

# Financial Statements

For the year to 31 July 2020

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## Chair's foreword

I am glad to present this year's Report and Accounts, which show a financial surplus of £130m. This includes £36m from asset sales and a £116m adjustment to the University Superannuation Scheme ('USS') pension provision. Looking at our operating performance before these, and other largely non-cash adjustments, our underlying earnings were £59m. King's College London measures its underlying operating performance as earnings before interest, tax, depreciation, amortisation and pension movements (EBITDA and Pension movements). On this like-for-like basis our 2019–20 operating performance compares well to the £50m generated in 2018–19. Indeed, in the context of the current operating environment, this has been a very positive performance. After some £484m of revaluation gains on the university's freeholdings, Total Comprehensive Income for the year is £614m.

Inevitably, the present pandemic has profoundly affected society and our own community. I am immensely proud of the way in which the entirety of the King's community responded. We started with a simple principle: to protect our staff and students to the best of our ability. Accommodation fees were returned when our students returned home sooner than expected and we successfully moved learning and assessments online. Staff jobs have been protected and our staff themselves quickly and efficiently converted to working from home and moving the bulk of our activities online.

Where necessary, we were able to put additional measures in place so that essential on-campus services, such as cleaning, security and research could take place under a new safety regime. Simultaneously, King's researchers have worked tirelessly to gain insight and provide solutions to many of the societal, physical and mental impacts of the virus. Our community of staff, students and alumni gave major frontline support to the NHS: in vast numbers our newly graduated medical students and final year nursing students filled urgent medical posts. Meanwhile, many of our academic staff in the Health Faculties returned to clinical roles, researchers and diagnostic facilities were put at the disposal of those fighting the disease and treating patients, and staff and student volunteers provided food, drinks and downtime spaces for frontline workers.

We moved quickly to protect and sustain cash reserves in the face of the uncertainties of 2020 and beyond. We delayed and deferred planned capital and other investment programmes and deferred or cancelled expenditure that was not immediately necessary. These actions left us with about £208m of cash in hand at the year-end, essential liquidity for the challenges ahead. In these very difficult circumstances, the ability of our leadership and staff to reduce and redeploy resources has been exceptional.

King's College London is committed and ready to teach our new and returning students. At the time of writing we are welcoming students from across the globe in numbers very close to our initial projections and the magnificent work of our admissions team in achieving that in the face of rapid changes in government policy must be applauded. We still intend to proceed with caution and prudence, acknowledging the very present risk of increased COVID-19 and how that may impact student enrolment and attendance.

COVID-19 has not been the only challenge in this exceptional year. In late May, the death of George Floyd in Minneapolis shocked and saddened us all. It urgently caused us, as an international community, to reflect on the implications for the university. In particular, the leadership team was determined to refocus on the stubborn issues of racism, discrimination and inequality in our community. King's will actively support our students to become graduates who will go on to create the truly inclusive environment we want for King's, for London, and for the world. Our commitment to diversity, equality and inclusion has never been greater.

We will continue to push forward the remarkable research in which our staff engage, research that tackles the most difficult problems of our age, including mental health, climate change and sustainability, and the impact of Artificial Intelligence to name but a few. King's researchers are creating solutions through unique, interdisciplinary teams working across the different parts of the institution and through engagement with international academic partners, industry, charities and public service agencies. It is through that work that King's remains an institution of choice for the most talented students and scholars and continues to score strongly in international rankings.

Before closing, I wish to note with sadness the stepping down of three of our most senior leaders. Professor Sir Robert Lechler has recently retired from his roles as Provost/Senior Vice President (Health) at King's and Executive Director of King's Health Partners. In the 15 years under his leadership, King's Health Faculties have attracted outstanding and talented staff and students, launched research centres of excellence, forged thriving partnerships locally, nationally and internationally, and realised transformative estates programmes to enable world-leading education and research.

Chris Mottershead will retire from his role as Senior Vice President (Quality, Strategy & Innovation) early in 2021. Mr Mottershead has had a seminal influence on the growth of King's in the last 10 years and has played many roles in addition to that of Senior Vice President including Dean pro tem of the Faculty of Natural & Mathematical Sciences, Vice-Principal for the Faculty of Social Science & Public Policy, and Interim Senior Vice President (Operations). He founded the Departments of Political Economy and Global Health & Medicine, and created the Culture Institute, the Policy Institute and the Commercialisation Institute. He had a fundamental impact on King's research performance which moved from 22nd place in 2008 Research Assessment Exercise rankings to seventh in 2014 under his leadership.

