

# Financial Statements

For the year to 31 July 2019

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## Chair's foreword

King's continues to make good progress towards the objectives set out in *Vision 2029*. We do so in spite of a challenging financial and regulatory environment, including continuing Brexit negotiations, possible changes to tuition fees policy and the reforms to the Universities Superannuation Scheme (USS) pension scheme.

Our academic programmes continue to attract highly-talented students from around the world. Applications for both undergraduate and postgraduate places have increased alongside a transformative curriculum review that will give students greater flexibility in what they study and encourage interdisciplinarity. King's Business School, for example, has grown at a tremendous pace and is already ranked second in the United Kingdom after just three short years of existence.

King's Research Strategy is raising the level of research excellence across the university, recording increases in new awards every financial year since its launch. These include the £16m UK Research Partnership Investment Fund (UKRPIF) award this year to establish the London Institute for Health Care Engineering in partnership with Guy's and St Thomas' NHS Foundation Trust.

*Times Higher* released its first University Impact Rankings in April 2019, tracking the impact of universities across the globe against 11 of the United Nations' Sustainable Development Goals. King's was ranked fifth in the world, demonstrating the impact of our research and education on society, much of it guided by our own *Vision 2029*. Other significant measures have been taken in pursuit of our Service Strategy, including the launch of the King's Civic Leadership Academy. This initiative brings together teams of students and charities across London in a collaborative endeavour to address the pressing challenges of homelessness, poverty, education and mental health.

This present document describes an underlying operating result that was ahead of targets for the year, with strong performance across our faculties. Earnings before interest, tax, depreciation, amortisation and pensions adjustments remain strong at £49.9m. Nonetheless, we report a deficit for the year of £154.3m after charging £166.7m in respect of movements in the USS pension provision. This pension charge is based on the disputed 2017 valuation, being the recovery plan that was in place at 31 July 2019. We expect this provision to be significantly reversed next year because a new recovery plan, based on the 2018 valuation, has now been agreed. If the 2018 recovery plan had been in place at 31 July 2019, the pension charge for the year would have been £108m lower.

King's has good cause to be very proud of its service to London, the United Kingdom and the international community which is represented here. There is a great deal of excitement throughout the university about so many purposeful developments at King's: those upon which we are already embarked and those which are to come.

I commend this Report and Accounts to all those with an interest in our university. On behalf of the Council of King's College London, I also wish to express my grateful thanks to the students, staff, alumni and many others responsible for our continuing success.

**The Rt Hon the Lord Geidt** GCB GCVO OBE QSO FKC  
*Chair of Council*

# Council and Council committee membership

Members who served during 2018–19 and to the date of signing the Financial Statements.

## Council

The Rt Hon the Lord Geidt GCB GCVO OBE QSO FKC  
*Chair since August 2016*

Professor Edward Byrne AC FKC FMedSci MD DSc FRCP FRACP FRCPE FAHMS (Hon)  
FTSE FAAN MBA  
*President & Principal since September 2014*

Mr Paul Cartwright  
*Since 1 August 2019*

Sir Jon Coles  
*Since 1 August 2019*

Dr Angela Dean  
*Member since 2012; Vice-Chair since 7 October 2019*

Mr Michael D'Souza  
*Honorary Treasurer since August 2016*

The Hon Sir David Foskett FKC  
*June 2010–31 July 2019*

Mr Paul Goswell  
*Since 2015*

Professor Brian Holden Reid FKC  
*June 2010–31 July 2019*

Sir Ron Kerr FKC  
*Since 1 August 2019*

Ms Ros King  
*Since 2012*

Baroness Morgan of Huyton  
*Vice-Chair 1 August 2016–31 July 2019, member 29 June 2016–31 July 2019*

The Right Reverend and Right Honourable Dame Sarah Mullaly  
*Since November 2015*

Mr Ahad Mahmood  
*Ex officio, August 2018–31 July 2019*

Sir Nigel Sheinwald GCMG  
*Since 2014*

Ms Clare Sumner  
*Since 1 August 2019*

Mr Andrew Summers CMG FKC  
*June 2010–31 July 2019*

Professor Guy Tear  
*Since 18 November 2019*

Dr Ian Tebbett  
*2016–31 October 2019*

Ms Kat Thorne  
*Since 18 November 2019*

Dr Susan Trenholm  
*Since 18 November 2019*

Ms Nhuoc Lan Tu  
*Since April 2016*

Professor Evelyn Welch MBE FKC  
*Since 2013*

Professor the Baroness Wolf of Dulwich CBE FKC  
*June 2010–31 July 2019*

## Chairs' Committee

The Rt Hon the Lord Geidt GCB GCVO OBE QSO FKC  
*Chair since August 2016*

Professor Edward Byrne AC FKC FMedSci MD DSc FRCP FRACP FRCPE FAHMS (Hon)  
FTSE FAAN MBA  
*President & Principal since September 2014*

Dr Angela Dean  
*Member 2014–6 October 2019; ex officio, since 7 October 2019*

Mr Paul Cartwright  
*Ex officio, since 1 August 2019*

Mr Michael D'Souza  
*Honorary Treasurer since August 2016*

Mr Paul Goswell  
*Ex officio, since 2015*

Baroness Morgan of Huyton  
*Vice-Chair and member 1 August 2016–31 July 2019*

Sir Nigel Sheinwald GCMG  
*Since 2014*

Mr Andrew Summers CMG FKC  
*Ex officio, 2010–31 July 2019*

## Finance Committee

Mr Michael D'Souza  
*Chair and Honorary Treasurer since August 2016*

Professor Edward Byrne AC FKC FMedSci MD DSc FRCP FRACP FRCPE FAHMS (Hon)  
FTSE FAAN MBA  
*President & Principal since September 2014*

Mr Peter Clarke  
*Since 2015*

Mr Tony Collyer  
*March 2010–31 July 2019*

Ms Beatrice Devillon-Cohen  
*Since 1 August 2019*

Dr Angela Dean  
*Since December 2012*

Mr Philip Keller  
*Since 1 August 2019*

Mr Stephen Large  
*Ex officio, since 2000*

Ms Isabel Neumann  
*Since 1 August 2019*

Mr Richard North  
*2010–31 July 2019*

Ms Nicky Richards  
*Since 1 August 2019*

Mr Andrew Scott  
*Since 2015*

Dr Ian Tebbett  
*Ex officio, October 2016–31 October 2019*

Mr Michael Urmston  
*2010–31 July 2019*

Professor the Baroness Wolf of Dulwich CBE FKC  
*2011–31 July 2019*

### Audit, Risk & Compliance Committee

Mr Andrew Summers CMG FKC  
*Chair; 2010–31 July 2019*

Mr Paul Cartwright  
*Chair; since 1 August 2019*

Professor Susan Brain  
*Since 2011*

Ms Julienne Daghish  
*Since June 2017*

Professor Brian Holden Reid FKC  
*2011–31 July 2019*

Mrs Sarah Hopwood  
*Since 2011*

Ms Ros King  
*Since December 2012*

Ms Nhuoc Lan Tu  
*Since February 2017*

Mr George Warren  
*Since February 2017*

Ms Sarah Wilkinson  
*Since June 2017*

### Investment Subcommittee

Mr David Morgan AO  
*Chair since September 2015*

Professor Edward Byrne AC FKC FMedSci MD DSc FRCP FRACP FRCPE FAHMS (Hon)  
FTSE FAAN MBA  
*President & Principal since September 2014*

Mr Simon Cruickshank  
*Ex officio, since June 2019*

Dr Angela Dean  
*Since 2012*

Mr Mouhammed Choukeir  
*Since 1 August 2019*

Mr Rob Gambi  
*Since April 2015*

Mr Gary Greenberg  
*Since 1 August 2019*

Mr Stephen Large  
*Ex officio, since 2000*

Mr Steven Law  
*Ex officio, April 2018–May 2019*

Mr Simon Pryke  
*Since April 2015*

Mr Nick Wood  
*Since 1 August 2019*

Mr Joseph van Zanten Gallagher  
*Since March 2018*

### Estates Strategy Committee

Mr Paul Goswell  
*Chair since 2015*

Professor Edward Byrne AC FKC FMedSci MD DSc FRCP FRACP FRCPE FAHMS (Hon)  
FTSE FAAN MBA  
*President & Principal since September 2014*

Mr Stephen Clifton  
*Since 1 August 2019*

Mr Michael Creamer  
*Since 1 August 2019*

Mr David Cripps  
*Vice-Chair 2010–31 July 2019*

Mr Stephen Hughes  
*Since 1 August 2019*

Mr Stephen Large  
*Ex officio, since 2000*

Professor Sir Robert Lechler FKC  
*Ex officio, since 2009*

Mr Nick O'Donnell  
*Ex officio, since 2017*

Mr Daniel Peltz FKC  
*Since December 2012*

# Operating and financial review for the year ended 31 July 2019

## Key facts

	2018–19	2017–18
EBITDA and pension movement (earnings before interest, tax, depreciation, amortisation & pension movement)	£49.9m	£67.5m
Total comprehensive income for the year	£(154.3)m	£22m
Total income	£902m	£841m
Net cash inflow from operating activities as a % of total income	2.0%	7.8%
Unrestricted reserves as a % of total income	58.7%	84.1%
External borrowings as a % of total income	33.9%	36.5%
Net liquidity days before movement in USS pension provision	55 days	83 days
Staff numbers, average full-time equivalent	7,306	6,918
Student numbers, full-time equivalent (July return to the Higher Education Statistics Agency, HESA)	28,458	27,464
Research: new and renewed awards (forward order book)	£233.2m	£224.7m
Donations and endowments	£16.1m	£25.5m

## Operating highlights

This has been another year of demonstrable progress towards delivering our long-term strategic vision measured against a balanced scorecard of academic, financial and sustainability indicators of performance.

The underlying results as measured by earnings before interest, tax, depreciation and amortisation (EBITDA) before pension movement was £49.9m, reflecting strong financial operating performance in line with our financial plans for the year.

Total comprehensive income, a net deficit of (£154.3m), is stated after a £166.7m charge relating to the USS pension scheme deficit recovery plan. This adjustment is based on the 2017 valuation in place at the balance sheet date and represents our commitment to help fund the then collective past service deficit of £7.5bn to ensure staff receive their full future pension entitlements. All USS pension scheme participants have made provisions in the year for these future contributions in proportion to their USS enrolled staffing base. Given our size, King's will have one of the largest such provisions in the sector this year. In our 2019-20 accounts we expect to reflect the new collective agreement on the updated 2018 valuation and associated recovery plan agreed after the balance sheet date. At current rates this should lead to a c.£108m reversal of this year's charge.

Our strategy to grow King's Business School continues to be successful, and we are planning to add a broader range of 21st century engineering to King's existing strengths in computer science, telecommunications, robotics, imaging sciences and biomedical engineering. New programmes at both undergraduate and postgraduate level have already been launched, with more to come.

We have started work on a major estates project at the Strand to accommodate this, and further work will soon be starting on the first phase of a MedTech hub at St Thomas' Campus which will focus on surgical and interventional engineering.

We were delighted to sign an agreement with the Southern University of Science and Technology (SUSTech), China, to develop a long-term collaborative relationship in medical education and research. The first stage of this will be to establish a medical faculty in Shenzhen, China.

Plans were put in place during the year to bring over 400 contracted cleaning and security staff into the King's community and onto the payroll. This was successfully completed on 1 August 2019.

We had another strong student admissions cycle in 2018–19 with a five per cent and 14 per cent increase in applications for undergraduate and postgraduate places respectively and, in particular, growth in King's Business School, the Institute of Psychiatry, Psychology & Neuroscience (IoPPN) and very strong demand for programmes in the Faculty of Natural & Mathematical Sciences. These are areas targeted for growth in our strategy.

## Sustainability

King's monitors a wide range of academic, environmental and financial sustainability metrics.

Global university rankings	Latest year	Prior year
Quacquarelli Symonds (QS) World Rankings (2020)	= 33rd	31st
Times Higher Education (THE) World Rankings (2019)	38th	36th
Shanghai Academic Ranking of World Universities (ARWU) (2019)	51st	56th

The QS World Rankings confirmed that King's is now ranked second in the world for our nursing faculty. These results show a year-on-year rise of three places, as nursing at King's was ranked fifth in 2018.

Nursing at King's scored 95.3 out of 100 for Academic Reputation, which was bettered only by the University of Pennsylvania – the world leader. Nursing at King's is also ranked second in the world in the latest Shanghai Global Ranking of Academic Subjects.

King's College London has been ranked fifth in the world in the 2019 Times Higher Education (THE) University Impact Rankings, a pioneering initiative that recognises and celebrates the social and economic contribution of universities. Challenging universities to consider their societal impact, the new rankings measure how their work contributes to the United Nations' Sustainable Development Goals (SDGs).

They provide an opportunity for universities to reflect on their local and global impact and to demonstrate the difference they are making to the world in which we live.

King's *Vision 2029* commitment to the service of society was recognised by the rankings, with the university marked highly for its focus on SDG 3 Good Health and Wellbeing, SDG 5 Gender Equality, SDG 10 Reduced Inequalities, SDG 12 Responsible Consumption and Production, SDG 13 Climate Action, SDG 16 Peace, Justice and Strong Institutions and SDG 17 Partnership for the Goals.

King's regularly monitors its performance against a range of environmental objectives and sustainable development targets. These include policies for energy and carbon management, waste management and green transport. Our performance against a range of environmental objectives is made available online across the university.

King's will have divested from all fossil fuels by the end of the year 2022 and we will also be 'carbon free' by 2025, by which time the net emissions from the use of fossil fuels will be zero.

King's has been an active participant in debates concerning ethical investment. The Investment Subcommittee of the university considers socially responsible investment as part of its asset allocation and investment manager selection process.

The King's endowment is invested in funds that are reviewed to ensure they operate within both the letter and the spirit of its ethical investment policy, which aims to divest from all fossil fuel investments by 2022 and to increase the proportion of investments with socially responsible benefits from 15 per cent to 40 per cent by 2025, subject to there being no significant impact on the financial returns necessary to support the university's education and research mission.

Investment portfolio 'look through' Fossil Fuels exposure	King's	Benchmark
2016	6.4%	7.8%
2017	7.3%	8.7%
2018	3.5%	9.4%
2019	2.3%	8.4%

Benchmark: Morgan Stanley Capital International All Country World Index (MSCI ACWI)

Following extensive improvement in the way waste and recycling is handled at King's we raised our recycling rates from 39 per cent in 2017 to 56 per cent by July 2018. Our number of active sustainability champions has grown to over 260 members of staff across the university.

King's is committed to embedding good diversity and inclusion practice into all of its activities so that it becomes a richer and more diverse place to work and study.

