

Financial Statements 2017/18

LONDON
SCHOOL of
HYGIENE
& TROPICAL
MEDICINE



COUNCIL MEMBERSHIP 2017/18

EXTERNAL MEMBERS (9 members)

	Appointed Until
Dame Marjorie Scardino, DBE FRSA (Chairman)	31 July 2021
Dr Diana Walford, CBE MA BSc MSc MD FRCP FRCPath FFPH (Deputy Chair) (resigned 31 July 2018)	
Dr Wendy Ewart, PhD (resigned 31 July 2018)	
Dr Precious Lunga PhD	31 July 2020
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) (resigned 01 July 2018)	
Ms Diana Layfield (appointed 01 August 2018)	31 July 2021
Dame Una O'Brien (appointed 01 August 2018)	31 July 2021

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 (resigned 31 July 2018)	
Professor Richard White MSc, PhD	31 July 2020
Professor Nicholas Mays (appointed 01 August 2018)	31 July 2021
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>
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CHAIR OF THE STUDENTS' REPRESENTATIVE COUNCIL

Mimi Bangali (resigned 31 July 2018)	<i>ex officio</i>
Anubhav Nangia (appointed 01 August 2018)	<i>ex officio</i>

SECRETARY TO THE COUNCIL

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

CHAIRMAN OF THE COURT

Dr Annalisa Jenkins, MBBS, FRCP	<i>ex officio</i>
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DEPUTY DIRECTOR AND PROVOST

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

Dr Matthew Lee, PhD	<i>ex officio</i>
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KEY ADVISORS:

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Bloomsbury Parr's Branch
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London WC1V 7BX

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

External Auditors: BDO LLP
2 City Place
Beehive Ring Road
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West Sussex RH6 0PA

Internal Auditors: PricewaterhouseCoopers LLP
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London WC2N 6RH

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

Financial Statements for the Year Ended 31 July 2018

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Treasurer's Report

This report gives an overview of the London School of Hygiene and Tropical Medicine's (hereafter "the School") activities and finances during 2017-18. In addition, the report highlights the School's key strategic and operational objectives and the progress made in the course of the year in meeting these objectives.

The School, its history and incorporation status

The School has a worldwide reputation for its research, postgraduate studies and continuing education in public and global health. With an international presence and collaborative ethos, it is uniquely placed to influence global public health policy and translate research findings into tangible impact.

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.

Mission and purpose

The School's mission is to improve health and health equity in the UK and worldwide; working in partnership to achieve excellence in public and global health research, education and translation of knowledge into policy and practice.

Since the 1990s there has been an unprecedented improvement in the human condition and advances in medicine have saved tens of millions of lives. The School has made a significant contribution to solving some of the world's most intractable public health problems and recognises the hard problems that still need to be solved. The Mission of the School is more relevant than ever when the fight against poverty and disease may be on the verge of stalling. The Gates Foundation has clearly identified that to continue improving the human condition, the Global community must help create opportunities in Africa's fastest-growing, poorest countries by investing in young people and in particular investing in their health and education. Few institutions are as well placed or as deeply committed as the School to contribute to improving public health in Africa and throughout the world.

Competitive and regulatory environment and financial context

The Higher Education sector in the UK is broad, diverse and ever changing. The sector receives funding from a number of sources: direct from students for their education, through the tuition fees they pay; from government sources to support both education and research; from donors who wish to support the mission and strategy of universities; and from commercial trading activities.

In April 2018, the School's principal government funder and regulator changed from the Higher Education Funding Council for England (HEFCE) to two new bodies, Research England and the Office for Students (OfS). The School, along with the rest of the Higher Education sector in England is in a transitional regulatory environment, as these two new bodies assume full responsibilities.

The OfS has a primary remit to ensure students receive a high quality and value for money educational experience. The School has registered as a recognised education provider with the OfS and is subject to its regulatory requirements.

The School continues to receive government funding grants, previously from HEFCE and now from Research England and the Office for Students (OfS) for research, teaching and knowledge exchange. The School is required to submit a series of financial, data and accountability returns to Research England and the OfS as part of the regulatory framework established by both bodies.

Competition to recruit students continues to intensify as both established universities and new providers enter a market with no cap on student numbers. The School is one of the world leaders in its field and attracts students from all parts of the world. Unlike for undergraduate UK and EU students, where tuition fees are regulated, the School has full flexibility to set its postgraduate fees to reflect the competitive environment and in line with its mission.

The School's research grant and contract portfolio is awarded by funders based on the quality of the scientific outputs expected. In most cases the School is competing for limited research funding with other universities, both in the UK and internationally.

Treasurer's Report (continued)

Strategic Plan 2017-2022

During the year, the School launched a new Strategic Plan, covering the period from 2017 to 2022 (full details available at: https://www.lshtm.ac.uk/files/LSHTM_strategy_2017-22.pdf)

The Strategic Plan sets out how the School will address global and public health challenges, through five main themes:

- High-quality, relevant research;
- High-quality education;
- Talented, diverse & inclusive staff and student community;
- Strong partnerships;
- Innovation and engagement.

The Strategic Plan sets out key objectives under each theme, including:

- To maintain critical mass in priority research areas;
- To ensure research outputs are relevant, influential and of the highest quality;
- To deliver a portfolio of original, inclusive, research-led Master's and Doctoral degree programmes;
- To provide an engaging learning experience, using appropriate technologies;
- To foster a thriving, inclusive staff and student community;
- To recruit, develop and retain outstanding and diverse researchers and educators;
- To review current and establishing new strategic partnerships in both research and education;
- To maximise the benefits of affiliation with the Gambia and Uganda Medical Research Council (MRC) Units;
- To connect more with policy and practice communities, and with the public, as well as supporting the School's Research Centres in their communications and engagement activities; and
- To support staff with proactive, high-quality consultancy and technology transfer.

Development and performance in the year against key strategies

Research

During the year the School successfully appointed new academic researchers to strengthen its research activities in clinical microbiology, global enteric diseases, genomics, medical statistics, big data, health systems, medical sociology and anti-microbial resistance.

School Research Centres exist to facilitate multi-disciplinary interactions that draw on expertise from across the School to help meet global health challenges. In May 2018 the School launched its 13th Centre, in Applied Genomics. This new Centre will share knowledge and provide analytical and technical support to assist researchers in adding a genomics approach to their grant applications, increase links to genomics centres in the UK and abroad, facilitate data generation strategies, offer support for large-scale analysis of genomic data and coordinate materials to allow genomic epidemiology teaching at the School.

A trial led by the School found a long lasting insecticidal net treated with piperonyl butoxide (PBO) nearly halves malaria infection rate in Tanzanian children compared to standard long-lasting pyrethroid nets. The findings were published in *The Lancet* in April 2018. As a direct consequence of the trial, the World Health Organization revised its guidance, giving a policy recommendation to PBO nets to be classified as a new class of long lasting insecticidal nets. Already more than four million PBO nets have been purchased by Malawi, Burkina Faso and Cameroon during 2018 with support of The Global Fund. Based on the updated policy, The Global Fund has offered support to a further 24 countries who would benefit from purchasing PBO nets.

A major *Lancet Commission* was published in July 2018 by more than 40 international experts including the School Director Peter Piot. It warned of "dangerous complacency" in efforts to end the HIV pandemic and made recommendations for improving the HIV response. The report was presented at the AIDS 2018 conference in Amsterdam, where many School researchers announced new HIV research findings. During the conference, Professor Piot joined HRH The Duke of Sussex at a roundtable event to support youth in Lesotho and Botswana to manage their HIV status, and to drive positive change in HIV interventions that better support the needs of this age group in their region.

The UK Public Health Rapid Support Team – jointly run by the School and Public Health England and funded by the UK Government – deployed four times in response to disease outbreaks. The team responded to an Ebola outbreak in the Democratic Republic of Congo, a Lassa Fever outbreak in Nigeria, a diphtheria outbreak among Rohingya refugees in Bangladesh and provided support in Sierra Leone to help reduce the risk of a disease outbreak following deadly landslides in Freetown.

Treasurer's Report (continued)

Education

New senior leadership appointments have been made to lead the implementation of the School's education strategy. A review of taught programmes has commenced, with the objective of ensuring the School remains attractive to the world's best students, through offering world leading courses and research opportunities with world leading researchers.

The School has established a Doctoral College, which will build a community for current, past and future doctoral students, will ensure all doctoral students receive high-quality support from supervision teams and will expand access to research degrees, through scholarships, strategic partnerships and diversification of degrees.

In September 2017, the School successfully launched the Executive Programme for Global Health Leadership, offering experienced health professionals the opportunity to develop their personal leadership skills and professional networks. The Programme enables participants to enhance their development of strong strategic leadership, negotiation and diplomatic skills to have a global health impact.

Total full time equivalent (FTE) London based Masters and PhD students for the year ended 31 July 2018 were 830 (2017: 898 FTE; 2016: 780 FTE). Recruitment in 2017-18 returned to more normal levels, following a significant increase in Masters students in 2016-17, but overall remains on an upward trend. The School maintains a broad mix of students from the UK, the European Union, Africa, the Americas and Asia-Pacific regions.

The number of active Distance Learning students registered as at July 2018 was 3,045 (July 2017: 3,046 registrations; July 2016: 3,022 registrations). The attractiveness of the flexible learning offered, particularly to those students from low- and middle-income countries, remains strong.

During the year the School was able to expand the number of scholarships offered to both Masters and PhD students.

Staff and student community

In 2017, the School undertook a staff survey, to seek views on a number of key issues. There were many positive aspects resulting, including the very high level of staff who considered the School a good place to work and were proud to work for the School. The survey also identified areas for improvement.

During the year an action plan was agreed by the School's Senior Leadership Team to address the following areas of focus: management of change, internal communications, career development and progression, and simplification of systems and processes. The agreed actions under each of these areas are being led by a member of senior staff, and progress is being regularly monitored.

In January 2018, the School's anti-bullying and harassment policy was updated and published. The School believes that any form of bullying or harassment has no place in an academic institution. The policy defines bullying and harassment, and details what staff and students should do if they feel they are being bullied or harassed and sources for help.

Throughout the year a number of high profile events took place to promote our inclusive communities, including a seminar by Phyll Opoku-Gyimah, the co-founder of UK Black Pride, LGBT+ History Month, which featured international spoken word poets Bethany Rose and Dean Atta. As part of International Women's Day, Professor Polly Roy delivered the School's annual Women in Health Lecture, which focused on the progress of Professor Roy's career, alongside how being a woman influenced her decisions and direction, and the obstacles she encountered and overcame.

The School has the good fortune to have a diverse workforce with people from a wide variety of backgrounds. The School believes that its diversity is one of the reasons that underpins its world leading research and teaching. The School is inclusive and embraces the many different cultures, ethnicities, experiences and knowledge that its students and staff contribute to make the School a leader in its field.

During the year the School submitted three Athena SWAN applications. In November 2017, the Faculty of Infectious and Tropical Diseases successfully renewed their bronze Athena SWAN. In April 2018, the School submitted an institutional Athena SWAN application and the faculty of Public Health and Policy submitted a faculty application; both have been successful with awards at bronze and silver respectively.

Treasurer's Report (continued)

Partnerships

On 1 February 2018, the Medical Research Council (MRC) transferred the MRC Research Units in The Gambia and Uganda to the School.

The Unit in The Gambia is believed to be the largest investment in medical research in any low and middle income country whose mission is to address health issues of priority in low and middle income countries, with current research themes of disease control and elimination, nutrition and vaccines and immunity.