Professor Sir Edward Byrne AC, recently knighted in The Queen's Birthday Honours, will step down as President & Principal early in 2021. There will be future opportunities to celebrate all that he has done for King's, but I wish to acknowledge here some of the profound changes he has instigated during his tenure: the establishment of King's Business School; the International School for Government; the Global Institute for Women's Leadership; the reinvigoration and rebirth of engineering at King's; the formation of key partnerships such as PLS Alliance and King's Health Partners; and, not least, the development of Vision 2029, a remarkable, living document which encapsulates the ethos of King's and which will continue to shape our future.

This has been a year of extraordinary challenges, with the looming prospect of more to come. However, as this report clearly illustrates, King's has shown that it is well placed to meet those challenges with practical intelligence, prudence and agility. To the fullest extent possible, we plan to thrive in spite of these difficulties and to maintain a relentless commitment to the service of our society.

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

# Council and Council committee membership

Members who served during 2019–20 and to the date of signing the Financial Statements.

## Council

**The Rt Hon the Lord Geidt** GCB GCVO OBE QSO FKC  
*Chair since 1 August 2016*

**Professor Sir Edward Byrne** AC FKC FMedSci MD DSc FRCP FRACP FRCPE FAHMS  
(Hon) FTSE FAAN MBA  
*President & Principal since 1 September 2014*

**Mr Vivek Ahuja**  
*Since 1 August 2020*

**Mr Paul Cartwright**  
*Since 1 August 2019*

**Sir Jon Coles**  
*Since 1 August 2019*

**Dr Angela Dean**  
*Member since 1 August 2012; Vice-Chair since 7 October 2019*

**Mr Michael D'Souza**  
*Honorary Treasurer since 1 August 2016*

**Mr Paul Goswell**  
*Since 1 August 2015*

**Ms Salma Hussain**  
*Ex-officio, 1 August 2020 – 31 July 2021*

**Mr Shaswat Jain**  
*Ex-officio, 1 August 2019 – 31 July 2020*

**Sir Ron Kerr** CBE FKC  
*Since 1 August 2019*

**Ms Ros King**  
*Since 1 August 2012*

**Mr Steve Large**  
*Since 2 April 2020*

**The Right Reverend and Right Honourable Dame Sarah Mullally** DBE  
*Since 23 November 2015*

**Sir Nigel Sheinwald** GCMG  
*1 August 2014 – 31 July 2020*

**Ms Clare Sumner** CBE  
*Since 1 August 2019*

**Professor Guy Tear**  
*Since 18 November 2019*

**Ms Kat Thorne**  
*Since 18 November 2019*

**Dr Susan Trenholm**  
*Since 18 November 2019*

**Ms Nhuoc Lan Tu**  
*Since 23 March 2016*

**Professor Evelyn Welch** MBE FKC  
*Since 1 August 2013*

## Chairs' Committee

**The Rt Hon the Lord Geidt** GCB GCVO OBE QSO FKC  
*Chair since 1 August 2016*

**Professor Sir Edward Byrne** AC FKC FMedSci MD DSc FRCP FRACP FRCPE FAHMS  
(Hon) FTSE FAAN MBA  
*President & Principal since 1 September 2014*

**Dr Angela Dean**  
*Member 1 August 2014 – 6 October 2019; ex officio, since 7 October 2019*

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

**Mr Michael D'Souza**  
*Ex officio, since 1 August 2016*

**Mr Paul Goswell**  
*Ex officio, since 1 August 2015*

**Sir Nigel Sheinwald** GCMG  
*1 August 2014 – 31 July 2020*

## Finance Committee

**Mr Michael D'Souza**  
*Chair and Honorary Treasurer since 1 August 2016*

**Professor Sir Edward Byrne** AC FKC FMedSci MD DSc FRCP FRACP FRCPE FAHMS  
(Hon) FTSE FAAN MBA  
*President & Principal since 1 September 2014*

