Financial Statements 2018/19



COUNCIL MEMBERSHIP 2018/19

EXTERNAL M	MEMBERS (9 members)			Appointed Until
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Dame Marjorie So	31 July 2021			
Mr John O'Donne	31 July 2021			
Ms Ann Grant, BA	31 July 2020			
Dr Precious Lung Mr Jonathan Rop	31 July 2020 31 July 2020			
Dame Una O'Brie				31 July 2021
Ms Diana Layfield				31 July 2021
-	ins, MBBS, FRCP (appointed 11 April 2019)		31 July 2022
	tein (resigned 31 July 2019)	,		31 July 2019
ELECTED MI	EMBERS OF STAFF (3 academics	and 1 nrofessio	nal services staff)	
	LIVIDERS OF STATE (Sucutoffices	ana i professio.	inai scivices stair)	•••••
Professor Alison	Grant, MBBS MSc PhD DTM&H			31 July 2020
Professor Richard	d White MSc, PhD			31 July 2020
Professor Nichola	as Mays			31 July 2021
Ms Gemma Dona	ldson, MA (Cantab)			31 July 2022
DIRECTOR A	AND HANDA PROFESSOR OF GL	OBAL HEALTH	[
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Professor Baron F	Peter Piot, PhD DTM, FRCP FMedSci			ex officio
CHAIR OF TI	HE STUDENTS' REPRESENTATI	VE COUNCIL		
Anubhay Nangia	(appointed 01 August 2018)			ex officio
Anabhav Nangia	(appointed of August 2010)			CX Officio
SECRETARY	TO THE COUNCIL			
Jenny Jenkin (an	pointed 16 April 2019)			ex officio
	, BMus MMus (resigned 28 February 2019)			ex officio
	,			
IN ATTEND	ANCE			
DEPUTY DIR	RECTOR AND PROVOST			
Professor Anne M	fills. DCMG CBE MA DHSA PhD FMedSci F	RS	•••••••	ex officio
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CHIEFOPER	ATING OFFICER	• • • • • • • • • • • • • • • • • • • •	• • • • • • • • • • • • • • • • • • • •	••••••
Dr Matthew Lee,	PhD			ex officio
KEY ADVISO	ORS:			
Bankers:	National Westminster Bank Plc Bloomsbury Parr's Branch PO Box 158 214 High Holborn London WC1V 7BX	Lawyers:	Mills & Reeve Botanic House 100 Hills Road Cambridge CB2 1PH	
External Auditors	:: BDO LLP 2 City Place Beehive Ring Road	Internal Auditors:	PricewaterhouseCoop 1 Embarkment Place London WC2N 6RH	ers LLP

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

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Financial Statements for the Year Ended 31 July 2019

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Treasurer's Report

This report gives an overview of the London School of Hygiene and Tropical Medicine's (hereafter "LSHTM") activities and finances during 2018-19. In addition, the report highlights LSHTM's key strategic and operational objectives and the progress made in the course of the year in meeting these objectives.

LSHTM, its history and incorporation status

LSHTM 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.

LSHTM 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

LSHTM'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. LSHTM 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 LSHTM 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 LSHTM 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.

LSHTM is regulated by the Office for Students (OfS). The OfS has a primary remit to ensure students receive a high quality and value for money educational experience. LSHTM has registered as a recognised education provider with the OfS and is subject to its regulatory requirements.

LSHTM receives government funding grants from Research England and the Office for Students (OfS) for research, teaching and knowledge exchange. LSHTM 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. LSHTM 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, LSHTM has full flexibility to set its postgraduate fees to reflect the competitive environment and in line with its mission.

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

Strategic Plan 2017-2022

Our Strategic Plan sets out how LSHTM 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 to establish new strategic partnerships in both research and education
- To maximise the benefits of affiliation of the Medical Research Council (MRC) Units in the Gambia and Uganda transferred to LSHTM in 2018
- 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.

Full details of our plan are available at: https://www.lshtm.ac.uk/files/LSHTM_strategy_2017-22.pdf

Development and performance in the year against key strategies

Full details of development and performance in the year can be found in the LSHTM Annual Report 2019, which is available at https://www.lshtm.ac.uk/aboutus/introducing/annual-report-financial-statements
A short summary of notable examples is reported below.

Research

During the year LSHTM successfully appointed new academic researchers to strengthen its research activities in microbial system genomics, cellular microbiology, paediatric infection and immunity, health systems and services research, medical sociology and disability research. LSHTM conferred the title of professor on leading scientists, including in genomics, global mental health and immunovirology.

LSHTM Research Centres exist to facilitate multi-disciplinary interactions that draw on expertise from across LSHTM to help meet global health challenges. During the year LSHTM launched its 14th Centre, on Climate Change and Planetary Health.

LSHTM remains at the forefront of research into the Ebola virus, including vaccine development trials, influencing global health policy and responses and direct action through the UK Public Health Rapid Support Team which is hosted at LSHTM.

Up to one million children could benefit from a new £19.5 million research hub, led by LSHTM and our partner the London International Development Centre, that aims to further our understanding of the causes of stunting.

LSHTM also makes important contributions to health research in the UK. In 2018/19 researchers in the Faculty of Public Health and Policy were awarded three Department of Health-funded policy research units.

It has been another successful year in securing new research grant funding, with the EU continuing to support our Ebola work, Wellcome supporting our work in infectious disease modelling, the Bill and Melinda Gates Foundation helping us progress research on neonatal infections and anti-microbial resistance and the Medical Research Council in funding vaccination trials within our Units in the Gambia and Uganda.

Education

During the year LSHTM began a wide-ranging review of its education provision, looking at both internal and external factors in an increasingly competitive environment for both our face-to-face provision and online learning provision.

LSHTM has been selected as one of just six universities to develop a new health data science Masters programme. Funded by Health Data Research UK (HDR UK).

Total London based Masters and PhD students for the year ended 31 July 2019 were 1,282 (2018: 1,224). Recruitment in 2018-19 was above the targets set, with particular strength in our Public Health programmes. LSHTM maintains a broad mix of students from the UK, the European Union, Africa, the Americas and Asia-Pacific regions.

The number of active Online Learning students registered as at July 2019 was 2,951 (July 2018: 2,971 registrations). The attractiveness of the flexible learning offered remains strong.

Staff and student community

In June 2019 LSHTM undertook an employee engagement survey, to seek views on a number of key issues including (but not limited to): employee engagement and commitment; pay and reward; policies and working practices; health, safety and wellbeing; workplace culture; and equality, diversity and inclusion. The survey indicated a strong sense of common mission and LSHTM as a good place to work, but there were also a number of areas which could be improved and action plans are being put in place to progress these areas.

A new Student Hub was created to better direct, inform and guide incoming students and our Doctoral School continued to progress a number of improvements in support of LSHTM's doctoral degree students.

Partnerships

Working in partnership with others is central to achieving our mission. The transfer of the MRC Unit The Gambia and the MRC/UVRI Uganda Research Unit to LSHTM in 2018 has continued to open up opportunities for strengthening regional linkages, including through the West Africa Global Health Alliance which links MRC Gambia with Université Cheikh Anta Diop and Institut de Recherche en Santé, de Surveillance Epidémiologique et de Formation in Senegal.

We have strengthened coordination of our many and varied activities in Ethiopia and strengthened our research partnership with Nagasaki University.

There have also been significant developments in educational collaboration. We have renewed our agreement for collaborative delivery of the Professional Diploma in Tropical Medicine & Hygiene: East African Partnership, a collaboration between LSHTM, Kilimanjaro Christian Medical University College (Tanzania), Makerere University (Uganda), Johns Hopkins University (USA) and University of Washington (USA).

Innovation and engagement

At a time when change is rapid and transformational, we have drawn on our local, national and international networks to ensure we are at the leading edge of innovations in data science, vaccines and tackling anti-microbial resistance.

In November 2018 LSHTM hosted the second annual Women Leaders in Global Health conference. The two-day event brought together established and emerging leaders from across sectors and cultures to work towards gender equity in health leadership and to improve health for all. Nearly 900 participants from more than 70 countries and 80 nationalities heard from global health leaders in a wide range of talks and panel discussions. Topics ranged from mentoring, gender in emergency outbreak response and political leadership, to the #MeToo movement, media and new technologies.

We have successfully partnered with Imperial College London, the University of Oxford, Merck Sharp and Dohme, GE Healthcare and Janssen Vaccines & Prevention B.V. to develop the UK's first ever dedicated Vaccines Manufacturing Innovation Centre.

During the year LSHTM has produced pieces demonstrating impact and thought-leadership on the links between gambling and health; using gene editing and zebrafish to tackle infectious diseases; cancer survival; and global mental health. All of these pieces can be found on LSHTM's website, at https://www.lshtm.ac.uk/research/research-action/features.

Our Development and Alumni team have continued to foster and build relationships with supporters of our mission and vision. Our fundraising efforts are being strategically led by a newly established group, our Court.

Key performance indicators

In order to measure performance and progress against the objectives in the Strategic Plan 2017-2022, LSHTM 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. Targets against each KPI are being developed, but assessed against historic trends and positioning, we believe 2018-19 has been another successful year for LSHTM.

We have made improvements against our KPIs, particularly in:

- Research impact. LSHTM has held its position as first in Europe for research impact in sciences, based on its
 proportion of publications that belong to the top 10% most frequently cited publications (2019 CWTS Leiden
 Ranking).
- Research income growth. These financial statements reflect total growth in research income of 19.2% (including the full-year effect of the LSHTM/MRC Unit activities).
- Recovery of research indirect costs. The absolute recovery of research indirect costs in 2018-19 was £12.0 million, compared to £11.2 million in 2017-18. As a relative measure to direct research expenditure (excluding collaborator payments), 2018-19 research indirect cost recovery was 16.3%, compared to 15.4% in 2017-18.
- Fundraising and philanthropic support. Donations and pledges received in the year was in excess of £5 million, a significant increase compared to prior years. In the year we established the first fully endowed corporate chair, the Takeda Chair in Global Child Health, with a £3 million donation.
- Overall financial health, including net liquidity measures. Our surplus for 2018-19, after adjusting for the impact
 of exceptional items (as set out in the table on the following page), has increased, and our liquidity days are as
 we budgeted, despite significant capital investments made in the year (see below for further detail of these
 investments).
- Diversity and inclusivity. LSHTM is ranked the UK's top university for the proportion of academic research with women listed as authors (2019 CWTS Leiden Ranking).

LSHTM measures overall student satisfaction by the results of the Post Graduate Taught Experience Survey (PTES) and Post Graduate Research Experience Survey (PRES). For the 2019 PTES our overall satisfaction score was 90%, against a sector average of 82%. We performed excellently for engagement and resources.

For the 2018 PRES our overall satisfaction score was 78% compared to a sector average of 80%. We recognise that there is more we need to do in regard to retention and assessment and this is being progressed by our Doctoral College.

The quality and suitability of space for our staff and students is strategically and operationally critical, and LSHTM'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 recent improvements in the estate have increased the proportion of space in condition A or condition B by 8%, but LSHTM remains at a relatively low level against this metric. The further improvement works planned at both Keppel Street and Tavistock Place sites will lead to further increases against this space condition metric.

Financial performance in the year

These financial statements report the results of LSHTM's activities for the year ended 31 July 2019 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 LSHTM's consolidated income, expenditure and out-turn for the year is provided below.

	2019	2018 restated
	£m	£m
Income	247.5	231.0
Expenditure	(267.8)	(209.2)
(Deficit)/surplus before other gains and losses	(20.3)	21.8
Net operating cash inflow	4.8	20.9
Cash and short term investments	82.0	82.2

LSHTM's consolidated surplus before other gains and losses for the year decreased from £21.8m to a deficit of (£20.3m) on income of £247.5m (2018: £231.0m), a net deficit margin of (8.2%) (2018: net surplus margin of 9.4%). The 2019 result is materially impacted by an increase in the provision related to the USS pension scheme deficit, of £30.7m (see Note 26 for further details). The 2018 surplus contained a gain on acquisition of two medical research units from the Medical Research Council in February 2018, of £19.2m. Removing these exceptional items results in an adjusted surplus of:

	2019	2018
	£m	£m
(Deficit)/surplus before other gains and losses	(20.3)	21.8
Remove impact of gains on acquisition	(6.2)	(19.2)
Remove impact of change in pension provision	30.7	(1.9)
Adjusted surplus	4.2	0.7
Adjusted surplus as % of income	1.7%	0.3%

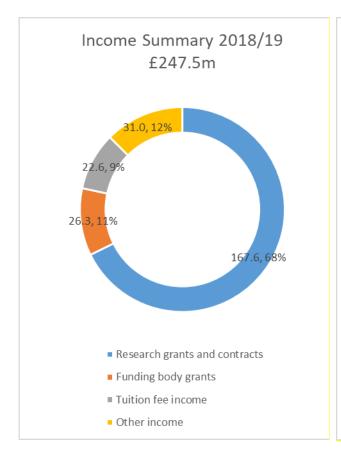
The adjusted surplus for 2019 is better than the equivalent for 2018, reflecting tight control over core costs, enhanced recovery of these core costs from our research grant portfolio and higher tuition fees from strong student recruitment.