Diversity and inclusion (reported a year in arrears)	2017-18	2016-17	Our target
Senior female academic staff %	36.3	35.7	35.6
Senior female professional services staff %	48.2	45.3	46.0
Senior black and minority ethnicity (BME) academic staff %	20.0	18.9	18.8
Senior BME professional services staff %	20.2	20.0	17.0

The university has a dedicated Disability Advisory Service which provides information and support to disabled students and advises staff about engaging with disabled students.

Credit rating	2018-19	2017-18
Standard and Poor's	AA-	AA-

Standard and Poor's affirmed its long-term issuer credit rating of AA-. The main rating strengths lie in King's business profile and long-standing reputation as a leading provider of education and research in the UK which continues to attract students from around the world.

### Charitable status

The university is an 'exempt' charity under Schedule 3 of the Charities Act 2011. This means King's is not registered with the Charity Commission and has no charity registration number. Under the Charities Act 2006, King's and other universities that are exempt charities are regulated by the Office for Students (OfS) as 'principal regulator' on behalf of the Commission.

As the university's trustee, the Council is responsible for defining the strategic aims of King's and directing the activities of its executive in the furtherance of these objects.

When setting objectives and planning activities, the Council and the executive give careful consideration to the Charity Commission's general guidance and to its supplementary guidance on public benefit. Attention is also paid to guidance issued by the OfS in its role as principal regulator on behalf of the Commission.

The beneficiaries of the university's charitable activities during the year included:

- the university's undergraduate, postgraduate taught and postgraduate research students, who benefitted from the education provided by King's in their development as individuals and in their employment prospects
- the beneficiaries from the advancement of research by King's on its own and in conjunction with strategic partners
- society at large, reflected in the university's commitment to service as a strategic priority, and illustrated by the examples given above and many others.

## Education

### Educating the next generation of change-makers

From the launch of the *Student Mental Health and Wellbeing Strategic Plan*, to a comprehensive review of our curriculum, this year we have made tremendous progress towards transforming how we support the success of King's community of more than 33,500 individual students: now and in their future careers.

This year saw the start of transformative work to enable our future curriculum. *Curriculum 2029* will give our students the choice and flexibility to learn from different disciplines and to work with local communities to solve real-world problems, whilst providing opportunities for learning enhanced by research and informed by international perspectives.

Two areas where these value-adding experiences are already being widely felt are through our entrepreneurship and service offerings to students. In November 2018, King's won the Outstanding Entrepreneurial University at this year's *Times Higher Education (THE) Awards*, in recognition of the sector-leading work we do to support entrepreneurial thinking, skills and experiences amongst King's students, staff and alumni.

Similarly, at the start of 2019 we launched the King's Civic Leadership academy, bringing together teams of students and inspiring charities across London, to gain invaluable experience and contribute to solving pressing challenges impacting homelessness, poverty, education and mental health in the capital, alongside a powerful programme of leadership training and mentoring.

We do this because we know that to make their mark on the world our students need a holistic outlook and big-picture approach. Our research-enhanced education gives our students a hunger to find answers to the unknown and the essential skills they need to be flexible, resilient life-long learners.

Many of our researchers are working in and influencing their industries. Whether that is in 5G technology, the law or the creative industries, we are giving students access to the latest thinking and how it is applied in the real world.

Our approach to education also considers the wellbeing of our educators. This year saw the development of two schemes providing greater recognition and job security to the staff who make such an invaluable contribution to the academic life of our university.

- The Academic Education Pathway offers greater recognition, reward and opportunities for advancement to exceptional educators who contribute to enhancing educational quality and innovation at King's without the requirement to undertake research.
- We also introduced a new policy on reducing our dependence on short fixed-term contracts, with the aim of creating a supportive and cohesive community for all employees and in order to recognise that our ongoing academic success depends on being able to develop and retain world-class talent.

Overall satisfaction among our students went up in the 2018–19 National Student Survey (NSS), with over 80 per cent reporting positively on the quality of their course. In the Postgraduate Taught Experience Survey, 85.4 per cent of the students who completed the survey were satisfied with their experience: the highest score that King's has achieved since 2013. In every section of the survey, satisfaction scores improved on last year's results.

We believe our university is greater when people from all backgrounds study and work at King's. Seventy-seven per cent of our students are now from state schools, and 47 per cent from BME backgrounds and we have the fastest-growing population of low-income students in the Russell Group.

A new initiative launched this year was Parent Power. This pioneering project harnesses the potential of parents to inspire young people from underrepresented groups to pursue higher education and was awarded the *Guardian's* social and community impact award.

Looking ahead, significant preparation took place to expand the university's education and research base into engineering, to complement world-class offerings in other STEM subjects with the launch of the Department of Engineering in the Faculty of Natural & Mathematical Sciences, the PLuS Alliance-led TEDI-London Engineering and Design Institute, and a new Engineering and Physical Sciences Research Council (EPSRC) Centre for Doctoral Training in Smart Medical Imaging.



## Research

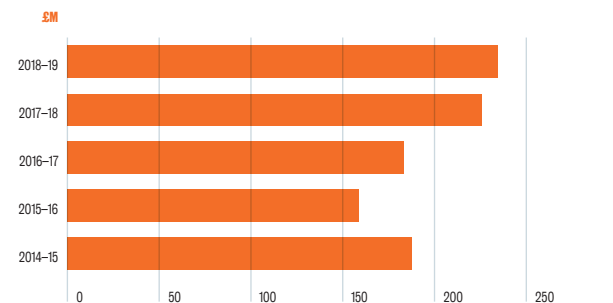
### Challenging ideas and driving change

Research is how we channel our creativity in order to further knowledge and understanding, to challenge convention and to deliver impact. Our outward-looking, collaborative and targeted research addresses the social needs of today and anticipates how those needs might change tomorrow.

Our strategy for research is simple: to be home to the most able and innovative researchers delivering valuable insight and ground-breaking discoveries. We set ourselves a significant level of ambition around raising the level of research excellence across King's and increasing the number of areas where we are performing at the highest level. We do this by providing the best environment, support and networks for our community, from postgraduate research students to senior academics.

Since the strategy was launched in 2017, we have been making progress towards our goals. We have seen an increase in new awards in each financial year since its launch. This year saw new awards rise to £233.2m from last year's £224.7m. We have noted a trend towards higher value awards which take longer to set up, resulting in a longer lead time between award and income reported in the accounts.

TREND OF RESEARCH AWARDS AND RENEWALS



Twenty-three of our researchers and academics were named in the 2018 Clarivate Analytics List which identifies researchers with multiple papers ranking in the top one per cent by citations for their field and year.

Research and innovation	2018-19	2017-18
% research grants and contracts income from Research Councils	25%	22.5%
% postgraduate research completion rate	91.0%	85.7%
Number of new patents filed	32	35

*Higher Education Business and Community Interaction Survey return*

Significant awards such as the Horizon 2020 (H2020) consortium bid, led by Dr Roberta Communian, on Developing Inclusive and Sustainable Creative Economies, cemented the reputation of the Department of Culture, Media & Creative Industries as a global centre of research on the creative economy.

To retain our position as a world-leading research institution, we continue to expand our research base. A British Academy Global Professorship was awarded to Professor Pierre Singaravélou in the Department of History, as the Academy's largest individual grant. These awards bring world-class internationally-recognised scholars to strengthen the UK's research base and build further capacity at King's in world history.

When it comes to developing the next generation of research talent, we saw the launch of a number of pioneering new training programmes for PhD students, such as the Centre for Doctoral Training on Safe and Trusted Artificial Intelligence (STAI), a major strategic initiative in artificial intelligence in the Faculty of Natural & Mathematical Sciences. Led by King's, it is part of a UK-wide £100m investment in artificial intelligence by UK Research and Innovation (UKRI).

An example of how we are providing the best environment and systems to enable world-leading research is our £16m UK Research Partnership Investment Fund (UKRPIF) award, in partnership with Guy's and St Thomas' NHS Foundation Trust, to establish the London Institute for Healthcare Engineering. Made possible through major co-investment of over £32m from the Wellcome Trust and industry partners including Siemens Healthineers, Medtronic, NVIDIA Corporation and IBM, as well as a £15m contribution from King's, it will see the construction of a new building on the St Thomas' campus.

This project will bring together King's research excellence, the Guy's and St Thomas' NHS Foundation Trust's leading clinical practice and the MedTech sector's commercial innovation power and talent, engaging multinationals, small and medium-sized enterprises and start-ups simultaneously. This close collaboration ensures that research in healthcare engineering is translated rapidly into new products and technologies that will benefit patients. We are also generating impact by building closer links and forging new relationships with industry, whether in the development of 5G technology or life-changing medicines.

One example of this is a three-year deal signed this year with biopharmaceutical company UCB to bring 15 researchers to work alongside academics on early development and translational medicine. This will allow significant research to take place at King's, while also exposing staff and students to commercially relevant research that can better prepare them for future employment.

Another example is a landmark collaboration and licence deal made by King's and the Wellcome Trust with the pharmaceutical company MSD to develop the pioneering work of Professor Peter McNaughton from the IoPPN which could lead to a new class of pain medications. Under the agreement, King's and the Wellcome Trust are eligible to receive up to \$340m (£263m) in development and sales milestones, as well as royalties if a drug comes to market.

Our desire to collaborate and make positive changes in society is at the heart of what we do.

### Service

#### Giving back to society through meaningful service

Service is the third academic mission alongside Education and Research. It is the golden thread which runs through our university, including how we operate the university and the contribution of our King's community to society. Through our social reform initiatives, our rich educational experience, our pioneering research, targeted towards meeting social need, our fierce advocacy of volunteering and our commitment to environmental sustainability, we are going beyond what is expected or required.

King's teamed up with PricewaterhouseCoopers' UK Legal network to offer free legal advice to members of the public and small businesses who might not usually be able to afford such legal support. As well as providing legal advice, students have the opportunity to work alongside King's academics, raise awareness of the issues impacting vulnerable communities in our local boroughs and learn how their degree can make a difference in the world.

Our academics embody this outlook on the national stage. For example, Professor Anne Marie Rafferty has been elected President of the Royal College of Nursing, with the aim of making nursing 'a social movement, drawing on our collective strengths and talents to target the big health and care challenges of the day'.

This commitment to service is not limited to the communities in our local boroughs but extends around the world, through initiatives such as the Partnership for Digital Learning and Increased Access (PADILEIA) programme to provide distance learning opportunities to Syrian refugees in Lebanon and Jordan, and our long-term health partnerships in Somaliland and Sierra Leone.

Finally, this year also saw the launch of Service Time, which gives all members of staff one day per year to volunteer with a charity of their choice. Service Time is also of mutual benefit, as through these activities participating staff can build relationships with the local community, learn new or build on existing skills, enhance their professional and personal development, boost morale and improve their physical and mental health.

### London

#### Working with our local communities

Our future is interwoven with London's. The work we undertake with, in and for our local communities is vital to ensuring we have a tangible impact on the city we call home.

By incorporating London's many possibilities within King's education, research and service, we are creating the problem-solvers and change-makers who will help shape the future. We truly believe that we can achieve more when we work with those around us, so our work connects local boroughs, businesses, policy-makers, cultural organisations and other higher education institutions in order to develop holistic solutions to the challenges we all face.

A highlight of the last year was the opening of Science Gallery London in September 2018. With 300,000 visitors anticipated per year, the Gallery connects art, science and health to drive innovation in the heart of the city. It is a flagship project for King's and will enable us to engage 15- to 25-year-olds in cutting-edge research in science, art and design.

Our research helps improve the health of our local communities. King's is leading the world's largest study into air quality exposure. A study funded by the Mayor of London, in Spring 2019, saw 250 primary school children across five London boroughs spend a week walking to and from school carrying specially adapted backpacks, developed by Dyson in co-operation with King's, which recorded the levels of pollution they were exposed to.

Analysing the impact of air pollution and providing information to our local, national and international communities is a core component of King's civic responsibility. By monitoring the air that children breathe on the journey to and from school, we will gain a better understanding of which pollutants are the most harmful and where they are coming from, helping us to support effective improvements in public health.

It is not just our staff but also our students who take an active role in working with local communities. One example is King's dental students' Smile Society, which runs active learning workshops in London schools to help raise awareness of the importance of good oral health and hygiene within our local communities.

King's Business School works with Westminster City Council to connect local small and medium-sized enterprises with final-year undergraduate students to help to address the strategic challenges that each business is facing.

Through innovative partnerships with businesses, communities and other universities, we are supporting our goal of being a university that is both of London, and for the world.

## International

### Fostering global citizens with an international perspective

With students and staff coming from over 200 countries and territories around the world, King's is a truly global university. We are proud of our international partnerships, multicultural communities and the strong links we have with leading organisations and individuals around the world who also share our vision to make the world a better place. Across our Arts & Sciences and Health Faculties our academics work with peers internationally to deliver innovative research.

Examples include Peter von Dadelszen, Professor of Global Women's Health, whose Collaborative Award in Science from the Wellcome Trust will continue the study of 12,000 recently pregnant women and their infants across sub-Saharan Africa. Professor Funmi Olonisakin, our Vice-Principal (International) and Professor of Security, Leadership & Development recently received a £1m Carnegie Foundation award for her research at the African Leadership Centre.

Our joint research institutes, global PhD programmes, dual academic appointments, volunteering opportunities and access to global business networks put King's people at the heart of a truly international community.

Examples include international events and conferences, such as the joint King's and MIT summit to find new ways of building sustainable healthcare systems through innovation and entrepreneurship, and new partnerships with universities around the world, such as those signed by King's Business School with the School of Management and Innovation at Sciences Po, Paris, and with the Shanghai Advanced Institute of Finance (SAIF). Our agreement with the Southern University of Science and Technology (SUSTech) is working towards establishing a joint medical school in Shenzhen, China.

Of course, the uncertainty around Brexit continues to be a pressing issue for King's as a world university, and so our leadership team plans for a range of outcomes. But during the last year our academic staff continued to be leading voices in the national debate, including Professor Anand Menon, Director of the ESRC UK in a Changing Europe Centre, and Professor Vernon Bogdanor, the UK's foremost constitutional expert.

## Financial highlights

The financial results comprise the consolidated results of King's and its wholly owned subsidiary undertakings.

College Facilities Ltd undertakes major building and related works on behalf of King's. King's College London Business Ltd, based in Cornwall, operates an IT support function. King's Talent Bank Ltd is a subsidiary created to employ casual staff including student workers, temporary staff, alumni, visiting lecturers and contractors.

The university has a number of overseas activities including those in Sierra Leone operated through the King's Sierra Leone Partnership, an international non-governmental organisation.