**Mr Peter Clarke**  
*Since 1 April 2015*

**Ms Beatrice Devillon-Cohen**  
*Since 1 August 2019*

**Dr Angela Dean**  
*Since 1 December 2012*

**Mr Philip Keller**  
*Since 1 August 2019*

**Ms Annie Kent**  
*Ex officio, since 1 March 2020*

**Mr Stephen Large**  
*Ex officio, since 2000*

**Ms Isabel Neumann**  
*Since 1 August 2019*

**Ms Nicky Richards**  
*Since 1 August 2019*

**Mr Andrew Scott**  
*Since 1 April 2015*

## Audit, Risk & Compliance Committee

**Mr Paul Cartwright**

Chair; since 1 August 2019

**Professor Susan Brain**

29 November 2011 – 31 July 2020

**Ms Julienne Daghish**

Since 1 August 2017

**Mrs Sarah Hopwood**

29 November 2011 – 31 July 2020

**Ms Ros King**

Since 4 December 2012

**Dr Susan Trenholm**

Since 1 August 2020

**Ms Nhuoc Lan Tu**

Since 1 February 2017

**Mr George Warren**

1 February 2017 – 31 July 2020

**Ms Sarah Wilkinson**

Since 1 August 2017

## Investment Subcommittee

**Mr David Morgan** AO

Chair 15 September 2015 – 30 March 2020

**Professor Sir Edward Byrne** AC FKC FMedSci MD DSc FRCP FRACP FRCPE FAHMS

(Hon) FTSE FAAN MBA

President & Principal since 1 September 2014

**Mr Simon Cruickshank**

Ex officio, since 1 June 2019

**Dr Angela Dean**

Since 1 August 2012

**Mr Mouhammed Choukeir**

Since 1 August 2019

**Mr Rob Gambi**

Since 1 April 2015

**Mr Gary Greenberg**

Since 1 August 2019

**Ms Annie Kent**

Ex officio, since 1 March 2020

**Mr Stephen Large**

Ex officio 2000 – 29 February 2020

**Mr Simon Pryke**

Member since 1 April 2015, Chair since 1 August 2020

**Ms Nicky Richards**

Since 1 August 2020

**Mr Nick Wood**

Since 1 August 2019

**Mr Joseph van Zanten Gallagher**

Since 8 March 2018

## Estates Strategy Committee

**Mr Paul Goswell**

Chair since 1 August 2015

**Professor Edward Byrne** AC FKC FMedSci MD DSc FRCP FRACP FRCPE FAHMS (Hon)

FTSE FAAN MBA

President & Principal since 1 September 2014

**Mr Stephen Clifton**

Since 1 August 2019

**Mr Michael Creamer**

Since 1 August 2019

**Mr Stephen Hughes**

Since 1 August 2019

**Ms Annie Kent**

Ex officio, since 1 March 2020

**Sir Ron Kerr** CBE FKC

Since 1 August 2020

**Mr Stephen Large**

Ex officio, since 1 March 2020

**Professor Sir Robert Lechler** FKC

Ex officio, 2009 – 31 August 2020

**Mr Nick O'Donnell**

Ex officio, since 1 August 2017

**Mr Daniel Peltz** FKC

Since 4 December 2012

**Professor Richard Trembath** FKC

Ex officio, since 1 September 2020

**Professor Evelyn Welch** MBE FKC

Ex officio, since 1 August 2013

# Operating and financial review for the year ended 31 July 2020

## Key facts

	2019-20	2018-19
EBITDA and pension movement (earnings before interest, tax, depreciation, amortisation & pension movement)	£59.1m	£49.9m
Surplus/(deficit) for the year	£129.8m	(£154.3m)
Total Comprehensive Income for the year	£614.1m	(£154.3m)
Total income	£964.2m	£902.0m
Net cash inflow from operating activities as a % of total income	6.7%	2.0%
Unrestricted reserves as a % of total income	119.3%	58.7%
External borrowings as a % of total income	30.5%	32.8%
Net liquidity days before movement in USS pension provision	82 days	55 days
Staff numbers, average full-time equivalent	8,144	7,306
Student numbers, full-time equivalent (July return to the Higher Education Statistics Agency, HESA)	29,239	28,458
Research: new and renewed awards (forward order book)	£231.5m	£232.2m
Donations and endowments	£16.8m	£16.1m

## Operating highlights

This has been a challenging year, with the financial impact of the pandemic leading to some difficult but important decisions. Caution around staff recruitment and a pay freeze, utilising government support schemes and significantly reviewing our capital investment programme being just some examples. Such actions have been essential to avert much more serious consequences. Our desire to avoid the need for staff redundancies and taking actions to support the welfare of our students and staff show the importance of prioritising caring for our community in these difficult times.

We focussed initially on cash preservation, halting some major capital programmes at a stage that was sensible to do so, together with rigorously challenging all elements of expenditure. We concentrated on holding a high level of liquidity to deal with any short term impacts from the pandemic and the sale proceeds from a planned land disposal at Canada Water were held as an additional cash buffer to support challenges in our operating activities.

We provided initial cost support for research projects that were either postponed or later extended by funders. At year end our pre-existing revolving credit facilities were undrawn meaning there is additional flexibility in the year ahead, should it be needed.

