

# Financial Statements 2019/20

LONDON  
SCHOOL of  
HYGIENE  
& TROPICAL  
MEDICINE



# **COUNCIL MEMBERSHIP**

## **EXTERNAL MEMBERS**

	<b>Appointed Until</b>
Mr Don Robert - <b>Chairman</b> (appointed 01 March 2020)	01 March 2023
Mr John O'Donnell, BA LLB LLM - <b>Deputy Chair</b>	31 July 2021
Ms Ann Grant, BA MSc	31 July 2020
Dr Precious Lunga PhD	31 July 2020
Mr Jonathan Roper, MA (Cantab)	31 July 2020
Dame Una O'Brien	31 July 2021
Ms Diana Layfield	31 July 2021
Dr Annalisa Jenkins, MBBS, FRCP	31 July 2022
Mr Hitesh Patel (appointed 19 September 2019)	30 September 2022
Mr Mohamed Osman (appointed 01 August 2020)	31 July 2023
Ms Angela Darlington (appointed 01 August 2020)	31 July 2023
Professor Mike Turner (appointed 01 August 2020)	31 July 2023

## **ELECTED MEMBERS OF STAFF**

Professor Alison Grant, MBBS MSc PhD DTM&H	31 July 2020
Professor Richard White MSc, PhD	31 July 2020
Professor Nicholas Mays	31 July 2021
Ms Gemma Donaldson, MA (Cantab)	31 July 2022
Dr Mishal Khan (appointed 25 August 2020)	31 July 2023
Dr Effua Usuf (appointed 02 September 2020)	31 July 2023

## **DIRECTOR AND HANDA PROFESSOR OF GLOBAL HEALTH**

Professor Baron Peter Piot, PhD DTM, FRCP FMedSci	<i>ex officio</i>
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## **CHAIR OF THE STUDENTS' REPRESENTATIVE COUNCIL**

Pablo Ruiz Cuenca (appointed 01 October 2019)	<i>ex officio</i>
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## **SECRETARY TO THE COUNCIL**

Jenny Jenkin	<i>ex officio</i>
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## **IN ATTENDANCE**

### **DEPUTY DIRECTOR AND PROVOST**

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

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

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  
Gatwick  
West Sussex RH6 0PA

Internal Auditors: PricewaterhouseCoopers LLP  
1 Embarkment Place  
London WC2N 6RH

**REGISTERED OFFICE:** Keppel Street, London WC1E 7HT ([www.lshtm.ac.uk](http://www.lshtm.ac.uk))

# Financial Statements for the Year Ended 31 July 2020

## Contents

Treasurer's Report .....	2
Corporate Governance .....	19
Responsibilities of Council .....	22
Independent Auditor's Report to Council .....	24
Statement of Comprehensive Income and Expenditure .....	26
Statement of Changes in Reserves.....	27
Balance Sheet.....	29
Consolidated Cash Flow Statement.....	30
Statement of Principal Accounting Policies .....	31
Notes to the Financial Statements.....	38

# Treasurer's Report

This report gives an overview of the London School of Hygiene and Tropical Medicine's (hereafter "LSHTM") activities and finances during 2019-20. 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. In summary, it has been another year of good achievement, both operatively and financially, despite the disruption caused by the COVID-19 global pandemic.

## 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.

### *Diversity, inclusion and LSHTM's colonial past*

LSHTM was founded in 1899 and has direct links to Britain's colonial past. We acknowledge that colonial legacies continue to, directly and indirectly, shape global health internationally and at LSHTM.

LSHTM's Decolonising Global Health group formed in 2019 with the aim of stimulating reflection on how colonial history has shaped global health, through its influence on staff careers and progression, student experience, education and engagement with research partners in the global South. This reflection and scrutiny intensified following the emergence, in the wake of the murder of George Floyd in the United States, of Black Lives Matters@LSHTM, a group of staff, students and alumni who shared with senior leadership and Council their powerful testimonials of their experiences while working and studying at the School.

Black Lives Matter. Racism, prejudice and violence have no place at LSHTM or in society. LSHTM stands in solidarity with its Black students, staff and alumni, other members of its BAME community and in support of all who pursue an end to racism.

The initial response to these reflections has been a commitment by LSHTM to pro-actively and thoughtfully review its structures and systems to address institutional racism and to create an inclusive culture. A new Equality, Diversity and Inclusion (EDI) strategy will ensure that EDI becomes part of the fabric of all School activities. This will be supplemented with focused activities, including amongst others:

- signing up to the Race Equality Charter and its self-assessment process;
- creation of a working group to support staff in decolonising their teaching materials and pedagogy; and
- creation of a new Diversity and Inclusion sub-committee of Council to hold management accountable for actions to address diversity and inclusion.

Council and the Senior Leadership Team of LSHTM are completely committed to working with staff, students and alumni to become a leader in anti-racist education, research and partnerships in global health.

# Treasurer's Report (continued)

## 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.

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 in line with its mission and to reflect its position in the sector globally.

LSHTM's research grant and contract portfolio is awarded by funders based on the quality of the scientific outputs expected, and their impact on policy and practice. In most cases LSHTM is competing for 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, and
- Innovation and engagement.

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

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

Full details of our plan are available at: [https://www.lshtm.ac.uk/files/LSHTM\\_strategy\\_2017-22.pdf](https://www.lshtm.ac.uk/files/LSHTM_strategy_2017-22.pdf)

# Treasurer's Report (continued)

## Financial highlights

Underlying operating performance, after eliminating material changes in the USS pension scheme provision and a gain on acquisition of two Medical Research Council units, has continued to improve, but operating margins remain slim.

The balance sheet remains healthy and cash balances have increased during the year on continued success in attracting research funding.

The impact of COVID-19 in the year has been less than first anticipated and the financial position as we enter the new financial year is currently better than the prudent financial expectations that were set.

See page 10 for more detailed analysis of the financial performance of LSHTM.

## Impacts of COVID-19 global pandemic

The COVID-19 pandemic has impacted almost all organisations, and LSHTM is no exception. The research focussed and postgraduate education nature of LSHTM has meant that these impacts have been different from those in the majority of the UK higher education sector. For example, LSHTM does not have any student accommodation, summer education activity or conferencing and has not therefore suffered financial loss of income apparent in other HEIs. However, the global nature of LSHTM's work has meant disruption to its research studies across the world. On the other hand, the profile of LSHTM has never been higher, with LSHTM academics providing expert advice to the UK government and other governments across the world, particularly the epidemiology modelling teams and behavioural scientists, and LSHTM has shared its expertise through a COVID-focussed Massive Online Open Course (MOOC), which attracted over 200,000 registrants.

In the UK, LSHTM has followed government advice in regard to ensuring the safety of its staff and student communities. As such, a decision was taken in mid-March to close all London premises to all but a few critical operational staff. The vast majority of staff transitioned to working from home. This was gradually relaxed over the following months, with appropriate health and safety modifications, to re-open laboratories and allow staff finding it very difficult to work effectively to return to the London premises. However, at the time of writing, the majority of staff based in the UK remain working from home. Similar approaches have been taken at our Units in The Gambia and Uganda, and across the other countries where we undertake research, in line with local advice.

Throughout, LSHTM has continued to monitor the impact of these restrictions on research and education activities. LSHTM has a wide range of research relying on human participation, such as clinical trials, and these have been impacted by lockdowns, social distancing and other restrictions. Research funders have generally been understanding and supportive of these impacts and some of LSHTM's major funders have provided additional funding to alleviate LSHTM's costs and delays in completing research resulting from the pandemic.

LSHTM moved quickly to modify all remaining teaching and assessment for students in the 2019/20 academic year in order that they could complete their Masters and doctoral degrees in line with the original timescales. This digitisation of the curriculum has continued in anticipation of restrictions in the 2020-21 academic year. The first term of 2020-21 academic year will be delivered predominantly in digital format, with only essential lab-based teaching continuing in a face-to-face manner. Teaching from January 2021 will be available in blended format, allowing for students to come to London if they can and wish to, or alternatively continue to study remotely.

LSHTM has benefitted from UK government financial support for research, through the UKRI Coronavirus grant extension funding, and has furloughed a relatively modest number of UK staff and benefitted from the UK Coronavirus Job Retention Scheme grant.

The ongoing impact of the pandemic continues to be closely monitored and appropriate mitigations put in place. Some of these impacts are further explored in the sections below.

# Treasurer's Report (continued)

## Development and performance in the year against key strategies

Despite the impacts of COVID-19, LSHTM has continued to progress against key strategies and objectives. Full details of development and performance in the year can be found in the LSHTM Annual Report 2020, 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 recruited new professors to strengthen the research areas of virology, global child health, and chronic disease epidemiology, and appointed its first Professor of the Practice in Global Health Policy. Through internal promotion it awarded professorial titles in the areas of infectious diseases, social epidemiology, environmental epidemiology, and health economics.

As referred to elsewhere in this report, 2020 has been dominated by LSHTM's response to COVID-19, providing expertise in epidemiological modelling, analysis of the effectiveness of measures to protect and control the transmission of the virus, assessing the impact on health systems, highlighting the impact of COVID-19 on the control of other diseases, and offering expert opinion on global public attitudes and confidence in vaccines and vaccine development.

LSHTM remains at the forefront of research into the Ebola virus. 2019 was a landmark year in the global effort to tackle Ebola, with a vaccine pre-qualified for the first time by the World Health Organisation, a critical step on the path to its licensing, access and roll-out in countries most at risk. The European Commission granted conditional marketing authorisation to the vaccine manufactured by Merck and concurrently a large-scale clinical trial of another vaccine manufactured by the Janssen Pharmaceutical Companies of Johnson & Johnson began in the Democratic Republic of Congo (DRC). LSHTM has played a significant role in both of these developments. It was with great joy and relief that news was received in June 2020 of the official end of the Ebola outbreak in the North Kivu and Ituri provinces of the DRC.

LSHTM has continued to contribute to a growing body of research anticipating the impact of the climate emergency on future human health, including co-authoring a landmark report for the World Health Organisation which concluded that no single country is currently adequately protecting children's health, their environment and their futures. LSHTM's Centre on Climate Change and Planetary Health (CCCPH) aims to 'future-proof our world' by identifying the challenges to human health caused by climate and environmental change and implementing solutions.

Led by LSHTM, a global randomised trial of more than 12,000 head injury patients concluded that a low cost and widely available drug could reduce deaths in traumatic brain injury patients by as much as 20%, depending on the severity of injury. Tranexamic acid (TXA), a drug that prevents bleeding into the brain by inhibiting blood clot breakdown, has the potential to save hundreds of thousands of lives.

It has been another successful year in securing new research grant funding. The National Institute for Health Research (NIHR) has extended their support to our two Health Protection Research Units on immunisation and environmental change and supported work on severe stigmatising skin diseases in sub-Saharan Africa. The Wellcome Trust has supported our research on big data, malaria and humanitarian crises. The Medical Research Council (MRC) has supported our work on Tuberculosis and adolescent health.

LSHTM's preparations for the Research Excellence Framework (REF) 2021 submission have been progressing as planned. The REF was paused by Research England in March 2020 as a result of the COVID-19 pandemic but restarted on 31 July 2020 with a revised submission date of 31 March 2021. The Code of Practice was approved by Research England in August 2020 with no amendments required and this is being implemented by the LSHTM REF Team. LSHTM has committed to submit 100% of eligible staff to the REF; all staff at Assistant Professor and above, employed at 0.2 FTE and above on the REF census date of 31 July 2021, will be included in the submission. 1,300 publications are required for LSHTM's submission and to date over 2,700 outputs from LSHTM academics have been reviewed for inclusion in the submission. 23 impact case studies have been prepared for the submission and work is ongoing to collate the corroborating evidence to support these. The REF environment sections have been drafted and will be completed by December 2021.

# Treasurer's Report (continued)

## *Education*

During the year LSHTM agreed the workstreams necessary to complete 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. While progress in some workstreams has slowed due to COVID-19 emergency responses, others have accelerated due to the changes to delivery and assessment required by the pandemic. As noted above, all current students continued to be educated with minimal impact to their learning objectives and assessments were moved to be delivered in an online format. Final exam assessments were held within originally planned timescales.

The recent focus has been to ensure incoming students beginning their studies in 2020-21 also receive a high-quality learning experience, the majority of which will be delivered online. Investment to make changes to delivery methods and curriculum content is a priority activity for the year ahead and additional resources have been made available to ensure successful and sustainable change and outcomes.

The portfolio of Masters' programmes has been extended for 2020-21, with the addition of an MSc in Health Data Science, partly funded by Health Data Research UK.

Total London based Masters and PhD students for the year ended 31 July 2020 were 1,279 (2019: 1,282). Recruitment of Masters students in 2019-20 fell short of the targets set, but PhD student numbers increased. 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 31 July 2020 was 2,996 (July 2019: 2,951 registrations). The attractiveness of the flexible learning offered remains strong.

LSHTM has committed to decolonising our curriculum and extensive work has already commenced in this area to ensure our learning and teaching materials and provisions adhere to the highest possible standards in relation to equality, diversity and inclusion. This work is being undertaken in close liaison with the Decolonising Global Health (DGH) group, and other staff and student groups.

## *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.

Overall, 87% of respondents from the survey agreed with the statement 'The School is a good place to work' and 95% of respondents feel proud to work for LSHTM. As is common with employee engagement surveys, there were areas highlighted for improvement and these are being progressed by management and staff groups. Staff Survey actions will be a key feature of the programme of work for senior management in the next 12-24 months. LSHTM's SLT and Council has also made a number of commitments in relation to Equality, Diversity and Inclusion and further work is progressing in this area, in discussion with our EDI committees and groups.

## *Partnerships*

Following the transfer of the MRC Unit The Gambia and the MRC/UVRI Uganda Research Unit to LSHTM in 2018, over the last year we have been strengthening our collaborative relationships in Africa and dedicated some of our Wellcome-funded Institutional Strategic Support Fund to an African partnership grants scheme. Eight proposals were awarded funding and will support collaborative activity with both the MRC Units and other African partners.

