	81	81	-	-
Movement in pension deficit recovery plan provision	(590)	(590)	339	338
Total	76,886	76,421	72,907	72,483

Emoluments of the Director:	2017		2016	
	£'000		£'000	
Salary	327		266	
Benefits	327		266	
Pension contributions to USS	3		10	
	49		46	
	379		322	

Remuneration of other higher paid staff, excluding employer's pension contributions (subject to relevant accounts direction) [all shown before any salary sacrifice]:

	No.	No.
£100,000 to £109,999	13	10
£110,000 to £119,999	3	5
£120,000 to £129,999	4	1
£130,000 to £139,999	4	4
£140,000 to £149,999	-	3
£150,000 to £159,999	4	4
£160,000 to £169,999	2	2
£170,000 to £179,999	2	1
£180,000 to £189,999	2	1
£190,000 to £199,999	1	-
£200,000 to £209,999	-	-
£210,000 to £219,999	1	-
£220,000 to £229,999	-	-
£230,000 to £239,999	-	1
	36	32

Average staff numbers by major category :

	No.	No.
Teaching and Research staff in academic faculties	724	712
Support staff in academic faculties	253	242
Central services	279	261
Premises	29	28
	1,285	1,243

Key management personnel

Key management personnel are members of the Senior Leadership Team who have authority and responsibility for the planning, directing and controlling the activities of the School.

	2017 £'000	2016 £'000
Key management personnel remuneration	1,506	1,473

The School's Key Management Personnel are:

Baron Peter Piot	Director & Professor of Global Health
Prof Anne Mills	Deputy Director, Provost & Professor
Dr Matthew Lee	Chief Operating Officer
Mrs Lucinda Parr	Secretary & Registrar
Prof John Edmunds	Dean of Faculty & Professor
Prof Brendan Wren	Dean of Faculty & Professor
Prof Richard Smith	Dean of Faculty & Professor
Prof Della Freeth	Pro-Director (Learning & Teaching) and Head of Division of Education
Mr George Clayton	Director, Development & Alumni Relations

Notes to the Financial Statements

8 Staff costs (continued)

Council Members

The School's council members are the trustees for charitable law purposes. Due to the nature of the School's operations and the compositions of the Council, being drawn from local public and private sector organisations, it is inevitable that transactions will take place with organisations in which a member of the Council may have an interest. All transactions involving organisations in which a member of Council may have an interest, including those identified below, are conducted at arm's length and in accordance with the School's Financial Regulations and usual procurement procedures.

No council member has received any remuneration/waived payments from the group during the financial year 2017.

The total expenses paid to or on behalf of 13 council members was £10,599 (2016 £4,468 to 14 council members). This represents travel and subsistence expenses incurred in attending Council, Committee meetings and Charity events in their official capacity.

Notes to the Financial Statements

	2017			2016		
	Consolidated £'000			Consolidated £'000		
	Total	Staff	Other	Total	Staff	Other
9 Analysis of total expenditure by activity						
Academic faculties:						
General funds	21,193	19,169	2,024	19,276	17,689	1,587
Projects:						
Research grants and contracts	112,283	38,840	73,443	99,867	36,676	63,191
Consultancy agreements	1,100	737	363	1,104	729	375
Other grants	6,933	1,911	5,022	5,483	1,695	3,788
Total academic faculties' expenditure	141,509	60,657	80,852	125,730	56,789	68,941
Academic services	12,663	8,340	4,323	12,102	7,541	4,561
Administrative services	9,433	6,946	2,487	9,314	6,608	2,706
Maintenance of premises	4,917	903	4,014	5,437	947	4,490
Equipment and furniture	205	-	205	405	-	405
Refectory	362	272	90	324	239	85
Provisions - pension	(582)	(590)	8	101	101	-
Provisions - annual leave	(69)	(69)	-	272	272	-
General educational expenditure	2,004	285	1,719	1,596	271	1,325
Studentships	1,588	-	1,588	1,924	80	1,844
Other expenditure	503	142	361	387	59	328
	31,024	16,229	14,795	31,862	16,118	15,744
	172,533	76,886	95,647	157,592	72,907	84,685

As explained in Note 3, the School has received vaccines and expert staff time for four clinical trials free of charge. Costs of £14,728k (2016: £13,243k) are included in Other costs under Research grants and contracts.