## Results

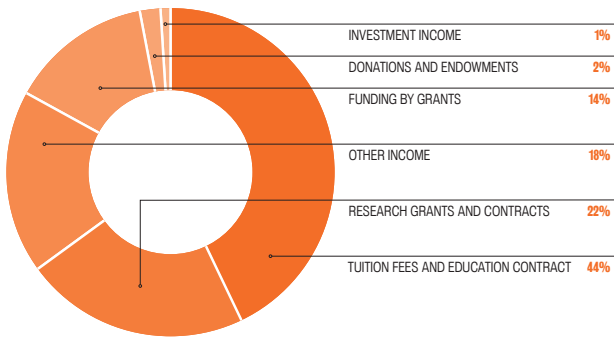
Earnings before Interest, Tax, Depreciation, Amortisation & Pension movement

£ms (rounded)	2018-19	2017-18
Tuition fees and education contracts	393.8	342.3
Funding body grants	128.3	123.9
Research grants and contracts	194.7	194.4
Other income	163.9	148.8
Investment income	5.1	6.2
Donations and endowments	16.1	25.5
<b>Total income</b>	<b>902.0</b>	<b>841.0</b>
Staff costs	(512.6)	(471.0)
Other operating expenses	(339.4)	(302.5)
<b>Earnings before Interest, Tax, Depreciation, Amortisation &amp; Pension movement</b>	<b>49.9</b>	<b>67.5</b>
Interest and other finance costs	(17.7)	(17.1)
Staff costs – movement on USS pension provision	(166.7)	–
Depreciation	(53.5)	(51.8)
<b>Surplus/(deficit) before other gains/ losses</b>	<b>(187.9)</b>	<b>(1.4)</b>
Other gains and losses	33.6	25.4
Actuarial loss in respect of pension schemes	0	(2.0)
<b>Total Comprehensive Income for the year</b>	<b>(154.3)</b>	<b>22.0</b>

The underlying operating result, described by the earnings before interest, tax, depreciation, amortisation & pension movement, was in line with our financial targets for the year with strong performance across our faculties.

The reduction in EBITDA and pension movement between years is due to three key drivers: the planned growth and investment cycle as we make operating investments across the university, a reduction in the reported donation income between years reflecting timing of income releases and the one-off impact of sourcing student bedspaces ahead of student demand.

SOURCES OF KING'S INCOME

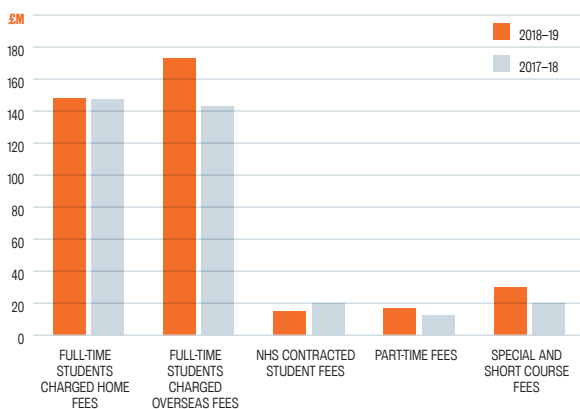


Tuition fees are the largest single source of income comprising 43.6 per cent of total university income for the year. This growth is largely due to an increase in the number of students. This reflects strategic decisions to create a more comprehensive university by growing both home and international student numbers in subjects where there is strong demand from suitably qualified students.

HESA 2018-9 Session Population	Full-time equivalent	%
UG Home	14,118	50%
UG Overseas	3,823	13%
PGT Home	4,578	16%
PGT Overseas	3,453	12%
PGR Home	1,774	6%
PGR Overseas	712	3%
<b>Total Student FTE</b>	<b>28,458</b>	<b>100%</b>

Income from short courses and from growth in the number and proportion of international students at all levels has had a positive impact on fee income. Demand for our programmes continues to be strong, in particular for our King's Business School offering. The reduction in the number of NHS contracted students reflects another cohort graduating from our previous NHS funding regime as new cohorts transition to a funding regime in line with other UK undergraduates.

TUITION FEES AND EDUCATIONAL CONTRACTS

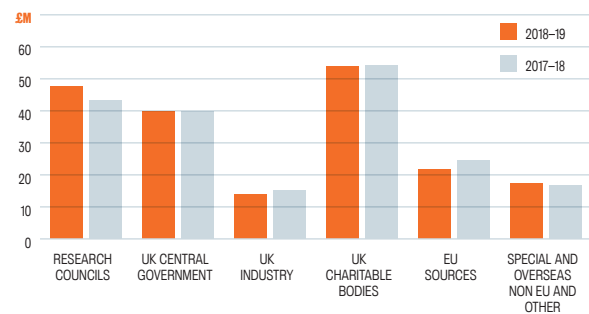


Research income is broadly flat year on year, but the underlying order book shows growth of four per cent/£8m, which will flow into income as the grants go live in future periods.

Research awards and renewals	2018-19	2017-18	Increase/ (decrease)
	£000	£000	£000
Arts & Sciences faculties	52,485	44,449	8,036
Health faculties	179,311	180,236	(925)
Other	1,408	3	1,405
<b>Total King's</b>	<b>233,204</b>	<b>224,688</b>	<b>8,516</b>

We were pleased to see a two per cent increase in the proportion of awards from research councils. A significant proportion of the new awards total is driven by a small number of high-value strategic projects and by high-value Principal Investigator awards. There is a shift towards funding larger strategic initiatives typically involving multiple partners from both the higher education and industry sectors. A continuing drive towards requiring matched investment in either operating costs or research equipment puts pressure on financial margins.

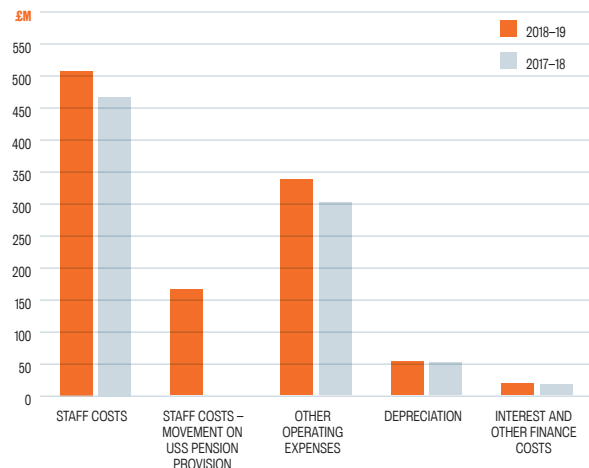
RESEARCH GRANTS AND CONTRACTS



Donation income is lower than in 2017-18, reflecting the normal variability in the timings of philanthropic gifts.

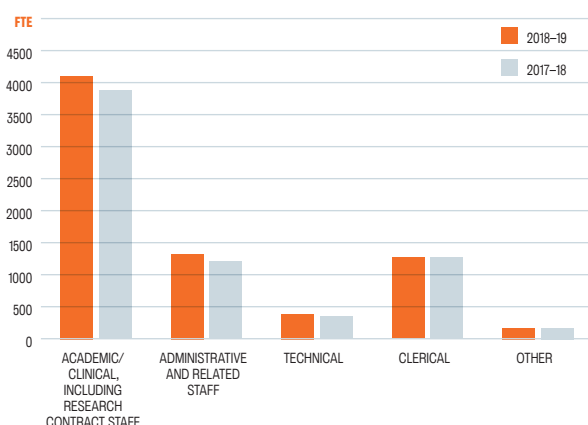
Expenditure

EXPENDITURE



Core staff costs rose by nine per cent/£42m year on year with approximately £18m of this reflecting investment in staff recruitment. The underlying pay bill increased by about five per cent/£24m, including the impact of sector-level agreement on annual pay settlement, local increases in London weighting, together with performance recognition and reward.

AVERAGE STAFF NUMBERS FULL-TIME EQUIVALENTS



Depreciation rose in line with our prior year investments in academic capital developments.

Other operating costs continue to rise in line with activity with the largest rises in premises due to planned rental payments and associated costs rising faster than general inflation. There were also one-off student residence costs due to material accommodation voids during the year as we sought to increase bed stock ahead of student demand.

### Capital investment

The King's estate is an important and valuable asset which enables high-quality teaching and research to take place. Continuing investment in the estate is necessary to maintain and improve educational and research infrastructure and ensure the university has the built environment to enable all staff and students to flourish.

The university has also increased investment in its information technology infrastructure, which is equally important to support its education and research mission, including online learning, lecture capture, data storage and analytics, and high-performance computing, as well as improvements in the enterprise systems, network security and student experience.

The forward capital plan identifies the academic investment needs of the next few years and makes assumptions about the availability of funding to finance this expenditure, including philanthropy, property disposals, capital grants, external finance and partnering arrangements as well as future operating surpluses. No project proceeds unless full funding is in place.

King's has invested £79m in its capital plan during the year.

Capital Investments £m	2018-19	2017-18
Student facilities	21.6	50.8
Infrastructure	28.5	44.7
Research	28.8	38.2
<b>Total Capital Investment</b>	<b>78.9</b>	<b>133.7</b>

We saw the completion and formal opening of our Bush House space in 2019 and the level of investment in capital projects was consequently much lower than the 2017-18 year when the refurbishment project was at peak activity. The Strand community has grown significantly in recent years, and whilst the Bush House buildings have made a real difference, the campus is still very busy, and more improvements are planned.

We commenced the redevelopment of the Strand Quad which will accommodate our plans for general and electronic engineering. When completed towards the end of 2021, the project will provide 3,000m<sup>2</sup> of flexible learning space.

The largest investments during the year were:

	£M
Property acquired from Guy's & St Thomas' Trust	11.0
Stage 1 work on engineering development	7.7
Enterprise systems in Finance, HR and Research	6.5
Refurbishment of research buildings at Denmark Hill	4.5
Gym at Bush House	2.1
Offsite data centre	2.2

### Endowment asset investments

The endowment investments increased during the year from £233.5m to £258.1m. The £25m increase largely reflects market appreciation. Total investment income on endowments was £3m. Performance measured by total return over the year was ahead of the composite benchmark.

Performance for the year to 31 July 2019	%
Actual performance	+12.4
Policy benchmark	+9.4
Value added	+3

The endowment has adopted the following asset allocation policy targets:

Asset allocation	%
Global equity	64
Emerging markets equity	8
Private investments	8
Property	10
Inflation-linked bonds	5
UK gilts and cash	5

The total return spend rate is four per cent using the trailing market value rule applied to the average ending portfolio value over the previous 12 quarters with the proviso that this be reviewed annually in case of abnormal market conditions. The intention is to maintain the real terms value of the endowment over time.

### Treasury management

The university manages day-to-day cash flow through its principal bankers, National Westminster Bank plc. Surplus cash is swept overnight from the current account to an interest-bearing deposit account. Cash in excess of day-to-day liquidity needs is placed in two money market funds run by Royal London Asset Management (RLAM). Up to £50m is placed in the RLAM Cash Plus Fund, and an unlimited amount may be placed in the RLAM Short-Term Money Market Fund.

### Long-term loans

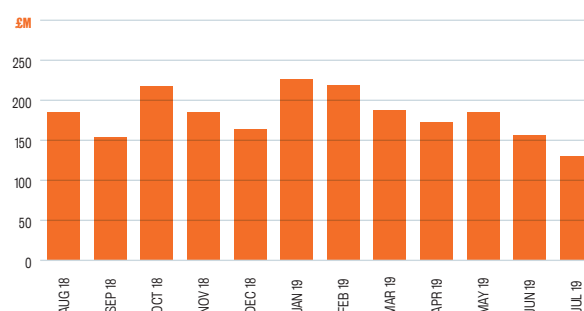
External borrowings £000's	Total	Less than 1 year	More than 1 year
Finance leases	14,669	1,642	13,027
Loans	290,959	4,941	286,018
<b>Total borrowings 2018-19</b>	<b>305,628</b>	<b>6,583</b>	<b>299,045</b>
Total borrowings 2017-18	307,154	6,328	300,826

The university's financial strategy sets internal borrowing limits based on percentage of income and gearing, and the current position is within target.

Borrowing %	31 July 2019	31 July 2018	Limit
External borrowings as a % of income	33.9	36.5	50
External borrowings as a % of total reserves	38.6	32.5	100

The ratio of liquid assets to annual expenditure (excluding depreciation and pension adjustments) was 55 days (83 days in 2017-18). During the year we reviewed our liquidity targets, having regard for our financial strategy and investment plans and put in place a £75m Revolving Credit Facility to provide extra contingency during the next stage of our capital investment plan. This will remain undrawn and brings our operating liquidity to 86 days.

PERIOD END CASH POSITION 2018-19



The profile of cash balances during the year is such that the July closing position stated in the balance sheet is traditionally one of the lowest points in the cycle; cash peaked this year at £226m in January 2019.

Cash balances reduced this year as the planned capital investment in Bush House was completed and we started work on the development of facilities to accommodate our engineering expansion.

Net borrowings £000s	31 July 2019	31 July 2018	Change
Cash and cash equivalents	130,387	180,768	(50,381)
External borrowings less term deposits for loan repayment	(295,532)	(298,446)	2,914
<b>(Net borrowings)</b>	<b>(165,145)</b>	<b>(117,678)</b>	<b>(47,467)</b>

### Pensions

The two main pension schemes in which King's participates are the Universities Superannuation Scheme (USS) and the Superannuation Arrangements for the University of London (SAUL). They are multi-employer, defined-benefit pension schemes.

We continue to seek a sustainable funding solution for the USS pension scheme. The USS trustee concluded the 2017 valuation in January 2019 reporting a past service deficit of £7.5bn. This corresponds, in turn, to deficit recovery contributions of five per cent payable from 1 April 2020 to 30 June 2034.



During the 2017 valuation, alternative proposals were put forward by the Joint Expert Panel. These were considered as part of the 2018 valuation. The USS trustee concluded the 2018 valuation in September 2019 reporting a past service deficit of £3.6bn. This corresponds, in turn, to a deficit recovery contribution of two per cent payable from 1 October 2019 to 30 September 2021, and six per cent payable from 1 October 2021 to 31 March 2028. The overall contribution rate required to fund the current deficit arrangement is 30.7 per cent of pay until October 2021 (9.6 per cent members, 21.1 per cent employers) and 34.7 per cent thereafter (11.0 per cent members, 23.7 per cent employers) subject to a further valuation in 2020.

The accounting standards require us to account for the deficit recovery contributions and plan in place at 31 July 2019. The USS pension provision therefore reflects our share of the 2017 recovery plan resulting in a movement in the pension provision of £167m. If the accounts had been prepared using the 2018 recovery plan the movement in the pension provision would have been £59m. The proforma accounts on the 2018 recovery plan would have been as follows:

2018-19 £000s	2017 plan	2018 plan
Income	901,965	901,965
Expenditure (prior to pension adjustment)	(923,219)	(923,219)
	(21,254)	(21,254)
Pension adjustment	(166,657)	(58,657)
Gain on disposal of fixed assets	9,417	9,417
Gain on endowment investments	24,438	24,438
(Loss)/Gain on property investment	(220)	(220)
<b>Total comprehensive income for the year</b>	<b>(154,276)</b>	<b>(46,276)</b>

There continues to be work within the sector on building a sustainable recovery plan for USS. A further valuation will be undertaken in 2020 which will reflect latest updated market conditions, including revised interest rate, inflation and longevity assumptions. The valuation of pension assets and scheme liabilities will continue to be volatile, reflecting uncertainty in the wider economic environment. King's is committed to working with all stakeholders to ensure we provide high quality, affordable pension schemes for the benefit of all of our staff.