We have supported colleagues at Nagasaki University to develop an Asian Professional Diploma in Tropical Medicine & Hygiene. A pilot course, accredited by Nagasaki and delivered in Japan and the Philippines, took place in April-June 2019. We have strengthened our collaboration with Hong Kong University and started accepting a number of their undergraduate medical students to undertake intercalated Masters study at LSHTM.

We have worked with Charité in Berlin to raise the profile of global health research by organising a joint panel discussion on migration and health systems at Berlin Science Week 2019 and launching a new joint Global Health Lecture Series in February 2020. We started to explore a new partnership with the Rega Institute for Medical Research at the Catholic University of Leuven, focussing on collaboration in the areas of infectious disease research and vaccine development.

LSHTM and the University of Cambridge, together with partners from several LMIC countries, jointly organised a two-day workshop in June 2019 to explore collaboration on major global health challenges, focussing particularly on enteric infectious disease.



# Treasurer's Report (continued)

## *Innovation and engagement*

On 2 October 2019, we celebrated the 120th anniversary of LSHTM's foundation by Sir Patrick Manson. From proving the link between smoking and lung cancer to conducting pioneering work on Ebola vaccines, innovation has, and continues to be, central to LSHTM's mission of improving health worldwide. The occasion was marked with a year-long series of initiatives celebrating 120 years of health innovation at our institution. For the first time, we added the names of three women health innovators to the frieze of our historic Keppel Street building to recognise their contributions to science and global health, and to and inspire future generations. We held an innovation seminar series, held 120 alumni events around the world, and profiled the work of current LSHTM innovators to the public with particular focus on vaccines, mental health, mobile health, maternal health and gene editing. Global and public health leaders joined staff, students and the public at a celebratory event and keynote lecture featuring LSHTM's most illustrious alumni who shared their personal accounts of working on the frontline of innovation in health.

We strengthened knowledge exchange and innovation activities with local partners through both the Health Data Research (HDR) UK London Partnership and the Bloomsbury SET: Connecting Capability Fund (CCF) Award. This CCF award is led by the Royal Veterinary College, and brings together their expertise with that of the LSHTM, the London School of Economics and Political Science and the School of Oriental and African Studies University of London, as well as industrial and charity partners to combat the threat from infectious disease and antimicrobial resistance. We joined a national network of institutions driving forward innovation through Wellcome Institutional Translation Partnership Awards, which provide dedicated seed funding, training and translational facilitation. At the international level, a UKRI Global Impact Accelerator Account enhanced our ability to translate research into impact through capability strengthening, the development of innovative digital resources and engagement with policymakers in Africa and Asia. A new £50m partnership, NEST360°, was co-founded by Professor Joy Lawn to find innovative solutions and technologies to support the UN target to halve new-born deaths by 2030. Almost half of global childhood deaths occur in the first four weeks of life, totalling 2.5 million each year, with the highest risks and slowest progress in Africa.

Our new Innovation Seminar Series saw Dr Annalisa Jenkins and Dr Precious Lunga share their perspectives on how innovation has shaped their careers. During our annual LSHTM Week, an inaugural Dragon's Den-style innovation funding competition gave budding innovators from across the institution the opportunity to pitch transformational ideas to tackle global health challenges. A special 'LSHTM 120 keynote lecture' featured some of our most illustrious alumni who shared their personal accounts of working on the frontline of innovation in health.

We strengthened the innovation skills development pipeline through our MSc and doctoral training programmes. LSHTM was one of just six universities funded by HDR UK to be awarded funding to develop a new health data science master's programme, to address the skills shortage in data science in the UK. The London Interdisciplinary Doctoral Training Partnership (LIDo) has been commissioned for a further five years by the BBSRC. The award from 2020 onwards will fund 190 PhD studentships overall, of which a minimum of 55 industrial collaboration "CASE" studentships. The LIDo scheme partners include LSHTM and UCL, along with King's College London, Queen Mary University London, Royal Veterinary College, Birkbeck College, plus two new members: Royal Holloway University London and Greenwich University's Natural Resources Institute.

As we moved in to 2020, the world was forever changed by the coronavirus pandemic. Building on our strong track record of responding to emergencies and major outbreaks, LSHTM experts mobilised across many different aspects of COVID-19 research as well as providing guidance to those responding around the globe. The Vaccine Manufacturing Innovation Centre – of which LSHTM is a partner – received £131 million funding from the UK Government to expand the UK's capacity to rapidly manufacture a COVID-19 vaccine. The UK Government also awarded £500,000 to an innovative project to find out if specially trained bio-detection dogs could be used as a new rapid, non-invasive testing measure for COVID-19. Teams established new online platforms for surveillance, information exchange and collaboration in humanitarian crises, hygiene practice and vaccine development. Many clinical staff volunteered in hospitals and other frontline services as part of the COVID-19 response.

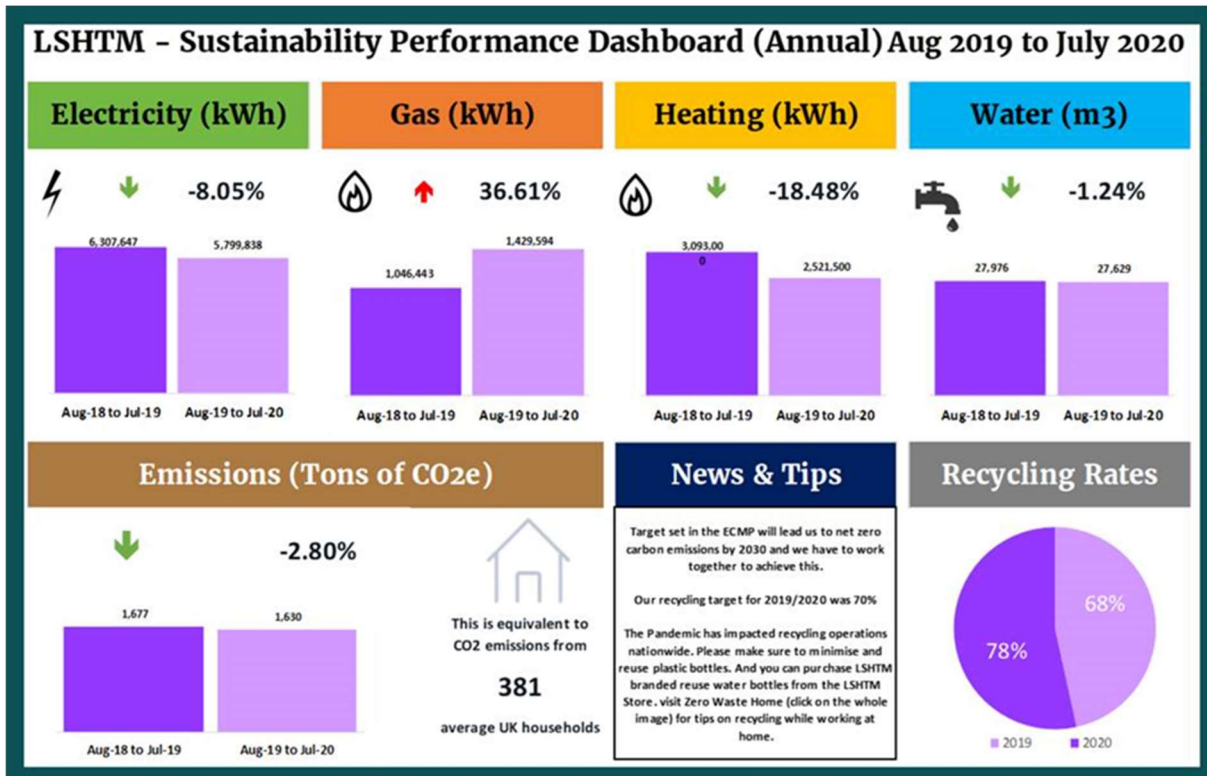
LSHTM experts have provided frequent commentary in the news media in response to COVID-19, resulting in more than 76,000 pieces of global media coverage between 1 Jan - 31 July 2020. A free online course on COVID-19 delivered via the platform FutureLearn had over 200,000 enrolments for its first 3-week run in March 2020, making it the 2<sup>nd</sup> largest ever course delivered on their platform. On Twitter, @LSHTM was named the most influential University in UK and Ireland in May 2020 by Edurank.

# Treasurer's Report (continued)

## Other emerging themes

LSHTM is committed to the environmental sustainability of its operations and activities. In January 2020 the first Energy and Carbon Management Plan (ECMP) was launched. A key target of this plan is to achieve carbon neutrality by 2030. Over recent years, LSHTM has successfully reduced its carbon emissions, reduced water consumption and increased recycling. The new ECMP plan tackles the full range of environmentally impacting activities which produce carbon emissions. This includes – Scope 1 and 2 emissions (from burning gas, fuels and electricity), and Scope 3 emissions (from travel, procurement, waste, water and catering).

The graphic below represents LSHTM's environmental sustainability performance over the last year.



# Treasurer's Report (continued)

## 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 LSHTM's performance, as well as more internally-focused indicators. Targets against each KPI are being developed, but assessed against historic trends and positioning, we believe 2019-20 has been another successful year for LSHTM.

We have made improvements against our KPIs, particularly in:

- *Research impact.* In the ShanghaiRanking's Global Ranking of Academic Subjects 2020 we placed 3<sup>rd</sup> in the world for public health and 1<sup>st</sup> in the UK.
- *Recovery of research indirect costs.* The absolute recovery of research indirect costs in 2019-20 was £13.6 million, compared to £12.0 million in 2018-19. As a relative measure to direct research expenditure (excluding collaborator payments), 2019-20 research indirect cost recovery was 21.3%, compared to 16.3% in 2018-19.
- *Fundraising and philanthropic support.* Newly secured funds in the year were in excess of £12 million, a significant step forward from the £5.5m in the previous year.
- *Overall financial health, including net liquidity measures.* Our surplus for 2019-20, after adjusting for the impact of exceptional items (as set out in the table on the following page), has increased, and our liquidity days have also strengthened, despite capital investments made in the year and some disruption caused by COVID-19 (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 (2020 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 2020 PTES our overall satisfaction score increased to 91% (was 90% in 2019), and remains well above the sector average of 79%. All sections of the survey demonstrated improvement for LSHTM this year. Compared to the sector, LSHTM is now in the top quarter for all sections of the survey except one, and in the top five nationally for the Resources and Teaching sections.

For the 2020 PRES our overall satisfaction score was 79% (was 78% in the previous survey). This compares to a sector average of 80%. Compared to the sector, LSHTM outperformed in five of the seven main sections. We recognise that there is more we need to do in regard to progression and professional development of our doctoral students 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 ongoing improvements in the estate have increased the proportion of space in condition A or condition B by 10%, 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.

# Treasurer's Report (continued)

## Financial performance in the year

These financial statements report the results of LSHTM's activities for the year ended 31 July 2020 and have been produced in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education 2019 (2019 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.

	<b>2020</b> <b>£m</b>	2019 £m
Income	242.9	247.5
Expenditure	<u>(219.8)</u>	<u>(267.8)</u>
Surplus/(deficit) before other gains and losses	23.1	(20.3)
Net operating cash inflow	28.2	4.8
Cash and short-term investments	108.3	82.0

LSHTM's consolidated surplus before other gains and losses for the year increased from a deficit of £20.3m to a surplus of £23.2m on income of £242.9m (2019: £247.5m), a net surplus margin of 9.6% (2019: net deficit margin of 8.2%). The 2020 and 2019 results are materially impacted by a change in the provision related to the USS pension scheme deficit (see Note 26 for further details). The 2019 surplus contained a gain on acquisition of two medical research units from the Medical Research Council in February 2018, of £6.2m. Removing these exceptional items results in an adjusted surplus of:

	<b>2020</b> <b>£m</b>	2019 £m
Surplus/(deficit) before other gains and losses	23.1	(20.3)
Remove impact of gains on acquisition	-	(6.2)
Remove impact of change in pension provision	<u>(18.4)</u>	<u>30.7</u>
Adjusted surplus	4.7	4.2
Adjusted surplus as % of income	2.0%	1.7%

The adjusted surplus for 2020 is better than was budgeted and forecasted, reflecting tight control over costs and enhanced recovery of these core costs from our research grant portfolio.