Other operating expenses include:

School audit	57	53
Subsidiary audit	3	3
US Loans FFELP audit	4	4
Non-audit services	-	7
	64	67
Operating lease rentals:		
Other	65	48

Notes to the Financial Statements

	2017			2016		
	School			School		
	£'000			£'000		
	Total	Staff	Other	Total	Staff	Other
9 Analysis of total expenditure by activity (continued)						
Academic faculties:						
General funds	21,193	19,169	2,024	19,276	17,689	1,587
Projects:						
Research grants and contracts	112,283	38,840	73,443	99,867	36,676	63,191
Consultancy agreements	664	457	207	745	485	260
Other grants	6,933	1,911	5,022	5,483	1,695	3,788
Total academic faculties' expenditure	141,073	60,377	80,696	125,371	56,545	68,826
Academic services	12,478	8,155	4,323	12,102	7,541	4,561
Administrative services	9,373	6,946	2,427	9,083	6,428	2,655
Maintenance of premises	4,868	903	3,965	5,437	947	4,490
Equipment and furniture	205	-	205	405	-	405
Refectory	362	272	90	324	239	85
Provisions - pension	(582)	(590)	8	101	101	-
Provisions - annual leave	(69)	(69)	-	272	272	-
General educational expenditure	2,004	285	1,719	1,596	271	1,325
Studentships	1,588	-	1,588	1,924	80	1,844
Other expenditure	503	142	361	387	59	328
	30,730	16,044	14,686	31,631	15,938	15,693
	171,803	76,421	95,382	157,002	72,483	84,519

As explained in Note 3, the School has received vaccines and expert staff time for four clinical trials free of charge. Costs of £14,728k (2016: £13,243k) are included in Other costs under Research grants and contracts.

Notes to the Financial Statements

76,886 95,647 72,907

10 Taxation

	2017 £000	2016 £000
Recognised in the statement of comprehensive income		
Current tax		
Tax on Research & Development Expenditure Credit		
Current year	-	-
Previous years	116	266
Current tax expense	<u>116</u>	<u>266</u>

There is no deferred taxation arising from corporation tax on Research & Development Expenditure Credit.

11 Intangible assets

Software	Consolidated £'000	School £'000
Opening balance	283	283
Additions in the year	446	446
Amortisation charge for the year	<u>(206)</u>	<u>(206)</u>

Notes to the Financial Statements

12 Fixed Assets

Consolidated

	Freehold Land and Buildings	Leasehold Land and Buildings	Plant, Machinery, Fixtures, Fittings and Equipment	Assets in the Course of Construction	Total
	£'000	£'000	£'000	£'000	£'000
Cost or valuation					
At 1 August 2016	124,785	4,221	11,697	1,040	141,743
Additions	769	-	404	654	1,827
Disposals	-	-	(509)	-	(509)
At 31 July 2017	125,554	4,221	11,592	1,694	143,061

Depreciation					
At 1 August 2016	25,245	1,372	9,936	-	36,553
Charge for the year	2,672	93	992	-	3,757
Disposals	-	-	(509)	-	(509)
At 31 July 2017	27,917	1,465	10,419	-	39,801

Net book value					
At 31 July 2017	97,637	2,756	1,173	1,694	103,260

At 31 July 2016	99,540	2,849	1,761	1,040	105,190
-----------------	--------	-------	-------	-------	---------

School

Cost and valuation					
At 1 August 2016	124,785	4,221	11,684	1,040	141,730
Additions	769	-	404	654	1,827
Disposals	-	-	(509)	-	(509)
At 31 July 2017	125,554	4,221	11,579	1,694	143,048

Depreciation					
At 1 August 2016	25,245	1,372	9,931	-	36,548
Charge for the year	2,672	93	990	-	3,755
Disposals	-	-	(509)	-	(509)
At 31 July 2017	27,917	1,465	10,412	-	39,794

Net book value					
At 31 July 2017	97,637	2,756	1,167	1,694	103,254

At 31 July 2016	99,540	2,849	1,753	1,040	105,182
-----------------	--------	-------	-------	-------	---------

At 31 July 2017, freehold land and buildings included £43.05m (2016: £43.05m) which are measured on the basis of deemed costs. Freehold land is not depreciated.