We took a cautious view of the likely impact of the epidemic on student numbers and, together with the very significant costs related to campus closures, blended learning provision, working from home and subsequent costs associated with returning to campus safely, have plans for the year ahead that reflect an expectation of further higher costs of operating in a changed environment. As the situation evolves, we review our assumptions regularly and monitor our cash position and forecasts on a daily basis.

We have made what we feel have been timely decisions based upon the data available at the time. We will continue to take this approach as the situation develops, and as the 2020–21 admissions cycle evolves, we will determine which aspects can be reviewed. This will focus first on the pay and staff recruitment aspects before considering when we are able to restart some key capital investment programmes. These decisions will be taken against the context of affordability, risk and academic strategy.

## Financial highlights

### Financial results

As in previous years there have been several accounting adjustments related to non-operating activity at the university this year. We have revalued our freehold land assets, seen further movements in pensions provisions, conducted the planned sale of a development site along with the more regular annual changes in endowment investment values. To provide a more consistent basis of measuring our operating result we present our in year financial performance in the form of Earnings before Interest, Tax, Depreciation, Amortisation & Pension movement (hereafter EBITDA and pension movements).

	2019-20	2018-19
Tuition fees and education contracts	428.8	393.8
Funding body grants	148.3	128.3
Research grants and contracts	200.6	194.7
Other income	165.5	163.9
Investment income	4.2	5.1
Donations and endowments	16.8	16.1
<b>Total income</b>	<b>964.2</b>	<b>902.0</b>
Staff costs	(562.7)	(512.6)
Other operating expenses	(342.4)	(339.4)
<b>Earnings before Interest, Tax, Depreciation, Amortisation &amp; Pension movement</b>	<b>59.1</b>	<b>49.9</b>
Interest and other finance costs	(19.4)	(17.7)
Staff costs – movement on USS pension provision	116.0	(166.7)
Depreciation	(59.6)	(53.5)
<b>Surplus/(deficit) before other gains/ losses</b>	<b>96.1</b>	<b>(187.9)</b>
Other gains and losses	33.7	33.6
<b>Surplus/(deficit) for the year</b>	<b>129.8</b>	<b>(154.3)</b>
Unrealised surplus on revaluation of tangible assets	484.3	-
<b>Total Comprehensive Income for the year</b>	<b>614.1</b>	<b>(154.3)</b>

When considered on an EBITDA and pension movement basis, the university had earnings of £59.1m, up from £49.9m in the prior year demonstrating a relative strengthening in underlying operating performance.

Depreciation, excluded from EBITDA, rose to £59.6m reflecting the increase in investment over recent years in buildings and IT systems. The university will need to continue to raise its operating performance in order to repay this investment and to generate cash from its operations to continue these levels of investment in future years. As in the previous year the university's performance has been exposed to the movements on the provision we hold against our commitment to fund the deficit on the sector's USS pension scheme, and in the current year has benefited from the sale of land in Canada Water at a significant gain.

The actions taken by the university in response to the challenges of COVID-19 combined with significant growth in income driven by increased student numbers has resulted in a return to a cash generating position after a challenging year for cash generation in 2018-19. The total net cash inflow of £77.2m (£50.4m cash outflow 2018-19) includes cash generated from operating activities of £64.5m (£18.4m 2018-19).

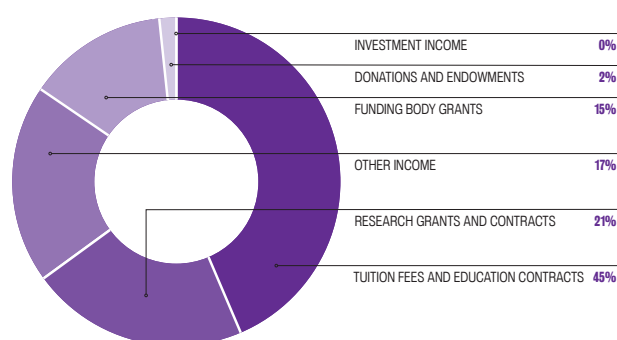
This overall positive cash flow has been supported by £86.3m of cash received from the sale of property assets during the year, without which the university would have posted a net cash outflow for the fourth successive year as we have invested heavily in our campuses to improve the student experience and provide world-class research facilities.

The operating cash generated in 2019-20 is just about at the level which the university considers sustainable long-term, but in this time of great uncertainty we are increasingly focused on our ability to generate cash as a key measure of financial performance.