The Unit in Uganda is an internationally recognised centre of excellence for research on HIV infection and related diseases. The Uganda Unit's mission is to conduct research to add knowledge and improve the control of infectious and non-communicable diseases in Uganda, in Africa and globally, translating research findings into policy and practice.

The coming together of the School and the MRC Units in The Gambia and Uganda is a significant milestone for all and represents a unique opportunity for the School and the Units to accelerate the delivery of their strategic objectives and will undoubtedly create new opportunities in the future which could not have been exploited on a stand-alone basis. The School and the Units have already seen benefits in closer working relationships amongst the academic and non-academic staff communities, including the sharing of new approaches, best practices and alignment of processes and supporting systems.

The School has a long-standing partnership with Nagasaki University, Japan's leading university in tropical medicine and global health. The partnership focuses on infectious disease research and an increasing number of School staff have research collaborations with Nagasaki colleagues. Over the last year, the partnership has expanded to include the development of a Joint PhD programme for Global Health, the first such programme at the School. We envisage that the work of students on the programme will further consolidate areas of collaboration between the School and Nagasaki researchers. The programme was launched in London in December 2017 with the visit of a senior delegation from Nagasaki University and the signing of a formal agreement, and the first cohort of five students took up their places in October 2018. The partnership has been further strengthened during the last year by the award of five fully funded scholarships and through a Rutherford Fund Strategic Partner Grant. The Rutherford grant will enable five Nagasaki early career researchers to spend up to six months in London, developing their own research with supervision from School staff, and exploring possibilities for future collaboration. We anticipate that the Fellowships will stimulate new research links and lead to new joint grant applications and new joint publications.

Innovation and engagement

The School understands the importance of engaging with external audiences to maximise the reach and influence of our research. There are many ways in which we do this, both formally to our funders and policy makers, and more broadly, for example through our 'Features' series. During the year, the School has produced thought-pieces as part of this Features series on the state and status of the NHS as it turned 70; whether the introduction of the sugar tax would have the desired health impacts; partnering to tackle disease across Africa; and how the West African island chain of Bijagos could be used as a disease and treatment model for the wider world, due to its 'living laboratory'. All of these features can be found on the School's website, at <https://www.lshtm.ac.uk/research/research-action/features>.

During the year, more than 21,000 pieces of media coverage about the School were generated in print, online and across TV and radio. Social media followers grew to more than 56,000 across @LSHTM profiles on Twitter, Facebook and Instagram.

Within the School, an increasing level of support is being given to promoting and supporting innovation. During the year, a new Innovation Committee was established to co-ordinate this aspect of the School's activities. The Committee has been advising on and facilitating commercial spin-out opportunities from our research work. We anticipate that at least one of these opportunities will spin-out in the near future. As a further element of the School's commitment to innovation, utilising expertise and developing further sources of income, a new consultancy policy has been developed in order to give clear direction and incentivisation to academic staff.

Treasurer's Report (continued)

Key performance indicators

In order to measure performance and progress against the objectives in the Strategic Plan 2017-2022, the School uses a range of key performance indicators (KPIs). The KPIs include key metrics that are used externally to assess performance, as well as more internally-focused indicators.

We have made improvements against our KPIs, particularly in:

- *Research impact.* The School has held its position as first in Europe for research impact in sciences, based on its proportion of publications that belong to the top 1% most frequently cited publications (*Leiden index, 2018*).
- *Research income growth.* These financial statements reflect total growth in research income of 15.4%, and like-for-like growth of 4.1%.
- *Recovery of research indirect costs.* The absolute recovery of research indirect costs in 2017-18 was £11.2m, compared to £9.4m in 2016-17. As a relative measure to direct research expenditure (excluding collaborator payments), 2017-18 research indirect cost recovery was 15.4%, compared to 13.8% in 2016-17.
- *Overall financial health, including net liquidity measures.* Our surplus for 2017-18 has increased, and our liquidity days are better than we budgeted, despite significant capital investments made in the year.

The Schools overall student satisfaction, as measured by the Post Graduate Taught Experience Survey (PTES) and Post Graduate Research Experience Survey (PRES) was just over 85%. While this is favourable relative to the benchmark group, the School wishes to improve on these results, and to that end has established a task and finish group.

The quality and suitability of space for our staff and students is strategically and operationally critical, and the School's performance in this regard is measured by the proportion of space graded in condition A or condition B, per the HESA Estates return. The School is currently at a relatively low level against this metric, but we expect this to change considerably once the phases of improvement works to both Keppel Street and Tavistock Place sites are completed.

Financial performance in the year

These financial statements report the results of the School's activities for the year ended 31 July 2018 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).

A summary of the School's consolidated income, expenditure and out-turn for the year is provided below.

	2018 £m	2017 £m
Income	231.0	178.5
Expenditure	(209.0)	(177.5)
Surplus before other gains and losses	22.0	1.0
Net operating cash inflow/(outflow)	20.9	(0.7)
Cash and short term investments	82.2	63.4

The School's consolidated surplus before other gains and losses for the year increased from £1.0m to £22.0m on income of £231.0m (2017: £178.5m), a net margin of 9.5% (2017: 0.6%). The surplus contains a gain on acquisition of two medical research units from the Medical Research Council in February 2018, of £19.2m. If this non-recurrent item is removed, the surplus is £2.8m, a net margin of 1.2%.

Impact of the Gambia and Uganda MRC Units

On 1 February 2018, the School agreed with the MRC the transfer of two of its research units, one in The Gambia and one in Uganda. The income and expenditure of the Units included in the outturn for the year (six months to 31 July 2018) are income of £14.9m and expenditure of £15.8m, a net deficit of (£0.9m). There is also a gain on acquisition of £19.2m, representing the fair value of the assets transferred, for a consideration of £2.

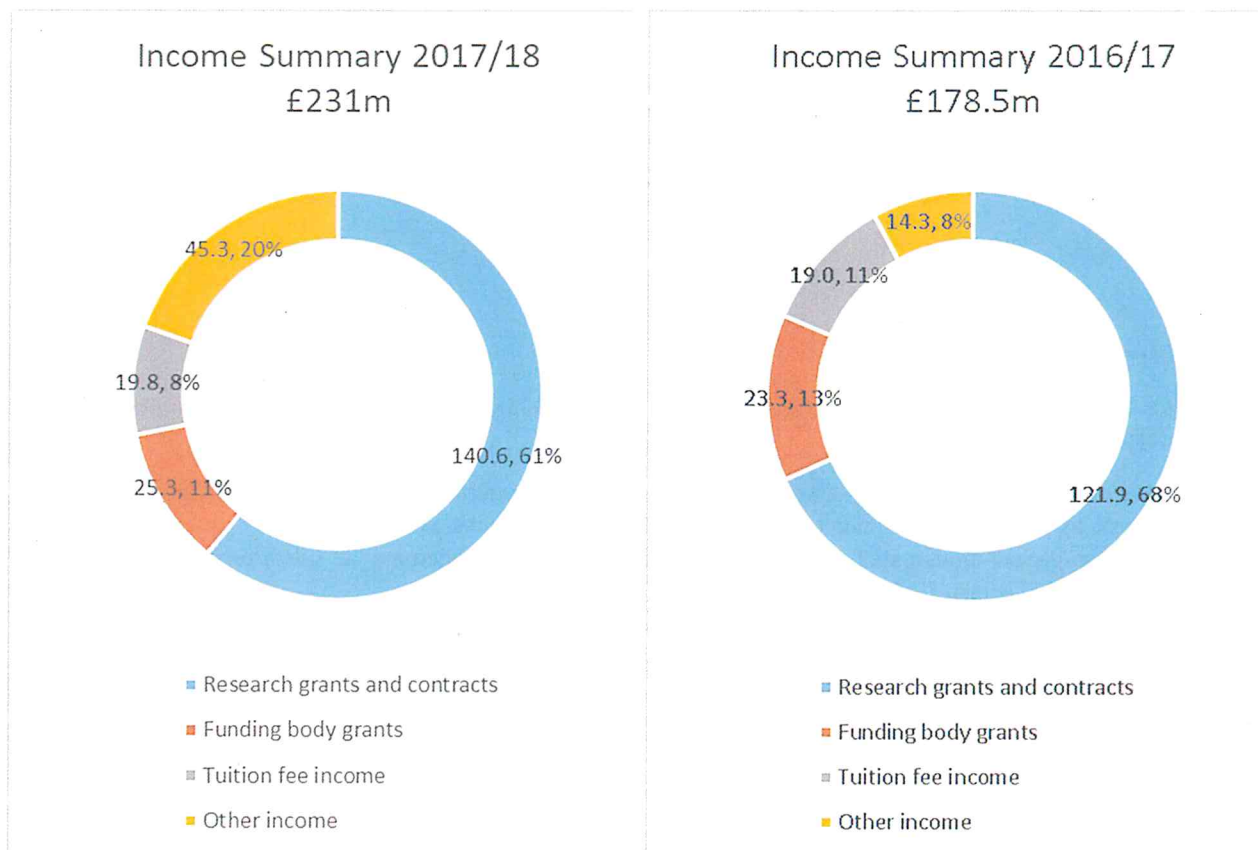
Treasurer's Report (continued)

Income

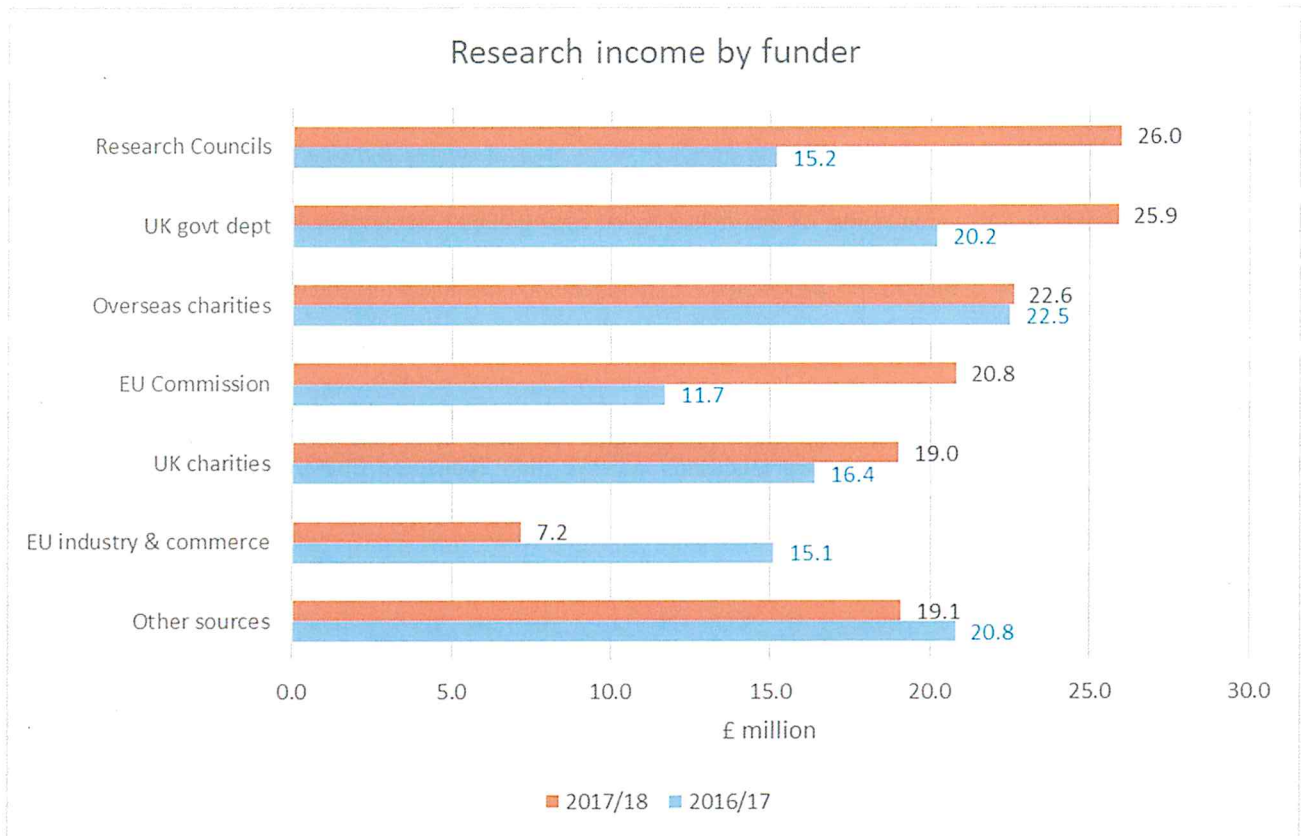
On a "like-for-like" basis (i.e. excluding the impact of the LSHTM/MRC Units and the gain on acquisition), the School's income grew from £178.5m to £196.9m, equivalent to 10.3%. The growth in like-for like income was due to:

- Higher other income £5.4m, from a number of new externally funded projects;
- Higher research activities, £5.0m, reflecting sustained levels of grant awards and success rates and an increase in the median value of awards;
- Higher donations and endowments, £4.8m, reflecting increasing effort and success, particularly in funding the School's capital development programme;
- Higher funding body grants, £2.0m, associated with both research and teaching, and release of deferred capital grants; and
- Tuition fees, £0.8m, reflecting changes in fee levels.