## Prospects and planning outlook

The uncertain policy and economic outlook continue to affect the higher education sector. As for other global institutions, Brexit negotiations make it more challenging to attract the best staff irrespective of domicile and for research intensive universities, access to European and global funding and collaborations is key. So far, King's has seen no downturn in the number of applications to study with us from mainland Europe and dependent upon policy decisions about future tuition fee regimes, our sensitivity analysis indicates that we have financial headroom for some potential reductions in the future.

Demand from well qualified students for our programmes is strong and we have seen an increase in the number of applications for our programmes in the 2018-19 admissions cycle. We had over 53,000 applications for our undergraduate programmes for approximately 6,500 undergraduate places and just under 40,000 applications for approximately 7,000 postgraduate places. Year on year growth in demand was particularly marked for our range of programmes in the King's Business School, with a 20 per cent rise in applications between years. Other areas of growth were in Psychology and Neuroscience and for STEM subjects in the Faculty of Natural & Mathematical Sciences.

Demand from international students has also grown year on year: some of this relating no doubt to the weakness of sterling making it more affordable to live and study in London. We have also seen a 44 per cent increase in the number of applicants from the People's Republic of China, which may have a connection with the US/China trade dispute.

In September, shortly after the end of the year under review, it was announced that the current, restrictive policy on work visas for international students graduating from a UK university will be raised from four months to two years. This is likely to have a positive impact on the level of international applicants in the future.

There have been significant falls in the number of applicants for nursing programmes (a fall of approximately 10,000 in applicants across the sector), following the revised funded policy brought in in 2017-18. Together with potential changes to the status of students from the EU, this could have a significant impact on the availability of suitably qualified healthcare professionals across the UK in future years. The Department of Health and Social Care is currently discussing possible funding options to redress this including the re-introduction of non-repayable grants and/or writing off student loans from prior learning.

For now, some of the recommendations contained in the Review of Higher Education (the Augar review) have been put on hold, but the Office for National Statistics revised the accounting methodology for the treatment of student tuition fee and maintenance loans in December 2018. The revised treatment is likely to add approximately £12bn to the UK annual deficit and may impact the government's views on university and student funding.

For the higher education sector there is additional pressure on employment costs against a background of a number of years of modest pay increases and extra pay pressure related to pension funding.

Finally, in terms of planning, King's regularly monitors and models its financial sustainability against a range of variables, and there are suitable mitigation plans developed for implementation should the need arise.

### Conclusions

There are continuing policy and economic uncertainties affecting King's and the rest of the university sector. Pressure on pension costs and the erosion of the value of the home undergraduate tuition fees mean that inflation on expenditure exceeds income inflation. Against this backdrop King's continues to progress with its Vision 2029 strategy and is rising to the challenge of finding more sustainable and efficient ways of delivering activities to develop greater financial flexibility.

Increasing operating cash surpluses is a crucial component of the forward financial strategy, both for risk management and for investment in King's ambitious academic plans to advance *Vision 2029*. We remain confident the King's community will respond positively to these challenges and continue to deliver quality education and research in the service of society.

**Mr Michael D'Souza**  
*Treasurer*

**Mr Stephen Large**  
*Vice-President (Finance)*



# Corporate governance

The following statement is provided to enable readers of the financial statements of the university to obtain a better understanding of the governance and legal structure of King's.

The university endeavours to conduct its business:

- a. in accordance with the seven principles identified by the Nolan Committee on standards in public life (selflessness, integrity, objectivity, accountability, openness, honesty, leadership); and
- b. in the light of the guidance to universities that has been provided by the Committee of University Chairs in its Guide for Members of Governing Bodies of Universities in the UK.

King's is an independent corporation whose legal status derives from a Royal Charter originally granted in 1829. Its objects, powers and framework of governance are set out in the Charter and supporting Statutes.

The Charter and Statutes require the university to have two bodies, the Council and the Academic Board, each with clearly defined functions and responsibilities, to oversee and manage its activities.

The Council is the supreme governing body responsible for the finance, property, investment and conduct of all affairs of the university including the strategic direction of the institution. The Council has independent members, from whom its Chair and Vice-Chair must be drawn, but also included in its membership are university staff members and the president of the student body. None of the independent members receives any payment, apart from the reimbursement of expenses, for the work that they do for the university.

The Academic Board is the academic authority of the university and draws its membership mainly from the academic staff and the students of the institution. It is the body responsible under delegated authority from the Council for the academic work of the university in teaching, examining and research. The Academic Board recommends major policy changes to the Council.

Although the Council meets at least five times each academic year, most of its detailed business is handled by committees, in particular, a Finance Committee; an Audit, Risk & Compliance Committee; a Remuneration Committee; an Estates Strategy Committee; and a Governance & Nominations Committee. The Council also has a Chairs' Committee, comprised primarily of the Chairs of the key standing committees, to take urgent decisions between ordinary meetings when convening a special meeting of Council is not possible.

Each of these committees is formally constituted with written terms of reference and specified membership, including a significant proportion of independent members, from whom the Chairs are drawn. Each reports regularly to the Council.

The Finance Committee inter alia recommends to Council the university's annual revenue and capital budgets and monitors performance in relation to the approved budgets. It also approves comprehensive Financial Regulations for the conduct of the financial affairs of the university.

The Audit, Risk & Compliance Committee is responsible for meeting at least once annually with the external auditor to discuss audit findings, and with the internal auditors to consider detailed internal audit reports and recommendations for the improvement of the university's systems of internal control, together with management's response and implementation plans. It receives and considers reports from the Office for Students (OfS) as they affect the university's business and receives reports from other statutory, regulatory or funding agencies concerning the university's compliance with relevant legislation and standards. It also reviews accounting policies and any major changes to the university's accounting principles and practice that are brought to its attention by the external auditor, internal audit or management.

The Remuneration Committee determines the annual remuneration of the President & Principal, Senior Vice-Presidents & Provosts and Vice-President & Vice-Principals. The university follows the guidelines laid out in the Committee of University Chairs higher education remuneration code.

The principal academic and executive officer of King's is the President & Principal, who has a general responsibility to the Council for ensuring that the objects of the university are fulfilled and for maintaining and promoting the efficiency, discipline and good order of the university. The President & Principal is also, under the OfS Terms and Conditions of Funding, the designated Accountable Officer of the university and in that capacity can be summoned to appear before the Public Accounts Committee of the House of Commons.

The Ordinances of the university specify that the College Secretary should act as Secretary of the Council. Any enquiries about the constitution and governance of the university should be addressed to the College Secretary.

# Statement of internal control

The Council, as the governing body of the university, has responsibility for maintaining a sound system of internal control that supports the achievement of policies, aims and objectives, while safeguarding the public and other funds and assets for which the Council is responsible, in accordance with the responsibilities assigned to the governing body in the Charter and Statutes and the OfS Terms and Conditions of Funding for Higher Education Institutions.

The system of internal control is designed to manage rather than eliminate the risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an ongoing process designed to identify the principal risks; to evaluate the nature and extent of those risks; and to manage them efficiently and effectively. This process was in place for the year ended 31 July 2019 and up to the date of the approval of the financial statements. It accords with the OfS Terms and Conditions of Funding which were in place for the 2018-19 academic year and also with those which are now in place for the 2019-20 year.

The Council has responsibility for reviewing the effectiveness of the system of internal control. The following processes have been established:

- The Council considers the plans and strategic direction of the university on an annual basis.
- The Audit, Risk & Compliance Committee independently reviews the effectiveness of internal control systems and the risk-management process.
- The Council receives termly reports from the Chair of the Audit, Risk & Compliance Committee concerning issues of risk, internal controls and their effectiveness, which are informed by regular reports from Vice-Presidents and other senior managers on the steps they are taking to manage risks in their areas of responsibility, including progress reports on key projects.
- An Enterprise Risk Management Committee, comprising the whole of the Senior Management Team and chaired by the Senior Vice-President (Operations), meets once a term to provide executive management oversight of the control of risk at the university. The annual programme of work for this committee includes consideration of reports from faculties, functions and the key risk owners in the university.
- The Audit, Risk & Compliance Committee reports to Council its findings in respect of the effectiveness of the risk-management process. This is informed by a termly report from the Enterprise Risk Management Committee which contains updates to the corporate risk register and risk-appetite statements, along with any other relevant developments in the control of risk at the university.
- The Audit, Risk & Compliance Committee receives regular reports from the Department of Business Assurance on the effectiveness of internal controls based on work undertaken in accordance with its approved internal audit plan.
- The business planning process requires heads of faculties and functional leads to identify and keep up-to-date the record of risks facing the university. They are required to report on their internal control activities to the Enterprise Risk Management Committee.
- A programme of risk-awareness training is carried out and is linked to the business planning process.
- The university has developed a suite of key performance indicators (KPIs), allowing the Council to monitor progress towards the achievement of strategic objectives. The corporate risk register makes clear links to relevant KPIs.
- The university has an Internal Audit Unit, as part of the Department of Business Assurance, which sits within the College Secretariat. The Internal Audit Unit operates to standards defined within the Audit Code of Practice, which was appended to the OfS Terms and Conditions of Funding for Higher Education Institutions in 2018-19 and had previously been the audit standard set by the Higher Education Funding Council for England (HEFCE) Memorandum of Assurance and Accountability. The university will continue to operate to these standards as a guide for best practice.
- The Internal Audit Unit submits regular reports to the Audit, Risk & Compliance Committee that include an independent opinion on the adequacy and effectiveness of the university's system of internal control, together with recommendations for improvement.
- The Council receives annual reports from the Audit, Risk & Compliance Committee and the Director of Business Assurance. Each report contains an opinion which includes an assessment of the effectiveness and adequacy of the overall system of internal control and the management of risk.

The Council's full review of the effectiveness of the system of internal control for the year ended 31 July 2019 was informed by the Audit, Risk & Compliance Committee, and the work of the Department of Business Assurance, and by reports of the executive managers within the university who have responsibility for the development and maintenance of the internal control framework. It was also informed by comments made by the external auditor in its management letter and other reports.

# Statement of Council responsibilities in respect of the financial statements

In accordance with the Royal Charter, the Council of King's College London is responsible for the administration and management of the affairs of the university; it requires audited financial statements to be presented for each financial year.

The Council is responsible for preparing the financial statements in accordance with the requirements of the Office for Students' Terms and conditions of funding for higher education institutions and Research England's Terms and conditions of Research England grant and applicable law and regulations.

It is required to prepare group and parent university financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland. The terms and conditions of funding further require the financial statements to be prepared in accordance with the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education, in accordance with the requirements of the Accounts Direction issued by the Office for Students. The Council is required to prepare financial statements that give a true and fair view of the state of affairs of the group and parent university and of their income and expenditure, gains and losses and changes in reserves for that period.

In preparing each of the group and parent university financial statements, the Council is required to:

- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- assess the group and parent university's ability to continue as a going concern, disclosing, as applicable, matters related to going concern, and
- use the going concern basis of accounting unless it either intends to liquidate the group or the parent university or to cease operations, or has no realistic alternative but to do so.

The Council is responsible for keeping proper accounts and proper records in relation to the accounts. It is responsible for such internal control as it determines necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and has general responsibility for taking such steps as are reasonably open to it to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

The Council is also responsible for ensuring that:

- funds from whatever source administered by the group or the university for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation
- funds provided by the Office for Students and Research England have been applied in accordance with the terms and conditions attached to them
- there are appropriate financial and management controls in place to safeguard public funds and funds from other sources, and
- the economical, efficient and effective management of the university's resources and expenditure are secured.

The Council is responsible for the maintenance and integrity of the corporate and financial information included on the university's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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

- clear definitions of the responsibilities of, and the authority delegated to, heads of academic and administrative departments
- a comprehensive medium- and short-term planning process, supplemented by detailed annual income, expenditure, capital and cash flow budgets
- regular reviews of academic and non-academic performance and quarterly reviews of financial results involving variance reporting and updates of forecast outturns
- clearly defined and formalised requirements for approval and control of expenditure, with investment decisions involving capital or revenue expenditure being subject to formal detailed appraisal and review according to approval levels set by the Council
- comprehensive Financial Regulations, detailing financial controls and procedures, approved by the Finance Committee under delegated authority from the Council
- a professional independent internal audit team whose annual programme is approved by the Audit, Risk & Compliance Committee and endorsed by the Council and whose head provides the Council with a report on internal audit activity within the university and an opinion on the adequacy and effectiveness of the university's system of internal control, including internal financial control. Any system of internal financial control can, however, only provide reasonable, not absolute, assurance against material misstatement or loss.

# Independent auditor's report to the Council of King's College London

## Report on the audit of the financial statements

### Opinion

We have audited the financial statements of King's College London ("the University") for the year ended 31 July 2019 which comprise the Consolidated Statement of Comprehensive Income and Expenditure, Consolidated and University Statement of Changes in Reserves, Consolidated and University Balance Sheets, Consolidated Statement of Cash Flows and related notes, including the Statement of Principal Accounting Policies.

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the University's affairs as at 31 July 2019, and of the Group's and the University's income and expenditure, gains and losses and changes in reserves, and of the Group's cash flows, for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland, and with the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education; and
- meet the requirements of the Accounts Direction dated 19 June 2018 issued by the Office for Students, other than where the University has applied the allowance to early adopt the requirements of paragraph 12(d) of the Accounts Direction for periods beginning on or after 1 August 2019 as published on 25 October 2019.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

### The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the University, and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the group's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the group's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a University and this is particularly the case in relation to Brexit.

### Going concern

The Council has prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the University or to cease their operations, and as they have concluded that the Group and the University's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ('the going concern period').

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the Council's conclusions, we considered the inherent risks to the Group's business model, including the impact of Brexit, and analysed how those risks might affect the Group and the University's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Group or the University will continue in operation.

### Other information

The Council is responsible for the other information, which comprises the Operating and Financial Review, Corporate Governance Statement and Statement of Internal Control. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work, we have not identified material misstatements in the other information.

#### Council responsibilities

As explained more fully in their statement set out on page 19, the Council is responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent University's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless it either intends to liquidate the Group or the parent University or to cease operations, or has no realistic alternative but to do so.

#### Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities)

#### Report on other legal and regulatory requirements

We are required to report on the following matters under the Office for Students and Research England Audit Codes of Practice issued under the Further and Higher Education Act 1992.

In our opinion, in all material respects:

- ♦ funds from whatever source administered by the Group or the University for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation;
- ♦ income has been applied in accordance with the University's Statutes; and
- ♦ funds provided by the Office for Students and Research England have been applied in accordance with the terms and conditions attached to them.

#### The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Council, in accordance with the Articles and Statutes of the institution. Our audit work has been undertaken so that we might state to the 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 for our audit work, for this report, or for the opinions we have formed.