### Income

Tuition fees are the largest source of income and comprised 45 per cent of total university income for the year and have grown largely due to an increase in the number of students. This reflects strategic decisions by the university to grow both home and international student numbers in subjects where there is strong demand from suitably qualified students. 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.

SOURCES OF INCOME 2019-20





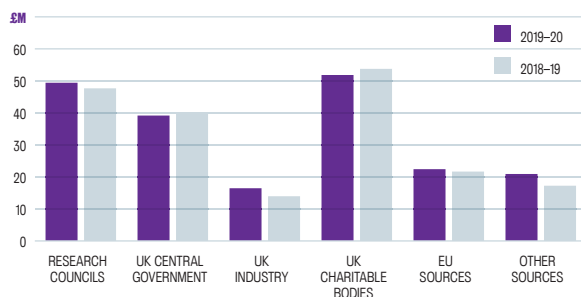
Demand for our programmes continues to be strong, in particular for our King’s Business School offering. The reduction in the number of NHS contracted students reflects a transition to a new funding regime in line with other UK undergraduates.

	2019-20 session	%	2018-19 session
UG Home/EU	14,066	48%	14,118
UG Overseas	4,491	15%	3,823
PGT Home/EU	4,402	15%	4,578
PGT Overseas	3,718	13%	3,453
PGR Home/EU	1,766	6%	1,774
PGR Overseas	796	3%	712
Total student fte	29,239	100%	28,458

The student numbers shown above are based on our July HESA return for the 2019-20 academic year.

Research income has risen three per cent year on year. There has been a change in depreciation policy that has aided this growth but considering the impact on research activity due to COVID-19 this is an exceptional result. The forward order book looks to be consistent with the prior year and given the uncertainty from funders this is also positive news.

RESEARCH GRANTS AND CONTRACTS



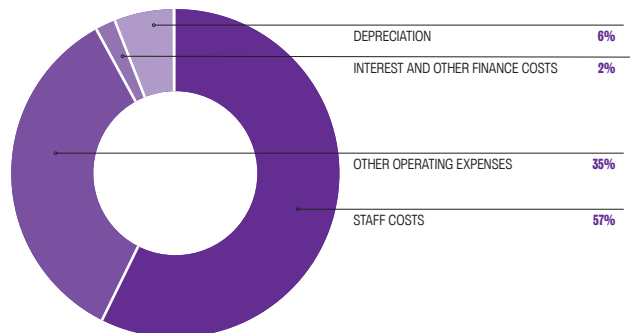
We were pleased to see a continued rise in absolute grant income from research councils of four per cent to £49.5m in the year. We saw a slight weakening in our income from UK charities (down three per cent) but a welcome rise in UK industry, commerce and public corporations’ awards up seventeen per cent to £16.3m in the year.

There continues to be a drive towards requiring matched investment in either operating costs or research equipment which puts pressure on financial margins.

Donation income is largely consistent with 2018-19 although this income stream can vary year to year with the flow of gifts.

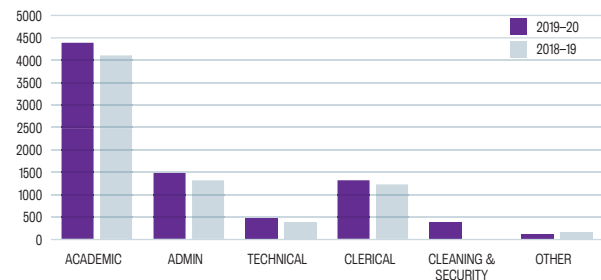
Expenditure

EXPENDITURE BY CATEGORY 2019-20



Underlying staff costs rose by 10 per cent or £50.1m with approximately £27m of this reflecting investment in growing staff numbers. The underlying pay bill increased by about five per cent/£23m, including the impact of sector-level agreements on annual pay settlement, London weighting together with performance recognition and reward.

STAFF FTE BY CATEGORY



Our staff numbers have increased by 11 per cent or 838fte overall, of which 355fte reflect the cleaning and security staff brought more formally into our staff community who were contractors in the prior year. Other large areas of growth were associated with the planned expansion of King’s Business School (+151fte) and Engineering (+45fte) with the majority of the increases being in the recruitment of academics to support the research and teaching endeavour together with local support staff. Other increases included Faculty of Arts & Humanities (+45fte) and an increase of +140fte across our Health faculties, in line with increases in both teaching and research activity. The apparent decrease in technical staff numbers reflects a reclassification of certain roles as clerical, part of the work associated with the implementation of a new enterprise system for staff management.