Within the Research Grants and Contracts income stream, the School has accounted for "in kind contribution" to the value of £6.7m (2017: £14.5m) 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).



Treasurer's Report (continued)

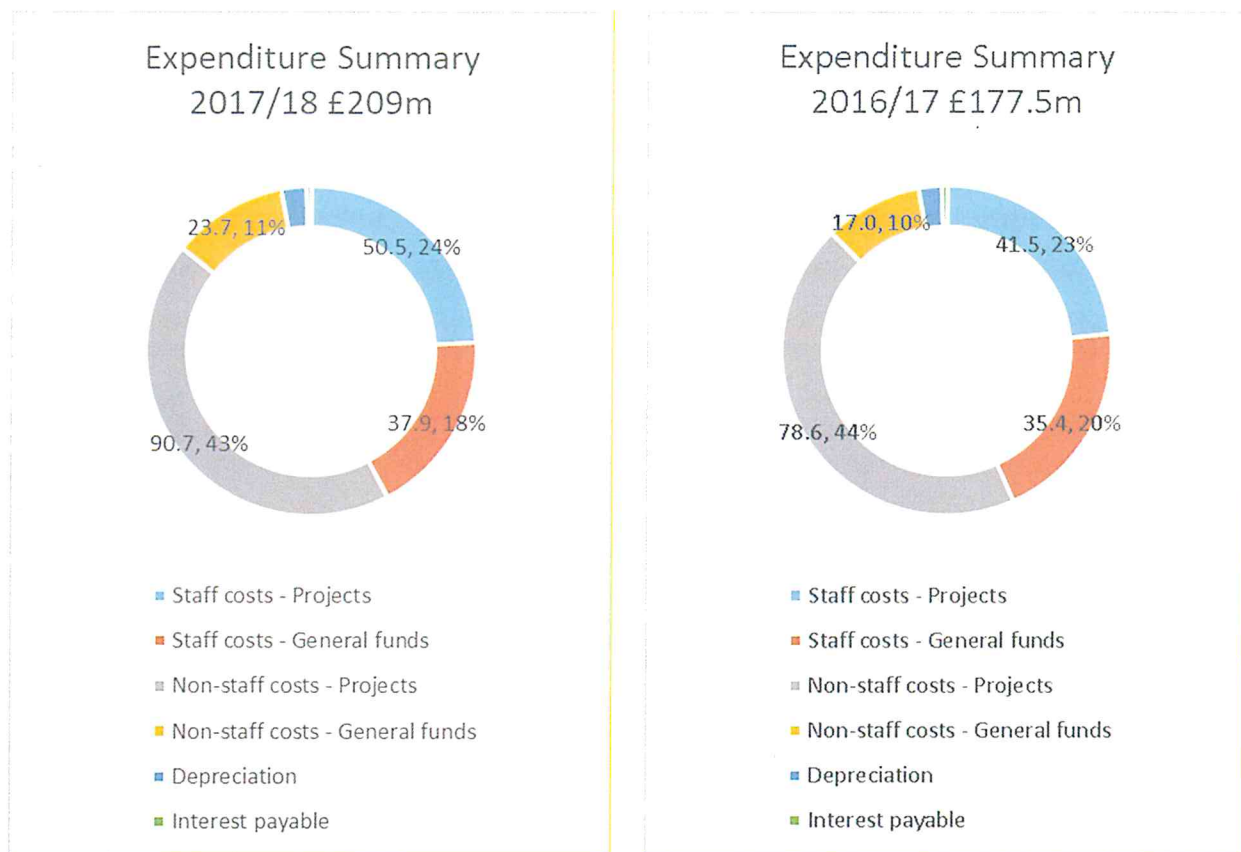


Operating Expenditure

On a "like-for-like" basis, the School's total operating expenditure grew from £177.5m to £193.2m. The growth in like-for-like operating expenditure was due to:

- Higher non-project funded non-staff costs, due to higher studentship, scholarship and donations-funded activities, as well as investment in research support costs in Faculties, £6.2m
- Higher non-project funded staff costs, due to the annual pay award, incremental salary progression costs and changes in staff levels, £2.7m;
- Higher expenditure on other project funded activities, matching equivalent income growth, £3.4m;
- Higher levels of research activity, including payments to collaborators, £3.0m; and
- Higher depreciation, due to completion of capital projects and new equipment purchases in the year, £0.3m.

Treasurer's Report (continued)



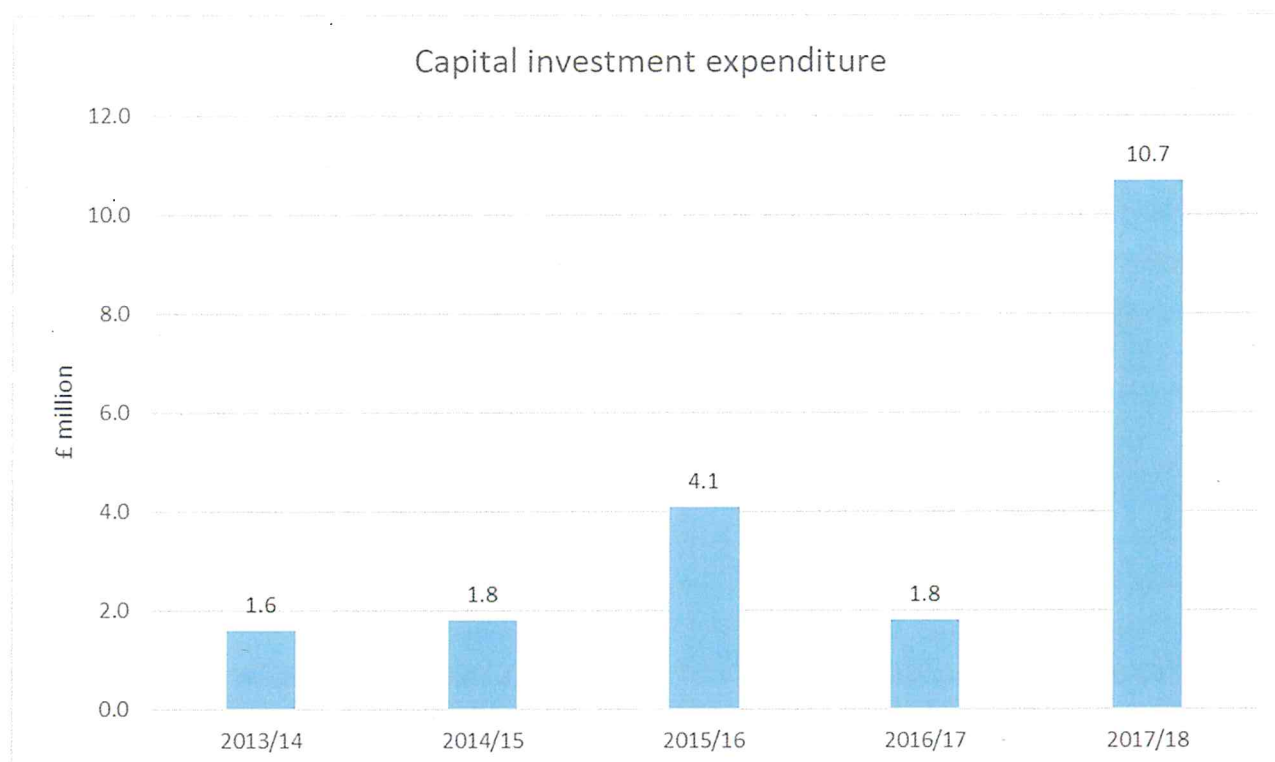
Capital investment expenditure

Capital investment expenditure for the year was £10.7m (2017: £1.8m). Of this total, the largest component was the first phase of refurbishment of the Keppel Street site (£5.1m), which has included the creation of 600 sq m of new laboratory space. Investments have also been made to enhance the School's Insectaries, and underpinning heating infrastructure at Keppel Street. Work has also commenced on a significant extension to the Tavistock Place site. During the year, improvements have also been made to the Library and Refectories.

Total capital investment also includes the replacement and renewal of research equipment, and expenditure to enhance our core IT infrastructure and software systems.

These investments have been funded through capital grants from Research England, philanthropic donations received, and proceeds connected to a previous sale of land in St Albans, Hertfordshire, no longer required by the School.

Treasurer's Report (continued)



Cash flow, financing and balance sheet

During the year the School generated net cash inflows from operating activities of £20.9m (2017: £0.7m outflow), which were utilised to service loan repayments of £1.2m (2017: £1.2m) and investing in capital expenditure (net of capital grants and proceeds from asset sales) of £3.0m (2017: £0.6m). There was a net inflow of £1.1m (2017: £0.6m) from endowments, deposits made and investment income, and £0.9m (2017: nil) of cash acquired on transfer of the LSHTM/MRC Units. This resulted in a net cash inflow for the year of £18.7m (2017: £1.9m outflow).

The cash inflow for the year was influenced by strong receipts for research project funding, the sale of land in St Albans, Funding Body capital grants received in advance of associated expenditure, and settlement by HMRC of the School's Research and Development Expenditure Credit (RDEC) claim.

Cash and cash equivalents at the year-end were £82.2m, representing 144 days of operating expenditure. Of this total cash, £21.4m represents research project working capital, and is therefore not available for non-research operational or capital investment purposes.

The School continues to repay outstanding bank loans, and total principal and interest payments on these loans in the year were £1.2m (2017: £1.2m). There were no changes in the year to LSHTM's financing strategy.

Total net assets increased from £86.7m to £114.0m. This increase was principally driven by inclusion of the fair value of the net assets of the LSHTM/MRC Units, £19.3m, and the increase in cash noted above.

Debtors increased by £17.7m in the year. This increase was due mainly to increased research grant expenditures recoverable, including for projects within the LSHTM/MRC Units (£8.9m of the total increase).