#### Fleur Nieboer

for and on behalf of KPMG LLP, Statutory Auditor  
Chartered Accountants  
15 Canada Square  
London  
E14 5GL

November 2019



# Statement of principal accounting policies

## 1. Accounting convention

These financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP) – Accounting for Further and Higher Education (2015) and applicable accounting standards. The university is a public-benefit entity and has therefore applied the relevant public-benefit requirement of the applicable accounting standards. The financial statements have been prepared under the historical cost convention, as modified by the revaluation of endowment asset investments.

## 2. Basis of consolidation

The consolidated financial statements consolidate the financial statements of King's and all its subsidiary undertakings for the financial year to 31 July.

The consolidated financial statements do not include those of the King's College London Students' Union, in which the university has no financial interest and no control or significant influence over policy decisions.

## 3. Recognition of income

Income from the sale of goods or services is credited to the Consolidated Statement of Comprehensive Income and Expenditure when the goods or services are supplied to the external customers or the terms of the contract have been satisfied.

Student-fee income is stated net of any expenditure that is a discount and credited to the Consolidated Statement of Comprehensive Income and Expenditure over the period in which students are studying.

Funds the university receives and disburses as paying agent on behalf of a funding body are excluded from the income and expenditure of the university where the university is exposed to minimal risk or enjoys minimal economic benefit related to the transaction.

Government grants including funding council block grant, research grants from government sources, and other grants and donations from non-government sources (including research grants) are recognised within the Consolidated Statement of Comprehensive Income and Expenditure when the university is entitled to the income and performance-related conditions have been met.

Income received in advance of performance-related conditions is deferred on the balance sheet and released to the Consolidated Statement of Comprehensive Income and Expenditure in line with such conditions being met.

Non-exchange transactions without performance-related conditions are donations and endowments. Donations and endowments with donor-imposed restrictions are recognised within the Consolidated Statement of Comprehensive Income and Expenditure when the university is entitled to the income.

Income is retained within the restricted reserve until such time as it is used in line with the restrictions, at which point the income is released to general reserves through a reserve transfer.

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

The university operates a total return endowment investment management policy for permanent endowments. This allows the spending of permanent endowment investment gains regardless of whether they are realised or unrealised capital gains or dividend and interest income. The Investment Subcommittee has adopted a total return spending rate of four per cent applied to the average ending portfolio valuation over the previous 12 quarters.

Donations with no restrictions are recorded in the Consolidated Statement of Comprehensive Income and Expenditure when the university is entitled to the income.

Donations and endowments with restrictions are classified as restricted reserves with additional disclosure provided in the notes to the accounts.

There are four main types of donations and endowments with restrictions, which are:

- restricted donations – the donor has specified that the donation must be used for a particular objective
- unrestricted permanent endowments – the donor has specified that the fund is to be permanently invested to generate income for the general benefit of the university
- restricted expendable endowments – the donor has specified a particular objective other than the purchase or construction of tangible fixed assets, and the university can convert the donated sum into income
- restricted permanent endowments – the donor has specified that the fund is to be permanently invested to generate income to be applied to a particular objective.

Capital grants are recorded in income when the university is entitled to the income subject to any performance-related conditions being met.

Investment income from short-term deposits is included in the Consolidated Statement of Comprehensive Income and Expenditure on a receivable basis.

#### 4. Accounting for retirement benefits

The two principal pension schemes in which the university participates are the Universities Superannuation Scheme (USS) and the Superannuation Arrangements of the University of London (SAUL). The schemes are defined-benefit schemes that are externally funded and contracted out of the Second State Pension. The schemes are valued at least every three years by professionally qualified and independent actuaries.

#### 5. Employment benefits

Short-term employment benefits such as salaries and compensated absences are recognised as an expense in the year in which the employees render service to the university. Any unused benefits are accrued and measured as the additional amount the university expects to pay as a result of the unused entitlement.

#### 6. Finance leases

Leases in which the university assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Leased assets acquired by way of finance lease are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses.

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

#### 7. Operating leases

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

#### 8. Foreign currencies

Transactions denominated in foreign currencies are translated to sterling 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 retranslated to sterling at the foreign-exchange rate ruling at that date. Foreign-exchange differences arising on translation are recognised in the Consolidated Statement of Comprehensive Income and Expenditure. The resulting exchange differences are dealt with in the determination of income and expenditure for the financial year.

#### 9. Fixed assets

Fixed assets are stated at cost less accumulated depreciation.

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

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

Freehold land is not depreciated, as it is considered to have an indefinite useful life. Freehold buildings are depreciated on a straight-line basis over their expected useful lives of 50 years, and 100 years in respect of new-build property.

Leasehold land is depreciated over the life of the lease.

No depreciation is charged on assets in the course of construction.

Equipment, including computers and software, costing less than £25,000 per individual item or group of related items is written off in the year of acquisition. All other equipment is capitalised.

Capitalised equipment is stated at cost and depreciated over its expected useful life of five years, and 15 years in respect of plant. Capitalised leased equipment is stated at cost and depreciated over its expected useful life of 15 years.

Depreciation methods, useful lives and residual values are reviewed during the preparation of each balance sheet.

Borrowing costs are recognised as an expense in the Consolidated Statement of Comprehensive Income and Expenditure in the period in which they are incurred.

#### 10. Heritage assets

Heritage assets are books, manuscripts, specimens, objects or other assets that have historic, scientific, artistic, technological, geophysical or environmental qualities and are held and maintained principally for their contribution to knowledge and culture.

In so far as heritage assets are used as operational assets, as in the case of historic buildings, they are capitalised in accordance with the policies set out in point 9 above. Other heritage assets – principally printed materials, pictures and objects of scientific interest – are, for individual items exceeding £25,000, capitalised at cost or valuation on acquisition, but only where a reliable valuation is available. Valuations reflect any impairment or restrictions on use of the assets by the university. No assets acquired prior to 1 August 2000 have been capitalised, as reliable information concerning their cost or value on acquisition is not available.

Descriptions of the principal heritage assets held are set out in note 13 to the accounts.

### 11. Investment properties

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

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

### 12. Investments

Endowment asset investments are included in the balance sheet at market value.

Current asset investments are included at the lower of cost or net realisable value.

Unquoted investments are held at cost or impaired value.

### 13. Cash and cash equivalents

Cash includes cash in hand, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are in practice available within 24 hours without penalty. No investments, however liquid, are included as cash.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value. They include term deposits, government securities and loan stock held as part of the university's treasury management activities. They exclude any such assets held as endowment asset investments.

### 14. Taxation status

The university is an exempt charity within the meaning of Part 3 of the Charities Act 2011 and as such is a charity within the meaning of Paragraph 1 of Schedule 6 to the Finance Act 2010. Accordingly, the university is potentially exempt from taxation in respect of income or capital gains received within categories covered by Sections 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 to exclusively charitable purposes. The university receives no similar exemption in respect of Value Added Tax but is unable to recover input tax incurred on the majority of its expenditure, most education and research being VAT-exempt activity. Irrecoverable VAT is included in the cost of the goods or services.

The university's subsidiary companies are subject to corporation tax and VAT in the same way as any other commercial organisation. However, no provision has been made for deferred tax on the grounds that the taxable profits of the subsidiary companies are gift-aided back to King's.

### 15. Provisions

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

King's regularly reviews the risks inherent in its educational and research activities and makes financial provision where appropriate.

In addition, the university operates its halls of residence on a self-financing basis and provides annually for the cost of long-term maintenance and regular refurbishment.



# Consolidated statement of comprehensive income and expenditure

For the year ended 31 July 2019

	Note	Consolidated		University	
		2018-19 £000	2017-18 £000	2018-19 £000	2017-18 £000
<b>Income</b>					
Tuition fees and education contracts	1	393,788	342,253	393,788	342,253
Funding body grants	2	128,301	123,889	128,301	123,889
Research grants and contracts	3	194,681	194,417	194,681	194,417
Other income	4	163,941	148,768	163,942	148,796
Investment income	5	5,123	6,190	5,119	6,189
Total income before donations and endowments		885,834	815,517	885,831	815,544
Donations and endowments	6	16,131	25,513	16,131	25,570
Total income		901,965	841,030	901,962	841,114
<b>Expenditure</b>					
Staff costs	7	(512,634)	(470,959)	(507,493)	(466,934)
Staff costs – movement on USS pension provision	7, 20	(166,657)	–	(166,657)	–
Other operating expenses		(339,403)	(302,540)	(344,725)	(306,750)
Depreciation	12	(53,463)	(51,797)	(53,420)	(51,696)
Interest and other finance costs	9	(17,719)	(17,129)	(17,719)	(17,129)
Total expenditure	10	(1,089,876)	(842,425)	(1,090,014)	(842,509)
<b>Surplus/(deficit) before other gains and losses</b>		(187,911)	(1,395)	(188,052)	(1,395)
Gain on disposal of fixed assets		9,417	–	9,417	–
Gain on endowment investments	23	24,438	19,811	24,438	19,811
Gain/(loss) on property investment	14	(220)	5,581	(220)	5,581
<b>Surplus/(deficit) before tax</b>		(154,276)	23,997	(154,417)	23,997
Taxation	11	–	–	–	–
<b>Surplus/(deficit) for the year</b>		(154,276)	23,997	(154,417)	23,997
Actuarial loss in respect of pension schemes		–	(2,029)	–	(2,029)
<b>Total comprehensive income for the year</b>		(154,276)	21,968	(154,417)	21,968
<b>Represented by:</b>					
Endowment comprehensive income for the year	23	24,612	19,968	24,612	19,968
Restricted comprehensive income for the year	22	15,448	(3,945)	15,448	(3,945)
Unrestricted comprehensive income for the year	24	(194,336)	5,945	(194,477)	5,945
		(154,276)	21,968	(154,417)	21,968

The consolidated income and expenditure of the university and its subsidiaries relates wholly to continuing operations.

There is no difference between the surplus/(deficit) stated above and the historical cost equivalent.

The notes from page 29 onwards form part of the financial statements.

# Consolidated and university statement of changes in reserves

For the year ended 31 July 2019

<b>Consolidated</b>	<b>Income and expenditure account</b>			<b>Total</b>
	<b>Endowment</b> £000	<b>Restricted</b> £000	<b>Unrestricted</b> £000	£000
<b>Balance at 1 August 2017</b>	213,494	8,639	701,755	923,888
Surplus/(deficit) for the year	19,968	13,241	(11,241)	21,968
Release of restricted capital funds spent in year	–	(17,186)	17,186	–
<b>Total comprehensive income for the year</b>	19,968	(3,945)	5,945	21,968
<b>Balance at 1 August 2018</b>	233,462	4,694	707,700	945,856
Surplus/(deficit) for the year	24,612	15,448	(194,336)	(154,276)
<b>Total comprehensive income for the year</b>	24,612	15,448	(194,336)	(154,276)
Release of restricted capital funds spent in year	–	(15,928)	15,928	–
<b>Balance at 31 July 2019</b>	<b>258,074</b>	<b>4,214</b>	<b>529,292</b>	<b>791,580</b>

<b>University</b>	<b>Income and expenditure account</b>			<b>Total</b>
	<b>Endowment</b> £000	<b>Restricted</b> £000	<b>Unrestricted</b> £000	£000
<b>Balance at 1 August 2017</b>	213,494	8,639	704,087	926,220
Surplus/(deficit) for the year	19,968	13,241	(11,241)	21,968
Release of restricted capital funds spent in year	–	(17,186)	17,186	–
<b>Total comprehensive income for the year</b>	19,968	(3,945)	5,945	21,968
<b>Balance at 1 August 2018</b>	233,462	4,694	710,032	948,188
Surplus/(deficit) for the year	24,612	15,448	(194,477)	(154,417)
<b>Total comprehensive income for the year</b>	24,612	15,448	(194,477)	(154,417)
Release of restricted capital funds spent in year	–	(15,928)	15,928	–
<b>Balance at 31 July 2019</b>	<b>258,074</b>	<b>4,214</b>	<b>531,483</b>	<b>793,771</b>

The notes from page 29 onwards form part of the financial statements.

# Consolidated and university balance sheets

As at 31 July 2019

	Note	Consolidated		University	
		2018-19 £000	2017-18 £000	2018-19 £000	2017-18 £000
<b>Non-current assets</b>					
Tangible assets	12	1,048,126	1,029,939	1,050,067	1,031,920
Investments	14	68,690	68,764	68,690	68,764
Endowment investments	15	258,074	233,462	258,074	233,462
		<u>1,374,890</u>	<u>1,332,165</u>	<u>1,376,831</u>	<u>1,334,146</u>
<b>Current assets</b>					
Trade and other debtors	16	149,235	100,908	149,457	101,063
Cash and cash equivalents		130,387	180,768	128,800	179,462
		<u>279,622</u>	<u>281,676</u>	<u>278,257</u>	<u>280,525</u>
<b>Less: creditors: amounts falling due within one year</b>	17	<u>(311,162)</u>	<u>(276,982)</u>	<u>(309,547)</u>	<u>(275,480)</u>
<b>Net current assets/(liabilities)</b>		<u>(31,540)</u>	<u>4,694</u>	<u>(31,290)</u>	<u>5,045</u>
Total assets less current liabilities		<u>1,343,350</u>	<u>1,336,859</u>	<u>1,345,541</u>	<u>1,339,191</u>
<b>Creditors: amounts falling due after more than one year</b>	18	<u>(308,510)</u>	<u>(312,549)</u>	<u>(308,510)</u>	<u>(312,549)</u>
<b>Provisions</b>					
Pension provisions	20	(238,607)	(73,801)	(238,607)	(73,801)
Other provisions	21	(4,653)	(4,653)	(4,653)	(4,653)
<b>Total net assets</b>		<u>791,580</u>	<u>945,856</u>	<u>793,771</u>	<u>948,188</u>
<b>Restricted reserves</b>					
Income and expenditure reserve – endowment reserve	23	258,074	233,462	258,074	233,462
Income and expenditure reserve – restricted reserve	22	4,214	4,694	4,214	4,694
<b>Unrestricted reserves</b>					
Income and expenditure reserve – unrestricted	24	529,292	707,700	531,483	710,032
<b>Total reserves</b>		<u>791,580</u>	<u>945,856</u>	<u>793,771</u>	<u>948,188</u>

The financial statements on pages 22 to 46 were approved by the Council on 26 November 2019 and signed on its behalf by:

**The Rt Hon the Lord Geidt**  
Chairman of Council

**Professor Edward Byrne**  
President & Principal

**Mr Michael D'Souza**  
Treasurer

# Consolidated statement of cash flows

For the year ended 31 July 2019

	<i>Note</i>	<b>2018-19</b> £000	<b>2017-18</b> £000
<b>Cash flow from operating activities</b>			
Surplus/(deficit) for the year		(154,276)	23,997
<b>Adjustment for non-cash items</b>			
Depreciation	12	53,463	51,797
(Gain)/loss on property investment	14	220	(5,581)
(Gain)/loss on endowment investments	15	(24,438)	(19,811)
(Increase)/decrease in debtors		(48,327)	3,917
Increase/(decrease) in creditors		33,925	20,552
(Decrease) in lease premium on development property		(870)	(880)
Write down in value of investments	14	800	800
Increase/(decrease) in pension provisions	20	163,175	(4,822)
<b>Adjustment for investing or financing activities</b>			
Investment income	5	(5,123)	(6,190)
Interest payable	9	17,719	17,129
Endowment income	6	(2,791)	(1,666)
(Gain)/loss on disposal of fixed assets		(9,417)	–
Brought forward asset under construction balances written-off		5,578	–
Capital grant income	3, 6	(11,234)	(13,241)
<b>Net cash inflow from operating activities</b>		<b>18,404</b>	<b>66,001</b>
<b>Cash flows from investing activities</b>			
Proceeds from sale of endowment asset investments	15	30,708	54,270
Capital grants receipts	3, 6	11,234	13,241
Investment income	5	5,123	6,190
Payments made to acquire fixed assets		(69,464)	(133,747)
New non-current asset investments	14	(946)	301
New non-current endowment asset investments	15	(30,114)	(68,533)
Endowment asset investments increase in cash balances	15	768	14,106
		(52,691)	(114,172)
<b>Cash flows from financing activities</b>			
Interest paid		(14,253)	(11,429)
Lease premium repayment		–	(249)
Interest element of finance lease payments		(1,567)	(1,637)
Endowment cash received	6	2,791	1,666
Repayments of amounts borrowed		(1,609)	(4,445)
Capital element of finance lease payments		(1,456)	(1,225)
		(16,094)	(17,319)
<b>Decrease in cash and cash equivalents in the year</b>		<b>(50,381)</b>	<b>(65,490)</b>
Cash and cash equivalents at beginning of the year		180,768	246,258
Cash and cash equivalents at end of the year		130,387	180,768
<b>Decrease in cash and cash equivalents in the year</b>		<b>(50,381)</b>	<b>(65,490)</b>

The notes from page 29 onwards form part of the financial statements.