Our total expenditure was reduced due to a decrease in our USS pension provision of £116.0 m (prior year expense of £166.7m). Full details of this accounting adjustment are in note 22 to these accounts.

Other operating costs rose slightly between years, up 0.9 per cent to £342.4m. This included a significant cost of c.£9m related to rehousing and supporting students after we took a swift decision to close a hall of residence mid-year due to emergent concerns over fire safety. The expenditure for the year also includes a £20m charge for the future remedial works to the same hall, closed in January 2020. Taken together, and given the exceptional nature of these costs, this suggests the underlying operating position was further understated by £29m in the year.

### 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.

The Strand Campus has grown significantly in recent years and whilst the Bush House buildings have made a real impact, the Campus is still very busy, and more growth is planned. The largest investment this year has been in the ongoing work to transform parts of the Strand Campus to accommodate the development of our 21st Century Engineering provision which is due to complete in 2022. The project was temporarily paused as the epidemic affected on-site building work; however, it was fully remobilised by July 2020 and is progressing well. When completed, the project will provide 3,000m<sup>2</sup> of high-quality teaching and research space.

The year has also seen significant activity on the Guy's Campus with increased investment into research facilities in Guy's Tower and a new state of the art laboratory which will support our School of Immunology & Microbial Sciences to expand at this key time. During the year we also provided refurbished teaching suites for nursing and midwifery at Guy's and further research capacity at Denmark Hill. We continue to invest monies into our student residences.

King's invested £83.6m in its capital plan during the year:

	2019-20 £m	2018-19 £m
Student facilities	17.0	21.6
Estates infrastructure	32.1	28.5
Research	24.5	28.8
IT Systems and infrastructure	10.0	Included in spend above
<b>Capital Investments</b>	<b>83.6</b>	<b>78.9</b>

Despite taking a prudent approach to the continuation of projects given the impact of COVID-19, we have invested in the following major projects during the year:

Investment in enterprise systems and infrastructure	£28m
Guy's Campus – research and teaching facilities	£13m
Strand Campus – engineering provision	£12m
Denmark Hill Campus – research facilities	£6m
St Thomas' Campus – development of biomedical engineering	£6m
Student residences, sports, and gym	£3m

In addition there were some 150+ projects below £2m completed during the year.

### Endowment asset investments

The endowment investments decreased slightly during the year from £258.1m to £252.3m. The c£6m decrease is mainly due to decreased cash balances used to fund endowment expenditure. Total investment income on endowments was £2.1m. Performance, measured by total return over the year, was slightly behind the composite target benchmark.

#### Performance for the year to 31 July 2020

Actual performance	+0.2%
Policy benchmark	+0.6%
Relative value lost	(0.4%)

The above performance is not out of line with expectations given the focus of our investment assets and the exceptional year that financial markets have experienced since the global events in March 2020.

The endowment has adopted the following asset allocation policy targets:

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

King's benefits from an order issued by The Charity Commission enabling the university to adopt a total return approach without the need for an amendment to the King's College London Act 1978. We have agreed a target spending rate of 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. This will 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 £m	Total	Related deposits	Less than 1 year	More than 1 year
Finance leases	2.7	(11.7)	1.6	12.7
Loans	291.0	-	5.2	285.8
<b>Total borrowings (net) 31/07/2020</b>	<b>293.7</b>	<b>(11.7)</b>	<b>6.8</b>	<b>298.5</b>
Total borrowings (net) 31/07/2019	295.5	(10.1)	6.6	299.0

The relatively small reduction of total borrowings reflects the specific debt arrangements we have and that £255m of these are 'bullet' repayment based. The first tranche of these at £60m is due in April 2031.

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 Jul 20	31 Jul 19	Limit
External borrowings (net) as a % of income	30.5%	32.8%	50%
External borrowings (net) as a % of total reserves	20.9%	37.3%	100%

The ratio of liquid assets to annual expenditure (excluding depreciation and pension provision movements) was 82 days and the prior year 55 days. The university seeks to hold working capital of more than £100m given the profile of its cash flows during the year with the end of September being the traditional low point for cash.

The university continues to benefit from access to £75m of undrawn revolving credit facilities to provide additional liquidity should this be needed in exceptional circumstances.

### Net debt and cash position

Net debt £m	31 Jul 20	31 Jul 19	Change
Cash and cash equivalents	207.6	130.4	77.2
External borrowings net of related deposits	293.7	295.5	(1.8)
(Net debt)	(86.1)	(165.1)	79.0

Cash holdings benefited from an improved operating performance in exceptionally difficult conditions and positive movements in working capital, however, the spend on capital investment again exceeded our ability to generate cash from our underlying operating activities. The positive cash movement for the year therefore reflects the sale proceeds from fixed assets of £86.3m including the deferral of the related £14.1m VAT payment to next year.