Creditors due within one year increased by £36.0m in the year. There were a number of research grants that commenced in the year where the funders advanced funds before related expenditure was incurred. The inclusion of both research project and core funding for science received in advance for the LSHTM/MRC Units accounted for £10m of the increase. The increase also reflects deferral of Research England capital grant funding for the Tavistock Place project which was received in advance of full expenditure.

Treasurer's Report (continued)

Taxation

The majority of the School's activities are not subject to corporation tax. The income generated from the core activities of the School, in relation to research and education are exempt from corporation tax. Any profits made by the School's subsidiary company, Chariot Innovations Limited, are offset against prior year tax losses or are paid to the School through the gift aid scheme, thereby maximising tax efficiencies available.

Reserves and investment policy

The School's financial reserves remain healthy, and include £18m of endowment reserves, which are used to directly support the School's research work in numerous areas and financial support to the School's students.

Pensions

The School participates in a number of pension schemes. Further details can be found in Note 26. There has been considerable activity in the year related to the Universities Superannuation Scheme (USS), particularly in completing the 2017 scheme valuation. Proposals put forward by the USS Joint Negotiating Committee to address the scheme deficit, which centred around significant benefit changes for members, were not accepted. A Joint Expert Panel was formed to independently review the valuation, and this Panel reported in September 2018. The Panel recommended that the Joint Negotiating Committee reassess a number of aspects of the valuation. It is anticipated that future contributions from both employers and members will be required to address the scheme deficit, with increases likely from April 2019, and the School is planning for this eventuality.

Future Prospects

The impact of internal and external environment changes and the School's future financial forecasts

The School anticipates that it will continue to build on its research portfolio, and the high-quality of the research undertaken will be attractive to research funders, and so further financial growth in research activities is expected in the medium-term. The changes to the School's estate outlined below will generate additional space for research and teaching. The School also expects that its high-quality research will be recognised in the upcoming Research Excellence Framework (REF), with modest increases in Funding Body grants resulting.

Our education offerings are being reviewed and the School expects to modestly increase its student numbers and related income over the medium-term, with a bias towards further growth in distance learning.

The School has successfully built a fundraising team, which is beginning to establish strong relationships with individuals, trusts and major charity funders of research in the health disciplines. It is expected that this will result in increased donations income over coming years.

Cost pressure increases remain evident, particularly in relation to staff costs from pay awards and pension contribution increases. These increases have been fully factored into the School's financial forecasts and we are progressing opportunities to become more efficient and also to enhance the indirect cost recoveries from research funders, within their funding terms.

The School's financial forecasts indicate an increase in operating surpluses generated in future years. Our research intensity means that there will always be a ceiling on operating surpluses, as research is not funded to cover its full economic costs. The increases in operating surpluses will enable sufficient cash to be generated to support our investment plans, as set out below.

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 a perception that the United Kingdom is less welcoming of non-UK students than it has been in the past.

Treasurer's Report (continued)

Financing, treasury and liquidity

In order to continue to produce world-leading research outcomes and impacts and high-quality teaching, the School recognises the need to invest in its infrastructure, both physical and in key information and data systems.

The School has developed an Estates Strategy to 2027 which sets out the intention to modernise the Keppel Street site. The modernisation programme will be undertaken in a number of phases. Phase One was completed in October 2017, and Phase Two has commenced. Council have approved investment of £17.6m to complete the Phase Two works. Further phases at Keppel Street are planned, with an indicative cost of £35m. As noted above, the School is also extending the Tavistock Place site, which will be operational from Summer 2020, with an investment cost of about £28m.

These material investments are expected to be funded through a combination of the School's cash reserves, Funding Body capital grants and donations. It is not envisaged that the School will need to seek further external borrowing to finance these investments.

Liquidity is one of the School's financial KPIs and the Council have set a minimum 'unrestricted' cash level, as expressed in days of expenditure, to ensure a balanced approach to working capital, cash reserves and cash investment decision making. The School's financial forecasts anticipate positive cash generation from operating activities, in order to support the significant investments planned.

Risk Management and Principal Risks and Uncertainties

The risk management process

The risk management process, based on sector guidance, is overseen by the Audit and Risk Committee and includes a Risk Management Framework and detailed Risk Registers. Further information on the risk management process can be found in the Corporate Governance section.

Principal risks and uncertainties

The School's Strategic Risk Register was revised during the year to reflect the aims and objectives set out in the Strategic Plan 2017-2022 and changes in the external environment. The leading strategic risks and the School's mitigating actions are:

- *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.* This risk is being mitigated through implementing new staff and structures into the Research Operations Office, implementing recommendations from research funder audits, enhancing clarity of responsibilities between Research Operations and Faculties and enhancing the scope and frequency of training to research project teams.
- *If the School's staff UKVI sponsors status is revoked then staff recruitment will be hindered.* This risk is mitigated through implementation of audit recommendations; additional staff training; and ensuring that clear and robust procedures are in place.
- *If there is not a robust research ethics approval process then the School's research governance may be compromised.* Processes are being reviewed and amended for PhD students and their supervisors; and increased frequency of monitoring is being introduced.
- *If agreement on the USS pension scheme valuation is not reached then USS will invoke the 'cost-sharing' rule which will increase the School's employer contributions to 25%.* Clear response actions are being developed should employer contributions exceed the assumptions in the financial forecasts; and the School will endorse the Joint Expert Panel's recommendations in order to promote conclusion of the valuation and a timely agreement of contribution and other changes to the scheme by the Joint Negotiating Committee.
- *If policies are not aligned across the School (London and the African Units) then there could be potential breaches in correct procedure and regulatory reporting.* A Policy Advisory Board has been established and will develop a policy review schedule to inform priority areas for alignment.

Treasurer's Report (continued)

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.

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 OfS 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.

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. Since launching the team has deployed 10 times to Ethiopia (acute watery diarrhoea, April 2017), Nigeria (cerebral meningitis, May 2017), Sierra Leone (water-borne disease surveillance, August 2017), Madagascar (pneumonic plague outbreak, October 2017), Bangladesh (diphtheria, December 2017), Nigeria (Lassa fever, February 2018), Bangladesh (infectious disease outbreaks in the Rohingya refugee camps, two deployments in 2018), Democratic Republic of Congo (Ebola, two deployments in 2018).
- 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, has been rolled out to malaria control programmes and aid organisations.
- 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.

Treasurer's Report (continued)

- In the 2018 CWT Leiden Ranking, the School ranked first in Europe for research impact in sciences, based on its proportion of publications that belong to the top 1% most frequently cited publications. In the 2018 Shanghai World Ranking, LSHTM placed 151-200 overall, and ranked 3rd in public health, 40th in clinical medicine, and 76th in human biology. In the US News Best Global Universities Ranking 2019, our School ranked ninth in the UK overall and 13th in the world in the fields of social sciences and public health. LSHTM ranked 21st for medicine in the 2018 QS World University Rankings.

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 the scholarships the School offers.

The School's public benefits are funded through Funding Body 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 20 November 2018 and signed on its behalf by:



J O'Donnell
Treasurer

Corporate Governance

Corporate Governance Statement

The following statement provides information about the School's governance procedures. This statement applies for the period from 1 August 2017 to 31 July 2018 and up until the approval of the financial statements.

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 CUC Code of Governance in December 2014, The School has undertaken a detailed analysis of our position against the new Code, and has held a joint workshop of the Audit and Risk Committee and Standing Committee on Governance, facilitated by the School's solicitors Mills & Reeve. The School has implemented the recommendations from that workshop and had an Internal Audit in 2017 that provided 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 our Strategy, and this framework was reviewed and updated by the Senior Leadership Team and the School's Audit and Risk Committee during 2017-18. 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 2017-18 concluded that, in the internal auditor's 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 regulatory guidelines and appropriate accounting standards set by the Office for Students (OfS).

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 requirements set by the OfS.

Corporate Governance (continued)

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 structure and the effectiveness of its committees in 2016, 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. 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 is currently taking place and the outcomes will be reported to Council in Spring 2019.

The Finance and Development Committee meets six 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 OfS 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 2018 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 20 November 2018 and signed on its behalf 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.

Responsibilities in regard to these Financial Statements

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 Office for Students 'Regulatory Notice 2: Regulation up to 31 July 2019 of providers that were previously funded by HEFCE' issued in March 2018.

The School's Charter states that the Council has the sole management, control and supervision of LSHTM. The terms and conditions of funding set out by OfS and Research England require 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.

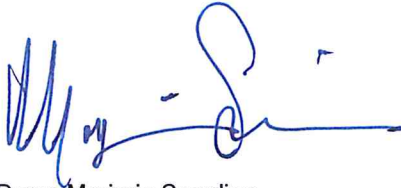
Under the School's Charter, the Council has appointed a Finance and Development Committee and Audit and Risk Committee to undertake specific responsibilities in regard to these financial statements.

The Council has taken reasonable steps to:

- i. ensure that funds from the OfS and Research England are used only for the purposes for which they have been given and in accordance with their respective terms and conditions of funding and any other conditions which they 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.

Responsibilities of the Council (continued)

Approved by the Council on 20 November 2018 and signed on its behalf 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 and Tropical Medicine ("the School") and its subsidiary ("the Group") for the year ended 31 July 2018 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 notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the School's affairs as at 31 July 2018 and of the Group's and the School's income and expenditure, gains and losses, changes in reserves and of the Group's and the School's cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education and relevant legislation.

Basis for opinion

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 and School 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.

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. Other information comprises the information included in the Treasurer's Report, the statement of Corporate Governance and statement of Responsibilities of the Council, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and 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 including the Treasurer's Report, the statement of Corporate Governance and statement of Responsibilities of the Council 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.

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

Opinion on other matters required by the Office for Students ("OfS") and Research England Audit Code of Practice

In our opinion, in all material respects:

- Funds from whatever source administered by the higher education institution for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation.
- Funds provided by the OfS and Research England have been applied in accordance with these terms and conditions and any other terms and conditions attached to them.
- The requirements of the OfS's accounts direction have been met.

Responsibilities of the Council

As explained more fully in the Statement of responsibilities of the Council set out on pages 17 to 18, the Council is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Council members 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 Group and 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 Group or 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.

In addition, we also report to you whether income from funding bodies, grants and income for specific purposes and from other restricted funds administered by the School have been properly applied only for the purposes for which they were received and whether income has been applied in accordance with the Statutes and, where appropriate, with the Terms and Conditions of Funding from the Office for Students and Research England.

Use of our report

This report is made solely to the School's Council as a body, in accordance with 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 them 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 Council members as a body, for our audit work, for this report, or for the opinions we have formed.