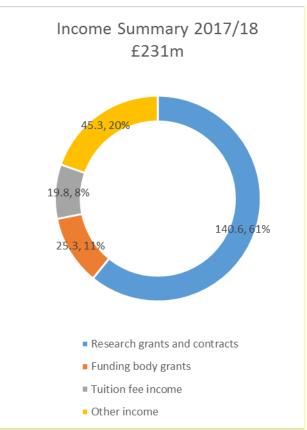
Income

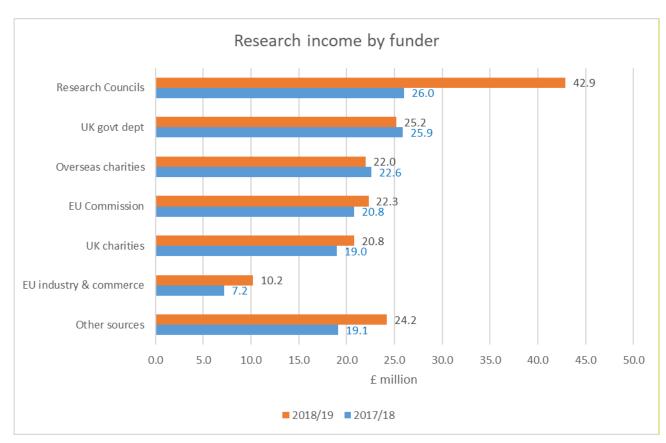
LSHTM's income grew from £231.0m to £247.5m, equivalent to 7.1%. The main elements of the change in income are:

- Higher research activities, increasing by £27.0m, reflecting sustained levels of grant awards and success rates and recognising a full year of activity in the LSHTM/MRC Units in Gambia and Uganda;
- Tuition fees, increasing by £2.8m, reflecting increased student recruitment and changes in fee levels;
- Higher funding body grants, increasing by £1.0m, associated with both research and teaching; and
- Lower gain on acquisition related to the LSHTM/MRC Units in Gambia and Uganda, of (£13.1m).

Within the Research Grants and Contracts income stream, the School has accounted for "in kind contribution" to the value of £9.0m (2018: £6.7m) 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).



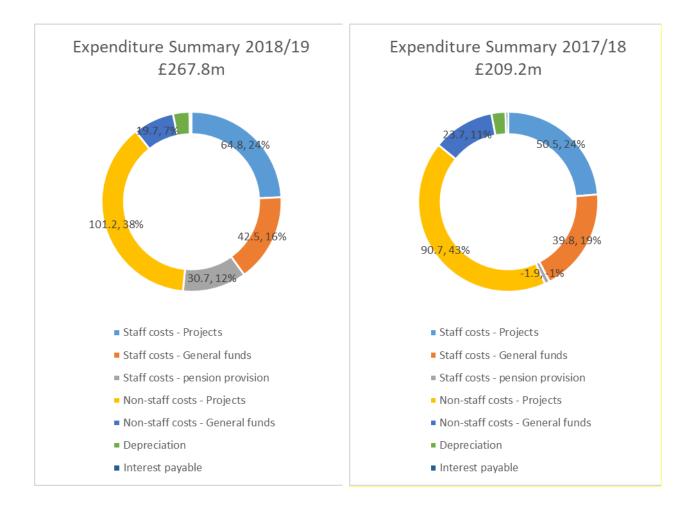




Operating Expenditure

Total operating expenditure grew from £209.2m to £267.8m. The main elements of the change in operating expenditure are:

- The increase in pension provision of £32.6m as noted on page 6;
- Higher expenditure on funded research activity, including payments to collaborators and full year impact of activity in the LSHTM/MRC Units in Gambia and Uganda, £17.8m;
- Higher expenditure on depreciation, due to completion of capital projects and new equipment purchases in the year, and recognition of a full year charge for the LSHTM/MRC Units, £2.5m; and
- Lower expenditure on staff and other operating costs paid from non-project funds (£1.3m).



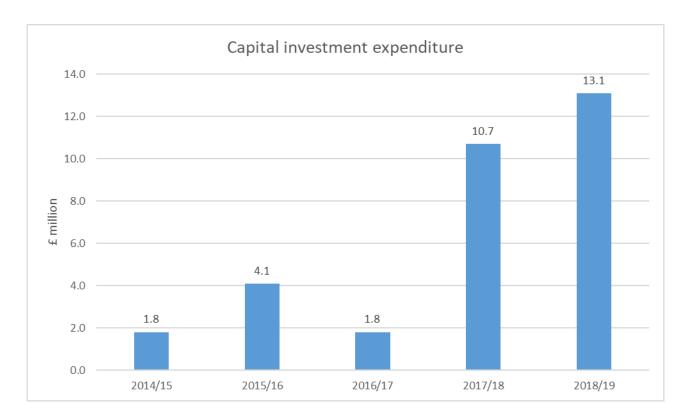
Capital investment expenditure

Capital investment expenditure for the year was £13.1m (2018: £10.7m). Of this total, the largest component was completion of the first phases of refurbishment of the Keppel Street site, which has included the creation of 600 sq m of new laboratory space and new high-containment laboratories (£5.8m). Investments have also been made in the Units, including electrical upgrades in Uganda, and a new data centre in the Gambia.

The project to extend the space available at our Tavistock Place site was delayed while we awaited final planning permissions. These have now been granted and this project is now moving ahead.

Total capital investment in the year 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, OfS and the Medical Research Council; philanthropic donations received; and proceeds from the sale of a property in the Bloomsbury area of London, which is no longer required.



Cash flow, financing and balance sheet

During the year LSHTM generated net cash inflows from operating activities of £4.8m (2018: £20.9m inflow). These inflows were used to:

- service loan repayments of £1.2m (2018: £1.2m); and
- invest in capital expenditure (net of capital grants and proceeds from asset sales) of £6.4m (2018: £3.0m).

In addition, there was a net inflow of £2.6m (2018: £1.1m) from endowments, deposits made and investment income.

The overall net change in cash for the year was a reduction of £0.1m (2018: £18.7m increase).

Cash and cash equivalents at the year-end were £82.0m, representing 130 days of operating expenditure (excluding pension provision movement and depreciation). Of this total cash, £40.7m represents research project working capital, and is therefore not available for non-research operational or capital investment purposes.

LSHTM continues to repay outstanding bank loans, with total principal and interest payments on these loans in the year amounting to £1.2m (2018: £1.2m). There were no changes in the year to LSHTM's financing strategy.

Total net assets decreased from £175.9m to £158.3m. This decrease was principally driven by the £30.7m change in the pension provision. Without the pension provision impact, net assets increased by £13.1m, due mainly to an increase in fixed assets resulting from the capital expenditure made in the year and from the revaluation of the land and buildings at LSHTM's London sites.

Debtors decreased by £25.8m in the year due to reduced research and other funded project grant expenditures recoverable, reflecting the stage of individual grant funded projects.

Creditors due within one year decreased by £27.8m in the year and is mainly due to reductions in research grants received on account, accrued expenses and trade payables.

Taxation

The majority of the LSHTM's activities are not subject to corporation tax. The income generated from the core activities of LSHTM, in relation to research and education are exempt from corporation tax. Any profits made by LSHTM'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

LSHTM's financial reserves remain healthy and at LSHTM reserves are primarily measured by liquidity. The minimum liquidity for non-research cash agreed by LSHTM's Council is 50 days of expenditure. At the year end non-research cash days of expenditure were 70 days. In addition, LSHTM is holding £19m of endowment and donations reserves, which are used to directly support LSHTM's research work in numerous areas and financial support to LSHTM's students.

Pensions

LSHTM participates in a number of pension schemes. Further details can be found in Note 26. There has been considerable activity in the year and to the date of this report related to the Universities Superannuation Scheme (USS), particularly in completing the 2017 and 2018 scheme valuations. Initial proposals for benefit changes were not accepted and led to University and Colleges Union members taking strike action in Spring 2018. The USS Trustee invoked the 'cost sharing' scheme rule, resulting in higher contributions for both employers and members from April 2019. A Joint Expert Panel, formed to assess the scheme, recommended that the scheme's Joint Negotiating Committee (JNC) reassess a number of aspects of the valuation, and the USS Trustee agreed to a further valuation. In August 2019 the JNC agreed (by majority vote) on an option ("Option 3") that sets total contributions at 30.7% for the next two years and that the change in the rate should be shared 65:35 between employers and members respectively (21.1% for employers, 9.6% for employees from October 2019). The benefits currently offered to members will remain the same. The two USS contribution increases in 2019 will add £1.5 million per annum to our salary bill. This is particularly challenging to absorb, given our modest surpluses. The USS Trustee has, after the year end date, implemented a new schedule of contributions and deficit recovery plan as a result of the 2018 valuation. Further details are given in Note 26 of the Financial Statements.

LSHTM's has made provision for contributions it may be required to make to the USS deficit recovery plan. The provision included in these Financial Statements has been calculated based on the existing deficit recovery plan period to 2034, but with an increased element of total contributions attributable to funding the deficit, now 5% (previously 2.1%). This has resulted in a material increase in the USS pension provision, from £15.1 million to £45.9 million. The calculation of this provision is subject to a number of assumptions, which are explained further in Note 26 of the Financial Statements.

Future Prospects

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

LSHTM 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 LSHTM's estate outlined below will generate additional space for research and teaching. LSHTM also expects that its high-quality research will be recognised in the upcoming Research Excellence Framework (REF).

Our education offerings are being reviewed and we expect to modestly increase our student numbers and related income over the medium-term.

LSHTM has successfully built a fundraising team, which has made good progress in establishing 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 our financial forecasts and we are progressing opportunities to become more efficient and to further enhance the indirect cost recoveries from research funders, within their funding terms

LSHTM's financial forecasts anticipate 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.

At the time of writing, there remains a large number of uncertainties over the impact that Brexit may have. Various EU-related sources provide 20% of our research income, making it now the largest supporter of our research, illustrating how vulnerable we are to an unfavourable Brexit. We have accelerated our planning in order to be flexible and act quickly.

What we do know is that the previous UK government has committed to underwrite universities continuing participation in current EU research awards; that tuition fees for EU students will remain the same as for a UK student until 2020/21; and that for the time being EU citizens continue to have the right to work in the UK.

What remains uncertain are the mechanisms and speed of HM Government financing our current EU grants; the impact within EU grants on sub-contracts with our partners in low and middle income countries; whether UK universities will be eligible to apply for new EU research funding; and possible right to study issues for EU students starting courses that are longer than three years (potentially impacting our doctoral degree students).

Also from a financial perspective, we are aware of the immediate risks that Brexit may have on currency exchange rates, with a possible decline in the exchange rate of the Pound Sterling, since many of our expenditures overseas are in Euro and US Dollar equivalents. Exchange rate changes have already had an impact on our Units in Africa. We are looking at options to best 'hedge' these risks to protect the value of funding and mitigate the impact of price changes on goods and services we purchase due to exchange rate movements, but there is a limit to what we can do.

We have been analysing our key suppliers to assess the likely risk and impact of shortages of supply, changes in their staffing, possible border blockages and price increases.

Financing, treasury and liquidity

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

LSHTM's Estates Strategy to 2027 sets out the intention to modernise the Keppel Street site. The modernisation programme will be undertaken in a number of phases. Phase One is now complete, and the first element of Phase Two, a new Schedule 5 laboratory, was completed in January 2018. Council have approved further investment of £15m to complete the Phase Two works, which will focus primarily on replacing ageing heating, cooling, electrical and mechanical systems.

Further phases at Keppel Street are planned through to 2027 which will replace further infrastructure elements and provide updated laboratory, teaching and social spaces. As noted above, we are also extending the Tavistock Place site, which is planned to be operational from Spring 2022, followed by a full refurbishment of the existing building on this site.

These material investments, with an anticipated future cost of around £75m, are expected to be funded through a combination of the School's cash reserves, Funding Body capital grants and donations.