Leased assets included above:

Net Book Value:

At 31 July 2017	-	2,756	-	-	
At 31 July 2016	-	2,849	-	-	

Notes to the Financial Statements

13 Non-Current Investments

Consolidated	Subsidiary companies £'000	Other fixed assets investments £'000	Total £'000
At 1 August 2016		16,071	16,071
Additions	-	1,362	1,362
Disposals		(154)	(154)
Gains		974	974
At 31 July 2017	-	<u>18,253</u>	<u>18,253</u>
School	£'000	£'000	£'000
At 1 August 2016	100	16,044	16,144
Additions	-	1,362	1,362
Disposals		(154)	(154)
Gains		974	974
At 31 July 2017	<u>100</u>	<u>18,226</u>	<u>18,326</u>

Other non-current investments consist of :

	Consolidated £
Subsidiary companies:	
Chariot Innovations Limited	100,000
Salus Limited	2
	<u>100,002</u>
	£'000
Other fixed asset investments:	
Endowments asset investments (see note 20)	13,318
Fixed asset investment	4,908
	<u>18,226</u>

The endowments and fixed asset investments are invested through fund managers and are shown at market value as at balance sheet date.

Notes to the Financial Statements

14 Investment in joint venture

The School holds a 20% share of London International Development Centre which is a collaboration between five specialist Bloomsbury Colleges of the University of London and operates as a membership organisation, and which does not create a separate legal entity. Each college accounts for (i) the assets that it controls and the liabilities it incurs; (ii) the expenses that it incurs, and the share of income it earns from the sale of goods or services which fall within the terms of the arrangement. The arrangement is treated as a joint venture due to the shared ownership of the fixed asset, and is accounted for using the equity method, such that 20% of the membership's gross assets are incorporated into the consolidated balance sheet of the School.

	2017 £'000	2016 £'000
Income and expenditure account		
Income	<u>212</u>	<u>149</u>
Deficit before tax	<u>(131)</u>	<u>(65)</u>
Balance sheet		
Fixed assets		
	<u>106</u>	<u>106</u>
Share of net assets	<u><u>106</u></u>	<u><u>106</u></u>

15 Investment in associates

The School has no investments in associates.

The School's subsidiary, Chariot Innovations Limited, has an associate company, Vecotech Limited. As at 31 July 2017, Chariot owned 36% of the share capital of Vecotech Limited.

Notes to the Financial Statements

16 Trade and other receivables

	2017		Restated 2016	
	Consolidated	School	Consolidated	School
	£'000	£'000	£'000	£'000
Amounts falling due within one year:				
Research expenditure recoverable	18,444	18,444	17,408	17,408
Other trade receivables	9,031	8,788	8,762	8,491
Prepayments and accrued income	13,696	13,690	11,265	11,236
Amounts due from subsidiary companies	-	199	-	168
	<u>41,171</u>	<u>41,121</u>	<u>37,435</u>	<u>37,303</u>

Included in other trade receivables in 2016 is a loan of £270k to the Director of the School which was repaid in full (see note 27)

17 Creditors : amounts falling due within one year

	2017		Restated 2016	
	Consolidated	School	Consolidated	School
	£'000	£'000	£'000	£'000
Unsecured loans	471	471	458	458
Trade payables	11,838	11,817	11,045	11,033
Social security and other taxation payable	2,390	2,390	2,339	2,309
Accruals and deferred income	61,173	61,137	60,449	60,303
Derivatives	268	268	278	278
	<u>76,140</u>	<u>76,083</u>	<u>74,569</u>	<u>74,381</u>

The derivatives relate to interest rate swaps on the long term unsecured loans held at fair value using discount rates at the balance sheet date.