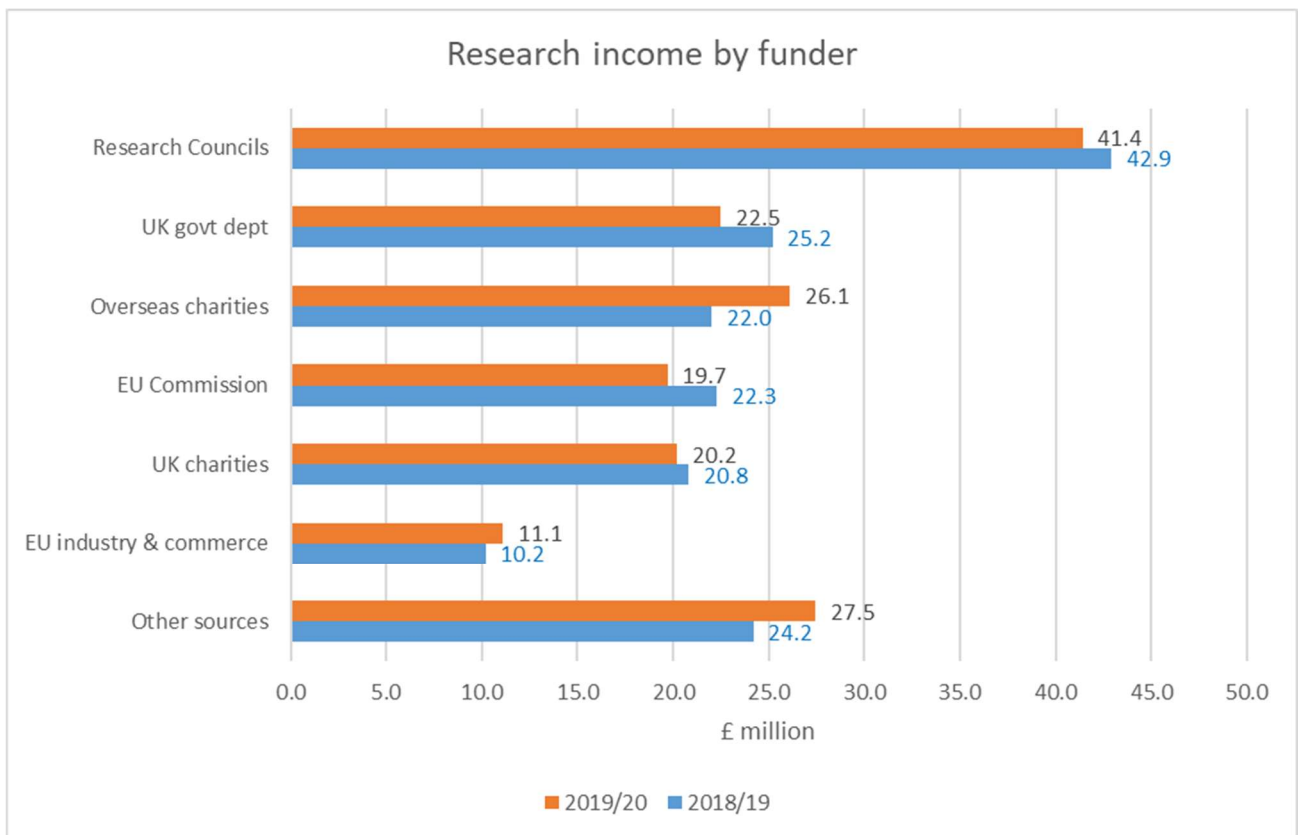
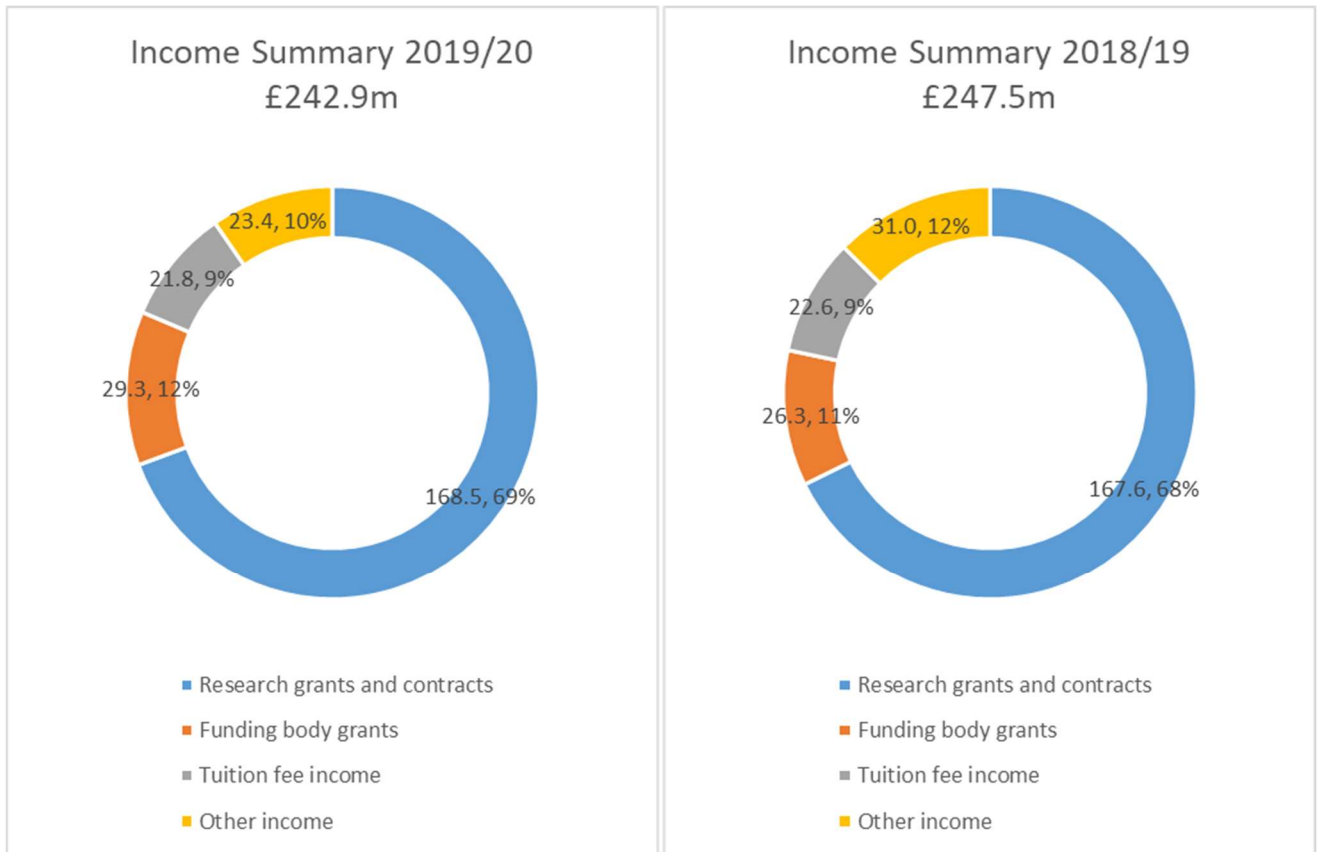
### Income

LSHTM's income reduced from £247.5m to £242.9m, equivalent to (1.9%). The main elements of the change in income are:

- Higher donations and endowments, £2.4m;
- Higher funding body grants, £3.0m, associated with additional in-year funding from Research England;
- Lower tuition fees, (£0.8m), reflecting lower student recruitment and reduced income from short courses which were cancelled due to COVID-19;
- Lower other funded project income (£4.7m); and
- Lower gain on acquisition related to the LSHTM/MRC Units in Gambia and Uganda, of (£6.2m).

Within the Research Grants and Contracts income stream, the School has accounted for "in kind contribution" to the value of £10.3m (2019: £9.0m) 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, EBOVAC3 and EBODAC).

# Treasurer's Report (continued)



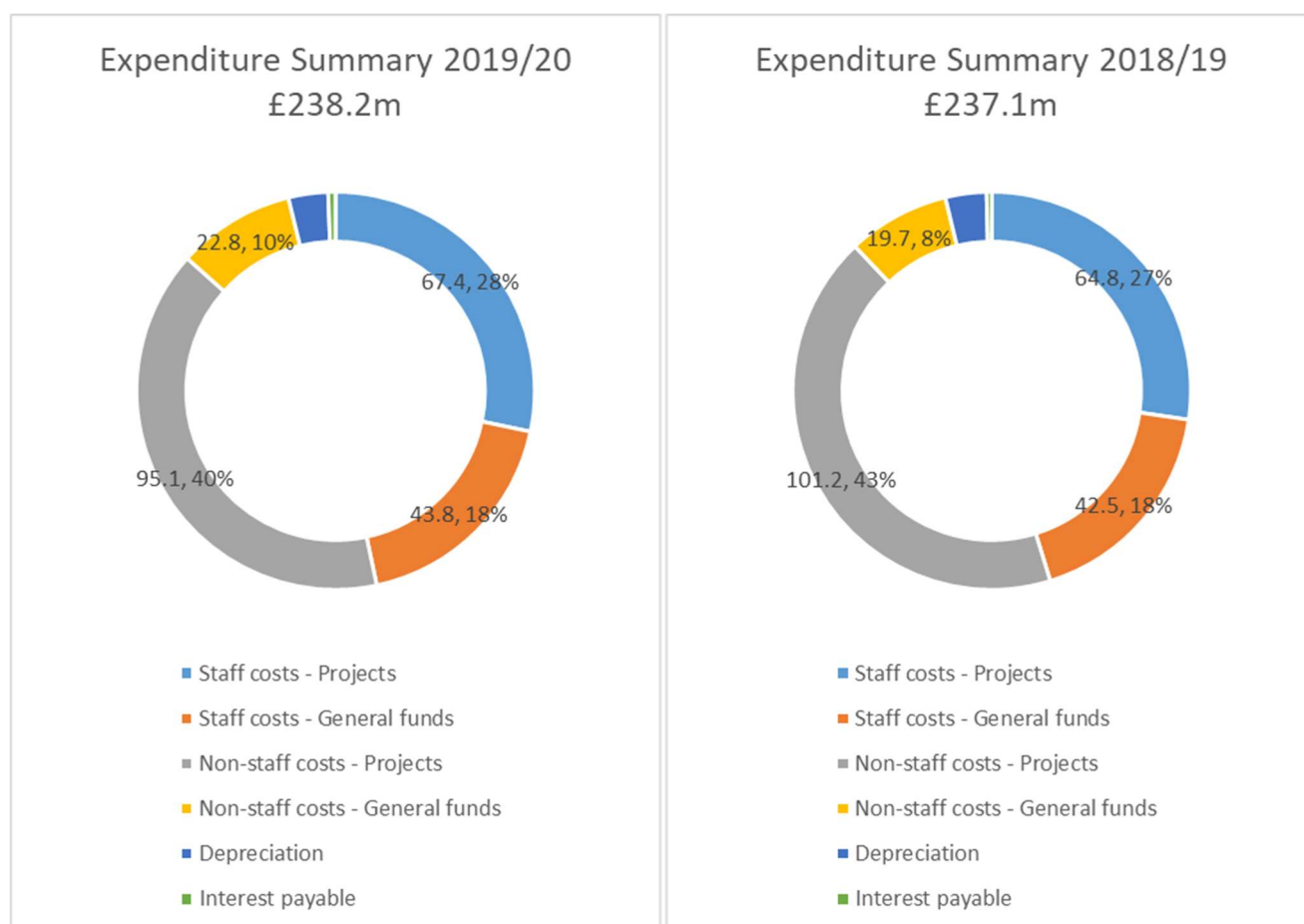
# Treasurer's Report (continued)

## Operating Expenditure

Total operating expenditure fell from £267.8m to £219.8m. The main elements of the change in operating expenditure are:

- The decrease in pension provision, from a £30.7m charge to a £18.4m release, so a movement of £49.1m;
- Higher staff and other operating costs paid from non-project funds of £3.0m.

## Operating expenditure breakdowns (excluding pension provision movement)



Expenditure per chart	238.2
Pension provision	(18.4)
Total expenditure	<u>219.8</u>

Expenditure per chart	237.1
Pension provision	30.7
Total expenditure	<u>267.8</u>

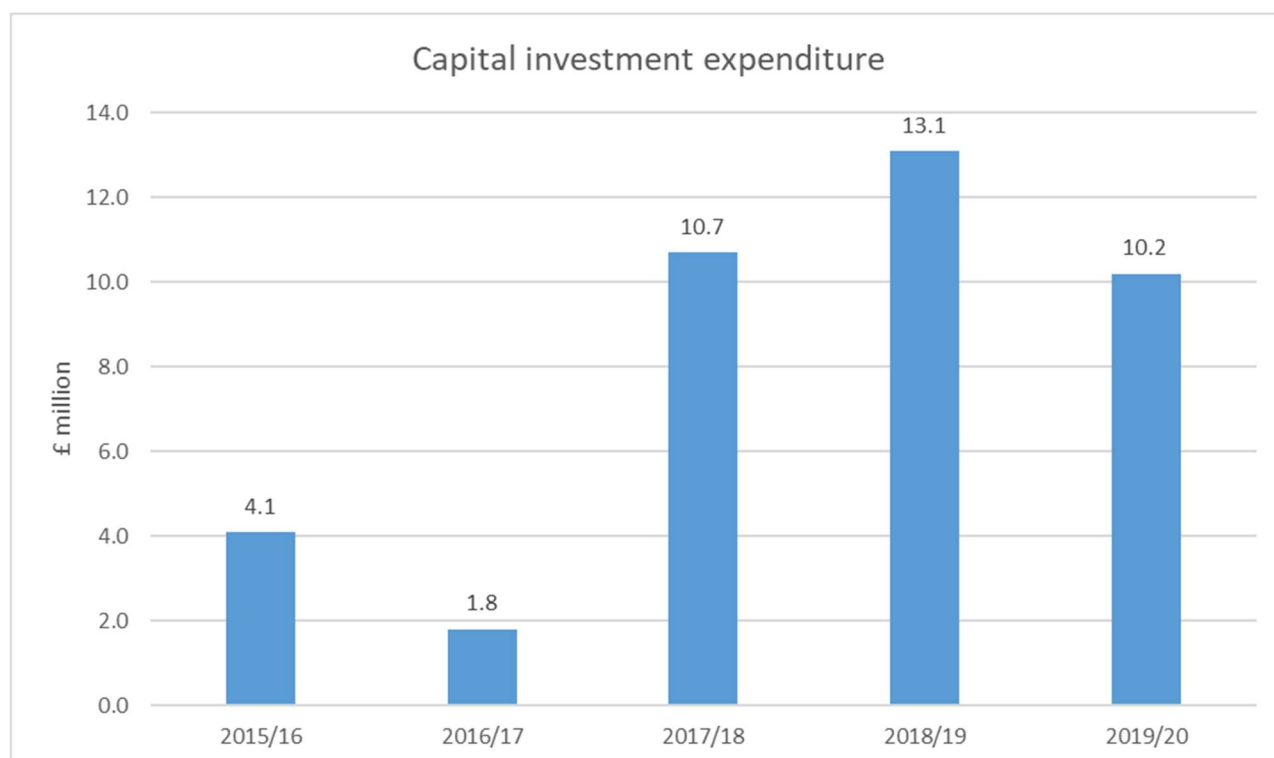
# Treasurer's Report (continued)

## Capital investment expenditure

Capital investment expenditure for the year was £10.2m (2019: £13.1m). Of this total, the largest components were the second phase of refurbishment of the Keppel Street site, the commencement of works at the Tavistock Place site and progress to completion of a new molecular laboratory building at the Unit in The Gambia.