Liquidity is one of LSHTM's financial KPIs and the Council have set a minimum non-research cash level, as expressed in days of expenditure, to ensure a balanced approach to working capital, cash reserves and cash investment decision making. Our non-research cash at the year end was well in excess of the threshold level and the 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 leading strategic risks and LSHTM's mitigating actions are:

- If support for research grant management and contracts is not improved then LSHTM risks not obtaining
 research grants and contracts and/or may incur penalties for non-compliance 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 an agreement on the long-term funding and benefits structure of the USS pension scheme is not reached then further contribution increases will be invoked and a period of industrial action may materially disrupt activities. This risk is mitigated through responses from LSHTM to sector consultations and development of clear action plans in the event of further material increases in contributions. Internal contingency plans are in place to respond to any disruption from industrial action.
- If cyber risks are not effectively mitigated then there is a risk of breach of confidentiality, damage to integrity of and/or impact on availability of data held electronically due to loss/theft of devices/system failure/social engineering/poor patching regime. Policy and processes are being reviewed to endorse better data management practices, including appropriate education and training opportunities. Technical solutions are also being deployed.
- If LSHTM does not have robust and effective planning processes and resources allocation then our ability to realise strategic and operational plans will be compromised. Enhanced KPIs to support our strategy are being developed and a programme of work to modernise and streamline our systems has commenced.
- If LSHTM does not prepare for and understand the impacts of the Brexit negotiations then our ability to mitigate the impact to research funding and recruitment and retainment of staff and students may be hindered. A task force is meeting regularly to consider potential Brexit impacts, in line with latest developments.

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 LSHTM has adequate resources to continue in operational existence for at least twelve months from the date os signing these financial statements. For this reason, the financial statements have been prepared on a going concern basis.

Public Benefit Statement

LSHTM is an exempt charity within the meaning of Schedule 3 of the Charities Act 2011. LSHTM'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.

LSHTM'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". LSHTM remains dedicated to these objectives, and to reducing inequalities in health and global disease burdens through research and education.

LSHTM'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), LSHTM 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. LSHTM had the largest volume of world-leading research in the UK in Public Health, Health Services and Primary Care.

In education, LSHTM'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 LSHTM's work include:

- LSHTM 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, and awarded a Queen's Anniversary Prize for Higher and Further Education in 2017 in further recognition of our Ebola response.
- LSHTM jointly runs the UK Public Health Rapid Support Team in partnership with Public Health England. The £20m initiative, funded by the UK Government, means the UK has a fully operational specialist team that can be deployed anywhere in the world within 48 hours to tackle disease outbreaks which have the potential to develop into major health emergencies. In 2018-19 a key focus of the team's work was in the Democratic Republic of Congo helping control a major Ebola outbreak.
- In the 2019 CWT Leiden Ranking, LSHTM ranked first in Europe and eighth in the world for research impact in sciences (for the proportion of its total publications ranking in the top 10% of most cited research), the UK's top university for the proportion of academic research with women listed as authors and first in Europe for publishing open access research. In the US News Best Global Universities Ranking 2019, we ranked ninth in the UK overall and 13th in the world in the fields of social sciences and public health. We ranked 27th for medicine in the 2019 QS World University Rankings. In the 2019 Shanghai World Ranking we placed 201-300 overall, and ranked 4th in public health (1st in the UK), 17th in clinical medicine, and 76-100 in human biological sciences.
- In April 2019, the world's first malaria vaccine was rolled out in Malawi. LSHTM has played a major role in the development of this vaccine over the past 30 years. In May 2019, LSHTM launched a Centre on Climate Change and Planetary Health. This Centre is one of the few in the world working to identify solutions to the unprecedented impacts of climate and environmental change on health. LSHTM's teaching was recognised in summer 2019 with the Open Education in Eye Health team receiving a Collaborative Award for Teaching Excellence from AdvanceHE.
- Our world-class researchers all contribute to education programmes, and supervise masters and doctoral research
 projects that may align with larger staff-led research projects, relate to students' past or intended field of work, or
 meet the needs of host organisations. Students undertake research projects in the UK with Public Health England,
 NHS Trusts, private companies and charities. Many students' research projects are located overseas, often in low or
 middle income countries and in collaboration with NGOs such as MSF and Sight Savers.

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

LSHTM'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 LSHTM 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 28 November 2019 and signed on its behalf by:

Mr John O'Donnell

Treasurer

Corporate Governance

Corporate Governance Statement

The following statement is provided to enable readers of the Financial Statements of the Group, which comprises the London School of Hygiene and Tropical Medicine (the School) and its subsidiaries, to obtain a better understanding of the governance, management and legal structure of LSHTM. This Statement of Corporate Governance and Internal Control relates to the period covered by the Financial Statements and the period up to the date of approval of the audited Financial Statements.

LSHTM is committed to conducting its business in accordance with the seven principles identified by the Committee on Standards in Public Life. LSHTM's governing body, the Council, is guided, but not limited, by the Committee of University Chairs' (CUC) Higher Education Code of Governance issued in 2014, revised in 2018. LSHTM's practices are consistent with the provisions of the code. In addition, LSHTM corporately, through its arrangements for governance, is committed in a demonstrable way to the principles of academic freedom and equality of opportunity, which are enshrined in its Charter.

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.

Constitution

LSHTM 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. The Charter establishes the Council and Senate, each with clearly defined functions and responsibilities detailed in the Statutes, to oversee and manage LSHTM's activities.

LSHTM is a member institution of the University of London (UoL). LSHTM is included on the register of English higher education providers, complied with the conditions of registration which the Office for Students (OfS) set out for the transition period to July 2019 and complies with the ongoing conditions of registration which came into force on 1 August 2019.

The University of London Act received Royal Assent in December 2018, following which, LSHTM, alongside other UoL colleges, has applied for University title. A decision is awaited.

LSHTM acquired degree awarding powers in 2010 although thus far it has not chosen to exercise them and continues to award degrees of the UoL.

Summary of the School's Structure of Corporate Governance

The Council is LSHTM's governing body and is responsible for the strategic oversight of LSHTM. Its specific responsibility includes approval of the financial strategy and securing its assets. The Council comprises a majority of external members whose principal role is to bring independent expertise from a range of sectors and professional spheres and to hold, collectively, the School executive to account. The School executive comprises the Director and his immediate reports.

The external members of Council come from a wide range of backgrounds across the private and public sectors and collectively offer expertise in legal, financial and organisational matters as well as science, medicine, healthcare, policy and education. Independent Members of Council are appointed through a robust, transparent, open process managed by the Nominations Committee taking into consideration skills, experience and diversity. The Chair, who has overall responsibility for the conduct of Council, and the Deputy Chair are both Independent Members.

Following the retirement of Dame Marjorie Scardino on 31 July 2019, Mr John O'Donnell was appointed Acting Chair of Council and a recruitment process for a new Chair initiated.

Council meets at least four times a year. During 2018-19, one meeting of the Council took place at the MRC/UVRI & LSHTM Uganda Research Unit to further the integration of the Unit with the School following the transfer of the Unit and the MRC Unit The Gambia at LSHTM from the MRC to LSHTM on 1 February 2018.

During 2018-19, Council commissioned an external governance effectiveness review. The review concluded that the governance of LSHTM was sound and that LSHTM complied with the CUC's HE Code of Governance. Council considered a report of the review which contained a number of recommendations and suggestions for improving governance at LSHTM, most of which have or are being implemented.

Corporate Governance (continued)

Committees of Council

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

The Council has a number of committees, laid down by Ordinance, to which it delegates much of its detailed work. The Committees are the Finance and Development Committee, the Audit and Risk Committee, the Nominations Committee, the Remuneration Committee and the People Committee. Each of these committees is formally constituted with written terms of reference and specified membership, including a significant proportion of lay members, from whom its Chair is drawn; each reports regularly to the Council.

In line with the recommendations of the governance effectiveness review, LSHTM disestablished the Institutional Principles and Policies Committee, embedding its governance role in the normal operations of the Council and its subcommittees. In parallel, the Safety Committee became an executive group. The Audit and Risk Committee retains oversight of safety matters through consideration of an annual report and the risk registers and will report any concerns to the Council.

The Finance and Development Committee meets six times each year and *inter alia* recommends to Council LSHTM's annual revenue and capital budgets and monitors performance in relation to the approved budgets.

The Audit and Risk Committee meets four times each year with LSHTM's external and internal auditors. The Committee considers detailed reports together with recommendations for the improvement of LSHTM's systems of control, and management's responses and implementation plans. It also considers reports from OfS and other LSHTM funders as they affect LSHTM'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 2019 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 LSHTM's Annual Financial Statements, with particular regard to this statement of Corporate Governance, the external auditors' report, and adherence to LSHTM's accounting policies. Responsibility for assessing LSHTM'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 LSHTM's activities vacancies for external members of Council are advertised extensively across relevant networks. Members are identified by a fair and open 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, and the Nominations Committee will keep the mix of skills under review when considering future vacancies. LSHTM continues to strive 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 LSHTM Strategy.

The Remuneration Committee and People Committee were established in February 2019 replacing the single People and Remuneration Committee.

The Remuneration Committee is responsible for determining and reviewing the salaries, terms and conditions, and any severance payments, for the Director and senior members of staff of the School. The governance arrangements concerning the remuneration for the Director and senior staff were reviewed following the publication of the <u>CUC Higher Education Senior Staff Remuneration Code</u> in June 2018 following which, it established the Remuneration Committee and a separate <u>People Committee</u> where there had previously been a joint committee.

LSHTM's approach to remuneration recognises the increasingly competitive environment in Higher Education both in the UK and internationally, the rising costs associated with living in London, and continuing uncertainty around Brexit as well as the need to recruit leaders who will maintain and enhance the School's position as a leading institution with a significant international presence which is renowned for its research, postgraduate studies and continuing education in public and global health. Decisions to change salaries and emoluments are made based on the appropriate benchmark information and a review of performance against previously agreed objectives.

The Remuneration Committee is chaired by an independent member of Council and has up to five other independent members of Council, including the Chair and Deputy Chair of Council and one co-opted independent member. Neither the Director of the School nor the Deputy Director and Provost are members of the Committee but may be requested to attend the Committee by the Chair to discuss the performance of their direct reports. They do not attend any part of a meeting for discussions on their own performance and remuneration. The Committee is currently exploring the possibility of co-opting an external pay and reward specialist with expertise in senior staff pay matters.

Corporate Governance (continued)

The People Committee was established to demonstrate the priority the Council places on matters related to staff. It has strategic oversight of, and reviews LSHTM's strategies, plans and objectives in relation to people-related matters including staff morale and engagement, wellbeing, culture, equality, diversity and inclusion, staff appraisal and training and development.

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 LSHTM together with professional support staff members and student representatives. The Senate reports to Council on matters it has considered, as set out in its terms of refeence.

Statement of Internal Control

The Council, as the governing body of LSHTM, has responsibility for controls that support the achievement of policies, aims and objectives, while safeguarding the public and other funds and assets for which the Council is responsible, in accordance with the responsibilities assigned to the governing body in the Charter, Statue and Ordinances and the OfS' regulatory framework.

LSHTM'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.

It is based on an ongoing process designed to identify the principal business, operational, compliance and financial risks; to evaluate the nature and extent of those risks; and to manage them efficiently and effectively.

This process was in place for the year ended 31 July 2019 and up to the date of the approval of the Financial Statements, and accords with OfS guidance.

The Council is responsible for reviewing the effectiveness of the system of internal control. It has established the following processes:

- The Council reviews the plans and strategic direction of LSHTM on an annual basis.
- The Audit and Risk Committee independently reviews the effectiveness of internal control systems and the risk management process.
- The Council receives periodic reports from the Chair of the Audit and Risk Committee concerning issues of risk, internal controls and their effectiveness, which are informed by regular reports from members of the Senior Leadership Team and other managers on the steps they are taking to manage risks in their areas of responsibility, including progress reports on key projects.
- The Audit and Risk Committee reports to Council its findings in respect of the effectiveness of the risk-management
 process. This is informed by the categorisation of risks and the maintenance of an institution-wide strategic risk
 register. The Strategic Risk Register includes cover all types of risk (business, operational, compliance and financial
 risk). The Committee has also developed an assurance matrix which sets out sources of external and internal
 assurance for key areas of control.
- LSHTM procures its internal audit service from PricewaterhouseCoopers (PwC), which operates to standards defined in the OfS Audit Code of Practice. The work of the internal audit service is informed by an analysis of risks to which LSHTM is exposed, and an annual internal audit plan is based on this analysis. The Audit and Risk Committee approves the internal audit plan.
- PWC submits regular reports to the Audit and Risk Committee that include an independent opinion on the adequacy and effectiveness of LSHTM's system of internal control, based on work undertaken in accordance with its approved audit plan, together with recommendations for improvement.
- Alongside the Strategic Risk Register, each Faculty maintains its own risk register. These registers are reviewed by the Senior Leadership Team/Management Board and by the Audit and Risk Committee.
- Work is in development to produce risk registers in each area of the professional services and to align the risk registers of the Units (full titles) with those of other areas of LSHTM.
- Each year, LSHTM conducts in-depth reviews of particular risk areas, themes or emerging issues. These
 assessments explore risk identification and monitoring, and links to the Strategic Risk Register. During the year
 under review, in-depth reviews were conducted in the areas of cyber security, USS pensions and research grant
 management.