Accruals and deferred income

Included within accruals and deferred income are the following items :

	2017		Restated 2016	
	Consolidated	School	Consolidated	School
	£'000	£'000	£'000	£'000
Donations	1,035	1,035	90	90
Research grants received on account	45,776	45,776	46,906	46,906
Accrued expenses	1,746	1,710	1,885	1,739
Deferred income	12,616	12,616	11,568	11,568
	<u>61,173</u>	<u>61,137</u>	<u>60,449</u>	<u>60,303</u>

Notes to the Financial Statements

18 Creditors : amounts falling due after more than one year

	2017		Restated 2016	
	Consolidated	School	Consolidated	School
	£'000	£'000	£'000	£'000
Deferred Income	27,834	27,834	27,654	27,654
Derivatives	5,349	5,349	6,937	6,937
Unsecured loans	13,947	13,947	14,419	14,419
	<u>47,130</u>	<u>47,130</u>	<u>49,010</u>	<u>49,010</u>

The derivatives relate to interest rate swaps on the long term unsecured loans held at fair value using discount rates at the balance sheet date.

Analysis of unsecured loans:

Due within one year or on demand (Note 17)	<u>471</u>	<u>471</u>	<u>458</u>	<u>458</u>
Due between one and two years	486	486	471	471
Due between two and five years	1,498	1,498	1,502	1,502
Due in five years or more	<u>11,963</u>	<u>11,963</u>	<u>12,446</u>	<u>12,446</u>
Due after more than one year	<u>13,947</u>	<u>13,947</u>	<u>14,419</u>	<u>14,419</u>
Total unsecured loans	<u><u>14,418</u></u>	<u><u>14,418</u></u>	<u><u>14,877</u></u>	<u><u>14,877</u></u>

The School's unsecured loan facilities comprise :

Lender	Amount £'000	Maturity	Borrower
National Westminster Bank Plc	9,720	2038	School
National Westminster Bank Plc	<u>4,698</u>	2038	School
	<u><u>14,418</u></u>		

Interest on both loans is payable quarterly at a variable interest rate based on 3 month London Interbank offered rate (LIBOR) plus 0.17% (Lending Margin). The unsecured loans are hedged by interest rate swaps.

Notes to the Financial Statements

19 Provisions

Consolidated	Obligation to	Obligation to	Total		Total	
	fund deficit on	fund deficit on	Pensions	Other		Provisions
	USS Pension	SAUL Pension	Provisions	Provisions		Provisions
	£'000	£'000	£'000	£'000	£'000	
At 1 August 2016	16,762	238	17,000	42	17,042	
Utilised in year	(1,030)	(163)	(1,193)	-	(1,193)	
Additions in year	857	34	891	8	899	
At 31 July 2017	16,589	109	16,698	50	16,748	

School	Obligation to	Obligation to	Total		Total	
	fund deficit on	fund deficit on	Pensions	Other		Provisions
	USS Pension	SAUL Pension	Provisions	Provisions		Provisions
	£'000	£'000	£'000	£'000	£'000	
At 1 August 2016	16,685	238	16,923	42	16,965	
Utilised in year	(1,024)	(163)	(1,187)	-	(1,187)	
Additions in year	849	34	883	8	891	
At 31 July 2017	16,510	109	16,619	50	16,669	

There were no pension scheme enhancements in 2017 (2016: Nil).

Pension Provisions

The obligation to fund the past deficits on the USS and SAUL pension schemes arises from the contractual obligation with the pension schemes for the total payments relating to benefits arising from past performances. Management has assessed future employees within the schemes and salary payment over the period of the contracted obligations to calculate the value of the provision.

USS Deficit

The School has used a discount rate of 1.85% and inflation is assumed at 2.1% per annum on average. The deficit is projected to be funded by 31 July 2031.