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; and philanthropic donations received.



# Treasurer's Report (continued)

## *Cash flow, financing and balance sheet*

During the year LSHTM generated net cash inflows from operating activities of £28.2m (2019: £4.8m inflow). These inflows were used to:

- service loan repayments of £1.2m (2019: £1.2m); and
- invest in capital expenditure (net of capital grants) of £3.7m (2019: £6.4m).

In addition, there was a net inflow of £3.0m (2019: £2.6m) from endowments, deposits made and investment income.

The overall net change in cash for the year was an increase of £26.3m (2019: £0.1m reduction).

The cash flow for the year was influenced by strong receipts for research project funding.

Cash and cash equivalents at the year-end were £108.3m, representing 172 days of operating expenditure (excluding pension provision movement and depreciation). Of this total cash, £52.4m 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 (2019: £1.2m). There were no changes in the year to LSHTM's financing strategy.

Total net assets increased from £158.3m to £189.8m. This increase was principally driven by the increase in cash and reduction in the pension provision.

Debtors decreased by £4.9m in the year. This decrease was due to reduced research and other funded project grant expenditures recoverable.

Creditors due within one year increased by £15.5m in the year. The increase was mainly due to higher research funding received in advance.

## *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. Given the potentially distorting impact of accounting standards of financial performance, 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 89 days. In addition, LSHTM is holding £22.2m 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. The Universities Superannuation Scheme (USS) is currently consulting with employers on changes intended to support the strength of the employer covenant and allow the scheme trustee to potentially reflect a higher level of risk in the scheme's valuation assumptions. Early results of the scheme's latest valuation (March 2020) indicate a significant increase in the funding deficit. This is likely to result in further contribution increases from employers and members, as well as the potential for some benefit reforms. The next contribution increase is currently intended to take place on 1 October 2021. Any contribution increases, which follow two previous increases within the last two years, will be particularly challenging for both members and employers.

LSHTM's notional share of the current USS scheme deficit has been calculated based on the deficit recovery plan agreed as part of the 2018 valuation. Under this plan, the element of total contributions attributable to fund the deficit has reduced compared to the previous plan. In turn this has resulted in a material reduction of the USS pension provision, from £45.9 million to £28.3 million. The calculation of this provision is subject to a number of assumptions, which are explained further in Note 26.



# Treasurer's Report (continued)

## Future Prospects

### *The impact of internal and external environment changes and LSHTM's future financial forecasts*

The COVID-19 global pandemic has resulted in both challenges and opportunities for LSHTM, and will continue to do so in future years. In addition, there remains uncertainty regarding the outcomes of Brexit negotiations between the UK government and EU commission, which may also affect LSHTM's operational and financial position.

As with the majority of the UK higher education sector, COVID-19 has impacted on student recruitment, but the negative financial effect is not as material as was expected. For 2020-21, LSHTM's face-to-face Master's student recruitment increased by 65 students (or 12%) compared to the previous year. However, within this increase, there are more UK/EU students and fewer overseas students and so this has had an overall impact in reducing tuition fee income. Student enrolments on the online learning Master's programmes are over 40% up on the previous year.

As noted above, many of LSHTM's key research funders have committed to providing additional funding for in-flight projects disrupted by COVID-19 and LSHTM has responded to calls from funders for COVID-specific research and has been awarded a number of significant new grants. The global nature of LSHTM's research activities and the disparity of impacts of COVID-19 in the LSHTM's areas of work means that a level of disruption may persist for a number of years to come.

The response of major funders, including the UK government, is being closely monitored and there remains uncertainty over the quantum of future funding available to distribute. LSHTM continues to deliver high-quality research outputs and still expects to be successful in attracting new funding, despite what will likely become a more competitive funding environment.

COVID-19 has significantly enhanced LSHTM's global profile and arguably our mission has never been more important. This enhanced profile offers LSHTM the opportunity to reach new audiences, supporters and funders. A major fundraising campaign has commenced in support of our strategic research and education objectives.

The work being undertaken in the short-term is expected to have a sustainable medium-term positive impact on LSHTM's education offerings and we expect to modestly increase our student numbers and related income over the medium-term.

The OfS has increased its monitoring of institutions due to the COVID-19 pandemic and LSHTM understands that it is considered not to be at higher risk (the most positive of the OfS classifications) in regard to student education delivery and near-term financial sustainability.

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. A programme of investment and review in specific areas will take place over the next two years, in order to better ensure LSHTM's academic, operational and financial sustainability.

LSHTM's financial forecasts anticipate an operating deficit in 2020-21, due to the reduction in student numbers and investments noted above, with return to a breakeven position in 2021-22. Our forecast liquidity, despite the negative impacts expected in 2020-21 is strong enough to allow progression of the major capital investments at the Tavistock Place and Keppel Street sites.

At the time of writing, there remains a large number of uncertainties over the impact that Brexit may have. Various EU-related sources provide significant research income. We have accelerated our planning in order to be flexible and act quickly to changes impacting our staff and students, our supply chain and our financial position.

# Treasurer's Report (continued)

## *Financing, treasury and liquidity*

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

LSHTM's Estates Strategy sets out the intention to modernise the Keppel Street site. The modernisation programme will be undertaken in a number of phases, with an overall anticipated spend of £100m in the next decade. The early phases of works are focussed on operational risk reduction through replacement of aging heating, cooling, electrical and mechanical systems.

As noted above, we are also extending the Tavistock Place site, which is planned to be operational from early 2023, followed by a full refurbishment of the existing building on this site.

These material investments are expected to be funded through a combination of LSHTM's cash reserves, Funding Body capital grants and donations.

Liquidity is one of LSHTM's financial KPIs and 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 financial forecasts continue to anticipate positive cash generation from operating activities, in order to support the significant investments planned. The phased nature of the future capital investment programme allows LSHTM to assess its financial position and liquidity forecasts before proceeding and committing to further expenditure.

## **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 Strategic Risk Register is maintained by the Senior Leadership Team and covers the key operational areas including Research, People and Culture, Education, Finance, Compliance, Infrastructure, Operational Effectiveness and External Environment. The risks within each of these areas are discussed by the Senior Leadership Team and presented to the Audit and Risk Committee on a quarterly basis.

The most material strategic risks LSHTM currently faces are in relation to ongoing impacts of COVID-19 to research and education activities; the uncertain outcome of the Brexit negotiations; ensuring sustainable future pension provision for staff; and increasing threats to IT security and ensuring appropriate IT infrastructure and resilience measures are in place. Mitigating actions are agreed for all of these risks, including an assessment of effectiveness of such mitigations, given there are a number of factors outside of LSHTM's immediate control.

- *If the School does not prepare for and understand the impacts of the Brexit negotiations then the School's ability to mitigate the impact to research funding and recruitment and retainment of staff and students may be hindered.* A Brexit Working Group is monitoring the external environment.
- *There is a risk that the standard of education will be diminished and current and prospective students will not be met due to alternative education provision as a result of COVID-19.* This risk is being mitigated through rapid development of high-quality education delivery using a blend of online and face-to-face methods. All new student registrants have been made aware of this change in delivery methods.
- *There is a risk that cyber issues are not effectively mitigated which may lead to a breach of confidentiality, damage to integrity of and/or impact on availability of data held electronically.* Policy and processes have been reviewed to endorse better data management practices, including appropriate education and training opportunities. Technical solutions are also being deployed.
- *There is a risk that an agreement on the USS pension scheme valuation and benefits structure cannot be reached which will result in further contribution increases.* LSHTM continue to contribute to consultation of changes to the USS. Alternative financial plans and mitigations have been developed should there be a material increase in employer costs.

# Treasurer's Report (continued)

## Going Concern

It is recognised that the impacts of COVID-19 have placed greater emphasis in understanding financial risks and mitigations in Council's consideration of making a positive statement that LSHTM's is a going concern.

The impacts and mitigations of COVID-19 have been expressed throughout this report. In summary, LSHTM has not been immune to COVID impacts, but Council is reassured that the executive has taken appropriate steps to mitigate these impacts as far as is possible. To inform its assessment, Council has considered a number of scenarios, including those which 'stress test' the future resources of LSHTM, the responses that would need to be made under these scenarios and the likelihood of these scenarios becoming a reality.

These scenarios take into account 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 uncertainty resulting from the COVID-19 global pandemic and other economic uncertainties and has reviewed a number of alternative financial scenarios; the likelihood of downside scenarios becoming reality; and the mitigating actions that would be taken to ensure financial and operational sustainability. Downside scenarios include assumptions around the level of research and education income, USS pension costs, operating expenditure, capital expenditure and fundraising income.

After full consideration, Council considers that LSHTM has adequate resources to continue in operational existence for the foreseeable future. For this reason, the financial statements have been prepared on a going concern basis.

## Public Benefit Statement

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 most recent Research Excellence Framework (2014), 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:

- Around 15 LSHTM staff are members of the UK Government's Scientific Advisory Group for Emergencies (SAGE) expert advisory groups. Experts have provided ongoing mathematical modelling and scenario projection for UK government strategic decisions on COVID-19 control. Director Peter Piot is Special Advisor to the President of the European Commission Ursula van der Leyen on research and innovation for COVID-19.
- MRC Unit The Gambia at LSHTM have provided, and in Uganda from the MRC/UVRI & LSHTM Uganda Research Unit supports the only laboratory testing centre for COVID-19 in The Gambia, is setting up three national testing centres across the country, and also provides a clinical service and has built three mini 'Nightingale'-like units across the country, including training medical staff and nurses for dealing with COVID-19. The MRC/UVRI & LSHTM Uganda Research Unit is providing diagnostic support for testing and sequencing of COVID-19 samples in Uganda, as well as supporting clinical care and increasing capacity for diagnostics and sequencing as required by the Ugandan government.

# Treasurer's Report (continued)

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 2019-20 a key focus of the team's work was responding to COVID-19 with deployments in the Philippines, Nepal, Nigeria and Ethiopia.

- In the Shanghai Ranking's Global Ranking of Academic Subjects 2020 we placed 3rd in public health (1st in the UK). In the 2020 CWT Leiden Ranking, LSHTM remained the UK's top university for the proportion of academic research with women listed as authors and ranked third in Europe for publishing open access research. In the US News Best Global Universities Ranking 2020, we 11<sup>th</sup> in the world for social sciences and public health.
- 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.

Mr. Sushil Premchand and Mr. Richard White finished their terms as members of the Committee on 31 July 2020. As members of the Committee, both were wholly engaged in its affairs and always made insightful contributions to the matters coming before the Committee. On behalf of the Committee I would like to thank Sushil and Richard for their very real contribution to the Committee's effectiveness over many years. Personally, I would like to thank both of them for their good humour, support and friendship which has helped make chairing the Committee a pleasure rather than a task.

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

Approved by Council on 11 November 2020 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, Council, is guided, but not limited, by the Committee of University Chairs' (CUC) Higher Education Code of Governance 2020. 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 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 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 and complies with the ongoing conditions of registration which came into force on 01 August 2019. LSHTM continues to monitor any changes made by the OfS to its regulatory requirements in response to the Covid-19 pandemic and ensures that the relevant information is communicated to Council.

The University of London Act received Royal Assent in December 2018, following which, LSHTM, alongside other UoL colleges, has applied for University title. The School proposed changes to its Charter at the same time as it submitted its application for University Title and the application is still awaiting approval by the Office for Students.

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

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. 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.

Mr. John O'Donnell was appointed Acting Chair of Council after the retirement of Dame Marjorie Scardino on 31 July 2019. Following a formal recruitment process, Council appointed Mr. Donald Robert as Chair of Council from 01 April 2020.

Council meets at least four times a year. During the COVID-19 pandemic, Council and its Committees successfully transitioned to operating remotely; this included online board paper circulation and remote attendance of committees via video conferencing. This allowed Council and its Committees to function without any disruption to their operations.

## Committees of Council

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

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, the People Committee and Senate. Each of these committees is formally constituted with written terms of reference and specified membership, including a significant proportion of independent members, from whom its Chair is drawn; each reports regularly to Council.

# Corporate Governance (continued)

In response to Black Lives Matters, Council made the decision in July 2020 to establish a new Council Committee on Diversity and Inclusion to scrutinise progress, and to monitor the delivery of structural and cultural change. The terms of reference and composition of this committee were approved by Council at its meeting on 02 November 2020.

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. LSHTM's external and internal auditors are invited to attend all meetings of the Committee. 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 2020 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.

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 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 [CUC Higher Education Senior Staff Remuneration Code](#) in June 2018 following which, it established the Remuneration Committee and a separate [People Committee](#) 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 People Committee was established to demonstrate the priority 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 People Committee's terms of references will be reviewed alongside the Diversity and Inclusion Committee terms of reference to ensure each committee has a distinctive remit and there is little duplication.

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 reference.

# Corporate Governance (continued)

## Statement of Internal Control

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 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 2020 and up to the date of the approval of the Financial Statements, and accords with OfS guidance.

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

- 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.
- 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).
- 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 and Unit maintains its own risk register. These registers are reviewed by the Senior Leadership Team/Management Board and by the Audit and Risk Committee.
- 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 by the Audit and Risk Committee at an away day in the areas of Unit Integration risks in the following areas; key financial control, cyber security, policy and IT system alignment and capital projects.

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 been raised.