James Aston (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Gatwick

Date: 29 November 2018

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Consolidated and School Statement of Comprehensive Income for the year ended 31 July 2018

	Note	2018		2017 Restated	
		Consolidated £'000	School £'000	Consolidated £'000	School £'000
Income					
Tuition fees and education contracts	1	19,822	19,822	18,979	18,979
Funding body grants	2	25,316	25,316	23,329	23,329
Research grants and contracts	3	140,577	140,577	121,863	121,863
Other income	4	18,843	18,030	12,284	11,515
Investment income	5	484	484	128	128
Donations and endowments	6	25,929	25,929	1,884	1,884
Total income		230,971	230,158	178,467	177,698
Expenditure					
Staff costs	8	88,918	88,365	76,886	76,421
Other operating expenses	9	113,839	113,582	95,647	95,382
Depreciation and amortisation	11/12	5,186	5,185	3,963	3,961
Interest and other finance costs	7	1,022	1,020	1,023	1,022
Total expenditure		208,965	208,152	177,519	176,786
Surplus before other gains losses and share of operating deficit of joint ventures and associates		22,006	22,006	948	912
Gain on sale of fixed assets	28	4,224	4,224	-	-
Gain on investments	20	376	376	671	671
Share of operating deficit in joint venture	14	(125)	(125)	(131)	(131)
Surplus before tax		26,481	26,481	1,488	1,452
Taxation	10	-	-	(116)	(116)
Surplus for the year		26,481	26,481	1,372	1,336
Change in fair value of hedging financial instruments	21	807	807	1,598	1,598
Total comprehensive income for the year		27,288	27,288	2,970	2,934
Represented by:					
Endowment comprehensive income for the year		958	958	1,878	1,878
Restricted comprehensive income for the year		-	-	(349)	(349)
Unrestricted comprehensive income for the year		25,353	25,353	(460)	(496)
Unrestricted hedging reserve comprehensive income for the year		807	807	1,598	1,598
Revaluation reserve comprehensive income for the year		170	170	303	303
		27,288	27,288	2,970	2,934

All items of income and expenditure relate to continuing activities.
The notes on pages 32 to 53 form part of these financial statements.

Consolidated and School Statement of Changes in Reserves

Year ended 31 July 2018

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 2016	11,440	349	77,145	(7,214)	2,020	83,740
Surplus from the statement of comprehensive income	1,878	(349)	(157)	-	-	1,372
Other comprehensive income	-	-	-	1,598	-	1,598
Transfers between reserves	-	-	(303)	-	303	-
Total comprehensive income for the year	1,878	(349)	(460)	1,598	303	2,970
Balance at 1 August 2017	13,318	-	76,685	(5,616)	2,323	86,710
Surplus from the statement of comprehensive income	958	-	25,523	-	-	26,481
Other comprehensive income	-	-	-	807	-	807
Transfers between reserves	-	-	(170)	-	170	-
Total comprehensive income for the year	958	-	25,353	807	170	27,288
Balance at 31 July 2018	14,276	-	102,038	(4,809)	2,493	113,998

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 2016	11,440	349	77,288	(7,214)	2,020	83,883
Surplus from the statement of comprehensive income	1,878	(349)	(193)	-	-	1,336
Other comprehensive income	-	-	-	1,598	-	1,598
Transfers between reserves	-	-	(303)	-	303	-
Total comprehensive income for the year	1,878	(349)	(496)	1,598	303	2,934
Balance at 1 August 2017	13,318	-	76,792	(5,616)	2,323	86,817
Surplus from the statement of comprehensive income	958	-	25,523	-	-	26,481
Other comprehensive income	-	-	-	807	-	807
Transfers between reserves	-	-	(170)	-	170	-
Total comprehensive income for the year	958	-	25,353	807	170	27,288
Balance at 31 July 2018	14,276	-	102,145	(4,809)	2,493	114,105

The hedging reserve has been restated as an unrestricted reserve, to correct the previous treatment as a restricted reserve.


The notes on pages 32 to 53 form part of these financial statements

Consolidated and School Balance Sheet as at 31 July 2018

	Notes	2018		2017 Restated	
		Consolidated £'000	School £'000	Consolidated £'000	School £'000
Non-current assets					
Intangible assets	11	352	352	523	523
Fixed assets	12	128,183	128,178	103,260	103,254
Investments	13	19,381	19,454	18,253	18,326
Investment in joint venture	14	106	106	106	106
		<u>148,022</u>	<u>148,090</u>	<u>122,142</u>	<u>122,209</u>
Current assets					
Trade and other receivables	16	58,919	58,702	41,171	41,121
Cash and cash equivalents	22	82,150	82,019	63,415	63,369
		<u>141,069</u>	<u>140,721</u>	<u>104,586</u>	<u>104,490</u>
Creditors: amounts falling due within one year	17	<u>(112,111)</u>	<u>(111,824)</u>	<u>(76,140)</u>	<u>(76,083)</u>
Net current assets		28,958	28,897	28,446	28,407
Total assets less current liabilities		<u>176,980</u>	<u>176,987</u>	<u>150,588</u>	<u>150,616</u>
Creditors: amounts falling due after more than one year	18	(47,824)	(47,824)	(47,130)	(47,130)
Provisions	19	(15,158)	(15,058)	(16,748)	(16,669)
Total net assets		<u>113,998</u>	<u>114,105</u>	<u>86,710</u>	<u>86,817</u>
Restricted Reserves					
Income and expenditure reserve - endowment reserve	20	14,276	14,276	13,318	13,318
Unrestricted Reserves					
Income and expenditure reserve - hedge reserve	21	(4,809)	(4,809)	(5,616)	(5,616)
Income and expenditure reserve - unrestricted		102,038	102,145	76,685	76,792
Revaluation reserve		2,493	2,493	2,323	2,323
Total Reserves		<u>113,998</u>	<u>114,105</u>	<u>86,710</u>	<u>86,817</u>

The notes on pages 32 to 53 form part of these financial statements.

The Financial Statements on pages 21 to 53 were approved by Council on 20 November 2018 and signed on its behalf by:


Professor Peter Piot
Director


Dame Marjorie Scardino
Chairman, Council

Consolidated Cash Flow Statement for the year ended 31 July 2018

	Notes	2018 £'000	2017 Restated £'000
Cash flow from operating activities			
Surplus for the year		26,481	1,372
Adjustment for non-cash items			
Depreciation	12	4,980	3,757
Amortisation of intangibles	11	206	206
Gain on acquisition of MRC research units		(19,239)	-
Gain on investments	20	(376)	(671)
Movement in debtors		(17,747)	(4,118)
Movement in creditors		34,605	(111)
Movement in pension provision	19	(1,577)	(302)
Movement in other provisions	19	(13)	8
Share of operating deficit in joint venture	14	125	131
Adjustment for investing or financing activities			
Investment income	5	(484)	(128)
Interest payable	7	1,022	1,023
Endowment income	6	(641)	(561)
Gain on the sale of fixed assets	28	(4,224)	-
Capital grant income		(2,207)	(1,317)
Net cash inflow/(outflow) from operating activities		<u>20,911</u>	<u>(711)</u>
Cash flows from investing activities			
Proceeds from sales of fixed assets	28	4,224	-
Capital grants receipts		3,433	1,630
Investment income	5	484	128
Payments made to acquire fixed assets	12	(10,663)	(1,827)
Payments made to acquire intangible assets	11	(35)	(446)
New deposits		(216)	(801)
Net cash (outflow) from investing activities		<u>(2,773)</u>	<u>(1,316)</u>
Cash flows from financing activities			
Interest paid	7	(717)	(737)
Repayment of amounts borrowed		(471)	(459)
Endowment cash received	20	857	1,362
Cash acquired on transfer of MRC units		929	-
Net cash inflow from financing activities		<u>598</u>	<u>166</u>
Increase/(decrease) in cash and cash equivalents in the year		<u>18,736</u>	<u>(1,861)</u>
Cash and cash equivalents at beginning of the year	22	63,415	65,276
Cash and cash equivalents at end of the year	22	82,150	63,415

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 2018.

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 2018. 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 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 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 on a receivable basis.

Grant funding from Government Sources

Government revenue grants including the recurrent grants from the Office for Students and Research England 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 spend 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.

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.

Statement of Principal Accounting Policies (continued)

Donations & Endowments

Donations without performance related conditions or restrictions are credited to the Consolidated Statement of Comprehensive Income 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.

In-kind contributions

In-kind contributions i.e. services or goods provided to the School for no financial consideration, are recognised in income when received. The income recognised is based on the estimated cost of the services or goods, which are independently verified. This cost is recognised in staff costs or other operating expenses as appropriate. The income and cost recognised are of equal amounts.

6. Accounting for retirement benefits

The School's employees participate in four defined benefit/hybrid pension schemes – the Universities' Superannuation Scheme (USS), which changed from a defined benefit scheme to a hybrid scheme where members accrue both an element of defined benefit and defined contribution pension benefits, with effect from 1 October 2016; the Superannuation Arrangements of the University of London (SAUL); the Medical Research Council Pension Scheme (MRCPS); and the National Health Service Scheme (NHSS). USS, SAUL and MRCPS are externally funded through member and employer contributions; NHSS is an unfunded scheme.

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, SAUL and MRCPS 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 schemes.

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

Statement of Principal Accounting Policies (continued)

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

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 in the year in which the finance costs are payable.

Statement of Principal Accounting Policies (continued)

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 in the year of acquisition, and assets costing above £10,000 are amortised over four years on a straight line basis.

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.

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

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.

Statement of Principal Accounting Policies (continued)

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 jointly controlled 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.

16. Financial Instruments

Loans, investments and short-term deposits

All loans, investments and short-term deposits held by the Group are classified as basic financial instruments in accordance with FRS 102. These instruments are initially recorded at the transaction price less any transaction costs (historical cost). FRS 102 requires that basic financial instruments are subsequently measured at amortised cost, however the Group has calculated that the difference between the historical cost and amortised cost basis is not material and so these financial instrument are stated on the balance sheet at historical cost. Loans and investments that are payable or receivable within one year are not discounted.

Derivative instruments and hedge accounting

The Group holds floating rate loans which expose the Group to interest rate risk, to mitigate against this risk the Group uses interest rate swaps. These instruments are measured at fair value at each reporting date. They are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The Group has designated each of the swaps against either existing drawn floating rate debt or against highly probable future floating rate debt. To the extent the hedge is effective movements in fair value adjustments, other than adjustments for own or counter party credit risk, are recognised in other comprehensive income and presented in a separate cash flow hedge reserve. Any movements in fair value relating to ineffectiveness and adjustments for our own or counter party credit risk are recognised in income and expenditure.

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.

Statement of Principal Accounting Policies (continued)

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.

Hedging provision

Management uses its judgement to assess the fair value and effectiveness of the interest rate hedging, in the form of swaps on the bank loans, in calculating the hedging provision. The fair value is assessed by the loan provider, by comparing the position of the swap terms against current financial market position. Both loans are assessed against 3-month LIBOR. Management test these fair value calculations by gaining an understanding and testing the reasonableness of the key assumptions on which they are based. In regard to the effectiveness of the hedging instrument, management assess three main criteria: the start and end date of the swap and the underlying loan, the equivalence of the loan repayment and swap reset; and the equivalence of the outstanding loan balance and swap amount.

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, SAUL and MRC pension schemes.

The majority of the pension provision relates to the USS. The value of the USS provision is most materially impacted by estimates of three factors applied to the deficit recovery period: the discount rate, the change in staff salaries each year due to pay award inflation and the change in staff numbers each year.

Management has used a discount rate of 2.16% (2017: 1.83%), as per guidance issued by the British Universities Finance Directors Group (commissioned from Mercers, a recognised pension scheme actuary), a 2.5% p.a. (2017: 1.75% p.a.) change for salary inflation and a 1.5% change p.a. (2017: between 2.0% and 5.0% p.a. change) in staff numbers.

Each 0.1% change in the discount rate used changes the USS provision by just over £100,000. Each 0.1% change in the salary inflation assumption changes the USS provision by just over £100,000. Each 0.1% change in staff numbers changes the USS provision by just over £100,000.

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. Full disclosure of the value received in year is stated in Notes 3 and 9.

Net assets recognised for the LSHTM/MRC Units

The School has recognised the net assets of the LSHTM/MRC Units as follows:

(a) *Fixed assets*

Land and buildings for The Gambia Unit have been independently valued by suitably qualified third parties and included based on this valuation, which management consider to represent their fair value.

Fixtures, fittings and equipment for both Units have been recognised at their net book value, which management consider to be the best estimate of their fair values.