SAUL deficit

The obligation is effective from 1 April 2016 and the deficit funding is over two years expiring on 31 March 2018.

Other Provisions

The School is a member of a cost sharing group, which provides internal auditing services. The School is liable for pension funding shortfalls for staff arising prior to the formation of the cost sharing group and a provision has been made in accordance with an actuarial assessment of the liability.

Notes to the Financial Statements

20 Endowments

Restricted net assets relating to endowments are as follows:

	Restricted permanent endowments	Unrestricted permanent endowments	Expendable endowments	2017 Total	2016 Total
	£'000	£'000	£'000	£'000	£'000
Balances at 1 August 2016					
Expendable endowment	-	-	1,399	1,399	1,238
Permanent endowment base value	6,678	1,371	-	8,049	8,049
Unapplied total return	1,653	339	-	1,992	2,085
	<u>8,331</u>	<u>1,710</u>	<u>1,399</u>	<u>11,440</u>	<u>11,372</u>
New endowments	-	-	1,362	1,362	100
Investment income	253	65	440	758	716
Increase in market value of investments	557	114	-	671	123
Total return allocated to income in the reporting period	(227)	(47)	-	(274)	(241)
Expenditure	-	-	(565)	(565)	(577)
Management fee	(51)	(23)	-	(74)	(53)
Total endowment comprehensive income for the year	<u>532</u>	<u>109</u>	<u>1,237</u>	<u>1,878</u>	<u>68</u>
At 31 July 2017	<u>8,863</u>	<u>1,819</u>	<u>2,636</u>	<u>13,318</u>	<u>11,440</u>
Total return at end of reporting period:					
Permanent endowment base value	6,678	1,371	-	8,049	8,049
Unapplied total return	2,185	448	-	2,633	1,992
	<u>8,863</u>	<u>1,819</u>	<u>-</u>	<u>10,682</u>	<u>10,041</u>
Represented by:					
Capital	8,863	1,819	744	11,426	10,659
Accumulated income	-	-	1,892	1,892	781
	<u>8,863</u>	<u>1,819</u>	<u>2,636</u>	<u>13,318</u>	<u>11,440</u>
Analysis by type of purpose:					
Scholarships and bursaries	2,456	-	1,892	4,348	2,871
Research support and Lectureships	2,794	-	744	3,538	3,222
Brass Blacker Chair	3,090	-	-	3,090	3,110
Prize funds	150	-	-	150	185
General	373	1,819	-	2,192	2,052
	<u>8,863</u>	<u>1,819</u>	<u>2,636</u>	<u>13,318</u>	<u>11,440</u>
Analysis by asset					
Non-current asset investments				9,680	7,889
Cash & cash equivalents				3,638	3,551
				<u>13,318</u>	<u>11,440</u>

Notes to the Financial Statements

21 Restricted Reserves

Reserves with restrictions are as follows:

	Hedging Reserve	Donations	2017 Total	2016 Total
	£'000	£'000	£'000	£'000
Balances at 1 August 2016	(7,214)	349	(6,865)	(4,669)
New donations	-	108	108	1,904
Expenditure	-	(457)	(457)	(1,966)
Increase/(decrease) in fair value of hedging financial instruments	1,598	-	1,598	(2,134)
Total restricted comprehensive income for the year	1,598	(349)	1,249	(2,196)
At 31 July 2017	(5,616)	-	(5,616)	(6,865)

	2017 Total	2016 Total
	£'000	£'000
Analysis of other restricted funds /donations by type of purpose:		
Scholarships and bursaries	-	102
Research support	-	211
General	-	36
	-	349

22 Cash and cash equivalents

	At 1st August 2016	Cash Flows	At 31st July 2017
	£'000	£'000	£'000
Consolidated			
Cash and cash equivalents	65,276	(1,861)	63,415
	65,276	(1,861)	63,415
School			
Cash and cash equivalents	65,221	(1,852)	63,369
	65,221	(1,852)	63,369