LSHTM has established a conflict of interests' policy specifically for members of Council, external members serving on committees and senior officers, and maintains a register of interests 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 Council on 11 November 2020 and signed on its behalf by:



Mr. Donald Robert  
Chairman, Council

# Responsibilities of 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, including conducting Council's business in accordance with the best practice in HE corporate governance (including adherence to the Office for Students *Conditions of Registration* and the Committee of University Chairs' *Higher Education Code of Governance*);
- xi. To adhere to 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*;
- xii. To provide formal annual assurances to the Office for Students on the reliability of degree standards and the continuous improvement of the student academic experience and of student outcomes;
- xiii. To act as trustee for any property, legacy, endowment, bequest or gift in support of LSHTM;
- xiv. To appoint a School Secretary to act as clerk to Council ensuring that he/she is solely accountable to the Chairman of Council for this governance role and that he/she has access to all information he/she requires to ensure good governance operates; and
- xv. To establish the following Committees required by the Office for Students, the HE Code of Governance or the Charter & Statutes: an Audit Committee, a Nominations Committee, a Remuneration Committee and Court.

The ordinances were updated and approved by Council on 08 September 2020.

## Responsibilities in regard to these Financial Statements

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 (SORP 2019) and the Office for Students 'Regulatory Notice 9: Accounts Direction.

LSHTM's Charter states that Council has the sole management, control and supervision of LSHTM. The terms and conditions of funding set out by OfS and Research England require 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, Council has appointed a Finance and Development Committee and Audit and Risk Committee to undertake specific responsibilities in regard to these financial statements.



# Responsibilities of Council (continued)

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.

Approved by Council on 11 November 2020 and signed on its behalf by:

A handwritten signature in blue ink, appearing to read 'D. Robert', is positioned above the printed name of the Chairman.

Mr. Donald Robert  
Chairman, Council

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

## Opinion

We have audited the financial statements of London School of Hygiene and Tropical Medicine ("the School") and its subsidiaries ("the Group") for the year ended 31 July 2020 which comprise the Consolidated and LSHTM Statement of Comprehensive Income, the Consolidated and LSHTM Statement of Changes in Reserves, the Consolidated and LSHTM Balance Sheet, the Consolidated Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and of the School's affairs as at 31 July 2020 and of the Group's and the School's income and expenditure, gains and losses, changes in reserves and of the Group's and the School's cash flows for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

## Basis for opinion

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

## Conclusions relating to going concern

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

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

## Other information

The Council are responsible for the other information. Other information comprises the information included in the annual report, 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 Financial Review, Statement of Corporate Governance and Internal Controls and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information we are required to report that fact.

We have nothing to report in this regard.

## Opinion on other matters required by the Office for Students ("OfS") and Research England

In our opinion, in all material respects:

- Funds from whatever source administered by the School for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation.
- Funds provided by the OfS and the UK Research and Innovation (including Research England) have been applied in accordance with the relevant terms and conditions
- The requirements of the OfS's Accounts Direction (OfS 2019.41) have been met.

We have nothing to report in respect of the following matters in relation to which the OfS requires us to report to you if, in our opinion:

- The School's grant and fee income, as disclosed in the note to the accounts, has been materially misstated.

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

## Responsibilities of the Council

As explained more fully in the Council members responsibilities statement, the Council is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Council members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Council are responsible for assessing the Group and the School's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Council either intend to liquidate the Group or the School or to cease operations, or have no realistic alternative but to do so.

## Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

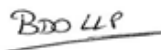
Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

In addition, we also report to you whether income from funding bodies, grants and income for specific purposes and from other restricted funds administered by the University 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 with the OfS and Research England.

## Use of our report

This report is made solely to the Council members, as a body, in accordance with Section 75 of the Higher Education Research Act 2017. Our audit work has been undertaken so that we might state to the School's Council those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the University 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: 18 December 2020

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 2020

	Note	2020		2019	
		Consolidated £'000	LSHTM £'000	Consolidated £'000	LSHTM £'000
<b>Income</b>					
Tuition fees and education contracts	1	21,778	21,778	22,578	22,578
Funding body grants	2	29,328	29,328	26,341	26,341
Research grants and contracts	3	168,450	168,450	167,567	167,567
Other income	4	12,873	12,084	18,444	17,556
Investment income	5	577	577	269	269
Donations and endowments	6	9,892	9,892	12,306	10,154
<b>Total income</b>		<b>242,898</b>	<b>242,109</b>	<b>247,505</b>	<b>244,465</b>
<b>Expenditure</b>					
Staff costs before pension adjustment	8	111,197	110,660	105,833	105,191
Pension adjustment	8	(18,381)	(17,968)	30,412	30,109
Total staff costs	8	92,816	92,692	136,245	135,300
Other operating expenses	9	117,911	117,675	122,699	122,478
Depreciation and amortisation	11/12	7,702	7,700	7,887	7,886
Interest and other finance costs	7	1,417	1,410	1,016	1,014
<b>Total expenditure</b>		<b>219,846</b>	<b>219,477</b>	<b>267,847</b>	<b>266,678</b>
<b>Surplus/(deficit) before other gains, losses and share of operating deficit of joint ventures and associates</b>		<b>23,052</b>	<b>22,632</b>	<b>(20,342)</b>	<b>(22,213)</b>
(Loss)/gain on sale of fixed assets	28	(27)	(27)	285	285
(Loss)/gain on investments	20	(17)	(17)	427	427
Share of operating deficit in joint venture	14	(174)	(174)	(208)	(208)
<b>Surplus/(deficit) before tax</b>		<b>22,834</b>	<b>22,414</b>	<b>(19,838)</b>	<b>(21,709)</b>
Taxation	10	-	-	-	-
<b>Surplus/(deficit) for the year</b>		<b>22,834</b>	<b>22,414</b>	<b>(19,838)</b>	<b>(21,709)</b>
Change in fair value of hedging financial instruments		(662)	(662)	(1,107)	(1,107)
Unrealised surplus on revaluation of land and buildings	12	9,364	9,201	3,277	3,277
<b>Total comprehensive income/(expenditure) for the year</b>		<b>31,536</b>	<b>30,953</b>	<b>(17,668)</b>	<b>(19,539)</b>
<b>Represented by:</b>					
Endowment comprehensive income for the year		1,352	1,352	1,842	1,842
Restricted comprehensive income for the year		1,711	1,711	978	978
Unrestricted comprehensive income for the year		19,831	19,410	(22,891)	(24,762)
Unrestricted hedging reserve comprehensive income for the year		(662)	(662)	(1,107)	(1,107)
Revaluation reserve comprehensive income for the year		9,304	9,142	3,510	3,510
		<b>31,536</b>	<b>30,953</b>	<b>(17,668)</b>	<b>(19,539)</b>

All items of income and expenditure relate to continuing activities.  
The notes on pages 38 to 60 form part of these financial statements.

# Consolidated and LSHTM Statement of Changes in Reserves

## Year ended 31 July 2020

### Consolidated

	Income and expenditure account			Hedging Reserve	Revaluation Reserve	Total
	Endowment £'000	Restricted £'000	Unrestricted £'000	£'000	£'000	£'000
<b>Balance at 1 August 2018</b>	<b>14,276</b>	<b>2,020</b>	<b>102,260</b>	<b>(4,809)</b>	<b>62,199</b>	<b>175,946</b>
Surplus/(deficit) from the statement of comprehensive income	1,842	978	(22,658)	-	-	(19,838)
Other comprehensive income/(loss)	-	-	-	(1,107)	3,277	2,170
Transfers between reserves	-	-	(233)	-	233	-
<b>Total comprehensive income/(expenditure) for the year</b>	<b>1,842</b>	<b>978</b>	<b>(22,891)</b>	<b>(1,107)</b>	<b>3,510</b>	<b>(17,668)</b>
<b>Balance at 1 August 2019</b>	<b>16,118</b>	<b>2,998</b>	<b>79,369</b>	<b>(5,916)</b>	<b>65,709</b>	<b>158,278</b>
Surplus from the statement of comprehensive income	1,352	1,711	29,135	-	-	32,198
Other comprehensive income/(loss)	-	-	-	(662)	-	(662)
Transfers between reserves	-	-	(9,304)	-	9,304	-
<b>Total comprehensive income/(expenditure) for the year</b>	<b>1,352</b>	<b>1,711</b>	<b>19,831</b>	<b>(662)</b>	<b>9,304</b>	<b>31,536</b>
<b>Balance at 31 July 2020</b>	<b>17,470</b>	<b>4,709</b>	<b>99,200</b>	<b>(6,578)</b>	<b>75,013</b>	<b>189,814</b>

# Consolidated and LSHTM Statement of Changes in Reserves (continued)

## Year ended 31 July 2020

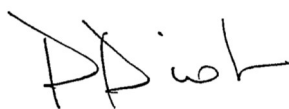
### LSHTM

	Income and expenditure account			Hedging Reserve	Revaluation Reserve	Total
	Endowment £'000	Restricted £'000	Unrestricted £'000	£'000	£'000	£'000
<b>Balance at 1 August 2018</b>	<b>14,276</b>	<b>2,020</b>	<b>102,410</b>	<b>(4,809)</b>	<b>62,199</b>	<b>176,096</b>
Surplus/(deficit) from the statement of comprehensive income	1,842	978	(24,529)	-	-	(21,709)
Other comprehensive income/(loss)	-	-	-	(1,107)	3,277	2,170
Transfers between reserves	-	-	(233)	-	233	-
<b>Total comprehensive income/(expenditure) for the year</b>	<b>1,842</b>	<b>978</b>	<b>(24,762)</b>	<b>(1,107)</b>	<b>3,510</b>	<b>(19,539)</b>
<b>Balance at 1 August 2019</b>	<b>16,118</b>	<b>2,998</b>	<b>77,648</b>	<b>(5,916)</b>	<b>65,709</b>	<b>156,557</b>
Surplus from the statement of comprehensive income	1,352	1,711	28,552	-	-	31,615
Other comprehensive income/(loss)	-	-	-	(662)	-	(662)
Transfers between reserves	-	-	(9,142)	-	9,142	-
<b>Total comprehensive income/(expenditure) for the year</b>	<b>1,352</b>	<b>1,711</b>	<b>19,410</b>	<b>(662)</b>	<b>9,142</b>	<b>30,953</b>
<b>Balance at 31 July 2020</b>	<b>17,470</b>	<b>4,709</b>	<b>97,058</b>	<b>(6,578)</b>	<b>74,851</b>	<b>187,510</b>

# Consolidated and LSHTM Balance Sheet as at 31 July 2020

		2020		2019	
	Note	Consolidated £'000	LSHTM £'000	Consolidated £'000	LSHTM £'000
<b>Non-current assets</b>					
Intangible assets	11	392	392	415	415
Fixed assets	12	214,896	212,579	202,540	200,384
Investments	13	22,748	22,821	21,456	21,529
Investment in joint venture	14	-	-	-	-
		<u>238,036</u>	<u>235,792</u>	<u>224,411</u>	<u>222,328</u>
<b>Current assets</b>					
Trade and other receivables	16	28,174	27,955	33,082	32,907
Cash and cash equivalents	22	108,341	108,241	82,006	81,928
		<u>136,515</u>	<u>136,196</u>	<u>115,088</u>	<u>114,835</u>
Creditors: amounts falling due within one year	17	(97,828)	(97,595)	(82,260)	(82,052)
<b>Net current assets</b>		<u>38,687</u>	<u>38,601</u>	<u>32,828</u>	<u>32,783</u>
<b>Total assets less current liabilities</b>		<u>276,723</u>	<u>274,393</u>	<u>257,240</u>	<u>255,111</u>
Creditors: amounts falling due after more than one year	18	(57,623)	(57,623)	(53,063)	(53,063)
Provisions	19	(29,286)	(29,260)	(45,898)	(45,491)
<b>Total net assets</b>		<u>189,814</u>	<u>187,510</u>	<u>158,278</u>	<u>156,557</u>
<b>Restricted reserves</b>					
Income and expenditure reserve – endowment reserve	20	17,470	17,470	16,118	16,118
Income and expenditure reserve – restricted reserve	21	4,709	4,709	2,998	2,998
<b>Unrestricted reserves</b>					
Income and expenditure reserve – hedge reserve		(6,578)	(6,578)	(5,916)	(5,916)
Income and expenditure reserve – unrestricted		99,200	97,058	79,369	77,648
Revaluation reserve		75,013	74,851	65,709	65,709
<b>Total reserves</b>		<u>189,814</u>	<u>187,510</u>	<u>158,278</u>	<u>156,557</u>

The Financial Statements on pages 26 to 60 were approved by Council on 11 November 2020 and signed on its behalf by:



Professor Peter Piot  
Director



Mr. Don Robert  
Chairman, Council

# Consolidated Cash Flow Statement for the year ended 31 July 2020

	Notes	2020 £'000	2019 £'000
<b>Cash flow from operating activities</b>			
Surplus/(deficit) for the year		22,834	(19,837)
<b>Adjustment for non-cash items</b>			
Depreciation	12	7,413	7,667
Amortisation of intangibles	11	289	221
Gain on acquisition of MRC research units	6	-	(6,152)
Gain/(loss) on investments	20	17	(427)
Movement in debtors		4,908	25,837
Movement in creditors		13,528	(29,554)
Movement in pension provision	8	(18,381)	30,740
Movement in other provisions	19	963	-
Share of operating deficit in joint venture	14	174	208
<b>Adjustment for investing or financing activities</b>			
(Gain)/loss on investments	5	(577)	(269)
Interest payable	7	1,417	1,016
Endowment income	6	(2,412)	(2,292)
Loss/(gain) on the sale of fixed assets	28	27	(285)
Capital grant income		(2,003)	(2,041)
<b>Net cash inflow from operating activities</b>		<b>28,197</b>	<b>4,834</b>
<b>Cash flows from investing activities</b>			
Proceeds from the sale of fixed assets	28	1	1,213
Capital grants receipts		6,555	5,512
Investment income	5	577	269
Payments made to acquire fixed assets	12	(9,904)	(12,723)
Payments made to acquire intangible assets	11	(330)	(363)
New deposits		912	787
<b>Net cash outflow from investing activities</b>		<b>(2,189)</b>	<b>(5,308)</b>
<b>Cash flows from financing activities</b>			
Interest paid	7	(673)	(689)
Repayments of amounts borrowed		(500)	(486)
Endowment cash received	20	1,500	1,505
<b>Net cash inflow from financing activities</b>		<b>327</b>	<b>330</b>
<b>Increase/(decrease) in cash and cash equivalents in the year</b>		<b>26,335</b>	<b>(144)</b>
Cash and cash equivalents at beginning of the year	22	82,006	82,150
Cash and cash equivalents at end of the year	22	108,341	82,006



# 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 2019 (SORP 2019) 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 2020.