(b) *Current assets.*

The main debtor elements are cash, trade debtors and staff loans repayable to the Units, and the main creditors are trade creditors. As such, these have been recognised at their transfer value as management consider this to be their fair value.

(c) *Land and buildings for the Uganda Unit.* There is a legal requirement for land to be owned within a legal entity with majority ownership of a Ugandan national. The transfer agreements between the School and MRC confirmed transfer of all assets; however as at the date of signing the financial statements, the required legal entity had not been fully established nor title to the land formally transferred. Hence, the value of land and buildings for the Uganda Unit has not been included within these financial statements.

Statement of Principal Accounting Policies (continued)

19. Going Concern

Based on assessment of the School's latest financial forecasts, surplus targets, liquidity targets, security of income streams for research and education, and management of financial risks in the short-to medium-term, 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.

The School has restated the Hedging reserve from a restricted reserve to an unrestricted reserve in these financial statements, as it believes the previous treatment was incorrect. This restatement has been agreed with the auditors.

Notes to the Financial Statements

1	Tuition fees and education contracts	2018		2017	
		Consolidated £'000	School £'000	Consolidated £'000	School £'000
	Fees from full-time students charged UK fees	2,920	2,920	2,967	2,967
	Fees from full-time students charged overseas fees	6,558	6,558	6,534	6,534
	Fees from students charged part-time fees	1,040	1,040	960	960
	Fees from students on short courses	2,512	2,512	2,071	2,071
	Fees from distance learning courses	6,792	6,792	6,447	6,447
		19,822	19,822	18,979	18,979

2	Funding body grants	2018		2017	
		Consolidated £'000	School £'000	Consolidated £'000	School £'000
	Recurrent grant				
	HEFCE/OfS/UKRI Research Grants	18,342	18,342	17,895	17,895
	HEFCE/OfS Teaching Grants	3,339	3,339	3,178	3,178
		21,681	21,681	21,073	21,073
	Specific grants				
	Higher Education Innovation Fund	956	956	939	939
	Global Challenge Research Fund	492	492	-	-
	Connecting Capability Fund	68	68	-	-
	Industrial Strategy NPIF	269	269	-	-
		1,785	1,785	939	939
	Release of Deferred Capital Grants	1,850	1,850	1,317	1,317
		25,316	25,316	23,329	23,329

Notes to the Financial Statements (continued)

	2018		2017	
	Consolidated	School	Consolidated	School
	£'000	£'000	£'000	£'000
3 Research grants and contracts				
UK research councils	25,989	25,989	15,230	15,230
UK charities	19,030	19,030	16,388	16,388
UK government departments and health authorities	25,916	25,916	20,175	20,175
UK Industry & Commerce	1,334	1,334	1,369	1,369
UK other	573	573	681	681
EU charities	485	485	477	477
EU Commission and other government bodies	20,821	20,821	11,650	11,650
EU Industry & Commerce	7,164	7,164	15,069	15,069
EU other	135	135	146	146
Charities based outside the EU	22,623	22,623	22,512	22,512
Government bodies outside the EU	7,767	7,767	8,614	8,614
Industry and commerce outside the EU	1,488	1,488	1,557	1,557
Other sources outside the EU	7,252	7,252	7,995	7,995
	140,577	140,577	121,863	121,863

Included within EU Industry and Commerce in 2018 is an amount of £6,661k (2017: £14,728k) relating to the supply of vaccines and expert staff time on three clinical trials. LSHTM 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 £6,661k are shown in Other costs under Research grants and contracts (Note 9).

Included within the UK research councils income above is an amount of £5,756k (2017: £Nil) of funding for the LSHTMMRC Units in The Gambia and Uganda, relating to the period from 1st February 2018, when the units transferred to LSHTM.

	2018		2017	
	Consolidated	School	Consolidated	School
	£'000	£'000	£'000	£'000
4 Other income				
Research consultancy	1,855	1,042	1,679	910
Research and Development Expenditure Credit	-	-	570	570
Other non-research grant income	9,861	9,861	6,998	6,998
	11,716	10,903	9,247	8,478
Refectory	361	361	355	355
Currency exchange differences	108	108	224	224
Other income	6,658	6,658	2,458	2,458
	7,127	7,127	3,037	3,037
	18,843	18,030	12,284	11,515

Included within Other income above is an amount of £1,123k (2017: £Nil) for the LSHTMMRC Units in The Gambia and Uganda in relation to period from 1st February 2018, when the Units transferred to LSHTM.

Notes to the Financial Statements (continued)

	2018		2017	
	Consolidated	School	Consolidated	School
	£'000	£'000	£'000	£'000
5 Investment income				
Other investment income	484	484	128	128
	484	484	128	128

	2018		2017	
	Consolidated	School	Consolidated	School
	£'000	£'000	£'000	£'000
6 Donations and endowments				
Endowments	641	641	561	561
Donations with restrictions	21,475	21,475	261	261
Unrestricted donations	3,813	3,813	1,062	1,062
	25,929	25,929	1,884	1,884

Included within the 'Donations with restrictions' are the fair value of the assets of the LSHTMMRC Units in The Gambia and Uganda, which were transferred to LSHTM on 1st February 2018, with a total fair value of £19,239k (2017: £Nil), for a consideration of £2.

	2018		2017	
	Consolidated	School	Consolidated	School
	£'000	£'000	£'000	£'000
7 Interest and other finance costs				
Loan interest	717	715	737	737
Net charge on pension scheme	305	305	286	285
	1,022	1,020	1,023	1,022

Notes to the Financial Statements (continued)

	2018		2017	
	Consolidated £'000	School £'000	Consolidated £'000	School £'000
8 Staff Costs				
Staff Costs :				
Salaries	73,354	72,931	61,966	61,591
Social security costs	6,159	6,118	5,654	5,616
Other pension costs	11,014	10,925	9,775	9,723
Apprenticeship levy	293	293	81	81
Movement in pension deficit recovery plan provision	(1,902)	(1,902)	(590)	(590)
Total	88,918	88,365	76,886	76,421

Included within the above are staff costs for the LSHTMMRC Units of £7,010k (2017:£Nil), in relation to period from 1st February 2018, when the Units were transferred to LSHTM.

	2018 £'000	2017 Restated £'000
Emoluments of the Director:		
Basic Salary	278	274
Bonus	40	50
Retention Allowance	20	-
Benefits	-	3
Pension contributions to USS	54	49
Salary Sacrifice	(27)	(24)
	365	352

Of the total emoluments of the Director set out above, £192k is funded by philanthropic donations, external grants and specific other funding sources for contributions he makes within the global health sciences community.

Pay Ratio Calculations based on the Director's salary

The below sets out the multiple of the Director's salary compared to the median School employee salary.

	2018	2017
Basic Salary ratio	6.3	6.4
Total remuneration ratio	7.7	7.6

Justification for total remuneration package:

LSHTM's Remuneration Committee reviews the performance and determines the terms and conditions of the Director and the Senior Office Holders. It ensures such staff are appropriately rewarded in terms of their recruitment, retention and motivation through a process which is robust and proportionate in its use of funds.

The Remuneration Committee is chaired by an independent member of Council, and also consists of the Chair of Council, Deputy Chair of Council and three independent members of Council. The Director of HR attends in an ex officio capacity. The Remuneration Committee's terms of reference are published on the LSHTM website.

The Director's salary and performance are reviewed annually by the Remuneration Committee, following a performance assessment by the Chairman of Council who undertakes an annual review of the Director's performance, considering achievements over the past 12 months and sets agreed objectives.

The Director's remuneration package reflects the leadership skills required of a globally recognised and high-performing higher education institution and his global influence in health sciences and global health policy development.

The Director does not have any accommodation provided by the School.

Notes to the Financial Statements (continued)

8 Staff Costs (continued)

Remuneration of other higher paid staff, basic salary (subject to relevant accounts direction) and all shown before any salary sacrifice:

	2018	2017
	No.	No.
£100,000 to £104,999	20	23
£105,000 to £109,999	7	4
£110,000 to £114,999	5	3
£115,000 to £119,999	3	-
£120,000 to £124,999	-	-
£125,000 to £129,999	1	2
£130,000 to £134,999	3	1
£135,000 to £139,999	-	1
£140,000 to £144,999	1	1
£150,000 to £154,999	1	1
£160,000 to £164,999	-	2
£165,000 to £169,999	1	-
£270,000 to £274,999	-	1
£275,000 to £279,999	1	-
	43	39

	2018	2017
	No.	No.
Average staff numbers by major category:		
Teaching and Research staff in academic faculties	1,253	724
Support staff in academic faculties	438	253
Central services	400	279
Premises	41	29
Clinic and support staff Gambia	41	-
	2,173	1,285

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.

	2018	2017 Restated
	£'000	£'000
Key management personnel basic remuneration	1,356	1,118
	No.	No.
Number of key management personnel	11	9

Key management personnel who served during the year are:

Prof Baron Peter Piot	Director & Professor of Global Health
Prof Anne Mills	Deputy Director & Provost
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 Sasha Shepperd	Pro-Director (Learning, Teaching & Enhancement)
Mr George Clayton	Director, Development & Alumni Relations
Prof Umberto D'Alessandro	Director, MRC Unit The Gambia at LSHTM
Prof Pontiano Kaleebu	Director, MRC/JVRI & LSHTM Uganda Research Unit

Notes to the Financial Statements (continued)

8 Staff Costs (continued)

Council Members

No council member has received any remuneration/waived payments from the group during the financial year 2018.

The total expenses paid to or on behalf of 13 council members was £2,613 (2017:£10,599 to 14 council members). This represents travel and subsistence expenses incurred in attending Council, Committee meetings and Charity events in their official capacity.

9 Analysis of total expenditure by activity

	2018			2017		
	Consolidated £'000			Consolidated £'000		
	Total	Staff	Other	Total	Staff	Other
Academic faculties:						
General funds	25,315	20,407	4,908	21,193	19,169	2,024
Projects:						
Research grants and contracts	123,391	45,425	77,966	112,283	38,840	73,443
LSHTMMRC Units	6,745	2,749	3,996	-	-	-
Consultancy agreements	1,329	830	499	1,100	737	363
Other grants	10,240	1,808	8,432	6,933	1,911	5,022
Total academic faculties' expenditure	167,020	71,219	95,801	141,509	60,657	80,852
Academic services	14,512	9,479	5,033	12,663	8,340	4,323
Administrative services	8,921	8,413	508	9,433	6,946	2,487
Maintenance of premises	5,237	826	4,411	4,917	903	4,014
Equipment and furniture	147	-	147	205	-	205
Refectory	331	261	70	362	272	90
Provisions - pension	(1,911)	(1,903)	(8)	(582)	(590)	8
Provisions - annual leave	64	64	-	(69)	(69)	-
General educational expenditure	5,633	417	5,216	2,004	285	1,719
Studentships	1,959	-	1,959	1,588	-	1,588
Other expenditure	844	142	702	503	142	361
	35,737	17,699	18,038	31,024	16,229	14,795
	202,757	88,918	113,839	172,533	76,886	95,647

As explained in Note 3, the School has received vaccines and expert staff time for three clinical trials free of charge. Costs of £6,661k (2017: £14,728k) are included in Other costs under Research grants and contracts.

Included above are total costs for the LSHTMMRC Units of £14,857k (2017: £Nil) in relation to period from 1st February 2018, when the Units transferred to LSHTM. Of this total, Staff costs are £7,010k (2017: £Nil) and Other costs £7,847k (2017: £Nil).