The Council's full review of the effectiveness of the system of internal control for the period under review was informed by the Audit and Risk Committee, the work of the internal auditors and the executive managers within LSHTM who have responsibility for the development and maintenance of the internal control framework. The review identified a number of areas of LSHTM's operations in which risks had been reported as "high" by the internal auditors during the annual internal audit; the review also noted that swift action has been taken or planned by the executive management to address the issues which had bee raised.

Corporate Governance (continued)

LSHTM 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 LSHTM, apart from the reimbursement of expenses.

Approved by the Council on 28 November 2019 and signed on its behalf by:

Mr John O'Donnell

Acting Chairman, Council

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Responsibilities of the Council

Statement of primary responsibilities

As set out in LSHTM's Ordinances, the primary responsibilities of Council are:

- i. To approve the mission and strategic vision of LSHTM, 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 LSHTM 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 LSHTM 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 LSHTM. 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 LSHTM, to ensure that proper books of account are kept, to approve the annual budget and financial statements, and to have overall responsibility for LSHTM'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 LSHTM;
- ix. To be LSHTM's ultimate legal authority and as such, to ensure that systems are in place for meeting all LSHTM's legal obligations and that LSHTM'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 LSHTM; 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 LSHTM and to enable it to ensure that the financial statements are prepared in accordance with LSHTM'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.

LSHTM'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 LSHTM and of its income and expenditure, cash flows and recognised gains and losses for that period.

Under LSHTM'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 LSHTM's significant risks, control and corporate governance;
- iv. safeguard the assets of LSHTM and to prevent and detect fraud, bribery and other irregularities; and
- v. secure the economical, efficient and effective management of LSHTM's resources and expenditure.

Responsibilities of the Council (continued)

Approved by the Council on 28 November 2019 and signed on its behalf by:

Mr John O'Donnell Acting 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 ("LSHTM") and its subsidiary ("the Group") for the year ended 31 July 2019 which comprise the consolidated and LSHTM statement of comprehensive income and expenditure, the consolidated and LSHTM statement of changes in reserves, the consolidated and LSHTM 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 LSHTM's affairs as at 31 July 2019 and of the Group's and LSHTM's income and expenditure, gains and losses, changes in reserves and of the Group's and LSHTM'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 LSHTM 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 LSHTM'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

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 19 to 20, 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 LSHTM'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 LSHTM 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 LSHTM 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

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This report is made solely to the LSHTM's Council as a body, in accordance with Charter of LSHTM. Our audit work has been undertaken so that we might state to LSHTM'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 LSHTM 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 Novebus 2019

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

Consolidated and LSHTM Statement of Comprehensive Income and Expenditure for the year ended 31 July 2019

		2019		2018 Rest	2018 Restated	
		Consolidated	LSHTM	Consolidated	LSHTM	
Lancas	Note	£'000	£'000	£'000	£'000	
Income						
Tuition fees and education contracts	1	22,578	22,578	19,822	19,822	
Funding body grants	2	26,341	26,341	25,316	25,316	
Research grants and contracts	3	167,567	167,567	140,577	140,577	
Other income	4 5	18,444 269	17,556 269	18,843	18,030	
Investment income Donations and endowments	6	12,306	10,154	484 26,613	484 26,612	
Total income	•	247,505	244,465	231,655	230,841	
Expenditure						
Staff costs before pension adjustment	8	105,833	105,191	90,820	90,267	
Pension adjustment	8	30,412	30,109	(1,902)	(1,902)	
Total staff costs	8	136,245	135,300	88,918	88,365	
Other operating expenses	9	122,699	122,478	113,884	113,582	
Depreciation and amortisation	11/12	7,887	7,886	5,383	5,383	
Interest and other finance costs	7	1,016	1,014	1,022	1,020	
Total expenditure	•	267,847	266,678	209,207	208,350	
(Deficit)/Surplus before other gains, losses and share of operating deficit of joint ventures and associates		(20,342)	(22,213)	22,448	22,491	
Gain on sale of fixed assets	28	285	285	4,224	4,224	
Gain on investments	20	427	427	376	376	
Share of operating deficit in joint venture	14	(208)	(208)	(125)	(125)	
(Deficit)/Surplus before tax	•	(19,838)	(21,709)	26,923	26,966	
Taxation	10	-	-	-	-	
(Deficit)/Surplus for the year	•	(19,838)	(21,709)	26,923	26,966	
Change in fair value of hedging financial instruments		(1,107)	(1,107)	807	807	
Unrealised surplus on revaluation of land and buildings	12	3,277	3,277	22,239	22,239	
Total comprehensive (expenditure)/income for the year		(17,668)	(19,539)	49,969	50,012	
Represented by:						
Endowment comprehensive income for the year		1,842	1,842	958	958	
Restricted comprehensive income for the year		978	978	684	684	
Unrestricted comprehensive income for the year		(22,891)	(24,762)	25,111	25,154	
Unrestricted hedging reserve comprehensive income for the year		(1,107)	(1,107)	807	807	
Revaluation reserve comprehensive income for the year		3,510	3,510	22,409	22,409	
y	•	(17,668)	(19,539)	49,969	50,012	
	=					

All items of income and expenditure relate to continuing activities.

The notes on pages 35 to 57 form part of these financial statements.

Consolidated and LSHTM Statement of Changes in Reserves Year ended 31 July 2019

Consolidated	Hedging	Revaluation	Total			
	Endowment £'000	Restricted £'000	Unrestricted £'000	Reserve £'000	Reserve £'000	£'000
Balance at 1 August 2017 (restated)	13,318	1,336	76,685	(5,616)	2,323	88,046
Adjustment due to change in accounting policy (see note 30)			464		37,467	37,931
Restated balance at 1 August 2017	13,318	1,336	77,149	(5,616)	39,790	125,977
Surplus from the statement of comprehensive income	958	684	25,281	-	-	26,923
Other comprehensive	-	-	-	807	22,239	23,046
income Transfers between reserves	-		(170)	-	170	-
Total comprehensive income for the year	958	684	25,111	807	22,409	49,969
Restated balance at 1 August 2018	14,276	2,020	102,260	(4,809)	62,199	175,946
Surplus from the statement of comprehensive income	1,842	978	(22,658)	-	-	(19,838)
Other comprehensive income	-	-	-	(1,107)	3,277	2,170
Transfers between reserves	-	-	(233)	-	233	-
Total comprehensive (expenditure)/income for the year	1,842	978	(22,891)	(1,107)	3,510	(17,668)
Balance at 31 July 2019	16,118	2,998	79,369	(5,916)	65,709	158,278

Consolidated and LSHTM Statement of Changes in Reserves (continued) Year ended 31 July 2019

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LSHTW	Income ar	nd expenditur	e account	Hedging Reserve	Revaluation Reserve	Total
	Endowment £'000	Restricted £'000	Unrestricted £'000	£'000	£'000	£'000
Balance at 1 August 2017	13,318	1,336	76,792	(5,616)	2,323	88,153
Adjustment due to change in accounting policy (see note 30)	-	-	464	-	37,467	37,931
Restated balance at 1 August 2017	13,318	1,336	77,256	(5,616)	39,790	126,084
Surplus from the statement of comprehensive income	958	684	25,324	-	-	26,966
Other comprehensive income	-	-	-	807	22,239	23,046
Transfers between reserves			(170)		170	-
Total comprehensive income for the year	958	684	25,154	807	22,409	50,012
Restated balance at 1 August 2018	14,276	2,020	102,410	(4,809)	62,199	176,096
Surplus from the statement of comprehensive income	1,842	978	(24,529)	-	-	(21,709)
Other comprehensive income	-	-	-	(1,107)	3,277	2,170
Transfers between reserves	-	-	(233)	-	233	-
Total comprehensive (expenditure)/income for the year	1,842	978	(24,762)	(1,107)	3,510	(19,539)
Balance at 31 July 2019	16,118	2,998	77,648	(5,916)	65,709	156,557

Consolidated and LSHTM Balance Sheet as at 31 July 2019

		2019 Consolidated LSHTM		2018 Res Consolidated	stated LSHTM
	Note	£'000	£'000	£'000	£'000
Non-current assets					
Intangible assets Fixed assets	11 12	415 202,540	415 200,384	352 187,650	352 187,645
Investments	13	202,540 21,456	200,364 21,529	19,381	19,454
Investment in joint venture	14			611	611
		224,411	222,328	207,994	208,062
Current assets					
Trade and other receivables	16	33,082	32,907	58,919	58,702
Cash and cash equivalents	22	82,006	81,928	82,150	82,019
		115,088	114,835	141,069	140,721
Creditors: amounts falling due within one year	17	(82,260)	(82,052)	(110,135)	(109,805)
Net current assets		32,828	32,783	30,933	30,916
Total assets less current liabilities		257,240	255,111	238,927	238,978
Creditors: amounts falling due after more than one year	18	(53,063)	(53,063)	(47,824)	(47,824)
Provisions	19	(45,898)	(45,491)	(15,158)	(15,058)
Total net assets		158,278	156,557	175,946	176,096
Restricted reserves					
Income and expenditure reserve – endowment reserve	20	16,118	16,118	14,276	14,276
Income and expenditure reserve – donations reserve	21	2,998	2,998	2,020	2,020
Unrestricted reserves					
Income and expenditure reserve – hedge reserve		(5,916)	(5,916)	(4,809)	(4,809)
Income and expenditure reserve - unrestricted		79,369	77,648	102,260	102,410
Revaluation reserve		65,709	65,709	62,199	62,199
Total reserves		158,278	156,557	175,946	176,096

The Financial Statements on pages 23 to 57 were approved by Council on 28 November 2019 and signed on its behalf by:

Professor Peter Piot Director Mr John O'Donnell Acting Chairman, Council

Consolidated Cash Flow Statement for the year ended 31 July 2019

	Notes	2019	2018 Restated
		£'000	£'000
Cash flow from operating activities (Deficit)/Surplus for the year		(19,837)	26,923
Adjustment for non-cash items Depreciation Amortisation of intangibles Gain on acquisition of MRC research units Gain on investments Movement in debtors Movement in creditors Movement in pension provision Movement in other provisions Share of operating deficit in joint venture	12 11 6 20 19 19	7,667 221 (6,152) (427) 25,837 (29,554) 30,740	5,177 206 (19,239) (376) (17,747) 33,965 (1,577) (13)
Adjustment for investing or financing activities Investment income Interest payable Endowment income Gain on the sale of fixed assets Capital grant income	5 7 6 28	(269) 1,016 (2,292) (285) (2,041)	(484) 1,022 (641) (4,224) (2,207)
Net cash inflow from operating activities	•	4,834	20,910
Cash flows from investing activities Proceeds from the sale of fixed assets Capital grants receipts Investment income Payments made to acquire fixed assets Payments made to acquire intangible assets New deposits	28 5 12 11	1,213 5,512 269 (12,723) (363) 787	4,224 3,433 484 (10,663) (35) (216)
Net cash (outflow) from investing activities	-	(5,308)	(2,773)
Cash flows from financing activities Interest paid Repayments of amounts borrowed Endowment cash received Cash acquired on transfer of MRC Units	7 20	(689) (486) 1,505	(717) (471) 857 929
Net cash inflow from financing activities	•	330	598
(Decrease)/increase in cash and cash equivalents in the year	:	(144)	18,735
Cash and cash equivalents at beginning of the year	22	82,150	63,415
Cash and cash equivalents at end of the year	22	82,006	82,150

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 LSHTM is a not for profit higher education establishment 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 2019.

3. Basis of Accounting

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

4. Basis of consolidation

The consolidated financial statements include LSHTM and its subsidiaries for the financial year to 31 July 2019. 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 LSHTM 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 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.

5. Income recognition (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 LSHTM 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.

LSHTM 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:

- 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 LSHTM.
- III. Restricted expendable endowments the donor has specified a particular objective other than the purchase or construction of tangible fixed assets, and LSHTM 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 LSHTM 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 LSHTM 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

LSHTM'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 LSHTM due to the mutual nature of the schemes and therefore these schemes are accounted for as defined contribution retirement benefit schemes and pension costs are based on the amounts actually paid (i.e. cash amounts) in accordance with paragraph 28.11 of FRS102.

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

7. Employment benefits

Short term employment benefits such as salaries and compensated absences are recognised as an expense in the year in which the employees render service to LSHTM. 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 cost or valuation less accumulated depreciation.

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

Land and buildings

Land and buildings are measured using the revaluation model. Under the revaluation model, assets are revalued to fair value. LSHTM has a policy of ensuring an external revaluation takes place at regular intervals. In the intervening years between external valuations, LSHTM carries out an internal assessment, using published information on market rentals and building cost indices, to ensure that the book values of its assets are not materially different from their fair values. Depreciation is subsequently charged on the revalued amount.