# Notes to the accounts

For the year ended 31 July 2019

## 1. Tuition fees and education contracts

	Consolidated and University	
	2018-19 £000	2017-18 £000
Full-time students charged home fees	147,471	146,644
Full-time students charged overseas fees	172,102	142,575
NHS contracted student fees	14,968	20,121
Part-time fees	17,091	12,794
Special and short course fees	29,943	20,039
Research studentship and support grants	12,213	80
	<b>393,788</b>	<b>342,253</b>

## 2. Funding body grants

	Consolidated and University	
	2018-19 £000	2017-18 £000
Funding body teaching grants	39,923	38,896
Funding body research grants	69,347	68,815
Other funding body grants	8,797	6,597
Funding body capital grants	10,234	9,581
	<b>128,301</b>	<b>123,889</b>

## 3. Research grants and contracts

	Consolidated and University	
	2018-19 £000	2017-18 £000
Research councils	47,826	43,474
Research & Development Expenditure Credit Scheme	–	159
UK central government, local authorities, health and hospital authorities	39,888	39,858
UK industry, commerce and public corporations	13,972	15,282
UK charitable bodies	54,042	54,407
EU government	16,729	19,856
EU charities, industry and other	4,927	4,823
Overseas non EU	16,248	15,360
Other	1,049	1,198
	<b>194,681</b>	<b>194,417</b>

## 4. Other income

	Consolidated		University	
	2018-19 £000	2017-18 £000	2018-19 £000	2017-18 £000
Academic departments costs reimbursed by NHS	13,298	14,727	13,298	14,727
Clinical excellence awards reimbursed by NHS	7,740	7,173	7,740	7,173
Residences, catering and conferences	59,571	52,048	59,571	52,048
Services rendered to NHS and related bodies	16,525	14,136	16,525	14,136
Self-financing activities	17,806	24,701	17,806	24,701
Gift aid payments from subsidiaries	–	–	22	–
Research councils studentship grants	–	8,588	–	8,588
Other income	49,001	27,395	48,980	27,423
	<b>163,941</b>	<b>148,768</b>	<b>163,942</b>	<b>148,796</b>

**5. Investment income**

	Consolidated		University	
	2018-19 £000	2017-18 £000	2018-19 £000	2017-18 £000
Income on restricted permanent endowments ( <i>note 23</i> )	2,379	3,003	2,379	3,003
Income on restricted expendable endowments ( <i>note 23</i> )	651	703	651	703
Other investment income	–	972	–	972
Other interest receivable	2,093	1,512	2,089	1,511
	<b>5,123</b>	<b>6,190</b>	<b>5,119</b>	<b>6,189</b>

**6. Donations and endowments**

	Consolidated		University	
	2018-19 £000	2017-18 £000	2018-19 £000	2017-18 £000
Capital grants	1,000	3,660	1,000	3,660
New endowments ( <i>note 23</i> )	2,791	1,666	2,791	1,666
Donations with restrictions	7,024	7,622	7,024	7,622
Unrestricted donations	5,316	12,565	5,316	12,622
	<b>16,131</b>	<b>25,513</b>	<b>16,131</b>	<b>25,570</b>

**7. Staff**

	Consolidated		University	
	2018-19 £000	2017-18 £000	2018-19 £000	2017-18 £000
<b>Staff costs:</b>				
Wages and salaries	384,213	359,054	379,834	356,093
Redundancy payments	1,627	1,967	1,627	1,967
Social security costs	39,754	36,850	39,309	36,513
Pension contributions relating to current year service ( <i>note 26</i> )	56,489	49,475	56,229	49,280
Permanently employed	482,083	447,346	476,999	443,853
Agency and contract staff costs	30,551	23,613	30,494	23,081
Staff costs (excluding pension provision)	<b>512,634</b>	<b>470,959</b>	<b>507,493</b>	<b>466,934</b>
Movement on USS pension provision	166,657	–	166,657	–
Staff costs	<b>679,291</b>	<b>470,959</b>	<b>674,150</b>	<b>466,934</b>

Agency and contract staff costs include amounts charged by third parties, including NHS trusts, for contractors and job holders who are not directly employed by the university.

Redundancy payments have been made to 222 individuals as compensation for loss of office during 2018-19 (2017-18 230 individuals).

	2018-19 Number	2017-18 Number
<b>Average staff numbers, expressed as full-time equivalents:</b>		
Academic/clinical, including research contract staff	4,118	3,887
Administrative and related staff	1,333	1,216
Technical	402	356
Clerical	1,279	1,278
Other	174	181
	<b>7,306</b>	<b>6,918</b>

**7. Staff (continued)**

Remuneration of higher-paid staff, excluding employer's pension contributions and salary reimbursed by the NHS:

	2018-19 Total number	2017-18 Total number
£100,001-£105,000	45	41
£105,001-£110,000	36	33
£110,001-£115,000	35	27
£115,001-£120,000	22	17
£120,001-£125,000	25	17
£125,001-£130,000	14	7
£130,001-£135,000	7	12
£135,001-£140,000	12	10
£140,001-£145,000	8	12
£145,001-£150,000	10	6
£150,001-£155,000	7	7
£155,001-£160,000	7	5
£160,001-£165,000	6	5
£165,001-£170,000	6	3
£170,001-£175,000	1	2
£175,001-£180,000	2	1
£180,001-£185,000	3	1
£185,001-£190,000	2	3
£190,001-£195,000	2	-
£195,001-£200,000	1	1
£200,001-£205,000	3	-
£205,001-£210,000	-	3
£210,001-£215,000	2	1
£215,001-£220,000	-	2
£220,001-£225,000	2	-
£225,001-£230,000	1	2
£230,001-£235,000	3	1
£235,001-£240,000	2	-
£255,001-£260,000	1	1
£275,001-£280,000	-	1
£305,001-£310,000	1	-
£315,001-£320,000	1	-
	267	221

The accounts include a total amount of £164k in severance payments made to one higher-paid employee (including the cost of additional pension benefits purchased by the university) for 2019 (2018–none, £0).

The President & Principal has been excluded from the disclosure on the basis that their remuneration is disclosed separately in the Note below.

## 7. Staff (continued)

	2018-19 Number	2018-19 £000	2017-18 Number	2017-18 £000
Key management personnel staff costs	11	2,134	11	2,110

Key Management Personnel comprises the Senior Officers of the university ([kcl.ac.uk/aboutkings/principal/seniorofficers](http://kcl.ac.uk/aboutkings/principal/seniorofficers)) and includes the President & Principal.

## President &amp; Principal's pay statement

**Context:** King's is a world-class institution which aspires to the very highest standards of education and research. The university is a member of the Russell Group and is one of the world's leading research-intensive universities with a global reputation for excellence. The university's Remuneration Policy for Senior Post Holders recognises that King's recruits from a global talent pool in selecting its President & Principal and that different pay models operate across universities in countries from which King's may seek to recruit. Indeed, the current President & Principal was recruited from a high-ranking institution in Australia.

**Value:** President & Principal Professor Edward Byrne has provided outstanding leadership to King's since his arrival in 2014. Under his leadership, King's has embarked on an ambitious programme of strategic growth through implementation of *Vision 2029*. In the last few years a number of key initiatives have come to fruition including the acquisition and development of Bush House as a key part of campus infrastructure, the opening of the King's Business School (which since its opening a short three years ago has risen to the rank of second in the UK), the reinvigoration of engineering within King's and through a significant collaboration with international partners, and the growth and diversification of King's student body at undergraduate and graduate levels – both in terms of the number of international students and BAME representation. He has led King's to greater focus on its role as a civic institution, with promotion of civic engagement and community outreach becoming critical elements of the university's strategic plans and its day-to-day activities.

Professor Byrne is a leader in higher education in the UK and internationally: He served as Deputy Vice-Chancellor of the University of London until the end of July 2019 and was named Chair of the Council of the Association of Commonwealth Universities in August 2019. He is frequently called upon by government to provide input into key issues.

At Professor Byrne's request his salary has been frozen since 2014 and he has declined any bonus payment.

**Performance review process:** Professor Byrne's performance is reviewed on an annual basis by the Council's Remuneration Committee, which is a standing committee of Council, chaired by the Vice-Chair of the Council and including in its membership the Chair of Council and three additional independent members of Council. In addition the Committee is currently advised by a remunerations expert from PwC in accordance with the guidance published by the Committee of University Chairs (CUC) that committees have access to independent expertise. The annual performance review is based on progress toward a set of key performance indicators mutually agreed at the beginning of each academic year. The Council's Remuneration Policy is compliant with CUC guidance.

	2018-19 £000	2017-18 £000
<b>Emoluments of the President &amp; Principal:</b>		
Salary	350	350
Benefits-in-kind	–	8
Accommodation	40	40
	390	398
Pension scheme contributions	65	63
<b>Total emoluments of the President &amp; Principal</b>	<b>455</b>	<b>461</b>

The pension contributions for the President & Principal paid in respect of employer's contributions to the Universities Superannuation Scheme are paid at the same rate as for other employees. In accordance with his contract of employment, the President & Principal is required to live in university-provided accommodation for the better performance of his duties. The Principal makes a personal contribution towards running costs.

We have estimated the cost of the Principal's accommodation based on a review of the open market value of similar properties discounted to reflect restrictions on use.



## 7. Staff (continued)

The relationship between the President & Principal's remuneration and that for all other employees expressed as a pay multiple are:

	Current Year methodology	2018-19 Prior Year methodology	2017-18 Prior Year methodology
President & Principal base pay multiple of median base pay	10.1	8.6	8.6
President & Principal total pay multiple of median total pay	11.7	9.7	9.8

The College has decided to early adopt the 2019-20 Accounts Direction as the basis for calculating median pay multiples. As such, included within the calculation are only staff for whom the university is required to provide real time reporting to HMRC. In the previous year it was not possible to include staff employed through King's Talent Bank Ltd, a wholly owned subsidiary of the College, as data had not been collected on the required basis for the 2017-18 financial year. In 2018-19 the required information has been collected and multiples calculated including them.

Current year multiples calculated on the previous basis have been provided for comparative purposes, with the year on year increase in pay multiple being entirely due to the inclusion of temporary workers employed through King's Talent Bank Ltd in the current year.

**Methodology:** Full time equivalent (FTE) pay is calculated by summing relevant pay types and the percentage of FTE worked over the year (August 2018 to July 2019) and pro-rating up to 100% to give everyone an FTE equivalent salary. Data includes individuals employed by King's College London, King's College London Business Ltd and King's Talent Bank Ltd.

## 8. Trustees

The trustees are the members of Council, which is the supreme governing body of the university established under the Charter and Statutes. Membership of Council comprises a mixture of independent (lay) members, staff members, and the President of the King's College London Students' Union.

No member of Council receives remuneration in respect of his or her duties of Council.

Total expenses were paid of £11,971 to or on behalf of six members (2018 – six, £8,000) in respect of their Council duties.

## 9. Interest and other finance costs

	Consolidated and university	
	2018-19 £000	2017-18 £000
Bank and other loans wholly repayable within five years	721	845
Loans not wholly repayable within five years	13,810	13,486
Finance leases	1,557	1,453
Net charge on pension schemes	1,631	1,345
	<b>17,719</b>	<b>17,129</b>

**10. Analysis of total expenditure by activity**

	Consolidated		University	
	2018-19 £000	2017-18 £000	2018-19 £000	2017-18 £000
Academic departments	294,961	258,891	294,961	258,891
Academic departments costs reimbursed by NHS	13,498	14,967	13,498	14,967
Clinical excellence awards reimbursed by NHS	7,514	7,173	7,514	7,173
Academic services	56,643	56,254	56,246	56,153
Research grants and contracts	167,122	164,563	167,122	164,563
Residences, catering and conferences	66,842	53,489	66,842	53,489
Premises	137,863	120,723	137,863	120,723
Administration and central services	67,374	59,004	67,374	59,027
Staff and student facilities	22,651	17,692	22,651	17,692
General education expenditure	34,305	38,649	34,305	38,649
Services rendered to NHS and related bodies	12,448	13,349	12,448	13,349
Other	43,849	41,148	44,384	41,310
Pensions costs	164,806	(3,477)	164,806	(3,477)
<b>Total expenditure</b>	<b>1,089,876</b>	<b>842,425</b>	<b>1,090,014</b>	<b>842,509</b>

*as per Consolidated Statement of Comprehensive Income and Expenditure*

**Consolidated**

2018-19 £000	2017-18 £000
-----------------	-----------------

**Other operating expenses include:**

External auditors' remuneration in respect of audit services:

- university financial statements
- subsidiary financial statements

87 69

9 9

United States Department of Education

36 –

United States Department of Education fee rebate for prior year

– (20)

External auditors' remuneration in respect of non-audit services:

- consultancy
- certifications

– 52

9 8

Operating lease rentals:

- land and buildings
- other

70,133 49,288

417 273

**11. Taxation****Consolidated and university**

2018-19 £000	2017-18 £000
-----------------	-----------------

UK corporation tax payable on the profits of subsidiary companies

– –

The Council does not believe that the university is liable for any additional corporation tax arising out of its activities during the year.