	2018	2017
	£'000	£'000
Other operating expenses include:		
School audit	75	57
Subsidiary audit	3	3
US Loans FFELP audit	4	4
Non-audit services	-	-
	82	64
Operating lease rentals:		
Other	65	65

Included within the School audit are costs for the LSHTMMRC units of £12k (2017: £Nil).

Notes to the Financial Statements (continued)

	2018 School £'000			2017 School £'000		
	Total	Staff	Other	Total	Staff	Other
9 Analysis of total expenditure by activity (continued)						
Academic faculties:						
General funds	25,315	20,407	4,908	21,193	19,169	2,024
Projects:						
Research grants and contracts	123,391	45,425	77,966	112,283	38,840	73,443
LSHTM/MRC Units	6,745	2,749	3,996	-	-	-
Consultancy agreements	798	484	314	664	457	207
Other grants	10,240	1,808	8,432	6,933	1,911	5,022
Total academic faculties' expenditure	166,489	70,873	95,616	141,073	60,377	80,696
Academic services	14,305	9,272	5,033	12,478	8,155	4,323
Administrative services	8,875	8,413	462	9,373	6,946	2,427
Maintenance of premises	5,211	826	4,385	4,868	903	3,965
Equipment and furniture	147	-	147	205	-	205
Refectory	331	261	70	362	272	90
Provisions - pension	(1,911)	(1,903)	(8)	(582)	(590)	8
Provisions - annual leave	64	64	-	(69)	(69)	-
General educational expenditure	5,633	417	5,216	2,004	285	1,719
Studentships	1,959	-	1,959	1,588	-	1,588
Other expenditure	844	142	702	503	142	361
	35,458	17,492	17,966	30,730	16,044	14,686
	201,947	88,365	113,582	171,803	76,421	95,382

As explained in Note 3, the School has received vaccines and expert staff time for three clinical trials free of charge. Costs of £6,661k (2017: £14,728k) are included in Other costs under Research grants and contracts.

Included above are total costs for the LSHTM/MRC Units of £14,857k (2017: £Nil) in relation to period from 1st February 2018, when the Units transferred to LSHTM. Of this total, Staff costs are £7,010k (2017: £Nil) and Other costs are £7,847k (2017: £Nil).

Notes to the Financial Statements (continued)

10 Taxation

	2018 £000	2017 £000
Recognised in the statement of comprehensive income		
Current tax		
Tax on Research & Development Expenditure Credit	-	116
Current and total tax expense	<u>-</u>	<u>116</u>

Factors affecting the tax charge:

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

	2018 £000	2017 £000
Surplus before taxation	26,481	1,488
Surplus multiplied by the standard rate of corporation tax in the UK of 20%	5,296	298
Effect of:		
Surplus falling within charitable exemption	(5,296)	(174)
Trading losses utilised by subsidiary	-	(8)
Total tax expense	<u>-</u>	<u>116</u>

11 Intangible assets

Software

	Consolidated £'000	School £'000
At 1 August 2017	523	523
Additions in the year	35	35
Amortisation charge for the year	(206)	(206)
At 31 July 2018	<u>352</u>	<u>352</u>

Notes to the Financial Statements (continued)

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 2017	125,554	4,221	11,592	1,694	143,061
LSHTMMRC Units acquired 1 Feb 2018	-	15,776	3,464	-	19,239
Additions	2,330	-	1,603	6,730	10,663
Disposals	-	-	-	-	-
At 31 July 2018	127,884	19,997	16,658	8,424	172,964

Depreciation					
At 1 August 2017	27,917	1,465	10,419	-	39,801
Charge for the year	2,760	567	1,653	-	4,980
Disposals	-	-	-	-	-
At 31 July 2018	30,677	2,032	12,072	-	44,781

Net book value					
At 31 July 2018	97,207	17,965	4,586	8,424	128,183

At 31 July 2017	97,637	2,756	1,173	1,694	103,260
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School

Cost and valuation					
At 1 August 2017	125,554	4,221	11,579	1,694	143,048
LSHTMMRC Units acquired 1 Feb 2018	-	15,776	3,463	-	19,238
Additions	2,330	-	1,603	6,730	10,663
Disposals	-	-	-	-	-
At 31 July 2018	127,884	19,997	16,645	8,424	172,950

Depreciation					
At 1 August 2017	27,917	1,465	10,412	-	39,794
Charge for the year	2,760	567	1,652	-	4,978
Disposals	-	-	-	-	-
At 31 July 2018	30,677	2,032	12,064	-	44,772

Net book value					
At 31 July 2018	97,207	17,965	4,581	8,424	128,178

At 31 July 2017	97,637	2,756	1,167	1,694	103,254
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At 31 July 2018, freehold land and buildings included £43.05m (2017: £43.05m) which are measured on the basis of deemed cost. Freehold land is not depreciated.

Included above at 31 July 2018, are assets of the LSHTMMRC Units, with a total net book value of £18,626k (2017: £Nil)

Leased assets included

above:

Net Book Value:

At 31 July 2018	-	17,965	-	-
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At 31 July 2017	-	2,756	-	-
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Notes to the Financial Statements (continued)

13 Non-Current Investments

Consolidated	Subsidiary companies £'000	Other fixed assets investments £'000	Total £'000
At 1 August 2017	-	18,253	18,253
Additions	-	857	857
Disposals	-	(275)	(275)
Gains	-	546	546
At 31 July 2018	-	19,381	19,381
School	£'000	£'000	£'000
At 1 August 2017	100	18,226	18,326
Additions	-	857	857
Disposals	-	(275)	(275)
Gains	-	546	546
At 31 July 2018	100	19,354	19,454

Other non-current investments consist of :

Subsidiary companies:

	Consolidated £
Chariot Innovations Limited	100,000
Salus Limited	2
	<u>100,002</u>

Other fixed asset investments:

	£'000
Endowments asset investments (see note 20)	14,276
Fixed asset investment	5,078
	<u>19,354</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 (continued)

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 jointly controlled operation 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.

	2018 £'000	2017 £'000
Income and expenditure account (School share)		
Income	<u>159</u>	<u>212</u>
Deficit before tax	<u>(125)</u>	<u>(131)</u>
Balance sheet (School share)		
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 2018, Chariot owned 25.41% of the share capital of Vecotech Limited.

Notes to the Financial Statements (continued)

16 Trade and other receivables

	2018		2017	
	Consolidated £'000	School £'000	Consolidated £'000	School £'000
Amounts falling due within one year:				
Research expenditure recoverable	33,700	33,700	18,444	18,444
Other trade receivables	11,850	11,538	9,031	8,788
Prepayments and accrued income	13,369	13,362	13,696	13,690
Amounts due from subsidiary companies	-	102	-	199
	<u>58,919</u>	<u>58,702</u>	<u>41,171</u>	<u>41,121</u>

Included within the above at 31 July 2018 are the following amounts related to the LSHTMMRC Units: Research expenditure recoverable £8,865k (2017:£Nil), Other trade receivables £928k (2017:£Nil), and Prepayments and accrued income £184k (2017:£Nil).

17 Creditors : amounts falling due within one year

	2018		2017 Restated	
	Consolidated £'000	School £'000	Consolidated £'000	School £'000
Unsecured loans	486	486	471	471
Trade payables	5,238	5,143	2,672	2,651
Social security and other taxation payable	2,016	1,960	2,390	2,390
Accruals and deferred income	104,186	104,050	70,339	70,303
Derivatives	185	185	268	268
	<u>112,111</u>	<u>111,824</u>	<u>76,140</u>	<u>76,083</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.

Included within the above at 31 July 2018 are the following amounts related to the LSHTMMRC Units: Trade payables £35k (2017: £Nil), Accruals and deferred income £5,010k (2017:£Nil).

Accruals and deferred income

Included within accruals and deferred income are the following items :

	2018		2017 Restated	
	Consolidated £'000	School £'000	Consolidated £'000	School £'000
Donations	1,719	1,719	1,035	1,035
Research grants received on account	67,690	67,690	45,776	45,776
Accrued expenses	16,591	16,455	10,912	10,876
Deferred income	18,186	18,186	12,616	12,616
	<u>104,186</u>	<u>104,050</u>	<u>70,339</u>	<u>70,303</u>

Included above at 31 July 2018 within 'Research grants received on account' is £5,010k (2017: £Nil) for the LSHTMMRC Units.

Notes to the Financial Statements (continued)

18 Creditors : amounts falling due after more than one year

	2018		2017	
	Consolidated £'000	School £'000	Consolidated £'000	School £'000
Deferred Income	29,737	29,737	27,834	27,834
Derivatives	4,625	4,625	5,349	5,349
Unsecured loans	13,462	13,462	13,947	13,947
	<u>47,824</u>	<u>47,824</u>	<u>47,130</u>	<u>47,130</u>

The derivative financial instruments above are designated as hedges of variable interest rate risk which comprise of interest rate swaps.

Hedge of variable interest rate risk arising from bank loan liabilities.

During the year, the School held borrowed funds from its bankers under long term unsecured loans of £11m and £6m, which are repayable in February 2038.

To hedge the potential volatility in future interest cash flows arising from movements in LIBOR, the School has entered into floating to fixed interest rate swaps with a nominal value equal to that initial borrowings, the same term as the loans and interest re-pricing dates identical to those of the variable rate loans. These result in the School paying 5.16% and 4.83% respectively for the two loans, and receiving LIBOR (though cash flows are settled on a net basis) and effectively fix the total interest cost on loans and interest rate swaps.

The derivatives are accounted for as a hedge of variable rate interest rate risk, in accordance with FRS102 and had a fair value of £4,625k (2017:£5,349k) at the balance sheet date. The cash flows arising from the interest rate swaps will continue until their maturity in February 2038, coincidental with the repayment of the term loans. The change in fair value in the period was £807k, with the entire change being recognised in other comprehensive income as the swaps are considered to be fully effective.

	2018		2017	
	Consolidated £'000	School £'000	Consolidated £'000	School £'000
Analysis of unsecured loans:				
Due within one year or on demand (Note 17)	<u>486</u>	<u>486</u>	<u>471</u>	<u>471</u>
Due between one and two years	501	501	486	486
Due between two and five years	1,555	1,555	1,498	1,498
Due in five years or more	<u>11,406</u>	<u>11,406</u>	<u>11,963</u>	<u>11,963</u>
Due after more than one year	<u>13,462</u>	<u>13,462</u>	<u>13,947</u>	<u>13,947</u>
Total unsecured loans	<u><u>13,948</u></u>	<u><u>13,948</u></u>	<u><u>14,418</u></u>	<u><u>14,418</u></u>

The School's unsecured loan facilities comprise :

Lender	Amount £'000	Maturity	Borrower
National Westminster Bank Plc	9,476	2038	School
National Westminster Bank Plc	4,472	2038	School
	<u>13,948</u>		

Notes to the Financial Statements (continued)

19 Provisions

Consolidated	Obligation to	Obligation to	Total		
	fund deficit on	fund deficit on	Pensions	Other	Total
	USS Pension	SAUL Pension	Provisions	Provisions	Provisions
	£'000	£'000	£'000	£'000	£'000
At 1 August 2017	16,589	109	16,698	50	16,748
Utilised in year	(1,468)	(109)	(1,577)	(13)	(1,590)
At 31 July 2018	15,121	-	15,121	37	15,158

School	Obligation to	Obligation to	Total		
	fund deficit on	fund deficit on	Pensions	Other	Total
	USS Pension	SAUL Pension	Provisions	Provisions	Provisions
	£'000	£'000	£'000	£'000	£'000
At 1 August 2017	16,510	109	16,619	50	16,669
Utilised in year	(1,489)	(109)	(1,598)	(13)	(1,611)
At 31 July 2018	15,021	-	15,021	37	15,058

There were no pension scheme enhancements in 2018 (2017: 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 2.16% and inflation is assumed at 2.5% 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

During the year the School ended its agreement with Kingston City Group (KCG) for the provision of internal audit services. KCG is a cost sharing group and under the terms of the consortium agreement, members who leave the consortium are liable for pension funding shortfalls for staff. The provision has been made in accordance with an actuarial assessment of the liability.