A valuation of all land and buildings at LSHTM's London sites was carried out as at 31 July 2017, 31 July 2018 and 31 July 2019 by Gerald Eve LLP, Chartered Surveyors. Specialist academic and research land and buildings were valued on a depreciated replacement cost basis and all other buildings were valued on a market value basis. The valuation excludes any value associated with development opportunities for which planning permission would be required and has not been granted or where development has not yet commenced.

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 LSHTM.

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.

Freehold buildings are depreciated on a straight line basis over their expected useful economic life to LSHTM 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.

9. Tangible Fixed assets (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

Vehicles 8 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) LSHTM 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 LSHTM a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of LSHTM. 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 LSHTM a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of LSHTM.

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

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

LSHTM, along with four other colleges in the Bloomsbury area, participates in the London International Development Centre (LIDC) which is a jointly controlled operation.

LSHTM 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

LSHTM 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, LSHTM 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.

LSHTM 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.

LSHTM'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 historic cost and amortised cost basis is not material and so these financial instruments are stated on the balance sheet at historical cost. Loans and investments that are payable or receivable within one year are not discounted.

16. Financial Instruments (continued)

Derivative instruments and hedge accounting

All derivatives are measured at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at a measurement date. Where a market for a financial instrument is not active, fair value is established using a valuation technique. The Group has applied hedge accounting in the year. These valuation techniques involve a degree of estimation, the extent of which depends on the instrument's complexity and the availability of market based data

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. The Group has designated each of the swaps against either existing drawn floating rate debt or against highly probable future floating rate debt.

The Group has entered into currency forward exchange contracts in order to hedge against the risk of material fluctuations in currency exchange rates.

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.

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 LSHTM must hold in perpetuity.

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

18. Key Judgments & Estimates

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

Hedging provision

Management uses its judgement to assess the fair value and effectiveness of hedging instruments.

Swaps on bank loans

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.

Currency forward contracts

LSHTM hedges currency exchange rate risk using forward contracts. The fair value is assessed by the currency broker by comparing the position of the forward contract terms against the current financial market position. Management test these fair value calculations by gaining an understanding and testing reasonableness of the key assumptions on which they are based.

18. Key Judgments & Estimates (continued)

Pension provision

LSHTM 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 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 1.62% (2018: 2.16%), as per guidance issued by the British Universities Finance Directors Group (commissioned from Mercers, a recognised pension scheme actuary). Based on LSHTM's financial forecasts the provision calculation also uses a 2.25% p.a. (2018: 2.5% p.a.) change for salary inflation and a 1.5% change p.a. (2018: 1.5% p.a. change) in staff numbers.

A sensitivity analysis of changes in these three factors on the provision is set out in Note 19.

In kind contribution

LSHTM 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. These in kind contributions are accounted for as research costs and as research income, with equivalent amounts. Full disclosure of the value received in year is stated in Notes 3 and 9.

Land and buildings assets recognised for the LSHTM/MRC 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 LSHTM and MRC confirmed transfer of all assets. The required legal entity had been fully established by the date of signing these financial statements. The value of land and buildings for the Uganda Unit has been included within these financial statements based on an independent valuation by suitably qualified third parties and included based on this valuation, which management consider to represent their fair value.

Land and buildings useful economic life

As part of the revaluation of the land and building assets of LSHTM in London, the remaining useful economic life of each was assessed by the valuer Gerald Eve. These useful economic life estimates are considered appropriate by management and therefore the depreciation charge for 2019 was based on these. If the previous useful economic life had been used, the depreciation charge for land and buildings in 2019 would have been £5,390k, instead of the £5,649k depreciation charged in Note 12.

19. Going Concern

Based on assessment of LSHTM'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 LSHTM has sufficient financial resources and is confident that its future income streams will maintain these resources. Council believes that LSHTM is well placed to effectively manage its business risks, despite the uncertain economic situation.

Council has a reasonable expectation that LSHTM has adequate resources to continue in operation for at least twelve months from the date of signing these financial statements. Thus, it continues to adopt the going concern basis in preparing the financial statements.

20. Restatement of prior year Balance Sheet

The 2018 balance sheet has been restated to reflect the adjustments required upon revision of the accounting policy for fixed assets. Land and building fixed assets are now recognised under the revaluation basis rather than historic cost, as set out in the Tangible Fixed Asset policy on page 29. Full disclosure of the impact of this restatement is given in Note 30.

Notes to the Financial Statements

1. Tuition fees and education contracts

	2019		2018	
	Consolidated	LSHTM	Consolidated	LSHTM
	£'000	£'000	£'000	£'000
Fees from full-time students charged UK fees	2,934	2,934	2,920	2,920
Fees from full-time students charged overseas fees	8,790	8,790	6,558	6,558
Fees from students charged part-time fees	1,195	1,195	1,040	1,040
Fees from students on short courses	2,691	2,691	2,512	2,512
Fees from distance learning courses	6,970	6,970	6,792	6,792
	22,578	22,578	19,822	19,822

2. Funding body grants

	2019		2018	
	Consolidated £'000	LSHTM £'000	Consolidated £'000	LSHTM £'000
Recurrent grant				
OfS/UKRI Research grants	19,140	19,140	18,342	18,342
OfS Teaching grants	2,898	2,898	3,339	3,339
	22,037	22,037	21,681	21,681
Specific grants				
Higher Education Innovation Fund	1,102	1,102	956	956
Global Challenge Research Fund	598	598	492	492
Connecting Capability Fund	-	-	68	68
Industrial Strategy NPIF	367	367	269	269
Strategic Priority Fund (SPF)	197	197	-	-
	2,264	2,264	1,785	1,785
Release of deferred capital grants	2,041	2,041	1,850	1,850
	26,341	26,341	25,316	25,316

3. Research grants and contracts

	2019		2018	
	Consolidated £'000	LSHTM £'000	Consolidated £'000	LSHTM £'000
UK research councils	42,920	42,920	25,989	25,989
UK charities	20,756	20,756	19,030	19,030
UK government departments and health authorities	25,218	25,218	25,916	25,916
UK Industry & Commerce	1,902	1,902	1,334	1,334
UK other	854	854	573	573
EU charities	629	629	485	485
EU Commission and other government bodies	22,307	22,307	20,821	20,821
EU Industry & Commerce	10,189	10,189	7,164	7,165
EU other	22	22	135	135
Charities based outside the EU	22,029	21,029	22,623	22,623
Government bodies outside the EU	7,993	7,993	7,767	7,767
Industry and commerce outside the EU	1,191	1,191	1,488	1,488
Other sources outside the EU	11,558	11,558	7,252	7,252
	167,567	167,567	140,577	140,577

Included within EU Industry and Commerce in 2019 is an amount of £9,002k (2018: £6,661k) 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 FRS102, the income has been shown above and costs of £9,002k are shown in Other costs under Research grants and contracts (Note 9).

4. Other income

	2019		2018	
	Consolidated £'000	LSHTM £'000	Consolidated £'000	LSHTM £'000
Research consultancy Other non-research grant income	2,002 10,006	1,077 10,006	1,855 9,861	1,042 9,861
	12,008	11,083	11,716	10,903
Refectory	501	501	361	361
Currency exchange differences	153	153	108	108
Other income	5,781	5,819	6,658	6,658
	6,436	6,473	7,127	7,127
	18,444	17,556	18,843	18,030

5. Investment income

	2019		2018	
	Consolidated	LSHTM	Consolidated	LSHTM
	£'000	£'000	£'000	£'000
Other investment income	269	269	484	484
	269	269	484	484

6. Donations and endowments

	2019		2018 Restated	
	Consolidated	LSHTM	Consolidated	LSHTM
	£'000	£'000	£'000	£'000
Endowments Donations with restrictions Unrestricted donations	2,292	2,292	641	641
	9,271	7,119	21,159	22,158
	743	743	3,813	3,813
	12,306	10,154	26,316	26,612

Included in the 'Donations with restrictions' are the fair value of assets of the LSHTM/MRC Units in The Gambia and Uganda, which were transferred to LSHTM on 1st February 2018, but not recognised in the 2018 financial statements. The total fair value of these assets (land and buildings in Uganda; buildings and infrastructure in Gambia) recognised in 2019 is £6,152k. The fair value of assets recognised in 2018 totalled £19,239k. All of these assets were acquired by LSHTM for a consideration of £2 on 1 February 2018.

The fair value of the land in Uganda recognised in 2019 is £2,152k and this land is held in a separate legal entity, MRC/UVRI and LSHTM Uganda Research Unit Limited.

7. Interest and other finance costs

	2019		2018	
	Consolidated	LSHTM	Consolidated	LSHTM
	£'000	£'000	£'000	£'000
Loan interest	690	690	717	715
Net charge on pension scheme	326	324	305	305
	1,016	1,014	1,022	1,020

8. Staff costs

Staff costs:	2019		2018	
	Consolidated £'000	LSHTM £'000	Consolidated £'000	LSHTM £'000
Salaries Social security costs Other pension costs Apprenticeship levy Movement in pension deficit recovery plan provision	85,736 7,341 12,461 295 30,412	85,238 7,291 12,367 295 30,109	73,354 6,159 11,014 293 (1,902)	72,931 6,118 10,925 293 (1,902)
Total	136,245	135,300	88,918	88,365
Emoluments of the Director:			2019 £'000	2018 £'000
Basic salary Bonus Retention allowance Benefits Pension contributions to USS Salary sacrifice			284 40 - - 52 (26)	278 40 20 - 54 (27)
			350	365

Of the total emoluments of the Director set out above, £173k (2018: £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 LSHTM employee salary.

	2019	2018
Basic salary ratio	6.4	6.3
Total remuneration ratio	7.3	7.7

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 and KPIs.

The Director's remuneration has been reviewed against performance over the last year, where LSHTM has demonstrated continuing excellent performance academically and financially against the objectives set by LSHTM's Council. This excellent performance includes continued success in attracting research grant funding, world-leading research outputs and impact on global health and health policy and a stronger financial position. This is explained more fully in the Treasurer's Report within these financial statements.

The Director's remuneration is also set in the context of LSHTM's global reputation as a leader in its field of academic endeavor and recognising that LSHTM is a truly global organization with ongoing activity in many countries which adds leadership, organizational, regulatory and management complexity.

The Director's remuneration package reflects the leadership skills required of a globally recognized and high-performing higher education institution and his global influence in health sciences and global health policy development. In 2019 the Director voluntarily waived his contractual retention payment (£20,000).

The Director does not have any accommodation provided by LSHTM.

8. Staff costs (continued)

Number of staff with a LSHTM funded FTE basic salary of £100,000 or more (excluding the Director):

	2019 No	2018 No
£100,000 to £104,999 £105,000 to £109,999 £110,000 to £114,999	9 19 4	20 7 5
£115,000 to £119,999 £125,000 to £129,999 £130,000 to £134,999	4 1 2	3 1 3
£140,000 to £144,999 £150,000 to £154,999 £155,000 to £159,999	2 - 1	1 1
£165,000 to £169,999	43	42
Average staff numbers by major category:	2019	2018
	No	Restated No
	110	140
Teaching and Research staff in academic faculties Support staff in academic faculties	810 273	771 259
	810	771

The LSHTM/MRC research units became part of LSHTM on 1 February 2018 and hence the 2018 figures represent six months from 1 February 2018 to 31 July 2018.

Key management personnel

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

	2019 £'000	2018 £'000
Key management personnel basic remuneration	1,577	1,356
	No	No
Number of key management personnel	13	11

Key management personnel who served during the year are:

g the year are:
Director & Professor of Global Health
Deputy Director and Provost & Professor of Health
Economics and Policy
Chief Operating Officer
Secretary & Registrar
Secretary & Registrar
Dean of Faculty & Professor
Pro-Director (Learning, Teaching & Enhancement)
Director, MRC Unit The Gambia at LSHTM
Director, MRC/UVRI & LSHTM Uganda Research Unit

8. Staff costs (continued)

Council members

No Council member has received any remuneration/waived payments from the Group during the financial year 2019. The total expenses paid on behalf of 4 Council members was £2,621 (2018: £2,613 to 13 Council members). This represents travel and subsistence expenses incurred in attending Council meetings and charity events in their official capacity.