### Reserves and accessible funds

The university's unrestricted reserves have grown from £529.3m to £666.4m excluding the revaluation reserve linked to the non-cash related land revaluation undertaken during the year.

These reserves do not represent easily accessible funds to the university as they are entirely tied up in land and buildings as part of a designated capital reserve. Should the university wish to access the value in these reserves we would need to dispose of these assets to realise their values in cash.

### 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 schemes with defined-benefit aspects to their offers. The university also contributes to the Department of Health's NHS Pension Scheme (NHSPS) where King's staff are eligible to remain in this scheme.

There continues to be significant uncertainty over the funding position and future contribution rates for the multi-employer USS pension scheme. King's continues to be committed to seeking a sustainable funding solution for this, the largest pension scheme in contribution terms.

Changes in the last year have resulted in a reduction in staff costs in 2019-20 of £116.0m compared to a cost of (£166.7m) in 2018-19 on the provision held for the university's commitment to help fund the scheme's shared deficit. The reduction in the provision in 2019-20 relates to a more favourable funding plan having been agreed in October 2019 compared to that in place at the end of July 2019.

A preliminary March 2020 triannual valuation of the scheme suggests an increase in the technical deficit on the scheme of anywhere from 2.7 to 5 times, and with the scheme trustee required to finalise the valuation and agree a new deficit funding scheme by 30 June 2021, the provision is expected to increase significantly again in 2020-21 with a large cost to the university resulting. This valuation is not yet complete and so no revised deficit recovery plan has been agreed; this is the trigger for inclusion in employer accounts.

The continuing uncertainty over the value of the scheme's technical deficit and the contribution rates required to manage it present a significant challenge to medium to long-term financial planning and potentially industrial relations for the years ahead.

## Education

### Educate to inspire and improve

From applying to renew our Bronze Race Equality Charter Mark and launching the first round of Innovation Modules, to completing a holistic review of our education portfolio, King's has continued to support its students to succeed at university and in their future careers.

This year saw the extension of our work to create a flexible and transformative future curriculum. Twelve Innovation Modules, such as Investigating King's Colonial Past and Sustainability in Practice, were launched and will be open to students from September 2020. We have also developed new courses that are at the cutting edge of research and pedagogy, such as an MSc in Digital Economy.

This is the first phase of Curriculum 2029, which will give our students the choice and flexibility to learn across disciplines and to work with local communities to solve real-world problems, whilst providing opportunities to undertake learning enhanced by research and informed by international perspectives.

The COVID-19 pandemic caused considerable disruption to our students' education, but our staff and students responded professionally, positively, and collaboratively to the rapidly changing and unprecedented circumstances. In mid-March, all teaching, learning, and assessments moved online. King's applied years of experience at the forefront of digital higher education to support all of its students to learn remotely, remain connected as a community, complete their assessments, and successfully progress or graduate, with a virtual celebration held to mark the occasion.

E-assessment strategies were devised and a range of safety net and mitigating measures were put in place, designed to prevent any negative impact on students' outcomes, support students in their learning, and ensure that no student would be disadvantaged academically by the impact of the pandemic.

A King's education continues to enable students to achieve career success; the results of the recent Graduate Outcomes Survey showed that 90 per cent of employed graduates were in graduate-level work and 93 per cent found their work meaningful. Through internship and placement opportunities, project work, volunteering and other mechanisms, our students are strongly connected to their employer's businesses, their professions and society. Some other aspects of the student experience proved harder to sustain in a challenging year, a fact reflected in a small downturn in the institution's NSS results. Work will be accelerated to further enhance the experience of students in 2020-21, building on areas of innovation and excellent practice, whilst continuing our plans to deliver a transformative education as part of Vision 2029.

King's is committed to inclusive education and eradicating all forms of learner inequality, including closing our attainment gaps. The King's 100, a diverse group of 100 students, reflective of the King's community, has continued to partner with senior leaders in the university and co-create student experience projects and initiatives. In July 2020, King's applied for the renewal of the Bronze Race Equality Charter Mark and set itself ten objectives to enhance inclusion, including decolonisation of the curriculum and integrating cultural competency into curriculum design.