## 12. Fixed assets

Consolidated	Land and buildings			Furniture and equipment £000	Leased equipment £000	Assets in the course of construction £000	Total £000
	Freehold £000	Leasehold £000	Plant £000				
<b>Cost</b>							
At 1 August 2018	410,523	545,137	120,113	172,661	21,733	126,748	1,396,915
Additions	38	11,068	81	11,767	–	55,927	78,881
Transfers	–	12,852	35,959	10,310	–	(59,121)	–
Disposals	–	(2,091)	–	–	–	(5,578)	(7,669)
At 31 July 2019	410,561	566,966	156,153	194,738	21,733	117,976	1,468,127
<b>Depreciation</b>							
At 1 August 2018	(88,248)	(109,801)	(42,511)	(109,030)	(17,386)	–	(366,976)
Transfers	–	–	–	–	–	–	–
Charge for year	(6,468)	(13,143)	(8,211)	(24,192)	(1,449)	–	(53,463)
Eliminated on disposals	–	438	–	–	–	–	438
At 31 July 2019	(94,716)	(122,506)	(50,722)	(133,222)	(18,835)	–	(420,001)
<b>Net book value</b>							
At 1 August 2018	322,275	435,336	77,602	63,631	4,347	126,748	1,029,939
At 31 July 2019	315,845	444,460	105,431	61,516	2,898	117,976	1,048,126
<b>University</b>							
	Land and buildings			Furniture and equipment £000	Leased equipment £000	Assets in the course of construction £000	Total £000
	Freehold £000	Leasehold £000	Plant £000				
<b>Cost</b>							
At 1 August 2018	411,634	546,104	119,966	172,375	21,733	126,793	1,398,605
Additions	–	11,071	81	11,764	–	55,965	78,881
Transfers	–	12,852	35,959	10,310	–	(59,121)	–
Disposals	–	(2,091)	–	–	–	(5,661)	(7,752)
At 31 July 2019	411,634	567,936	156,006	194,449	21,733	117,976	1,469,734
<b>Depreciation</b>							
At 1 August 2018	(88,248)	(109,801)	(42,411)	(108,839)	(17,386)	–	(366,685)
Transfers	–	–	–	–	–	–	–
Charge for year	(6,488)	(13,161)	(8,189)	(24,133)	(1,449)	–	(53,420)
Eliminated on disposals	–	438	–	–	–	–	438
At 31 July 2019	(94,736)	(122,524)	(50,600)	(132,972)	(18,835)	–	(419,667)
<b>Net book value</b>							
At 1 August 2018	323,386	436,303	77,555	63,536	4,347	126,793	1,031,920
At 31 July 2019	316,898	445,412	105,406	61,477	2,898	117,976	1,050,067

Included within leasehold land and buildings are a number of properties that are shared with third parties where title documentation may not exist at the present time. The net book value of these is £58,689k (2018 £60,638k).

### 13. Heritage assets

Heritage assets include a unique, internationally significant and continually expanding range of archival and printed sources, exhibits and pictures. These resources are available for use by the staff and students of King's, the wider academic community and any member of the public who has an interest in the university's holdings. Items may be acquired by gift, bequest, exchange or purchase on the open market.

King's aims to preserve all material in perpetuity in its original format. Surrogate copies may be created for dissemination, or where items are of exceptional rarity or delicacy. All preservation and conservation costs are charged to the Consolidated Statement of Comprehensive Income and Expenditure Account.

The principal collections are:

#### Archives

These comprise not only the archives of the university, but also those of organisations that it has founded or with which it has merged. Additionally, they contain the research papers of former staff and students, including Maurice Wilkins, Eric Mottram and Sir Charles Wheatstone.

The Liddell Hart Centre for Military Archives is a leading repository for research into modern defence policy in Britain. Private papers of over 700 senior defence personnel who held office from 1900 onwards form the core of this collection.

The archives consist of some five million documents.

#### Special Collections

The Foyle Special Collections Library houses maps, slides, sound recordings and manuscripts as well as over 150,000 printed works. Ranging in date from the 15th century to the present day and covering all subject areas, the collections are particularly strong in medicine, science, voyages and travels, the history of Greece and the Eastern Mediterranean, European military and diplomatic history, the history of the British Empire, 20th-century Germany and Jewish and Christian theology.

The largest section, the FCO Historical Collection, comprises material from the former library of the Foreign & Commonwealth Office, transferred to King's in 2007, and contains over 60,000 items. Topics it covers in depth include: exploration, discovery and travel; war and cold war; diplomacy and peace-keeping; the growth, rule and decline of empires; colonial emigration and settlement; the growth and abolition of the Atlantic slave trade; trade, transport and communication; and anthropology and natural history. Although held by the university, this collection is owned by a separate company, King's College Foreign & Commonwealth Office Library Ltd, which is independent of the university.

#### Gordon Museum

The Gordon Museum has a large and growing teaching collection of approximately 8,000 pathological specimens with specialised sub-areas on such subjects as forensic medicine and HIV/AIDS. It also houses a number of important historic collections: the Joseph Towne anatomical and dermatological wax models, the Lam Qua paintings, and specimens and artefacts acquired by Thomas Hodgkin, Thomas Addison, Richard Bright and Sir Astley Cooper.

#### King George III Collection

This collection of 18th-century scientific apparatus is on loan to the Science Museum. It consists of equipment assembled during the 1750s by the natural scientist and astronomer Stephen Demainbray for use in public lectures and apparatus commissioned in 1761 by King George III from the instrument maker George Adams for the entertainment and instruction of the royal family.

Further information on all of these collections is available on the university website, [kcl.ac.uk](http://kcl.ac.uk)

No heritage assets were capitalised during the year as none exceeded the capitalisation threshold of £25,000. Earlier acquisitions are not capitalised because cost or acquisition values are unavailable for the majority of the assets and the benefit of a professional valuation would be outweighed by the related costs. Any valuation would necessarily be imprecise and prey to changing fashions and fluctuating market trends due to the unique nature of the assets.

## 14. Investments

	Investment property £000	Francis Crick Institute £000	Other investments £000	Consolidated and university	
				Total 2019 £000	Total 2018 £000
At 1 August 2018	29,181	38,400	1,183	68,764	40,136
Additions	–	–	946	946	(301)
Transfers from fixed assets	–	–	–	–	24,148
Gain/(impairment)	(220)	(800)	–	(1,020)	4,781
At 31 July 2019	28,961	37,600	2,129	68,690	68,764

The university owns 100% of the issued ordinary share capital of College Facilities Limited (for construction services), King's College London Business Limited (for information technology support) and King's Talent Bank Limited (for the provision of temporary staff). These companies are registered in England and their operating activities are in the United Kingdom.

The Francis Crick Institute is a partnership between five scientific institutions and the university. Established as a charity, it is a research centre in biomedical science.

## 15. Endowment investments

	Consolidated and university	
	2019 £000	2018 £000
Balance at 1 August	233,462	213,494
Additions	30,114	68,533
Disposals	(30,708)	(54,270)
Appreciation	24,438	19,811
Increase in cash balances	768	(14,106)
Balance at 31 July	258,074	233,462
Fixed interest stocks	8,587	8,234
Equities	222,006	198,515
Bank balances	27,481	26,713
	258,074	233,462
Fixed interest and equities at cost	172,556	165,088

## 16. Trade and other debtors

	Consolidated		University	
	2019 £000	2018 £000	2019 £000	2018 £000
Trade debtors	32,652	29,403	32,652	29,403
Other debtors	2,237	4,842	2,035	4,842
Research grant debtors	35,432	26,086	35,432	26,086
Research grant work in progress	40,488	30,780	40,488	30,780
Prepayments and accrued income	38,426	9,797	37,095	9,354
Amounts owed by group undertakings	–	–	1,755	598
	149,235	100,908	149,457	101,063

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

	Consolidated		University	
	2019 £000	2018 £000	2019 £000	2018 £000
Trade creditors	8,240	31,013	8,113	30,856
Deferred income	176,506	127,130	176,054	126,687
Other creditors and accruals	95,334	90,438	95,420	90,335
Holiday pay accrual	10,196	9,154	9,316	8,536
Social security and other taxation payable	14,303	12,919	14,061	12,633
Amounts owed to group undertakings	–	–	–	105
Obligations under finance leases less term deposits for repayment ( <i>note 19</i> )	1,642	1,642	1,642	1,642
Current element of long-term liabilities ( <i>note 19</i> )	4,941	4,686	4,941	4,686
	<b>311,162</b>	<b>276,982</b>	<b>309,547</b>	<b>275,480</b>

Deferred income includes the following items of income which have been deferred until specific performance related-conditions have been met;

	Consolidated		University	
	2019 £000	2018 £000	2019 £000	2018 £000
Research grants received on account	91,885	78,123	91,885	78,123
Other income	61,438	39,967	60,986	39,524
Donations	21,658	4,651	21,658	4,651
Other deposits	1,525	4,389	1,525	4,389
	<b>176,506</b>	<b>127,130</b>	<b>176,054</b>	<b>126,687</b>

**18. Creditors: amounts falling due after more than one year**

	Consolidated and university	
	2019 £000	2018 £000
Obligations under finance leases ( <i>note 19</i> )	13,027	13,108
Term deposits for loan repayments	(10,096)	(8,708)
	2,931	4,400
Loans ( <i>note 19</i> )	286,018	287,718
Long-term borrowings	288,949	292,118
Lease premium on investment property	19,561	20,431
Long-term creditors	<b>308,510</b>	<b>312,549</b>

Loans are secured on a portion of the freehold land and buildings of the university.

Term deposits for loan repayments are investments held specifically for the future repayment of loans.

The lease premium on investment property arises from the granting of a lease for a term of 99 years with a yearly peppercorn rent. The lease has a break clause after 25 years, over which period the lease premium is being released to income.

## 19. Borrowings

	Consolidated and university			
	Finance Leases		Loans	
	2019 £000	2018 £000	2019 £000	2018 £000
Obligations under finance leases fall due and loans are repayable as follows:				
Between one and two years	1,642	1,642	5,214	4,941
Between two and five years	11,385	11,466	19,167	17,595
Total between one and five years	13,027	13,108	24,381	22,536
Over five years	–	–	261,637	265,182
Total over one year ( <i>note 18</i> )	13,027	13,108	286,018	287,718
Within one year ( <i>note 17</i> )	1,642	1,642	4,941	4,686
	14,669	14,750	290,959	292,404

Loans with interest rates between 7.80% and 9.58% amounting to £30,930,000 are repayable by instalments falling due between 1 August 2020 and 17 September 2027.

On 27 April 2001, the university issued £60m Senior Notes (Notes) with a fixed interest rate of 6.22%. The principal amount is repayable on 27 April 2031. Interest payments are semi-annual, on 27 April and 27 October. The university, at its option, may prepay at any time all or part of the Notes, in an amount not less than 10% of the aggregate principal amount of the Notes then outstanding, at 100% of the principal amount so prepaid, plus the discounted value of the remaining scheduled payments with respect to the principal amount. As at the year end, it is the university's intention to hold the Notes until its final maturity date.

On 16 May 2008, the university received a £60m secured loan with an integral swap agreement to provide a fixed interest rate of 4.855%, repayable on 16 May 2048.

On 21 May 2015, the university issued £55m of senior unsecured notes with a fixed interest rate of 2.85%, due 21 May 2035.

On 21 May 2015, the university issued £60m of senior unsecured notes with a fixed interest rate of 3.03%, due 21 May 2040.

On 21 May 2015, the university issued £20m of senior unsecured notes with a fixed interest rate of 3.08%, due 21 May 2050.

## 20. Pension provisions

	Consolidated and university	
	USS £000	Total £000
Obligation to fund deficit on pension		
At 1 August 2018	73,801	73,801
Deficit contributions paid during the year	(3,482)	(3,482)
Additional discount rate interest charge for the year	1,631	1,631
Increase to reflect 2019 deficit funding plan	166,657	166,657
At 31 July 2019	238,607	238,607

The obligation to fund the past deficit on the Universities Superannuation Scheme (USS) arises from the contractual obligation with the pension scheme for the total payments relating to benefits arising from past performance. In calculating the current value of the USS provision a discount rate of 1.62% (2018: 2.21%) has been used based upon a Mercer UK corporate bond yield curve. Salary inflation and headcount changes up to 2023–24 are in line with the university's five year financial plans, after this date headcount is assumed to not change and salaries will continue to increase at the same rate as for 2023–24 under the five year financial plan.

The provision has been calculated based upon the adoption of a deficit recovery plan based on the 2017 actuarial valuation (the only agreed valuation and deficit recovery plan as at the balance sheet date), this has given rise to a significant increase in the deficit provision. Since the year end, prior to the approval of these Financial Statements, and following the completion of the 2018 actuarial valuation, a new deficit recovery plan has been agreed. As at 31 July 2019 and with all other assumptions used to calculate the provision unchanged, this would have resulted in a revised provision of £130.6m, a decrease of £108.0m from the current year end provision.

**20. Pension provisions (continued)**

## Sensitivity analysis

Change in assumptions at 31 July

	Approximate increase/(decrease) in provision £m	
	+0.5%	-0.5%
Discount rate	(10.7)	10.1
Long-term salary inflation	5.9	(5.7)
Long-term head count increase	6.2	(6.0)

**21. Other provisions**

	Consolidated and university Leasehold dilapidations	
	£000	
At 1 August 2018	4,653	
Utilised in year	–	
Transferred from Income and Expenditure Account during the year	–	
At 31 July 2019	4,653	

As explained in the Statement of Principal Accounting Policies, note 14, no provision has been made for the deferred tax on the grounds that the subsidiary companies transfer their taxable profits by gift aid to the university and therefore no deferred tax assets or liability will be realised.

**22. Restricted reserves**

	Consolidated and university				
	Capital grants £000	Studentships £000	General £000	2019 Total £000	2018 Total £000
At 1 August 2018	4,694	–	–	4,694	8,639
Income	11,234	9,393	6,857	27,484	29,451
Expenditure	–	(9,386)	(2,650)	(12,036)	(16,210)
Net restricted income for the year	11,234	7	4,207	15,448	13,241
Capital grants spent and transferred to unrestricted reserves	(15,928)	–	–	(15,928)	(17,186)
At 31 July 2019	–	7	4,207	4,214	4,694



**23. Endowment reserves**

	Restricted permanent		Restricted permanent Total £000	Restricted expendable Total £000	Consolidated and university	
	Original gift £000	Unapplied total return £000			2019 Total £000	2018 Total £000
Capital at 1 August	76,471	125,368	201,839	31,623	233,462	213,494
New donations and endowments	1,272	–	1,272	1,519	2,791	1,666
Change in market value of endowment investments	–	21,343	21,343	3,095	24,438	19,811
Investment income	–	2,379	2,379	651	3,030	3,706
Expenditure	–	(3,958)	(3,958)	(1,689)	(5,647)	(5,215)
At 31 July	77,743	145,132	222,875	35,199	258,074	233,462
Represented by:						
Capital	77,743	135,181	212,924	30,687	243,611	220,204
Accumulated income	–	9,951	9,951	4,512	14,463	13,258
	77,743	145,132	222,875	35,199	258,074	233,462

From 1 August 2017 the university has adopted a total return endowment investment management policy for permanent endowments following receipt of an order from the Charity Commission under Section 105 of the Charities Act 2011.