9. Analysis of total expenditure by activity

LSHTM/MRC Units 20,782 10,486 10,296 6,745 2,749 Consultancy agreements 1,024 627 397 1,329 830 Other grants 10,225 2,223 8,002 10,240 1,808 Total academic faculties' expenditure 190,927 84,882 106,045 167,020 71,219 9 Academic services 13,643 8,870 4,773 14,512 9,479 Administrative services 12,413 9,844 2,569 8,966 8,413 Maintenance of premises 5,181 792 4,389 5,237 826 Equipment and furniture 175 - 175 147 - Refectory 480 376 104 331 261 Provisions - pension 30,412 30,412 - (1,911) (1,903) Provisions - annual leave 507 507 - 64 64 General education expenditure 2,092 409 1,683 5,633 <td< th=""><th></th><th colspan="2">2019 Consolidated £'000</th><th colspan="2">2018 Restated Consolidated £'000</th><th>-</th></td<>		2019 Consolidated £'000		2018 Restated Consolidated £'000		-	
General funds 24,833 20,131 4,702 25,315 20,407 Projects: Research grants and contracts 134,063 51,415 82,648 123,391 45,425 7 LSHTM/MRC Units 20,782 10,486 10,296 6,745 2,749 2,749 Consultancy agreements 1,024 627 397 1,329 830 Other grants 10,225 2,223 8,002 10,240 1,808 Total academic faculties' expenditure 190,927 84,882 106,045 167,020 71,219 9 Academic services 13,643 8,870 4,773 14,512 9,479 9,479 Administrative services 12,413 9,844 2,569 8,966 8,413 Maintenance of premises 5,181 792 4,389 5,237 826 Equipment and furniture 175 - 175 147 - 147 - Refectory 480 376 104 331 261		Total	Staff	Other	Total	Staff	Other
Projects: Research grants and contracts 134,063 51,415 82,648 123,391 45,425 7 LSHTWMRC Units 20,782 10,486 10,296 6,745 2,749 627 397 1,329 830 630 <td< td=""><td>Academic faculties:</td><td></td><td></td><td></td><td></td><td></td><td></td></td<>	Academic faculties:						
Research grants and contracts 134,063 51,415 82,648 123,391 45,425 72,749 LSHTW/MRC Units 20,782 10,486 10,296 6,745 2,749 73,749 74,329 830 74,329 830 74,329 830 74,329 830 74,329 830 74,240 1,808 74,749	General funds	24,833	20,131	4,702	25,315	20,407	4,908
LSHTM/MRC Units 20,782 10,486 10,296 6,745 2,749 Consultancy agreements 1,024 627 397 1,329 830 Other grants 10,225 2,223 8,002 10,240 1,808 Total academic faculties' expenditure 190,927 84,882 106,045 167,020 71,219 9 Academic services 13,643 8,870 4,773 14,512 9,479 Administrative services 12,413 9,844 2,569 8,966 8,413 Maintenance of premises 5,181 792 4,389 5,237 826 Equipment and furniture 175 - 175 147 - Refectory 480 376 104 331 261 Provisions - pension 30,412 30,412 - (1,911) (1,903) Provisions - annual leave 507 507 - 64 64 General education expenditure 2,092 409 1,683 5,633 <td< td=""><td></td><td></td><td></td><td></td><td></td><td></td><td></td></td<>							
Consultancy agreements 1,024 627 397 1,329 830 Other grants 10,225 2,223 8,002 10,240 1,808 Total academic faculties' expenditure 190,927 84,882 106,045 167,020 71,219 9 Academic services 13,643 8,870 4,773 14,512 9,479 Administrative services 12,413 9,844 2,569 8,966 8,413 Maintenance of premises 5,181 792 4,389 5,237 826 Equipment and furniture 175 - 175 147 - Refectory 480 376 104 331 261 Provisions - pension 30,412 30,412 - (1,911) (1,903) Provisions - annual leave 507 507 - 64 64 General education expenditure 2,092 409 1,683 5,633 417 Studentships 2,594 - 2,594 1,959 -				,			77,966
Other grants 10,225 2,223 8,002 10,240 1,808 Total academic faculties' expenditure 190,927 84,882 106,045 167,020 71,219 9 Academic services 13,643 8,870 4,773 14,512 9,479 Administrative services 12,413 9,844 2,569 8,966 8,413 Maintenance of premises 5,181 792 4,389 5,237 826 Equipment and furniture 175 - 175 147 - Refectory 480 376 104 331 261 Provisions - pension 30,412 30,412 - (1,911) (1,903) Provisions - annual leave 507 507 - 64 64 General education expenditure 2,092 409 1,683 5,633 417 Studentships 2,594 - 2,594 1,959 - Other expenditure 520 153 367 844 142 <td></td> <td></td> <td></td> <td></td> <td>,</td> <td>,</td> <td>3,996</td>					,	,	3,996
Total academic faculties' expenditure 190,927 84,882 106,045 167,020 71,219 9 Academic services 13,643 8,870 4,773 14,512 9,479 4,4773 14,512 9,479 9,479 4,4773 14,512 9,479 4,773 14,512 9,479 4,773 14,512 9,479 4,773 14,512 9,479 4,773 14,512 9,479 4,773 14,512 9,479 4,773 14,512 9,479 4,773 14,512 9,479 4,813 1,613 1,213 9,844 2,569 8,966 8,413 8,870 4,773 14,512 9,479 4,828 1,068 8,966 8,413 8,966 8,413 1,826 1,213 1,214					,		499
Academic services 13,643 8,870 4,773 14,512 9,479 Administrative services 12,413 9,844 2,569 8,966 8,413 Maintenance of premises 5,181 792 4,389 5,237 826 Equipment and furniture 175 - 175 147 - Refectory 480 376 104 331 261 Provisions - pension 30,412 30,412 - (1,911) (1,903) Provisions - annual leave 507 507 - 64 64 General education expenditure 2,092 409 1,683 5,633 417 Studentships 2,594 - 2,594 1,959 - Other expenditure 520 153 367 844 142	Other grants	10,225	2,223	8,002	10,240	1,808	8,432
Administrative services 12,413 9,844 2,569 8,966 8,413 Maintenance of premises 5,181 792 4,389 5,237 826 Equipment and furniture 175 - 175 147 - Refectory 480 376 104 331 261 Provisions - pension 30,412 30,412 - (1,911) (1,903) Provisions - annual leave 507 507 - 64 64 General education expenditure 2,092 409 1,683 5,633 417 Studentships 2,594 - 2,594 1,959 - Other expenditure 520 153 367 844 142	Total academic faculties' expenditure	190,927	84,882	106,045	167,020	71,219	95,801
Maintenance of premises 5,181 792 4,389 5,237 826 Equipment and furniture 175 - 175 147 - Refectory 480 376 104 331 261 Provisions - pension 30,412 30,412 - (1,911) (1,903) Provisions - annual leave 507 507 - 64 64 General education expenditure 2,092 409 1,683 5,633 417 Studentships 2,594 - 2,594 1,959 - Other expenditure 520 153 367 844 142	Academic services	13,643	8,870	4,773	14,512	9,479	5,033
Equipment and furniture 175 - 175 147 - Refectory 480 376 104 331 261 Provisions - pension 30,412 30,412 - (1,911) (1,903) Provisions - annual leave 507 507 - 64 64 General education expenditure 2,092 409 1,683 5,633 417 Studentships 2,594 - 2,594 1,959 - Other expenditure 520 153 367 844 142	Administrative services	12,413	9,844	2,569	8,966	8,413	552
Refectory 480 376 104 331 261 Provisions - pension 30,412 30,412 - (1,911) (1,903) Provisions - annual leave 507 507 - 64 64 General education expenditure 2,092 409 1,683 5,633 417 Studentships 2,594 - 2,594 1,959 - Other expenditure 520 153 367 844 142	Maintenance of premises	5,181	792	4,389	5,237	826	4,411
Provisions - pension 30,412 30,412 - (1,911) (1,903) Provisions - annual leave 507 507 - 64 64 General education expenditure 2,092 409 1,683 5,633 417 Studentships 2,594 - 2,594 1,959 - Other expenditure 520 153 367 844 142	Equipment and furniture	175	-	175	147	-	147
Provisions – annual leave 507 507 - 64 64 General education expenditure 2,092 409 1,683 5,633 417 Studentships 2,594 - 2,594 1,959 - Other expenditure 520 153 367 844 142	Refectory	480	376	104	331	261	70
General education expenditure 2,092 409 1,683 5,633 417 Studentships 2,594 - 2,594 1,959 - Other expenditure 520 153 367 844 142	Provisions - pension	30,412	30,412	-	(1,911)	(1,903)	(8)
Studentships 2,594 - 2,594 1,959 - Other expenditure 520 153 367 844 142		507		-	64	64	-
Other expenditure 520 153 367 844 142			409			417	5,216
·	•		-			-	1,959
CO 047	Other expenditure	520	153	367	844	142	702
68,017 51,363 16,654 35,780 17,699 1	-	68,017	51,363	16,654	35,780	17,699	18,082
258,944 136,245 122,699 202,800 88,918 11		258,944	136,245	122,699	202,800	88,918	113,883

As explained in Note 3, LSHTM has received vaccines and expert staff time for three clinical trials free of charge. Costs of £9,002k (2018: £6,661k) are included in Other costs under Research grants and contracts.

Other operating expenses include:	2019 £'000	2018 £'000
LSHTM financial statements audit Subsidiary financial statements audit US Loans FFELP audit Non-audit services	90 3 4	75 3 4
Operating lease rentals:	97	<u>82</u> 65

9. Analysis of total expenditure by activity (continued)

	2019 LSHTM £'000			2018 LSHTM £'000	
Total	Staff	Other	Total	Staff	Other
24,833	20,131	4,702	25,315	20,407	4,908
134 063	51 415	82 648	123 391	45 425	77,966
- ,		- ,			3,996
1.024	627	397	798	484	314
10,225	2,223	8,002	10,240	1,808	8,432
190,927	84,882	106,045	166,489	70,873	95,616
13,643	8,870	4,773	14,305	9,272	5,033
11,773	9,202	2,571	8,875	8,413	462
5,174	792	4,382	5,211	826	4,385
127	-	127	147	-	147
		104		261	70
		-			(8)
		-	-	_	-
	409			417	5,216
				-	1,959
352	153	199	844	142	702
66,851	50,418	16,433	35,458	17,492	17,966
257,778	135,300	122,478	201,947	88,365	113,582
	24,833 134,063 20,782 1,024 10,225 190,927 13,643 11,773 5,174 127 480 30,109 507 2,092 2,594 352 66,851	LSHTM £'000 Total Staff 24,833 20,131 134,063 51,415 20,782 10,486 1,024 627 10,225 2,223 190,927 84,882 13,643 8,870 11,773 9,202 5,174 792 127 - 480 376 30,109 30,109 507 507 2,092 409 2,594 - 352 153 66,851 50,418	LSHTM £'000 Total Staff Other 24,833 20,131 4,702 134,063 51,415 82,648 20,782 10,486 10,296 1,024 627 397 10,225 2,223 8,002 190,927 84,882 106,045 13,643 8,870 4,773 11,773 9,202 2,571 5,174 792 4,382 127 - 127 480 376 104 30,109 30,109 - 507 507 - 2,092 409 1,683 2,594 - 2,594 352 153 199 66,851 50,418 16,433	LSHTM £'000 £'000 Total Staff Other Total 24,833 20,131 4,702 25,315 134,063 51,415 82,648 123,391 20,782 10,486 10,296 6,745 1,024 627 397 798 10,225 2,223 8,002 10,240 190,927 84,882 106,045 166,489 13,643 8,870 4,773 14,305 11,773 9,202 2,571 8,875 5,174 792 4,382 5,211 127 - 127 147 480 376 104 331 30,109 30,109 - (1,911) 507 507 - 64 2,092 409 1,683 5,633 2,594 - 2,594 1,959 352 153 199 844 66,851 50,418 16,433 35,458 <td>LSHTM £'000 LSHTM £'000 LSHTM £'000 Total Staff Other Total Staff 24,833 20,131 4,702 25,315 20,407 134,063 51,415 82,648 123,391 45,425 20,782 10,486 10,296 6,745 2,749 1,024 627 397 798 484 10,225 2,223 8,002 10,240 1,808 190,927 84,882 106,045 166,489 70,873 13,643 8,870 4,773 14,305 9,272 11,773 9,202 2,571 8,875 8,413 5,174 792 4,382 5,211 826 127 - 127 147 - 480 376 104 331 261 30,109 30,109 - (1,911) (1,903) 507 507 - 64 64 2,092 409 1,683</td>	LSHTM £'000 LSHTM £'000 LSHTM £'000 Total Staff Other Total Staff 24,833 20,131 4,702 25,315 20,407 134,063 51,415 82,648 123,391 45,425 20,782 10,486 10,296 6,745 2,749 1,024 627 397 798 484 10,225 2,223 8,002 10,240 1,808 190,927 84,882 106,045 166,489 70,873 13,643 8,870 4,773 14,305 9,272 11,773 9,202 2,571 8,875 8,413 5,174 792 4,382 5,211 826 127 - 127 147 - 480 376 104 331 261 30,109 30,109 - (1,911) (1,903) 507 507 - 64 64 2,092 409 1,683

As explained in Note 3, LSHTM has received vaccines and expert staff time for three clinical trials free of charge. Costs of £9,002k (2018: £6,661k) are included in Other costs under Research grants and contracts.