## 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 2020. 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.

Research grants and contracts are reviewed annually to assess whether there are any which would be considered underfunded and therefore should be classified as an onerous contract.

### ***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.

# Statement of Principal Accounting Policies (continued)

## 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:

- I. Restricted donations - the donor has specified that the donation must be used for a particular objective.
- II. Unrestricted permanent endowments - the donor has specified that the fund is to be permanently invested to generate an income stream for the general benefit of 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.

# Statement of Principal Accounting Policies (continued)

## 6. Accounting for retirement benefits (continued)

A liability is recorded within provisions for any contractual commitment to fund past deficits within the USS, SAUL and MRCPS schemes. 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. Further details of this can be found in the Key Judgements and Estimates section below.

## 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 2020 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.

# Statement of Principal Accounting Policies (continued)

## 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.

# Statement of Principal Accounting Policies (continued)

## 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.

# Statement of Principal Accounting Policies (continued)

## 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.

# Statement of Principal Accounting Policies (continued)

## 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 0.73% (2019: 1.62%), 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. (2019: 2.25% p.a.) change for salary inflation and a 1.5% change p.a. (2019: 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 and LSHTM has established MRC/UVRI and LSHTM Uganda Research Unit Limited for this purpose. The transfer agreements between LSHTM and MRC confirmed transfer of all assets. 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.

### ***Onerous research contracts***

The COVID-19 global pandemic has caused interruption to some of LSHTM's research project activities. There is the potential for additional costs to be incurred on interrupted projects in order to meet the contractual terms, where such additional costs will not be funded. Management has assessed the likelihood of unfunded research project costs and a provision for these has been made within these financial statements, as stated in Note 9. This assessment was formed through selecting a sample of projects based on the level of financial and operational risk for each project. The Principal Investigators of the selected projects completed a questionnaire indicating the expected financial impact of COVID-19 on the project. This was then extrapolated across the project population.

## 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 uncertainty resulting from the COVID-19 global pandemic and other economic uncertainties and has reviewed a number of alternative financial scenarios; the likelihood of downside scenarios becoming reality; and the mitigating actions that would be taken to ensure financial and operational sustainability. Downside scenarios include assumptions around the level of research income, USS pension costs, operating expenditure, capital expenditure and fundraising income.

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.

# Notes to the Financial Statements

## 1. Tuition fees and education contracts

	2020		2019	
	Consolidated £'000	LSHTM £'000	Consolidated £'000	LSHTM £'000
Fees from full-time students charged UK fees	2,425	2,425	2,934	2,934
Fees from full-time students charged overseas fees	8,978	8,978	8,790	8,790
Fees from students charged part-time fees	1,077	1,077	1,195	1,195
Fees from students on short courses	1,964	1,964	2,691	2,691
Fees from distance learning courses	7,334	7,334	6,970	6,970
	<b>21,778</b>	<b>21,778</b>	<b>22,578</b>	<b>22,578</b>

## 2. Funding body grants

	2020		2019	
	Consolidated £'000	LSHTM £'000	Consolidated £'000	LSHTM £'000
<b>Recurrent grant</b>				
UKRI Research grants	21,489	21,489	19,140	19,140
OfS Teaching grants	3,114	3,114	2,898	2,898
	<b>24,603</b>	<b>24,603</b>	<b>22,037</b>	<b>22,037</b>
<b>Specific grants</b>				
Higher Education Innovation Fund	1,218	1,218	1,102	1,102
Global Challenge Research Fund	696	696	598	598
Industrial Strategy NPIF	397	397	367	367
Strategic Priority Fund (SPF)	1,000	1,000	197	197
	<b>3,311</b>	<b>3,311</b>	<b>2,264</b>	<b>2,264</b>
Release of deferred capital grants	1,414	1,414	2,041	2,041
	<b>29,328</b>	<b>29,328</b>	<b>26,341</b>	<b>26,341</b>

	2020		2019	
	Consolidated £'000	LSHTM £'000	Consolidated £'000	LSHTM £'000
<b>Grant and fee income</b>				
Grant income from the OfS	3,114	3,114	2,898	2,898
Grant income from other bodies	26,214	26,214	23,444	23,444
Fee income for taught awards (excl. VAT)	19,814	19,814	22,578	22,578
Fee income for research awards (excl. VAT)	168,450	168,450	167,567	167,567
Fee income from non-qualifying courses (excl. VAT)	1,964	1,964	2,691	2,691
	<b>219,556</b>	<b>219,556</b>	<b>219,178</b>	<b>219,178</b>



# Notes to the Financial Statements (continued)

## 3. Research grants and contracts

	2020		2019	
	Consolidated £'000	LSHTM £'000	Consolidated £'000	LSHTM £'000
UK research councils	41,401	41,401	42,920	42,920
UK charities	20,168	20,168	20,756	20,756
UK government departments and health authorities	22,512	22,512	25,218	25,218
UK Industry & Commerce	639	639	1,902	1,902
UK other	1,253	1,253	854	854
EU charities	654	654	629	629
EU Commission and other government bodies	19,665	19,665	22,307	22,307
EU Industry & Commerce	11,052	11,052	10,189	10,189
EU other	4,605	4,605	22	22
Charities based outside the EU	26,082	26,082	22,029	22,029
Government bodies outside the EU	8,744	8,744	7,993	7,993
Industry and commerce outside the EU	1,537	1,537	1,191	1,191
Other sources outside the EU	10,138	10,138	11,558	11,558
	<b>168,450</b>	<b>168,450</b>	<b>167,567</b>	<b>167,567</b>

Included within EU Industry and Commerce in 2020 is an amount of £10,317k (2019: £9,002k) 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 £10,317k (2019: £9,002k) are shown in Other costs under Research grants and contracts (Note 9).

## 4. Other income

	2020		2019	
	Consolidated £'000	LSHTM £'000	Consolidated £'000	LSHTM £'000
Research consultancy	2,021	816	2,002	1,077
Other non-research grant income	5,702	5,702	10,006	10,006
	<b>7,723</b>	<b>6,518</b>	<b>12,008</b>	<b>11,083</b>
Refectory	402	402	501	501
Currency exchange rate gains	-	-	153	153
Other income	4,748	5,164	5,781	5,819
	<b>5,150</b>	<b>5,566</b>	<b>6,436</b>	<b>6,473</b>
	<b>12,873</b>	<b>12,084</b>	<b>18,444</b>	<b>17,556</b>

Included within Other non-research grant income is £399k (2019: £nil) of income relating to the UK Government's Coronavirus Job Retention Scheme.

# Notes to the Financial Statements (continued)

## 5. Investment income

	2020		2019	
	Consolidated £'000	LSHTM £'000	Consolidated £'000	LSHTM £'000
Other investment income	577	577	269	269
	<u>577</u>	<u>577</u>	<u>269</u>	<u>269</u>

## 6. Donations and endowments

	2020		2019	
	Consolidated £'000	LSHTM £'000	Consolidated £'000	LSHTM £'000
Endowments	2,412	2,412	2,292	2,292
Donations with restrictions	7,480	7,480	9,271	7,119
Unrestricted donations	-	-	743	743
	<u>9,892</u>	<u>9,892</u>	<u>12,306</u>	<u>10,154</u>

Included in the 'Donations with restrictions' 2019 figure are the fair value of assets of the LSHTM/MRC Units in The Gambia and Uganda, which were transferred to LSHTM on 1<sup>st</sup> February 2018, but not recognised in the 2018 financial statements, of £6,152k. The equivalent for 2020 is £nil.

## 7. Interest and other finance costs

	2020		2019	
	Consolidated £'000	LSHTM £'000	Consolidated £'000	LSHTM £'000
Loan interest	673	673	690	690
Net charge on pension scheme	744	737	326	324
	<u>1,417</u>	<u>1,410</u>	<u>1,016</u>	<u>1,014</u>

# Notes to the Financial Statements (continued)

## 8. Staff costs

Staff costs:	2020		2019	
	Consolidated £'000	LSHTM £'000	Consolidated £'000	LSHTM £'000
Salaries	89,685	89,276	85,736	85,238
Social security costs	6,777	6,734	7,341	7,291
Other pension costs	14,475	14,390	12,461	12,367
Apprenticeship levy	260	260	295	295
Movement in USS pension deficit recovery plan provision	(18,381)	(17,968)	30,412	30,109
<b>Total</b>	<b>92,816</b>	<b>92,692</b>	<b>136,245</b>	<b>135,300</b>
<b>Emoluments of the Director:</b>			<b>2020</b>	2019
			<b>£'000</b>	£'000
Basic salary			288	284
Bonus			40	40
Retention allowance			-	-
Benefits			-	-
Pension contributions to USS			60	52
Salary sacrifice			(26)	(26)
			<b>362</b>	<b>350</b>

Of the total emoluments of the Director set out above, £215k (2019: £173k) 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.

	2020	2019
Basic salary ratio	6.5	6.4
Total remuneration ratio	7.3	7.3

### 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 up to three other 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. The LSHTM community has also provided expert advice and support with the national and international response efforts to the COVID-19 pandemic. LSHTM's financial performance 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 and scientific endeavor and recognising that LSHTM is a truly global organisation 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 recognised and high-performing higher education institution and his global influence in health sciences and global health policy development.

The Director does not have any accommodation provided by LSHTM.

# Notes to the Financial Statements (continued)

## 8. Staff costs (continued)

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

	2020 No	2019 No
£100,000 to £104,999	15	9
£105,000 to £109,999	19	19
£110,000 to £114,999	6	4
£115,000 to £119,999	7	4
£120,000 to £124,999	1	-
£125,000 to £129,999	1	1
£130,000 to £134,999	-	2
£135,000 to £139,999	2	-
£140,000 to £144,999	-	2
£145,000 to £149,999	1	-
£150,000 to £154,999	1	1
£155,000 to £159,999	-	-
£160,000 to £164,999	-	-
£165,000 to £169,999	2	1
	<u>55</u>	<u>43</u>

Average staff numbers by major category:

	2020 No	2019 No
Teaching and Research staff in academic faculties	852	810
Support staff in academic faculties	269	273
LSHTM/MRC research units in Gambia and Uganda	1,832	1,799
Central services	301	280
Premises	30	27
	<u>3,284</u>	<u>3,189</u>

### 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.

	2020 £'000	2019 £'000
Key management personnel basic remuneration	<u>1,253</u>	<u>1,577</u>
	No	No
Number of key management personnel	12	13

### Key management personnel who served during the year are:

Prof Baron Peter Piot	Director & Professor of Global Health
Prof Anne Mills	Deputy Director and Provost & Professor of Health Economics and Policy
Dr Matthew Lee	Chief Operating Officer
Ms. Jenny Jenkin	Secretary & Registrar
Prof Liam Smeeth	Dean of Faculty & Professor
Prof Brendan Wren (to September 2019)	Dean of Faculty & Professor
Prof Alison Grant (from October 2019)	Dean of Faculty & Professor
Prof Kara Hanson	Dean of Faculty & Professor
Prof Sasha Shepperd (to September 2019)	Pro-Director (Learning, Teaching & Enhancement)
Mr. Craig Higgins (from March 2020)	Pro-Director (Education)
Prof Umberto D'Alessandro	Director, MRC Unit The Gambia at LSHTM
Prof Pontiano Kaleebu	Director, MRC/UVRI & LSHTM Uganda Research Unit

# Notes to the Financial Statements (continued)

## 8. Staff costs (continued)

### Council members

No Council member has received any remuneration/waived payments from the Group during the financial year 2020. The total expenses paid on behalf of Council members was £nil (2019: £2,621 to 13 Council members). In the prior year this represented travel and subsistence expenses incurred in attending Council meetings and charity events in their official capacity.

## 9. Analysis of total expenditure by activity

	2020 Consolidated £'000			2019 Consolidated £'000		
	Total	Staff	Other	Total	Staff	Other
Academic faculties:						
General funds	24,132	20,503	3,629	24,833	20,131	4,702
Projects:						
Research grants and contracts	137,467	55,524	81,943	134,063	51,415	82,648
LSHTM/MRC Units	18,412	9,260	9,152	20,782	10,486	10,296
Consultancy agreements	816	482	334	1,024	627	397
Other grants	5,732	2,134	3,598	10,225	2,223	8,002
Total academic faculties' expenditure	186,559	87,903	98,656	190,927	84,882	106,045
Academic services	14,131	9,065	5,066	13,643	8,870	4,773
Administrative services	14,362	10,794	3,568	12,413	9,844	2,569
Maintenance of premises	5,040	927	4,113	5,181	792	4,389
Equipment and furniture	182	-	182	175	-	175
Refectory	527	415	112	480	376	104
Provisions - pension	(18,344)	(18,344)	-	30,412	30,412	-
Accrual – annual leave	1,047	1,047	-	507	507	-
Provision – onerous research projects	1,000	1,000	-	-	-	-
General education expenditure	2,115	483	1,632	2,092	409	1,683
Studentships	2,493	-	2,493	2,594	-	2,594
Other expenditure	766	(474)	1,240	520	153	367
Currency exchange rate losses	849	-	849	-	-	-
	24,168	4,913	19,255	68,017	51,363	16,654
	<b>210,727</b>	<b>92,816</b>	<b>117,911</b>	<b>258,944</b>	<b>136,245</b>	<b>122,699</b>

As explained in Note 3, LSHTM has received vaccines and expert staff time for three clinical trials free of charge. Costs of £10,317k (2019: £9,002k) are included in Other costs under Research grants and contracts.