Following advice from its investment consultants, Cambridge Associates, the university's Investment Subcommittee has adopted a total return spending rate of 4% using the trailing market value rule applied to the average ending portfolio value over the previous 12 quarters. There is a proviso that this spending rate will be reviewed annually in the case of abnormal market conditions such as high levels of inflation or if there was a fundamental change to the portfolio composition.

**23. Endowment reserves (continued)**

	At 1 August 2018 £000	Additions and transfers £000	Change in market value £000	Total return income £000	Expenditure £000	At 31 July 2019 £000
<b>Funds with income under £100,000</b>						
Chairs and lectureships (169 funds)	75,222	275	6,195	2,777	(1,862)	82,607
Scholarships (162 funds)	27,526	1,514	2,451	938	(487)	31,942
Other funds (68 funds)	16,315	–	1,391	798	(131)	18,373
Prize funds (258 funds)	10,134	2	855	303	(53)	11,241
<b>Funds with income over £100,000</b>						
Newland-Pedley General Fund	19,450	–	1,660	588	(308)	21,390
Dimbleby Endowment Fund	9,921	–	863	305	(243)	10,846
Van Geest Foundation Fund	7,726	–	394	168	(888)	7,400
Lau China Institute Donation	7,483	–	637	225	(181)	8,164
Richard Dickinson USA Fund	6,221	–	497	176	(52)	6,842
Yeoh Tiong Lay Centre Donation	6,431	1,000	565	200	(200)	7,996
Sackler Chair Endowment Fund	4,645	–	380	134	(34)	5,125
Herbert Dunhill Chair of Rehabilitation	4,374	–	374	132	(106)	4,774
Avantha Chair	4,271	–	369	131	(201)	4,570
Paediatric Research Unit Lectureship Fund	4,196	–	369	130	(130)	4,565
Mary Dunhill Chair of Cutaneous Medicine	4,164	–	363	129	(87)	4,569
Sackler Foundation Endowment Fund	3,992	–	347	123	(87)	4,375
Lacey Travelling Bursaries	3,914	–	337	119	(6)	4,364
Richard Dickinson Trust General Fund	3,699	–	322	114	(100)	4,035
Arcadia Endowment	3,683	–	314	111	(85)	4,023
Chair of Rheumatology	3,435	–	301	107	(287)	3,556
Michael Brown Foundation	3,348	–	286	101	(31)	3,704
Tommy's Campaign Chair in Fetal Health	3,312	–	287	102	(88)	3,613
Total return from capital gains	–	–	4,881	(4,881)	–	–
	233,462	2,791	24,438	3,030	(5,647)	258,074

The Newland-Pedley General Fund is used to support the Dental Institute.

The Dimbleby Endowment Fund is used for cancer research.

The Van Geest Foundation Fund is used to support Alzheimer's and dementia research.

The Lau China Institute Donation supports academic posts in the Lau China Institute.

The Richard Dickinson USA Fund is used for research and training fellowships in dentistry.

The Yeoh Tiong Lay Centre Donation supports academic posts in the Yeoh Tiong Lay Centre for politics, philosophy and law.

The Sackler Chair Endowment Fund supports a post in translational neurodevelopment.

The Herbert Dunhill Chair of Rehabilitation supports a post in rehabilitation.

The Avantha Chair supports a post within the India Institute.

The Paediatric Research Unit Lectureship Fund supports senior research posts in the Medical School.

The Mary Dunhill Chair of Cutaneous Medicine supports a post in cutaneous medicine.

The Sackler Foundation Endowment Fund supports posts in pharmaceutical sciences.

The Lacey Travelling Bursaries support students undertaking cultural and educational visits to France.

The Richard Dickinson Trust General Fund is used to support the Dental Institute.

The Arcadia Endowment is used to support the Centre for the History of Science, Technology and Medicine.

The Chair of Rheumatology supports a post researching arthritis and rheumatism.

The Michael Brown Foundation fund supports the law department.

The Tommy's Campaign fund supports a chair in fetal health.

## 24. Unrestricted reserves

	Consolidated	University
	2019 £000	2019 £000
Balance at 1 August 2018	707,700	710,032
Surplus after depreciation of assets at cost and tax	(194,336)	(194,477)
Release of restricted capital funds spent in year	15,928	15,928
Balance at 31 July 2019	529,292	531,483
<b>The reserves are:</b>		
Income and expenditure reserve, which is nominally allocated to:		
Capital reserve	739,616	741,557
Departmental reserves	78,133	78,133
Pension reserve	(238,607)	(238,607)
Revenue reserve	(49,850)	(49,600)
General reserves	(210,324)	(210,074)
Total income and expenditure reserve	529,292	531,483

The capital reserve is equivalent to the amount by which the value of tangible fixed assets in the Balance Sheet exceeds long-term borrowings. The reserve is set aside to fund depreciation charges on assets that are not being funded by future cash flows.

## 25. Capital commitments

	Consolidated and University	
	2019 £000	2018 £000
Commitments contracted at 31 July	22,739	13,458
Commitments authorised but not contracted at 31 July	109,450	56,054
	132,189	69,512

## 26. Pensions

The three principal pension schemes in which the university participates are the Universities Superannuation Scheme (USS), the Superannuation Arrangements of the University of London (SAUL) and the National Health Service Pension Scheme (NHSPS).

### Pensions costs for the university and its subsidiaries

	Consolidated		University	
	2018-19 £000	2017-18 £000	2018-19 £000	2017-18 £000
Contributions to USS	46,014	41,335	46,014	41,335
Contributions to SAUL	9,157	8,440	9,157	8,440
Contributions to NHSPS	4,375	4,250	4,375	4,250
Contributions to other pension schemes	622	272	362	77
	60,168	54,297	59,908	54,102
Contributions for funding of deficit relating to prior service	(3,482)	(4,822)	(3,482)	(4,822)
Pension contributions included within capital projects	(197)	–	(197)	–
Pension contributions included within staff costs	56,489	49,475	56,229	49,280
Movement on pension provision within staff costs	166,657	–	166,657	–
	223,146	49,475	222,886	49,280

## 26. Pensions (continued)

### Universities Superannuation Scheme (USS)

The university participates in the Universities Superannuation Scheme (USS), which provides benefits for academic and related employees of all UK universities and some other employers. 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 scheme's assets are not attributed to individual institutions and a scheme-wide contribution rate is set. The university 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. Thus, as required by Section 28 of FRS102, 'Employee benefits', it accounts for the scheme as if it were a wholly defined contribution scheme. As a result, the amount charged to the Consolidated Statement of Comprehensive Income represents the contributions payable to the scheme. Since the university has entered into an agreement (the Recovery Plan) that determines how each employer within the scheme will fund the overall deficit, the university 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.

The latest available full triennial actuarial valuation of the scheme was as at 31 March 2018, however at the balance sheet date the most recently approved scheme valuation was as at 31 March 2017 and the pension provision has been calculated based on this valuation. Both valuations were carried out using the projected unit method.

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

The 2017 valuation was the fourth valuation for USS under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. At the valuation date, the value of the assets of the scheme was £60.0 billion and the value of the scheme's technical provisions was £67.5 billion, indicating a shortfall of £7.5 billion. The assets were therefore sufficient to cover 89% of the benefits that had accrued to members after allowing for expected future increases in earnings.

Under the 31 March 2018 valuation, approved after the balance sheet date of these financial statements, the value of the scheme assets were £63.7 billion, with liabilities of £67.3 billion, and an overall funding shortfall of £3.6 billion. This gives a funding level of 95%. A new deficit funding plan has been agreed based upon the 31 March 2018 valuation under which the university's pension provision would have been £130.6m, which is £108.0m less than the provision held as at the balance sheet date. This is expected to be reflected in the university's 2019–20 financial statements as a large release of the provision, significantly increasing the surplus for the year.

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

Pension Increases (CPI)	Term dependent rates in line with the difference between Fixed Interest and Index Linked yield curves, less 1.3% per annum
Discount rate (forward rates)	Years 1-10: CPI -0.53% reducing linearly to CPI -1.32% Years 11-20: CPI +2.56% reducing linearly to CPI +1.7% by year 21 Years 21+: CPI +1.7%

The main demographic assumptions used relate to the mortality assumptions. These assumptions are based on analysis of the scheme's experience carried out as part of the 2017 actuarial valuation. The mortality assumptions used are as follows:

#### Mortality base table

Pre-retirement	71% of AMC00 (duration 0) for males and 112% of AFC00 (duration 0) for females.
Post-retirement	96.5% of SAPS S1NMA 'light' for males and 101.3% of RFV00 for females.
Future improvements to mortality	CMI_2016 with a smoothing parameter of 8.5 and a long-term improvement rate of 1.8% p.a. for males and 1.6% for females

The current life expectations on retirement at age 65 are:

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

The plan to fund the scheme deficit based upon the 2017 valuation requires payment of 5% of salaries over the period 1 April 2020 to 30 June 2034. The provision figures have been produced using the following assumptions as at 31 March 2018 and 2019.

**26. Pensions (continued)**

	<b>2019</b>	<b>2018</b>
Discount rate	2.44%	2.64%
Pensionable salary growth	n/a	n/a
Pension increases (CPI)	2.11%	2.02%

Contribution rates for the scheme are as follows:

	<b>Members</b>	<b>Employers</b>
1 April 2016 to 31 March 2019 (2014 scheme valuation)	8.0%	18.0%
1 April 2019 to 30 September 2019 (2017 scheme valuation)	8.8%	19.5%
1 October 2019 to 30 September 2021 (2018 scheme valuation)	9.6%	21.1%

Members' benefits of the scheme are as follows

- Defined benefit accrual is on a career revalued benefits basis for all members, with a pension accrual of 1/75th and a cash lump sum of 3/75ths of salary for each year of service in respect of salary up to a salary threshold of £57,216 p.a. in 2018/19 and will be £58,589 in 2019–20.
- Above the salary threshold both member contributions and employer contributions not related to deficit funding are paid into a defined contribution scheme.
- Optional additional contributions are payable into the defined contribution section of the scheme.

**Superannuation Arrangements of the University of London (SAUL)**

The university participates in SAUL, which provides benefits for non-academic employees. The scheme is a centralised defined benefit scheme and was contracted out of the Second State Pension until April 2016. The assets of the scheme are held in a separate trustee-administered fund. Because of the mutual nature of the scheme, the scheme's assets are not hypothecated to individual institutions and a scheme-wide contribution rate is set. The university 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. Thus, as required by Section 28 of FRS102, 'Employee benefits', it accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the Statement of Comprehensive Income and Expenditure Account represents the contributions payable to the scheme in respect of the accounting period.

The latest available triennial actuarial valuation of the scheme was as at 31 March 2017; it was carried out by a professionally qualified and independent actuary using the projected unit method. Informal reviews of the scheme's position, reflecting changes in market conditions, cash flow information and new accrual of benefits, are carried out between formal valuations.

The 2017 valuation was the fourth valuation for SAUL 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 £3,205 million and the value of the scheme's technical provisions was £3,149 million, indicating a surplus of £56 million. The assets were therefore sufficient to cover 102% of the benefits that had accrued to members after allowing for expected future increases in earnings.

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 Employer's contributions will continue at a rate of 16% of Career Average Revalued Earnings (CARE) Salaries.

The members' benefits were amended from 1 April 2016 as follows:

- All members accrue benefits on a Career Average Revalued Earnings (CARE) basis, at an accrual rate of 1/75th of CARE salary.
- For pensions accrued after 1 April 2016, increases in payment will be in line with CPI, capped at 2.5% p.a.

**National Health Service Pension Scheme (NHSPS)**

The university also operates the NHSPS, which is available to staff who were members of that scheme immediately prior to appointment at the university. This is a statutory, unfunded, multi-employer, defined benefit scheme in which the university is unable to identify its share of the underlying liabilities and assets, and it is therefore accounted for on a contribution basis.

Up to 31 March 2019 university contributions to the scheme were made at 14.38% (2017/18 14.38%) of salary and from 1 April 2019 were made at 20.68%.

## 27. Related party transactions

The university maintains a register of the interests of the members of Council and of its standing committees. The register is available for inspection under the Freedom of Information Act 2000.

Due to the nature of the university's operations and the composition of its Council and committees, it is possible that there will be transactions from time to time between the university and organisations with which members of Council and its committees have relationships. If such transactions do occur, they are conducted on an arm's-length basis and in compliance with the university's Financial Regulations and procurement policies.

In particular, the university enjoys a close working relationship with Guy's & St Thomas', King's College Hospital and South London & Maudsley NHS Foundation Trusts under the name of King's Health Partners – a collaboration that aims to combine the best of basic and translational research, clinical excellence and world-class teaching to deliver ground-breaking advances in physical and mental healthcare – which is accredited as an Academic Health Science Centre.

In addition the university has a close working relationship with both the King's Maths School and The Francis Crick Institute. King's was a founding member and shareholder in the Crick which is dedicated to understanding the fundamental biology underlying health and disease.

As a consequence there are recharges between these institutions, as disclosed in these accounts, and senior staff of the university may also hold senior positions in these organisations.

King's College London Students' Union (Union) is an independent charity registered with the Charity Commission, of which the President is also a member of Council. The university makes an annual grant to the Union.

## 28. Training salaries

	Consolidated and university	
	2018-19 £000	2017-18 £000
Balance underspent at 1 August	255	220
Funding Council and Department for Education grants Disbursed to students	3,892 (3,895)	3,474 (3,439)
Balance underspent at 31 July	252	255

Funding Council and Department for Education grants are available solely for students. The university acts only as paying agent.

The grants and related disbursements are therefore excluded from the Consolidated Statement of Comprehensive Income and Expenditure Account.

## 29. Lease obligations

Total rentals payable under operating leases:

	Consolidated and university			
	Land and buildings £000	Other leases £000	2019 Total £000	2018 Total £000
Payable during the year ended 31 July	68,303	259	68,562	49,561
Future minimum lease payments due:				
Not later than one year	61,945	259	62,204	54,985
Later than one year and not later than five years	216,740	88	216,828	184,105
Later than five years	465,895	141	466,036	457,659
Total lease payments due	744,580	488	745,068	696,749