10. Taxation

	2019 £'000	2018 £'000
Recognised in the statement of comprehensive income and expenditure		
Current tax		
Current and total tax expense	-	
Tax reconciliation:		
	2019	2018 Restated
	£'000	£'000
(Deficit)/surplus before taxation Corporation tax at 20% Effect of:	(19,837) (3,967)	26,923 5,385
Surplus falling within charitable exemption Trading losses utilised by subsidiary	3,967 -	(5,385)
Total tax expense	-	
11. Intangible assets		
Consolidated and LSHTM		
	Software £'000	Total £'000
At 1 August 2018	352	352
Additions in the year	283	283
Amortisation charge for the year	(220)	(220)
At 31 July 2019	415	415
At 31 July 2018	352	352

12. Fixed assets

Consolidated					
	Freehold Land and Buildings	Leasehold Land and Buildings	Plant, Machinery, Fixtures, Fittings and	Assets in the Course of Construction	Total
	£'000	£'000	Equipment £'000	£'000	£'000
Cost or valuation	2 000	2 000	~ ~ ~ ~	2 000	2000
At 1 August 2018 Adjustment due to change in accounting policy (see note 30)	127,884 25,436	19,997 4,849	16,658 -	8,424	172,963 30,285
Restated balance at 1 August 2018	153,320	24,846	16,658	8,424	203,248
Additions Transfers Surplus on revaluation	9,494 5,477 80	3,036 43 147	3,494 122 -	3,759 (5,642) -	19,783 - 227
Disposals	-	(671)	-	-	(671)
At 31 July 2019	168,371	27,401	20,274	6,541	222,587
Depreciation					
At 1 August 2018 Adjustment due to change in accounting policy (see note 30)	30,677 (27,842)	2,032 (1,342)	12,072 -	-	44,781 (29,184)
Restated balance at 1 August 2018	2,835	690	12,072	-	15,597
Charge for the year Written back on revaluation	3,367 (2,835)	2,282 (215)	2,017	- -	7,666 (3,050)
Disposals	-	(166)	-	-	(166)
At 31 July 2019	3,367	2,591	14,089		20,047
Net book value					
At 31 July 2019	165,004	24,810	6,185	6,541	202,540
At 31 July 2018 (restated)	150,485	24,156	4,586	8,424	187,651

At 31 July 2019, freehold land and buildings included £69,520k (restated 2018: £68,990k) in respect of land which is not depreciated.

Following a change in accounting policy a valuation of LSHTM's freehold and leasehold land and buildings in London was carried out as at 31 July 2017, 31 July 2018 and 31 July 2019 by external valuer Gerald Eve LLP. These valuations are higher than the previous basis of recognising these assets at historic cost. The adjustment due to the impact of implementing this revised accounting policy is an increase of £30,285k to the asset value and a reduction of £29,184k in accumulated depreciation. Further details are given in Note 30.

LSHTM's specialised academic and research land and building assets are valued on a depreciated replacement cost basis and other operational land and building assets are valued using prevailing market values.

12. Fixed assets (continued)

I	S	н	Т	'n	Λ

LSHTM	Freehold Land and	Leasehold Land and	Plant, Machinery,	Assets in the Course of	Total
	Buildings	Buildings	Fixtures, Fittings and Equipment	Construction	
	£'000	£'000	£'000	£'000	£'000
Cost or valuation					
At 1 August 2018	127,884	19,997	16,645	8,424	172,950
Adjustment due to change in accounting policy (see note 30)	25,436	4,849	-	-	30,285
Restated balance at 1 August 2018	153,320	24,846	16,645	8,424	203,235
Additions	7,342	3,036	3,494	3,759	17,631
Transfers	5,477	43	122	(5,642)	-
Surplus on revaluation	80	147	-	-	227
Disposals	-	(671)	-	-	(671)
At 31 July 2019	166,219	27,401	20,261	6,541	220,422
Depreciation					
At 1 August 2018	30,677	2,032	12,064	-	44,773
Adjustment due to change in accounting policy (see note 30)	(27,842)	(1,342)	, <u>-</u>	-	(29,184)
Restated balance at 1 August 2018	2,835	690	12,064	-	15,589
Charge for the year	3,367	2,282	2,016	-	7,665
Written back on	(2,835)	(215)	-	-	(3,050)
revaluation		(400)			(4.00)
Disposals	-	(166)	-		(166)
At 31 July 2019	3,367	2,591	14,080	<u> </u>	20,038
Net book value					
At 31 July 2019 =	162,852	24,810	6,181	6,541	200,384
At 31 July 2018 (restated)	150,485	24,156	4,581	8,424	187,646
Leased assets included	above:				
Net book value:					
At 31 July 2019		2/ 910			2/ 910
At 31 July 2019		24,810			24,810
At 31 July 2018 (restated)	-	24,156			24,156

13. Non-Current Investments

	Subsidiary companies	Other fixed asset investments	Total
Consolidated	£'000	£'000	£'000
At 1 August 2018 Additions Disposals Gains	- - - -	19,381 1,505 (90) 660	19,381 1,505 (90) 660
At 31 July 2019	-	21,456	21,456
LSHTM			
At 1 August 2018 Additions Disposals Gains	100 - - -	19,354 1,505 (90) 660	19,454 1,505 (90) 660
At 31 July 2019	100	21,429	21,529
Non-current investments consist of:			
Subsidiary companies:			£
Chariot Innovations Limited Salus Limited MRC/UVRI and LSHTM Uganda Research Unit Limited			100,000 2 218
		_	100,220
Other fixed asset investments			£'000
Endowment asset investments (see note 20) Fixed asset investments			16,118 5,338
			21,456

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

14. Investment in joint venture

LSHTM 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, such that 20% of the membership's gross assets and liabilities, income and expenditure are incorporated into the consolidated balance sheet and statement of comprehensive income of LSHTM.

	2019	2018 Restated
	£'000	£'000
Income and expenditure account (LSHTM share)		
Income	243	159
Expenditure	(451)	(284)
Deficit before tax	(208)	(125)
Balance sheet (LSHTM share)		
Fixed assets		
At 1 August	611	106
Adjustment due to change in accounting policy (see note 30)	-	505
Adjustment due to disposal	(611)	
Share of net assets	-	611

15. Investment in associates

LSHTM has no investments in associates.

LSHTM's subsidiary, Chariot Innovations Limited, has an associate company, Vecotech Limited. As at 31 July 2019, Chariot owned 23.23% (2018: 25.41%) of the share capital in Vecotech Limited.

16. Trade and other receivables

	2019		2018	
	Consolidated £'000	LSHTM £'000	Consolidated £'000	LSHTM £'000
Amounts falling due within one year:				
Research expenditure recoverable	14,913	14,913	33,700	33,700
Other trade receivables	12,895	12,602	11,850	11,538
Prepayments and accrued income	5,274	5,266	13,369	13,362
Amounts due from subsidiary companies	-	126	-	102
	33,082	32,907	58,919	58,702

17. Creditors: amounts falling due within one year

	2019		2018 Restated	
	Consolidated	LSHTM	Consolidated	LSHTM
	£'000	£'000	£'000	£'000
Unsecured loans	500	500	486	486
Trade payables	1,685	1,683	5,238	5,143
Social security and other taxation payable	1,314	1,292	2,016	1,960
Accruals and deferred income	78,144	77,960	102,210	102,031
Derivatives	617	617	185	185
	82,260	82,052	110,135	109,805

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

17. Creditors: amounts falling due within one year (continued)

Accruals and deferred income

Included within accruals and deferred income are the following items:

	2019		2018 Rest	ated
	Consolidated	LSHTM	Consolidated	LSHTM
	£'000	£'000	£'000	£'000
Research grants received on account	54,432	54,432	67,690	67,690
Accrued expenses	9,650	9,582	16,634	16,455
Deferred income	14,062	13,946	17,886	17,886
	78,144	77,960	102,210	102,031

18. Creditors: amounts falling due after one year

	2019		2018	
	Consolidated	LSHTM	Consolidated	LSHTM
	£'000	£'000	£'000	£'000
Deferred income	34,803	34,803	29,737	29,737
Derivatives	5,298	5,298	4,265	4,265
Unsecured loans	12,961	12,961	13,462	13,462
	53,063	53,063	47,824	47,824

The derivative financial instruments above are designated as hedges of variable interest rate risk which comprise of interest rate swaps and hedging against movements in currency exchange rates which are effected by currency forward contracts.

Hedge of variable interest rate risk arising from bank loan liabilities

During the year, LSHTM 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, LSHTM 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 LSHTM 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 £5,592k (2018: £4,625k) 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 a reduction of £783k (2018: increase of £807k), with the entire change being recognised in other comprehensive income as the swaps are considered to be fully effective.

Hedge of currency exchange rates

At the balance sheet date LSHTM had in place a number of currency forward contracts to hedge against volatility in currency exchange rates against Sterling. These derivatives are accounted for in accordance with FRS102 and had a fair value of £323k (2018: nil) at the balance sheet date. The change in fair value in the period was a reduction of £323k, with the entire difference being recognised as a charge to other comprehensive income.

18. Creditors: amounts falling due after one year (continued)

Analysis of unsecured loans	Analy	sis of	unsecured	loans:
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Analysis of unsecured loans:	2019 Consolidated £'000	LSHTM £'000	20 Consolidated £'000	018 LSHTM £'000
Due within one year or on demand (note 17)	500	500	486	486
Due between one and two years Due between two and five years Due in five years or more	516 1,670 10,775	516 1,670 10,775	501 1,555 11,406	501 1,555 11,406
Due after more than one year	12,961	12,961	13,462	13,462
Total unsecured loans	13,461	13,461	13,948	13,948
LSHTM's unsecured loan facilities comprise:		Amount £'000	Maturity	Borrower
National Westminster Bank plc National Westminster Bank plc		9,216 4,245 13,461	2038 2038	LSHTM LSHTM
19. Provisions				
Consolidated		on to fund it on USS pension	Other provisions	Total provisions
		£'000	£'000	£'000
At 1 August 2018 Additions in year Utilised in year		15,121 30,740 -	37 - -	15,158 30,740 -
At 31 July 2019		45,861	37	45,898
LSHTM	Obligation defice	on to fund bit on USS pension £'000	Other provisions	Total provisions
At 1 August 2018 Additions in year Utilised in year		15,021 30,433 -	37 - -	15,058 30,433
At 31 July 2019		45,454	37	45,491

There were no pension scheme enhancements in 2019 (2018: Nil).

Pension Provisions

The obligation to fund the past deficits on the Universities Superannuation Scheme (USS) arises from the contractual obligation with the USS to deficit payments in accordance with the deficit recovery plan. In calculating this provision, management have estimated future staff levels within the USS scheme for the duration of the contractual obligation and salary inflation. Key assumptions are set out below and further information is provided in Note 26.

The adoption of the new deficit recovery plan following the 2017 actuarial valuation has given rise to a significant increase in the deficit provision which has increased from £15.0m to £45.9m. £17.1m of this increase is due to the change in the deficit contributions contractual commitment. See also Note 8 in respect of significant one-off pension costs. More details on the 2017 valuation are set out in Note 26.

19. Provisions (continued)

Since the year end, following the completion of the 2018 actuarial valuation, a new deficit recovery plan has been agreed of which more detail is given in Note 26. As at 31 July 2019 and with all other assumptions used to calculate the provision unchanged, this would have resulted in a revised provision of £25.9m, a decrease of £20.0m from the current year end provision.

The major assumptions used to calculate the obligation are:

	2019	2018
Discount rate	1.62%	2.16%
Salary growth p.a.	2.25%	2.5%
Staff membership growth p.a.	1.5%	1.5%

Sensitivity analysis

As set out in the accounting policies, there are some critical judgements made in estimating the obligation to fund the USS deficit. The sensitivity of the principal assumptions used to measure the USS deficit provision are set out below.