Notes to the Financial Statements

23 Capital and other commitments

Provision has not been made for the following capital commitments at 31 July 2017:

	2017		2016	
	Consolidated £'000	School £'000	Consolidated £'000	School £'000
Commitments contracted for	621	621	-	-
	<u>621</u>	<u>621</u>	<u>-</u>	<u>-</u>

24 Lease obligations

Total rentals payable under operating leases:

	2017		2016
	Plant and Machinery £'000	Total £'000	Total £'000
Payable during the year	<u>16</u>	<u>16</u>	<u>16</u>
Future minimum lease payments due:			
Not later than 1 year	49	49	16
Later than 1 year and not later than 5 years	<u>130</u>	<u>130</u>	<u>16</u>
Total lease payments due	<u>179</u>	<u>179</u>	<u>32</u>

25 Subsidiary undertakings

The subsidiary companies (all of which are registered in England & Wales), wholly-owned by the School are as follows:

Company	Principal Activity	Status
Chariot Innovations Limited	Product Testing	100% owned
Salus Limited	Dormant Trading Company	100% owned

Notes to the Financial Statements

26 Pensions

(a) The Universities' Superannuation Scheme (USS)

The School participates in the Universities Superannuation Scheme. With effect from 1 October 2016, the scheme changed from a defined benefit only pension scheme to 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 School 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 School 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 account represents the contributions payable to the scheme. Since the School has entered into an agreement (the Recovery Plan) that determines how each employer within the scheme will fund the overall deficit, the School 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.

FRS 102 makes the distinction between a group plan and a multi-employer scheme. A group plan consists of a collection of entities under common control typically with a sponsoring employer. A multi-employer scheme is a scheme for entities not under common control and represents (typically) an industry-wide scheme such as the Universities Superannuation Scheme. The accounting for a multi-employer scheme where the employer has entered into an agreement with the scheme that determines how the employer will fund a deficit results in the recognition of a liability for the contributions payable that arise from the agreement (to the extent that they relate to the deficit) and the resulting expense in profit or loss in accordance with section 28 of FRS 102. The Council are satisfied that the scheme provided by Universities Superannuation Scheme meets the definition of a multi-employer scheme and has therefore recognised the discounted fair value of the contractual contributions under the funding plan in existence at the date of approving the financial statements.

Pension costs

The latest available full actuarial valuation of the scheme was at 31 March 2014 (the valuation date), which was carried out using the projected unit method. The valuation as at 31 March 2017 is underway.

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

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

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

	2017	2016
Discount rate	2.57%	3.6%
Pensionable salary growth	n/a	n/a
Pensions increases (CPI)	2.41%	2.2%

Notes to the Financial Statements

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

Male members' mortality	98% of S1NA ["light"] YoB tables – No age rating
Female members' mortality	99% of S1NA ["light"] YoB tables – rated down 1 year

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

	2017	2016
Males currently aged 65 (years)	24.4	24.3
Females currently aged 65 (years)	26.6	26.5
Males currently aged 45 (years)	26.5	26.4
Females currently aged 45 (years)	29.0	28.8

	2017	2016
Scheme assets	£60.0bn	£49.8bn
Total scheme liabilities	£77.5bn	£58.3bn
FRS 102 total scheme deficit	(£17.5bn)	(£8.5bn)
FRS 102 total funding level	77%	85%

At 31 March 2017, the School had 1,139 active members participating in the scheme.

The contribution rate payable by the School during the year was 18% of the pensionable salaries.

(b) The Superannuation Arrangements of the University of London (SAUL)

General description of the pension scheme

The School participates in the Superannuation Arrangements of the University of London ("SAUL"), which is a centralised defined benefit scheme within the United Kingdom and was contracted-out of the Second State Pension (prior to April 2016).

SAUL is an independently-managed pension scheme for the non-academic staff of over 50 colleges and institutions with links to higher education.

Pension benefits accrued within SAUL currently build up on either a Final Salary basis or a Career Average Revalued Earnings ("CARE") basis. Following a consultation with Members, the SAUL Final Salary Section was closed from 31 March 2016 and all Members have build up benefits on a CARE basis from 1 April 2016.