Included in Research grants and contracts other expenditure is £1,000k (2019: £nil) as a provision for onerous contracts as a result of likely unfunded additional costs to meet contractual commitments resulting from interruption due to the COVID-19 global pandemic.

### Other operating expenses include:

	2020 £'000	2019 £'000
LSHTM financial statements audit	85	90
Subsidiary financial statements audit	4	3
US Loans FFELP audit	3	4
	<b>92</b>	<b>97</b>
Operating lease rentals:		
Property	173	173
Other	96	96

# Notes to the Financial Statements (continued)

## 9. Analysis of total expenditure by activity (continued)

	2020 LSHTM £'000			2019 LSHTM £'000		
	Total	Staff	Other	Total	Staff	Other
Academic faculties:						
General funds	<b>24,132</b>	<b>20,503</b>	<b>3,629</b>	24,833	20,131	4,702
Projects:						
Research grants and contracts	<b>137,467</b>	<b>55,524</b>	<b>81,943</b>	134,063	51,415	82,648
LSHTM/MRC Units	<b>18,412</b>	<b>9,260</b>	<b>9,152</b>	20,782	10,486	10,296
Consultancy agreements	<b>816</b>	<b>482</b>	<b>334</b>	1,024	627	397
Other grants	<b>5,732</b>	<b>2,134</b>	<b>3,598</b>	10,225	2,223	8,002
Total academic faculties' expenditure	<b>186,559</b>	<b>87,903</b>	<b>98,656</b>	190,927	84,882	106,045
Academic services	<b>14,131</b>	<b>9,065</b>	<b>5,066</b>	13,643	8,870	4,773
Administrative services	<b>13,673</b>	<b>10,257</b>	<b>3,416</b>	11,773	9,202	2,571
Maintenance of premises	<b>5,040</b>	<b>927</b>	<b>4,113</b>	5,174	792	4,382
Equipment and furniture	<b>182</b>	-	<b>182</b>	127	-	127
Refectory	<b>527</b>	<b>415</b>	<b>112</b>	480	376	104
Provisions - pension	<b>(17,931)</b>	<b>(17,931)</b>	-	30,109	30,109	-
Accrual – annual leave	<b>1,047</b>	<b>1,047</b>	-	507	507	-
Provision – onerous research projects	<b>1,000</b>	<b>1,000</b>	-	-	-	-
General education expenditure	<b>2,115</b>	<b>483</b>	<b>1,632</b>	2,092	409	1,683
Studentships	<b>2,493</b>	-	<b>2,493</b>	2,594	-	2,594
Other expenditure	<b>688</b>	<b>(474)</b>	<b>1,162</b>	352	153	199
Currency exchange rate losses	<b>843</b>	-	<b>843</b>	-	-	-
	<b>23,808</b>	<b>4,789</b>	<b>19,019</b>	66,851	50,418	16,433
	<b>210,367</b>	<b>92,692</b>	<b>117,675</b>	257,778	135,300	122,478

As explained in Note 3, LSHTM has received vaccines and expert staff time for three clinical trials free of charge. Costs of £10,317k (2019: £9,002k) are included in Other costs under Research grants and contracts.

Included in Research grants and contracts other expenditure is £1,000k (2019: £nil) as a provision for onerous contracts as a result of likely unfunded additional costs to meet contractual commitments resulting from interruption due to the COVID-19 global pandemic.

# Notes to the Financial Statements (continued)

## 10. Taxation

	2020 £'000	2019 £'000
<b>Recognised in the statement of comprehensive income and expenditure</b>		
<b>Current tax</b>		
Current and total tax expense	<u>-</u>	<u>-</u>
<b>Tax reconciliation:</b>		
	2020 £'000	2019 £'000
Surplus/(deficit) before taxation	22,834	(19,837)
Corporation tax at 20%	4,567	(3,967)
Effect of:		
Surplus/deficit falling within charitable exemption	(4,567)	3,967
Trading losses utilised by subsidiary	-	-
<b>Total tax expense</b>	<u>-</u>	<u>-</u>

## 11. Intangible assets

### Consolidated and LSHTM

	Software £'000	Total £'000
At 1 August 2019	415	415
Additions in the year	266	266
Amortisation charge for the year	(289)	(289)
<b>At 31 July 2020</b>	<u>392</u>	<u>392</u>
At 31 July 2019	415	415

# Notes to the Financial Statements (continued)

## 12. Fixed assets

Consolidated	Freehold Land and Buildings	Leasehold Land and Buildings	Plant, Machinery, Fixtures, Fittings and Equipment	Assets in the Course of Construction	Total
	£'000	£'000	£'000	£'000	£'000
<b>Cost or valuation</b>					
At 1 August 2019	168,371	27,401	20,274	6,541	222,587
Additions	-	102	1,886	8,371	10,359
Transfers & adjustments	(419)	1,165	1,684	(1,124)	1,306
Loss on revaluation	(47)	(774)	-	-	(821)
Disposals	-	-	(671)	(226)	(897)
<b>At 31 July 2020</b>	<b>167,905</b>	<b>27,894</b>	<b>23,173</b>	<b>13,562</b>	<b>232,534</b>
<b>Depreciation</b>					
At 1 August 2019	3,367	2,591	14,089	-	20,047
Charge for the year	3,527	1,344	2,542	-	7,413
Transfers & adjustments	135	(779)	1,640	-	996
Written back on revaluation	(7,029)	(3,156)	-	-	(10,185)
Disposals	-	-	(633)	-	(633)
<b>At 31 July 2020</b>	<b>-</b>	<b>-</b>	<b>17,638</b>	<b>-</b>	<b>17,638</b>
<b>Net book value</b>					
<b>At 31 July 2020</b>	<b>167,905</b>	<b>27,894</b>	<b>5,535</b>	<b>13,562</b>	<b>214,896</b>
At 31 July 2019	165,004	24,810	6,185	6,541	202,540
<b>Leased assets included above:</b>					
<b>Net book value:</b>					
At 31 July 2020	-	27,894	-	-	27,894
At 31 July 2019	-	24,810	-	-	24,810

At 31 July 2020, freehold land and buildings included £69,855k (2019: £71,672k) in respect of land which is not depreciated.

Following a change in accounting policy in the prior year, a desktop valuation of LSHTM's freehold and leasehold land and buildings in London, Gambia and Uganda was carried out as at 31 July 2020 having been previously revalued in 31 July 2019 by external valuers Gerald Eve LLP, Sphinx Associates and Spider Concepts Limited respectively. The revaluation as at 31 July 2020 resulted in a decrease of £973k (2019: increase of £30,285k) to the asset value and a reduction of £7,411k (2019: £29,184k) in accumulated depreciation.

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.



# Notes to the Financial Statements (continued)

## 12. Fixed assets (continued)

### LSHTM

	Freehold Land and Buildings	Leasehold Land and Buildings	Plant, Machinery, Fixtures, Fittings and Equipment	Assets in the Course of Construction	Total
	£'000	£'000	£'000	£'000	£'000
<b>Cost or valuation</b>					
At 1 August 2019	166,219	27,401	20,261	6,541	220,422
Additions	-	102	1,886	8,371	10,359
Transfers & adjustments	(419)	1,165	1,684	(1,124)	1,306
Loss on revaluation	(210)	(774)	-	-	(984)
Disposals	-	-	(671)	(226)	(897)
<b>At 31 July 2020</b>	<b>165,590</b>	<b>27,894</b>	<b>23,160</b>	<b>13,562</b>	<b>230,206</b>
<b>Depreciation</b>					
At 1 August 2019	3,367	2,591	14,080	-	20,038
Charge for the year	3,527	1,344	2,540	-	7,411
Transfers & adjustments	135	(779)	1,640	-	996
Written back on revaluation	(7,029)	(3,156)	-	-	(10,185)
Disposals	-	-	(633)	-	(633)
<b>At 31 July 2020</b>	<b>-</b>	<b>-</b>	<b>17,627</b>	<b>-</b>	<b>17,627</b>
<b>Net book value</b>					
<b>At 31 July 2020</b>	<b>165,590</b>	<b>27,894</b>	<b>5,533</b>	<b>13,562</b>	<b>212,579</b>
At 31 July 2019	162,852	24,810	6,181	6,541	200,384
<b>Leased assets included above:</b>					
<b>Net book value:</b>					
At 31 July 2020	-	20,203	-	-	20,203
At 31 July 2019	-	24,810	-	-	24,810

At 31 July 2020, freehold land and buildings included £67,540k (2019: £69,520k) in respect of land which is not depreciated.

# Notes to the Financial Statements (continued)

## 13. Non-Current Investments

	Subsidiary companies	Other fixed asset investments	Total
	£'000	£'000	£'000
<b>Consolidated</b>			
At 1 August 2019	-	21,456	<b>21,456</b>
Additions	-	1,500	<b>1,500</b>
Disposals	-	(131)	<b>(131)</b>
Loss	-	(77)	<b>(77)</b>
<b>At 31 July 2020</b>	<b>-</b>	<b>22,748</b>	<b>22,748</b>
<b>LSHTM</b>			
At 1 August 2019	100	21,429	<b>21,529</b>
Additions	-	1,500	<b>1,500</b>
Disposals	-	(131)	<b>(131)</b>
Loss	-	(77)	<b>(77)</b>
<b>At 31 July 2020</b>	<b>100</b>	<b>22,721</b>	<b>22,821</b>

### Non-current investments consist of:

<b>Subsidiary companies:</b>	<b>£</b>
Chariot Innovations Limited	100,000
LSHTM Developments Limited (incorporated on 15 July 2020)	2
MRC/UVRI and LSHTM Uganda Research Unit Limited	202
	<b>100,204</b>
<b>Other fixed asset investments</b>	<b>£'000</b>
Endowment asset investments (see note 20)	17,470
Fixed asset investments	5,278
	<b>22,748</b>

An application to dissolve Salus Limited (a 100% owned, dormant subsidiary of LSHTM) was accepted by Companies House on 23 June 2020). Salus Limited had been dormant prior to being dissolved.

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

# Notes to the Financial Statements (continued)

## 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.

	2020 £'000	2019 £'000
<b>Income and expenditure account (LSHTM share)</b>		
Income	239	243
Expenditure	(413)	(451)
Deficit before tax	<u>(174)</u>	<u>(208)</u>
<b>Balance sheet (LSHTM share)</b>		
Fixed assets		
At 1 August	-	611
Adjustment due to disposal	-	(611)
Share of net assets	<u>-</u>	<u>-</u>

## 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 2020, Chariot owned 15.9% (2019: 23.23%) of the share capital in Vecotech Limited.

## 16. Trade and other receivables

	2020		2019	
	Consolidated £'000	LSHTM £'000	Consolidated £'000	LSHTM £'000
Amounts falling due within one year:				
Research expenditure recoverable	9,966	9,966	14,913	14,913
Other trade receivables	10,714	10,027	12,895	12,602
Prepayments and accrued income	6,716	6,715	5,274	5,266
Social security and other taxation receivable	778	778	-	-
Amounts due from subsidiary companies	-	469	-	126
	<u>28,174</u>	<u>27,955</u>	<u>33,082</u>	<u>32,907</u>

## 17. Creditors: amounts falling due within one year

	2020		2019	
	Consolidated £'000	LSHTM £'000	Consolidated £'000	LSHTM £'000
Unsecured loans	516	516	500	500
Trade payables	1,867	1,806	1,685	1,683
Social security and other taxation payable	112	144	1,314	1,292
Accruals and deferred income	94,545	94,341	78,144	77,960
Derivatives	788	788	617	617
	<u>97,828</u>	<u>97,595</u>	<u>82,260</u>	<u>82,052</u>

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.

# Notes to the Financial Statements (continued)

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

### Accruals and deferred income

Included within accruals and deferred income are the following items:

	2020		2019	
	Consolidated £'000	LSHTM £'000	Consolidated £'000	LSHTM £'000
Research grants received on account	65,675	65,675	54,432	54,432
Accrued expenses	10,602	10,500	9,650	9,582
Deferred income	18,268	18,166	14,062	13,946
	<u>94,545</u>	<u>94,341</u>	<u>78,144</u>	<u>77,960</u>

## 18. Creditors: amounts falling due after one year

	2020		2019	
	Consolidated £'000	LSHTM £'000	Consolidated £'000	LSHTM £'000
Deferred income	39,388	39,388	34,803	34,803
Derivatives	5,790	5,790	5,298	5,298
Unsecured loans	12,445	12,445	12,961	12,961
	<u>57,623</u>	<u>57,623</u>	<u>53,063</u>	<u>53,063</u>

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 affected 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 £6,131k (2019: £5,592k) 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 £538k (2019: reduction of £783k), 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 £447k (2019: £323k) at the balance sheet date. The change in fair value in the period was an increase in the liability of £124k, with the entire difference being recognised as a charge to other comprehensive income.

# Notes to the Financial Statements (continued)

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

### Analysis of unsecured loans:

	2020		2019	
	Consolidated £'000	LSHTM £'000	Consolidated £'000	LSHTM £'000
<b>Due within one year or on demand (note 17)</b>	<u>516</u>	<u>516</u>	<u>500</u>	<u>500</u>
Due between one and two years	538	538	516	516
Due between two and five years	1,729	1,729	1,670	1,670
Due in five years or more	10,178	10,178	10,775	10,775
<b>Due after more than one year</b>	<u>12,445</u>	<u>12,445</u>	<u>12,961</u>	<u>12,961</u>
<b>Total unsecured loans</b>	<u><u>12,961</u></u>	<u><u>12,961</u></u>	<u><u>13,461</u></u>	<u><u>13,461</u></u>

LSHTM's unsecured loan facilities comprise:

	Amount £'000	Maturity	Borrower
National Westminster Bank plc	8,942	2038	LSHTM
National Westminster Bank plc	4,019	2038	LSHTM
	<u><u>12,961</u></u>		

## 19. Provisions

### Consolidated

	Obligation to fund deficit on USS pension £'000	Other provisions £'000	Total provisions £'000
At 1 August 2019	45,861	37	45,898
Additions in year	-	1,000	1,000
Released in year	(17,575)	(37)	(17,612)
<b>At 31 July 2020</b>	<u><u>28,286</u></u>	<u><u>1,000</u></u>	<u><u>29,286</u></u>

### LSHTM

	Obligation to fund deficit on USS pension £'000	Other provisions £'000	Total provisions £'000
At 1 August 2019	45,454	37	45,491
Additions in year	-	1,000	1,000
Releases in year	(17,194)	(37)	(17,231)
<b>At 31 July 2020</b>	<u><u>28,260</u></u>	<u><u>1,000</u></u>	<u><u>29,260</u></u>

There were no pension scheme enhancements in 2020 (2019: 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 2018 actuarial valuation has given rise to a significant reduction in the deficit provision, from £45.9m to £28.3m. More details on the 2018 valuation are set out in Note 26.