Change in assumption at 31 July 2019	Approximate impact
0.5% p.a. decrease in discount rate	Increased provision of £1,990k
0.5% p.a. increase in salary inflation - over duration	Increased provision of £1,968k
0.5% increase in salary inflation - year 1 only	Increased provision of £223k
0.5% increase in staff changes - over duration	Increased provision of £1,982k
0.5% increase in staff changes – year 1 only	Increased provision of £224k
1% increase in deficit contributions from April 2020	Increased provision of £8,908k
1 year increase in deficit recovery term	Increased provision of £3.732k

20. Endowments

Restricted net assets relating to endowments are as follows:

	Restricted permanent endowments	Unrestricted permanent endowments	Expendable endowments	2019 Total	2018 Total
	£'000	£'000	£'000	£'000	£'000
Balances at 1 August 2018					
Expendable endowment	-	-	3,432	3,432	2,636
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	3,432	14,276	13,318
New endowments	1,505	-	-	1,505	857
Investment income	207	55	580	842	940
Increase in market value of investments	428	87	(88)	427	376
Total return allocated to income in the reporting period	(362)	(72)	-	(434)	(443)
Expenditure	-	-	(421)	(421)	(696)
Management fees	(53)	(24)	` '	`(77)	(76)
Total endowment comprehensive income for the year	1,725	46	71	1,842	958
At 31 July 2019	10,729	1,886	3,503	16,118	14,276

20. Endowments (continued)

Total return at end of reporting period:

	Restricted permanent endowments	Unrestricted permanent endowments	Expendable endowments	2019 Total	2018 Total
	£'000	£'000	£'000	£'000	£'000
Permanent endowment base value	8,217	1,371	-	9,588	8,083
Unapplied total return	2,512	515	-	3,027	2,761
	10,729	1,886	-	12,615	10,844
Represented by:					
Capital Accumulated income	10,729 -	1,886 -	2,277 1,226	14,892 1,226	13,292 984
	10,729	1,886	3,503	16,188	14,276
Analysed by type and purpose:					
Scholarships and bursaries Research support and Lectureships	2,444 3,236	- -	2,502 615	4,946 3,851	5,030 3,691
Brass Blacker Chair Takeda Chair in Global Child Health	3,131 1,500		298 -	3,429 1,500	3,234
Prize funds General	134 284	- 1,886	41 47	175 2,217	167 2,154
	10,729	1,886	3,503	16,118	14,276
Analysed by asset:					
Non-current asset investments Cash & cash equivalents				10,891 5,227	9,512 4,764
				16,118	14,276

21. Restricted reserves

Balances at 1 August 2018 (restated) Consolidate Consolidated Consolidat	Reserves with restrictions are as follows:				
New donations				Donations reserve	Donations reserve
Cash and cash equivalents	Balances at 1 August 2018 (restated)			2,020	1,336
At 31 July 2019 2,998 2,020 Analysis by type of purpose: Lectureships Scholarships and bursaries Scholarships and bursaries Scholarships and bursaries Prize funds 1,445 125 1,445 1,308 298 2,020 22. Cash and cash equivalents At 1 August 2,998 2,020 2.020 22. Cash and cash equivalents At 3 At 31 July 2018 Flows 2019 Flows 2					
Lectureships	Total restricted comprehensive income	e in the year		978	684
Lectureships 125 - Scholarships and bursaries 431 462 1,308 Research support 1,445 1,308 Prize funds 30 29 General 967 221 2,998 2,020 22. Cash and cash equivalents At 1 August 2018 Flows 2019 Flowspan="2">ESHTM Cash and cash equivalents ESHTM Cash and cash equivalents ESUBJUANT AUGUST 2019 Flowspan="2">ESHTM Flowspan="2">ESHTM Flowspan="2">ESUBJUANT 2019 Flowspan="2">ESHTM Flowspan="2">ESHTM Flowspan="2">ESUBJUANT 2019 Flowspan="2">ESHTM Flowspan="2">ESHTM Flowspan="2">ESUBJUANT 2018 Flowspan="2">ESHTM Flowspan="2">ESHTM Flowspan="2">ESUBJUANT 2018 Flowspan="2">ESHTM	At 31 July 2019		_	2,998	2,020
Scholarships and bursaries Research support 1,445 1,308 Prize funds 30 29 967 221	Analysis by type of purpose:				
Consolidated At 3 August £1000 Cash £1000 At 31 July £1000 Consolidated LSHTM Cash and cash equivalents 82,015 (144) 82,006 23. Capital and other commitments 2019 LSHTM Consolidated £1000 LSHTM £1000 2018 £1000 LSHTM £1000 Consolidated £1000 LSHTM £1000 2018 £1000					

The authorised land and buildings figure refers to capital project works at LSHTM's sites at Tavistock Place, London (£31,027k), Keppel Street, London (£14,323k), Gambia research unit (£1,228k) and Uganda research unit (£90k).

24. Lease obligations

Total rentals payable under operating leases:

	2019		2018
	Plant and machinery	Total	Total
	£'000	£'000	£'000
Payable during the year	65	65	16
Future minimum lease payments due:			
Not later than 1 year	43	43	49
Later than 1 year and not later than 5 years	-	-	81
Total lease payments due	43	43	130

25. Subsidiary undertakings

The subsidiary companies (all of which are registered in England and Wales), wholly owned by LSHTM are as follows:

Company	Principal Activity	Status
Chariot Innovations Limited	Product Testing	100% owned
Salus Limited	Dormant Trading Company	100% owned
MRC/UVRI and LSHTM Uganda Research Unit Limited	Holding land assets	49% owned

LSHTM has control over MRC/UVRI and LSHTM Uganda Research Unit Limited through a shareholder's agreement with the other party who holds the remaining 51% of the shares. This agreement limits his rights to take independent decisions regarding the operations or assets of the company. As such, the company is considered to be a subsidiary undertaking and all financial transactions have been consolidated within the Group figures in these financial statements. This company is incorporated in Uganda. Chariot Innovations Limited and Salus Limited are incorporated in England.

26. Pensions

(a) The Universities' Superannuation Scheme (USS)

LSHTM participates in Universities Superannuation Scheme (USS) which is the main scheme covering most academic and academic-related staff. 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. LSHTM 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", LSHTM 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 LSHTM has entered into an agreement (the Recovery Plan) that determines how each employer within the scheme will fund the overall deficit, LSHTM 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 the Statement of Comprehensive Income 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 £9,918k (2018: £7,160k).

26. Pensions (continued)

The latest available complete actuarial valuation of the Retirement Income Builder section of the Scheme is at 31 March 2017 (the valuation date), which was carried out using the projected unit method. As at the year end date, a valuation as at 31 March 2018 was underway but not yet complete.

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

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

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

Pensions increases (CPI)

Term dependent rates in line with the difference between the Fixed

Interest and Index Linked yield curves, less 1.3% p.a.

Discount rate (forward rates) Years 1-10: CPI -0.53% reducing linearly to CPI -1.32%

Years 11-20: CPI +2.56% reducing linearly to CPI +1.7% by year 21

1.8% p.a. for males and 1.6% p.a. for females

Years 21+: CPI +1.7%

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

	2017 valuation
Mortality base table	Pre-retirement:
	71% of AMC00 (duration 0) for males and 112% of AFC00 (duration 0) for females
	Post retirement:
	96.5% of SAPS S1NMA "light" for males and 101.3% of RFV00 for females.
Future improvements to	CMI 2016 with a smoothing parameter of 8.5 and a long term improvement rate of

The current life expectancies on retirement at age 65 are:

	2019	2018
Males currently aged 65 (years)	24.6	24.5
Females currently aged 65 (years)	26.1	26.0
Males currently aged 45 (years)	26.6	26.5
Females currently aged 45 (years)	27.9	27.8

mortality

26. Pensions (continued)

The funding position of the scheme has since been updated on an FRS102 basis:

	2019	2018
Scheme assets	£67.4bn	£63.6bn
Scheme liabilities	£79.2bn	£72.0bn
FRS102 total scheme deficit	£11.8bn	£8.4bn
FRS102 total funding level	85%	88%
Key assumptions used are:	2019	2018
Discount rate	2.44%	2.64%
Pensionable salary growth	n/a	n/a
Pension increases (CPI)	2.11%	2.02%

A new deficit recovery plan was put in place as part of the 2017 valuation and is set out in the new Schedule of Contributions dated 28 January 2019. This requires payment of 5% of salaries over the period 1 April 2020 to 30 June 2034. In accordance with the requirements of FRS102 and the SORP, LSHTM has made a provision for this contractual commitment to fund the past deficit. In the prior year, the deficit repayments were 2.1% of salaries up to March 2031.

This significant increase in deficit contributions has given rise to a substantial increase in the deficit provision which has increased from £15.1m to £45.5m as set out in Note 19. £17.1m of this increase is attributable to the change in deficit contributions contractual commitment. See also Note 8 in respect of significant one-off pension costs / gains.

The 2018 valuation was finalised after the year end which indicated a shortfall of £3.6 billion and a funding ratio of 95%.

Since the year end, following the completion of the 2018 actuarial valuation, a new deficit recovery plan has been agreed. This amends the existing deficit recovery plan as set out in the 2017 valuation Schedule of Contributions. This new plan requires deficit payments of 6% of salaries from 1 October 2021 to 31 March 2028. As at 31 July 2019 and assuming all other assumptions used to calculate the provision remain unchanged, this would have resulted in a provision of £25.9m, a decrease of £19.6m from the current year provision.

At 31 March 2019, the LSHTM had 1,232 active members contributing into the scheme.

The contribution rate payable by LSHTM during the year was 18% of the pensionable salaries to 30 March 2019, and 19.5% of the pensionable salaries from 1 April 2019.

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

LSHTM 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.

LSHTM 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.

26. Pensions (continued)

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 2019, LSHTM had 202 active members participating in the scheme.

The contribution rate payable by LSHTM 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.

Surpluses or deficits which arise at future valuations may impact on LSHTM's future contribution commitments. A formal valuation of the scheme last took place on 31 March 2016. Between valuations, the Government Actuary provides an update of the scheme liabilities on an annual basis.

At 31 March 2019, LSHTM had 74 active members contributing to the scheme.

The contribution rates payable by LSHTM was 14.38% of pensionable salaries until 31 March 2019 and 20.6% from 1 April 2019.

(d) Medical Research Council (MRC)

At 31 March 2019, LSHTM had 33 active members participating in the Scheme

The contribution rate payable by LSHTM 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 £12,367k (2018: £10,925k).

The movement in the provision in the pension deficit recovery plan for the USS schemes totalled £30,740k increase (2018: £1,902k release).

27. Related party transactions

Name of related party and relationship	Nature of transaction	Income 2019 £'000	Expenditure 2019 £'000	Income 2018 £'000	Expenditure 2018 £'000
Bill and Melinda Gates Foundation Dr Richard White, LSHTM Council member, is an Advisory Panel Member	Research grant funding	15,010	-	18,702	-
University of Birmingham Una O'Brien, LSHTM Council member, is a Council Member of UoB	Research grant funding	82	26	-	-
Malaria Consortium Dr Precious Lunga, LSHTM Council member, is a Trustee	Research grant funding	18	-	328	-
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	Taxation advisory services	-	55	-	59
a partner University of Aberdeen Dr Robin Goodchild, member of LSHTM Finance & Development Committee, is an Honorary Professor	Research grant funding	153	83	-	-

Name of related party	Debtor 2019 £'000	Creditor 2019 £'000	Debtor 2018 £'000	Creditor 2018 £'000
University of Aberdeen	-	_	-	13
EY LLP	-	-	=	10
Malaria Consortium	18	-	-	5
Overseas Development Institute	-	-	5	-
Bill and Melinda Gates Foundation	38	-	-	-

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.

LSHTM 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 assets

LSHTM disposed of a leasehold building at 36-38 Gordon Square in Bloomsbury, London during the year. This building was used by LIDC and LSHTM has recognised its 20% share of the sales proceeds and released the related net book value from fixed assets. The sales proceeds were £1,213k and the fixed asset value released was £991k, resulting in a gain on sale of £222k. The fixed asset value was based on the market value of the Gordon Square property at 31 July 2018.

The Uganda Unit disposed of excess vehicles during the year. The sales proceeds were £63k and the net book value was zero, resulting in a gain of on sale of £63k.

29. Events after the reporting period

As set out in Note 26 in respect of the USS pension scheme, a new Schedule of Contributions based on the 2018 actuarial valuation has been agreed. This results in a decrease of £19.6m in the provision for the obligation to fund the deficit on the USS pension. The provision would instead be £25.9m, rather than £45.4m. This adjustment will be reflected in the financial statements for the year ended 31 July 2020.

30. Restatement of prior year

LSHTM has changed its accounting policy for fixed assets for the financial statements, to show land and buildings at their fair value, rather than at cost (see the Tangible Fixed Assets accounting policy on page 29 for further details). In accordance with FRS102, prior year figures have been restated as a result. An explanation of how this change in accounting policy has impacted the financial position and financial performance for 2018 is set out below.

Group

	Original 2018 £'000	Restatement impact £'000	Restated 2018 £'000
Financial position			
Net Assets			
Net Book Value of Freehold Land & Buildings Net Book Value of Leasehold Land & Buildings Net assets of Joint Venture	97,207 17,965 106	53,278 6,191 505	150,485 24,156 611
Total change in Net Assets		59,974	
Reserves Revaluation reserve Unrestricted income and expenditure reserve Total change in Reserves	2,492 102,038	59,707 267 59,974	62,199 102,305
Financial performance			
Depreciation and amortisation Unrealised surplus on revaluation of land and buildings	5,186 -	197 22,239	5,383 22,239
Total change in comprehensive income for the year		22,042	