Notes to the Financial Statements (continued)

20 Endowments

Restricted net assets relating to endowments are as follows:

	Restricted permanent endowments	Unrestricted permanent endowments	Expendable endowments	2018 Total	2017 Total
	£'000	£'000	£'000	£'000	£'000
Balances at 1 August 2017					
Expendable endowment	-	-	2,636	2,636	1,399
Permanent endowment base value	6,678	1,371	-	8,049	8,049
Unapplied total return	2,185	448	-	2,633	1,992
	8,863	1,819	2,636	13,318	11,440
New endowments					
New endowments	34	-	823	857	1,362
Investment income	214	57	669	940	758
Increase in market value of investments	312	64	-	376	671
Total return allocated to income in the reporting period	(367)	(76)	-	(443)	(274)
Expenditure	-	-	(696)	(696)	(565)
Management fee	(52)	(24)	-	(76)	(74)
Total endowment comprehensive income for the year	141	21	796	958	1,878
At 31 July 2018	9,004	1,840	3,432	14,276	13,318
Total return at end of reporting period:					
Permanent endowment base value	6,712	1,371	-	8,083	8,049
Unapplied total return	2,292	469	-	2,761	2,633
	9,004	1,840	-	10,844	10,682
Represented by:					
Capital	9,004	1,840	2,448	13,292	11,426
Accumulated income	-	-	984	984	1,892
	9,004	1,840	3,432	14,276	13,318
Analysis by type of purpose:					
Scholarships and bursaries	2,385	-	2,645	5,030	4,348
Research support and Lectureships	3,159	-	532	3,691	3,538
Brass Blacker Chair	3,056	-	178	3,234	3,090
Prize funds	127	-	40	167	150
General	277	1,840	37	2,154	2,192
	9,004	1,840	3,432	14,276	13,318
Analysis by asset					
Non-current asset investments				9,512	9,680
Cash & cash equivalents				4,764	3,638
				14,276	13,318

Notes to the Financial Statements (continued)

21 Restricted Reserves

Reserves with restrictions are as follows:

	Hedging Reserve	Donations	2018 Total	2017 Total
	£'000	£'000	£'000	£'000
Balances at 1 August 2017	(5,616)	-	(5,616)	(6,865)
New donations	-	-	-	108
Expenditure	-	-	-	(457)
Increase/(decrease) in fair value of hedging financial instruments	807	-	807	1,598
Total restricted comprehensive income for the year	807	-	807	1,249
At 31 July 2018	(4,809)	-	(4,809)	(5,616)

22 Cash and cash equivalents

	At 1st August 2017	Cash Flows	At 31st July 2018
	£'000	£'000	£'000
Consolidated			
Cash and cash equivalents	63,415	18,735	82,150
	63,415	18,735	82,150
School			
Cash and cash equivalents	63,369	18,650	82,019
	63,369	18,650	82,019

Included in the Cash and cash equivalents at 31 July 2018 is £617k (2017: £Nil) for the LSHTM/MRC units.

Notes to the Financial Statements (continued)

23 Capital and other commitments

Provision has not been made for the following capital commitments:

Committed	2018		2017	
	Consolidated	School	Consolidated	School
	£'000	£'000	£'000	£'000
Land and buildings	8,393	8,393	621	621
Other	9	9	-	-
At 31 July	<u>8,402</u>	<u>8,402</u>	<u>621</u>	<u>621</u>

Authorised	2018		2017 Restated	
	Consolidated	School	Consolidated	School
	£'000	£'000	£'000	£'000
Land and buildings	-	-	38,271	38,271
Other	-	-	41	41
At 31 July	<u>-</u>	<u>-</u>	<u>38,312</u>	<u>38,312</u>

24 Lease obligations

Total rentals payable under operating leases:

	2018		2017
	Plant and Machinery	Total	Total
	£'000	£'000	£'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	49
Later than 1 year and not later than 5 years	81	81	130
Total lease payments due	<u>130</u>	<u>130</u>	<u>179</u>

Notes to the Financial Statements (continued)

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

26 Pensions

(a) The Universities' Superannuation Scheme (USS)

The School participates in Universities Superannuation Scheme. The scheme is a hybrid pension scheme, providing defined benefits (for all members), as well as defined contribution benefits. The assets of the scheme are held in a separate trustee-administered fund. Because of the mutual nature of the scheme, the assets are not attributed to individual institutions and a scheme-wide contribution rate is set. 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 profit and loss 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 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 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.

The total cost charged to the Statement of Comprehensive Income is £7,160k (2017: £8,053k).

The latest available complete actuarial valuation of the Retirement Income Builder section of the Scheme is 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 but not yet completed.

Since the School cannot identify its share of the Retirement Income Builder Section of the Scheme assets and liabilities, the following disclosures reflect those relevant for the section 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. These figures will be revised once the 2017 Scheme Valuation is complete.

Defined benefit liability numbers for the Scheme for accounting purposes have been produced using the following assumptions as at 31 March 2017 and 2018.

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

Notes to the Financial Statements (continued)

26 Pensions (continued)

The main demographic assumption used relates to the mortality assumptions. These assumptions have been updated for the 31 March 2018 accounting position, based on updated analysis of the Scheme's experience carried out as part of the 2017 actuarial valuation. The mortality assumptions used in these figures are as follows:

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

The current life expectancies on retirement at age 65 are:

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

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

At 31 March 2018, the School had 1,182 active members participating in the scheme.

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

Work remains ongoing to conclude the March 2017 valuation of the USS pension scheme. The provisional valuation indicates that the scheme remains in deficit. Until the valuation is concluded it is not possible to ascertain with certainty whether there will be any additional costs to employers needed to address the deficit, over and above the current agreed deficit recovery plan (from the March 2014 valuation). If a valuation cannot be concluded in a timely manner, the USS Trustee has the ability to invoke Scheme Rule 76.4, which sets out a cost-sharing approach to addressing the scheme deficit through additional employer and member contributions. These additional contributions are shared two-thirds by employers and one-third by members, under Rule 76.4.

Consultation is ongoing with employers and members regarding the implementation of Rule 76.4 and the results will not be known until after the financial statements are signed.

It is acknowledged that this is an ever-changing picture. However, neither an adjusting post balance sheet event nor a non-adjusting post balance sheet event are anticipated in view of the fact that any changes to employer contributions will not be finalised until after the financial statements are signed.

The back-stop date is February 2019 when USS is required to make a submission to the Pensions Regulator with details of the actions they will be implementing to address the scheme deficit. This is likely to be the time when the level of the USS deficit will need to be recalculated, and therefore, any consequential impact will be reflected in the School's financial statements from 2018-19.

Notes to the Financial Statements (continued)

26 Pensions (continued)

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

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 a Career Average Revalued Earnings ("CARE") basis. 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 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 2017. 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 by the Trustee and employers in June 2018 and are due to be reviewed at SAUL's next formal valuation in 2020.

At the 31 March 2017 valuation SAUL was fully funded on its Technical Provisions basis so no deficit contributions were required. The Trustee and the Employers have agreed that the ongoing Employers' contributions will continue at a rate of 16% of CARE Salaries.

At 31 March 2018, the School had 223 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 Pension Scheme (NHSS)

Past and present employees are covered by the provisions of the two NHS Pension Schemes. 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:

Notes to the Financial Statements (continued)

26 Pensions (continued)

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 is accepted as providing suitably robust figures for financial reporting purposes. The valuation of Scheme liability as at 31 March 2018, is based on valuation data as at 31 March 2017, updated to 31 March 2018 with summary global member and accounting data. In undertaking this actuarial assessment, the methodology prescribed in IAS19, relevant FReM 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.

The next actuarial valuation is to be carried out as at 31 March 2016 and is currently being prepared. The direction assumptions are published by HM Treasury which are used to complete the valuation calculations, from which the final valuation report can be signed off by the scheme actuary. This will set the employer contribution rate payable from April 2019 and will consider the cost of the Scheme relative to the employer cost cap. There are provisions in the Public Service Pension Act 2013 to adjust member benefits or contribution rates if the cost of the Scheme changes by more than 2% of pay. Subject to this 'employer cost cap' assessment, any required revisions to member benefits or contribution rates will be determined by the Secretary of State for Health after consultation with the relevant stakeholders

At 31 March 2018, the School had 60 active members participating in the Scheme.

The contribution rates payable by the School during the year were 14.38% of pensionable salaries.

(d) Medical Research Council (MRC)

At 31 March 2018, the School had 39 active members participating in the Scheme

The contribution rate payable by the School during the year was 15.9% of the pensionable salaries.

(e) Pension costs for the year

The pension costs for all four schemes, which were charged to the Statement of Consolidated Income, were £10,925k (2017: £9,775k).

The movement in the provision in the pension deficit recovery plan for the USS and SAUL schemes totalled £1,902k release (2017: £590k release).

Notes to the Financial Statements (continued)

27 Related Party Transactions

Name of related party and relationship	Nature of transaction	Income 2018 £'000	Expenditure 2018 £'000	Income 2017 £'000	Expenditure 2017 £'000
Bill and Melinda Gates Foundation Dr Richard White, LSHTM Council member, is an Advisory Panel Member	Research grant funding	18,702	-	10,188	15
Malaria Consortium Dr Precious Lungu, LSHTM Council member, is a Trustee	Research grant funding	328	-	9	-
MTV Staying Alive UK Professor Baron Peter Piot, LSHTM Director, is a Director	Research grant funding	16	-	-	-
EY LLP Mr Will Fisher, member of LSHTM Finance & Development Committee, is a partner	Taxation advisory services	-	59	-	45
The MacArther Foundation Dame Marjorie Scardino, Chairman of LSHTM Council, and Mr Paul Klingenstein, LSHTM Council member, hold positions on the Board	Research grant funding	-	-	44	-
King Baudouin Foundation Professor Baron Peter Piot, LSHTM Director, is a Trustee	Research grant funding	-	-	184	-

Name of related party	Debtor 2018 £'000	Creditor 2018 £'000	Debtor 2017 £'000	Creditor 2017 £'000
University of Aberdeen	-	13	-	-
EY LLP	-	10	-	9
Malaria Consortium	-	5	-	-
Overseas Development Institute	5	-	-	-
Bill and Melinda Gates Foundation	-	-	-	144

All transactions involving organisations in which a member of the Council or its committees may have an interest, including those identified, are conducted in accordance with the School's financial regulations and normal procurement procedures.

The School has applied the exemption in FRS102 and has not disclosed transactions with its wholly owned subsidiary, Chariot Innovations Limited.

28 Gain on sale of fixed asset

The School disposed of three parcels of land at Winches Farm, St Albans in the financial year 2013-14, the land sold by the School was to enable the purchaser to sell adjoining land that it owned to a developer, with the stipulation that if the land was sold exceeding a specific sum, then, any resultant surplus would be shared equally between the two parties. During 2017-18 the land was sold for an amount above the agreed sum, and the School became entitled to a share of the resultant surplus. The School's share of the surplus, after deduction of all fees, amounted to £4,224k.

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