The School is not expected to be liable to SAUL for any other current participating employer's obligations under the Rules of SAUL, but in the event of an insolvency event of any participating employer within SAUL, an amount of any pension shortfall (which cannot otherwise be recovered) in respect of that employer, may be spread across the remaining participating employers and reflected in the next actuarial valuation.

Funding Policy: SAUL's statutory funding objective is to have sufficient and appropriate assets to meet the costs incurred by the Trustee in paying SAUL's benefits as they fall due (the "Technical Provisions"). The Trustee adopts assumptions which, taken as a whole, are intended to be sufficiently prudent for pensions and benefits already in payment to continue to be paid and for the commitments which arise from Members' accrued pension rights to be met. The Technical Provisions assumptions include appropriate margins to allow for the possibility of events turning out worse than expected. However, the funding method and assumptions do not completely remove the risk that the Technical Provisions could be insufficient to provide benefits in the future.

A formal actuarial valuation of SAUL is carried out every three years by a professionally qualified and independent actuary. The last actuarial valuation was carried out with an effective date of 31 March 2014. Informal reviews of SAUL's position, reflecting changes in market conditions, cash flow information and new accrual of benefits, are carried out between formal valuations.

The funding principles were agreed in November 2015 and are due to be reviewed at SAUL's next formal valuation in 2017.

The Trustee and Employers have agreed that the Technical Provisions deficit at the 31 March 2014 valuation will be addressed by employer contributions of 3% of Salaries between 1 April 2016 and 31 March 2018 (inclusive). The overall level of the Employers' contributions have, therefore, increased from 13% of Salaries to 16% of Salaries with effect from 1 April 2016.

Notes to the Financial Statements

Accounting Policy

The School is a Participating Employer in SAUL. The actuarial valuation applies to SAUL as a whole and does not identify surpluses or deficits applicable to individual employers. As a whole, the market value of SAUL's assets was £1,927 million representing 97% of the liabilities for benefits accrued up to 31 March 2014.

It is not possible to identify an individual Employer's share of the underlying assets and liabilities of SAUL. The School's accounts for its participation in SAUL as if it were a defined contribution scheme and pension costs are based on the amounts actually paid (i.e. cash amounts) in accordance with paragraphs 28.11 of FRS 102.

The Trustee and Employers have agreed that the Technical Provisions deficit at the 31 March 2014 valuation will be addressed by employer contributions of 3% of Salaries between 1 April 2016 and 31 March 2018 (inclusive). The defined benefit liability to be recognised by the School in respect of the deficit contributions due to SAUL (i.e. the present value of the deficit contributions) is £286m as at 31 March 2015. This liability is based on a projection of Salaries over the period to 31 March 2018.

At 31 March 2017, the School had 215 active members participating in the scheme

The contribution rate payable by the School during the year was 16% of pensionable salaries

(c) National Health Service (NHS) Pension Scheme

Details of the benefits payable and rules of the Schemes can be found on the NHS Pensions website at www.nhsbsa.nhs.uk/pensions. These are unfunded defined-benefit schemes that cover NHS employers, GP practices and other bodies, allowed under the direction of the Secretary of State in England and Wales. They are not designed to be run in a way that would enable bodies to identify their share of the underlying scheme assets and liabilities. Therefore, each scheme is accounted for as if it were a defined-contribution scheme: the cost to the body of participating in each scheme is taken as equal to the contributions payable to that scheme for the accounting period. In order that the defined-benefit obligations recognised in the financial statements do not differ materially from those that would be determined at the reporting date by a formal actuarial valuation, the Government Financial Reporting Manual (FRm) requires that "the period between formal valuations shall be four years, with approximate assessments in intervening years". An outline of these follows:

i. Accounting valuation

A valuation of scheme liability is carried out annually by the Scheme actuary (currently the Government Actuary's Department) as at the end of the reporting period. This utilises an actuarial assessment for the previous accounting period in conjunction with updated membership and financial data for the current reporting period, and are accepted as providing suitably robust figures for financial reporting purposes. The valuation of Scheme liability as at 31 March 2016, is based on valuation data as at 31 March 2015, updated to 31 March 2016 with summary global member and accounting data. In undertaking this actuarial assessment, the methodology prescribed in IAS 19, relevant FRm interpretations, and the discount rate prescribed by HM Treasury have also been used. The latest assessment of the liabilities of the Scheme is contained in the Scheme actuary report, which forms part of the annual NHS Pension Scheme (England and Wales) Pension Accounts. These accounts can be viewed on the NHS Pensions website and are published annually. Copies can also be obtained from The Stationery Office.

ii. Full actuarial (funding) valuation

The purpose of this valuation is to assess the level of liability in respect of the benefits due under the schemes (taking into account their recent demographic experience), and to recommend contribution rates payable by employees and employers. The last published actuarial valuation undertaken for the NHS Pension Scheme was completed for the year ending 31 March 2012. The Scheme Regulations allow for the level of contribution rates to be changed by the Secretary of State for Health, with the consent of HM Treasury, and consideration of the advice of the Scheme Actuary and appropriate employee and employer representatives as deemed appropriate.

At 31 March 2017, the School had 68 active members participating in the Scheme.

(d) Pension costs for the year

The pension costs for all three schemes, which were charged to the Consolidated Income and Expenditure Account, were £9,775k (2016: £8,309k).

The movement in the provision in the pension deficit recovery plan for the USS and SAUL schemes totalled £590k in 2017 (2016: £339k).

Notes to the Financial Statements

27 Related Party Transactions

Due to the nature of the School's operations and the composition of the Council it is inevitable that transactions will take place with organisations in which a member of the Council may have an interest. All transactions involving organisations in which a member of the Council may have an interest, including those identified below, are conducted at arm's length and in accordance with the School's financial regulations and normal procurement procedures.

The loan outstanding from last year of £270k to the Director of the School was repaid in full in November 2016. The interest rate on the loan was fixed at 2% per annum.

During the year, the School invoiced a subsidiary undertaking, Chariot Innovations Limited, £88k (2016:£16k) for operating costs and £34k (2015: £34k) for rent. All transactions were at arm's length. At 31 July 2017, the School is owed £199k (2016: £168k) from Chariot Innovations Limited and this is disclosed in trade and other receivables (Note 16).

28 Post Balance sheet Event

The School disposed of three parcels of land at Winches Farm, St Albans, Hertfordshire, during the financial year 2013-14. As reported at the time, the land sold by the School enabled the purchaser to sell adjoining land (which the purchaser owned) to a developer. The sale agreement with the School stipulated that if the purchaser's land sale exceeded a specified sum, any resultant surplus would be split equally between the purchaser and the School. The sale was completed on 20 September 2017 and the School received £4.1m net of fees representing its share of the surplus on 21 September 2017.

29. Restatement of prior year Balance sheet

The School has adopted a revised methodology to more accurately reflect its accounting for research expenditure recoverable and research grants received on account. There is no impact on the consolidated income and expenditure of this revised methodology. The accruals and deferred income were previously overstated due to being shown as gross values, and are now stated on a net basis. Prior year accruals and deferred income reduced from £100.6m to £60.4m (Note 17), and research expenditure recoverable reduced from £58.0m to £17.4m (Note 16).

A further reclassification has been performed in relation to deferred income, to split it between an amount due within one year and an amount due after more than one year. The amount due after more than one year has been reduced from £31.0m to £27.7m (Note 18). An equivalent increase has been made to creditors due within one year. The overall increase of £3.3m has impacted trade payables, social security and other taxation payable (Note 17). The reclassification has been made in order to more accurately reflect the School's liabilities.

Contact Us

London School of Hygiene & Tropical Medicine

Keppel Street, London WC1E 7HT

+44 (0)20 7636 8636 · www.lshtm.ac.uk