# Notes to the Financial Statements (continued)

## 19. Provisions (continued)

The major assumptions used to calculate the obligation are:

	2020	2019
Discount rate	0.73%	1.62%
Salary growth p.a.	2.25%	2.25%
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 2020

0.5% p.a. decrease in discount rate
0.5% p.a. increase in salary inflation - over duration
0.5% increase in salary inflation - year 1 only
0.5% increase in staff changes - over duration
0.5% increase in staff changes – year 1 only
1% increase in deficit contributions from April 2021
1 year increase in deficit recovery term

### Approximate impact

Increased provision of £690k
Increased provision of £676k
Increased provision of £138k
Increased provision of £681k
Increased provision of £139k
Increased provision of £4,780k
Increased provision of £4,609k

## 20. Endowments

Restricted net assets relating to endowments are as follows:

	Restricted permanent endowments £'000	Unrestricted permanent endowments £'000	Expendable endowments £'000	2020 Total £'000	2019 Total £'000
<b>Balances at 1 August 2019</b>					
Expendable endowment	-	-	3,503	3,503	3,432
Permanent endowment base value	8,217	1,371	-	9,588	8,083
Unapplied total return	2,512	515	-	3,027	2,761
	<u>10,729</u>	<u>1,886</u>	<u>3,503</u>	<u>16,118</u>	<u>14,276</u>
New endowments	1,500	-	-	1,500	1,505
Investment income	198	41	593	832	842
(Decrease)/increase in market value of investments	(75)	(22)	80	(17)	427
Total return allocated to income in the reporting period	(327)	(67)	-	(394)	(434)
Expenditure	-	-	(516)	(516)	(421)
Management fees	(44)	(9)	-	(53)	(77)
	<u>1,252</u>	<u>(57)</u>	<u>157</u>	<u>1,352</u>	<u>1,842</u>
<b>Total endowment comprehensive income for the year</b>					
<b>At 31 July 2020</b>	<u><u>11,981</u></u>	<u><u>1,829</u></u>	<u><u>3,660</u></u>	<u><u>17,470</u></u>	<u><u>16,118</u></u>

# Notes to the Financial Statements (continued)

## 20. Endowments (continued)

At end of reporting period:

	Restricted permanent endowments £'000	Unrestricted permanent endowments £'000	Expendable endowments £'000	2020 Total £'000	2019 Total £'000
Permanent endowment base value	9,717	1,371	-	11,088	9,588
Unapplied total return	2,264	458	-	2,722	3,027
	<u>11,981</u>	<u>1,829</u>	<u>-</u>	<u>13,810</u>	<u>12,615</u>

### Represented by:

Capital	11,981	1,829	2,140	15,950	14,892
Accumulated income	-	-	1,520	1,520	1,226
	<u>11,981</u>	<u>1,829</u>	<u>3,660</u>	<u>17,470</u>	<u>16,118</u>

### Analysed by type and purpose:

Scholarships and bursaries	2,369	-	2,408	4,777	4,946
Research support and Lectureships	3,137	-	736	3,873	3,851
Brass Blacker Chair	3,035	-	377	3,412	3,429
Takeda Chair in Global Child Health	3,035	-	36	3,071	1,500
Prize funds	130	-	44	174	175
General	275	1,829	59	2,163	2,217
	<u>11,981</u>	<u>1,829</u>	<u>3,660</u>	<u>17,470</u>	<u>16,118</u>

### Analysed by asset:

Non-current asset investments				16,118	10,891
Cash & cash equivalents				1,352	5,227
				<u>17,470</u>	<u>16,118</u>

# Notes to the Financial Statements (continued)

## 21. Restricted reserves

Reserves with restrictions are as follows:

	2020 Donations reserve £'000	2019 Donations reserve £'000
<b>Balances at 1 August 2019</b>	<b>2,998</b>	2,020
New donations	2,120	1,305
Expenditure	(409)	(327)
<b>Total restricted comprehensive income in the year</b>	<b>1,711</b>	978
<b>At 31 July 2020</b>	<b>4,709</b>	2,998
<b>Analysis by type of purpose:</b>		
Lectureships	250	125
Scholarships and bursaries	425	431
Research support	2,583	1,445
Prize funds	30	30
General	1,421	967
	<b>4,709</b>	2,998

## 22. Cash and cash equivalents

	At 1 August 2019 £'000	Cash Flows £'000	At 31 July 2020 £'000
<b>Consolidated</b>			
Cash and cash equivalents	82,006	26,335	108,341
<b>LSHTM</b>			
Cash and cash equivalents	81,928	26,313	108,241

## 23. Capital and other commitments

	2020		2019	
	Consolidated £'000	LSHTM £'000	Consolidated £'000	LSHTM £'000
Land and buildings	11,183	11,183	4,230	4,230
Other	16	16	193	193
At 31 July	<b>11,199</b>	<b>11,199</b>	4,423	4,423
<b>Authorised</b>				
	2020 Consolidated £'000	LSHTM £'000	2019 Consolidated £'000	LSHTM £'000
Land and buildings	33,603	33,603	46,577	46,577
Other	1,187	1,187	887	887
At 31 July	<b>34,790</b>	<b>34,790</b>	47,464	47,464

The authorised land and buildings figure refers to capital project works at LSHTM's sites at Tavistock Place, London (£27,347k), Keppel Street, London (£4,223k), Gambia research unit (£1,185k) and Uganda research unit (£848k).



# Notes to the Financial Statements (continued)

## 24. Lease obligations

Total rentals payable under operating leases:

	Property	2020 Plant and machinery	Total	2019 Total
	£'000	£'000	£'000	£'000
<b>Payable during the year</b>	<b>683</b>	<b>96</b>	<b>779</b>	<b>751</b>
<b>Future minimum lease payments due:</b>				
Not later than 1 year	484	55	539	580
Later than 1 year and not later than 5 years	287	106	393	562
<b>Total lease payments due</b>	<b>771</b>	<b>161</b>	<b>932</b>	<b>1,142</b>

In the prior year financial statements lease obligations only presented the operating leases relating to plant and machinery, not property leases. Property leases have been included in the figures above including the 2019 comparatives which are restated above.

## 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
LSHTM Developments Limited	Design and Building 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, LSHTM Developments Limited and Salus Limited are incorporated in England. An application to dissolve Salus Limited was accepted by Companies House on 23 June 2020.

## 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.

# Notes to the Financial Statements (continued)

## 26. Pensions (continued)

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 £12,004k (2019: £9,918k).

The latest available complete actuarial valuation of the Retirement Income Builder section of the Scheme is at 31 March 2018 (the valuation date), which was carried out using the projected unit method. As at the year end date, a valuation as at 31 March 2020 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 2018 valuation was the fifth 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 £63.7 billion and the value of the scheme's technical provisions was £67.3 billion indicating a shortfall of £3.6 billion and a funding ratio of 95%.

The key financial assumptions used in the 2018 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 +0.14% reducing linearly to CPI -0.73% Years 11-20: CPI +2.52% reducing linearly to CPI +1.55% by year 21 Years 21+: CPI +1.55%

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 2018 valuation. The mortality assumptions used in these figures are as follows:

	<b>2018 valuation</b>
Mortality base table	Pre-retirement: 71% of AMC00 (duration 0) for males and 112% of AFC00 (duration 0) for females  Post retirement: 97.6% of SAPS S1NMA "light" for males and 102.7% of RFV00 for females.
Future improvements to mortality	CMI_2017 with a smoothing parameter of 8.5 and a long term improvement rate of 1.8% p.a. for males and 1.6% p.a. for females

The current life expectancies on retirement at age 65 are:

	<b>2018 valuation</b>	<b>2017 valuation</b>
Males currently aged 65 (years)	24.4	24.6
Females currently aged 65 (years)	25.9	26.1
Males currently aged 45 (years)	26.3	26.6
Females currently aged 45 (years)	27.7	27.9

# Notes to the Financial Statements (continued)

## 26. Pensions (continued)

A new deficit recovery plan was put in place as part of the 2018 valuation, which requires payment of 2% of salaries over the period 1 October 2019 to 30 September 2021 at which point the rate will increase to 6% until March 2028. 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 5% of salaries up to March 2034.

This significant decrease in deficit contributions has given rise to a substantial reduction in the deficit provision, from £45.5m to £28.3m as set out in Note 19.

At 31 March 2020, the LSHTM had 1,350 active members contributing into the scheme.

The contribution rate payable by LSHTM during the year was 19.5% of the pensionable salaries to 30 September 2019, and 21.1% of the pensionable salaries from 1 October 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.

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. As at the year end date, a valuation as at 31 March 2020 was underway but not yet complete.

The funding principles were agreed by the Trustee and employers in June 2018 and will be reviewed as part of SAUL's 31 March 2020 valuation.

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 2020, LSHTM had 198 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](http://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.

# Notes to the Financial Statements (continued)

## 26. Pensions (continued)

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 2020, LSHTM had 61 active members contributing to the scheme.

The contribution rates payable by LSHTM was 14.38% of pensionable salaries.

### **(d) Medical Research Council (MRC)**

At 31 March 2020, LSHTM had 25 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 £14,071k (2019: £12,367k).

The movement in the provision in the pension deficit recovery plan for the USS schemes totalled a £17,576k release (2019: £30,740k increase).

# Notes to the Financial Statements (continued)

## 27. Related party transactions

Name of related party and relationship	Nature of transaction	Income 2020 £'000	Expenditure 2020 £'000	Income 2019 £'000	Expenditure 2019 £'000
<b>Bill and Melinda Gates Foundation</b> Dr Richard White, LSHTM Council member, is an Advisory Panel Member	Research grant funding	19,584	-	15,010	-
<b>Wellcome Trust</b> Mr Mike Turner, LSHTM Council member, is a staff member	Research services	14,581	7	-	-
<b>Coalition for Epidemic Preparedness Innovation</b> Professor Baron Peter Piot, LSHTM Director, is a Non-Executive Director	Research funding	5,961	-	-	-
<b>Malaria Consortium</b> Dr Precious Lungu, LSHTM Council member, is a Trustee	Research grant funding	557	-	18	-
<b>King Baudouin Foundation</b> Professor Baron Peter Piot, LSHTM Director, is Chair of the Board	Donation	79	-	-	-
<b>EY LLP</b> Mr Will Fisher, member of LSHTM Finance & Development Committee, is a partner	Taxation advisory services	-	45	-	55
<b>University of Aberdeen</b> Dr Robin Goodchild, member of LSHTM Finance & Development Committee, is an Honorary Professor	Research services	-	178	153	83
<b>University of Glasgow</b> Mr Mike Turner, LSHTM Council member, is an Honorary Professor	Research grant funding	92	92	-	-
<b>University of Strathclyde</b> Mr Mike Turner, LSHTM Council member, is an Honorary Professor	Research grant funding	10	-	-	-
<b>eLife Science Publications</b> Mr Mike Turner, LSHTM Council member, is a Board Member	Research publication fees	3	10	-	-
<b>The Open University</b> Mr Stan Farmer, member of LSHTM Audit and Risk Committee, is a staff member	Research services	-	20	-	-
<b>The King's Fund</b> Mr Nicolas Mays, LSHTM Council member, is a Member of the Advisory Council	Catering services	1	-	-	-
<b>London School of Economics and Political Science</b> Mr Nicolas Mays, LSHTM Council member, is an expert advisor	Research funding	69	578	-	-
<b>Vaccine Manufacturing Innovation Centre</b> Dr Matt Lee, LSHTM COO, is a board member	Procurement and governance services	11	-	-	-
<b>Novartis Foundation</b> Professor Baron Peter Piot, LSHTM Director, is a Trustee	Research funding	29	-	-	-

# Notes to the Financial Statements (continued)

Name of related party	Debtor 2020 £'000	Creditor 2020 £'000	Debtor 2019 £'000	Creditor 2019 £'000
Wellcome Trust	284	-	-	-
University of Aberdeen	-	24	-	-
Malaria Consortium	51	-	18	-
Bill and Melinda Gates Foundation	-	-	38	-
eLife Science Publications	-	2	-	-
The Open University	-	5	-	-
University of Glasgow	2	-	-	-
London School of Economics and Political Science	3	578	-	-

All figures reported above relate to the period in which the individual held a formal LSHTM role.

All transactions involving organisations in which a member of Council or its committees may have an interest, including those identified, are conducted in accordance with the LSHTM'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 prior 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 in the prior year comparative figures. The sales proceeds were £1,213k and the fixed asset value released was £991k, resulting in a gain on sale of £222k in 2019. The fixed asset value was based on the market value of the Gordon Square property at 31 July 2018.

The Uganda Unit disposed no assets in the year ended 31 July 2020 but disposed of excess vehicles during the prior year generating sales proceeds of £63k resulting in a gain of £63k.

Assets worth £27k were donated by LSHTM to partner organisations during the year, resulting in a loss on disposal of £27k. In addition, a van was disposed of in the year, the sales proceeds were £1k, and the net book value was £nil, resulting in a gain on disposal of £1k.



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