We believe our university is greater when people from all backgrounds study and work at King's. Forty per cent of our undergraduate students are from the most disadvantaged areas of the country and Black and Minority Ethnic students make up 54 per cent of our total student population. This year also saw higher numbers of students welcomed to King's from particularly vulnerable groups (care experienced students, students estranged from their families and forced migrants).

Looking ahead, this year will be unique due to the COVID-19 pandemic. We are implementing a flexible, blended model for the new academic year, including the use of virtual lab simulations and asynchronous teaching and the use of 'HyFlex', an approach which integrates technology and digital media with traditional instructor-led classroom activities. We will continue to focus on our long-term objectives, including developing our new flexible and integrated curriculum, implementation of an innovative approach to the King's First Year for undergraduate students and building our learning as an organisation to deliver the best outcomes for our students, our research and our communities.

## Research

### Research to inform and innovate

Research is a core element of King’s identity, and plays a central role in everything we do, care about and teach. Our strategy for research has always been to attract and retain the most able and innovative researchers and offer them an environment that enables them to deliver ground-breaking research in a collaborative way.

As with many other areas, in 2019-20 our research endeavour has faced considerable challenges from the COVID-19 outbreak (which will continue in 2020-21), in particular through disruption of our ability to access on-site research facilities and to conduct patient-facing research. More broadly, the financial impact of the outbreak has also affected many funders of research (including industry and many charities), who have reduced the resources available to fund new (and in some cases existing) research projects.

On the other hand, the King’s response to the COVID-19 crisis is an excellent example of how our community of researchers can be brought together to deliver real change and address societal needs:

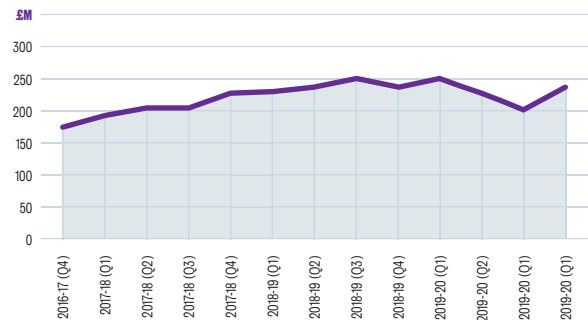
- King’s College London, Guy’s & St Thomas’s Hospital and Viapath set up the June Almeida laboratory in King’s academic facilities at Guy’s Hospital to support COVID-19 testing, reflecting demand from NHS England and Public Health England.
- We worked with Department for Health and Social Care to set up facilities to provide 7,500 tests per day for the local population as well as 2,500 tests per day for King’s staff and students.
- We launched a COVID-19 symptom study app, which has now been downloaded by nearly four million people across the UK.
- We supported social science research by King’s on the impact of COVID-19 on perceptions of, and attitudes to, inequality.
- We are leading two UKRI-funded projects to understand the effect of COVID-19 on mental health (NHS CHECK)
- We have also been successful in raising philanthropic support for our research activity on COVID-19 including diagnostics, immunology and therapeutic antibody development.

### New and renewed research awards

Since the strategy was launched in 2017, we have been making progress towards our goals, with a steady growth in new awards. This year we saw a total of £232m in new awards, substantially maintaining the 2018-19 value despite the challenges presented by the COVID-19 outbreak.

	2019-20	2018-19	2017-18
Total value	£231.5m	£232.2m	£224.7m
Versus prior year	-£0.7m (0.3%)	+£7.5m (3.3%)	

NEW AWARDS VALUE – ROLLING TOTAL OVER FOUR QUARTERS



### Research and Innovation – summary

	2019-20	2018-19	2017-18
% research income from Research Councils	24.7%	24.6%	22.4%
% postgraduate research submission rate	90.3%	91.7%	87.4%
Number of new patents filed *	63	40	35

\*(Higher Education Business and Community Interaction Survey return)

Overall, in 2019-20 King’s has won over 800 new research awards across all faculties. In line with previous years, UK Research Councils (UKRI) and Wellcome Trust play a major role in supporting our research endeavour, although this is complemented by funding from a wide range of sources.

Our successes in winning research fellowships and personal awards are a clear indication of our commitment to supporting research talent. We have seen success in getting support from UKRI and the Research Councils, including eight Fellowships.

We have seen significant success in individual awards supported by the European Research Council and been very successful in receiving support from the Wellcome Trust at all career stages.

Particularly significant are the successes for The Dickson Poon School of Law with the Leverhulme Trust, including two Fellowships and one Senior Fellowship. Other prestigious awards include an NIHR Research Professorship and a BHF Clinical Fellowship.

We have continued to notice a move towards longer and larger grants, which consolidate our world-leading position in different areas.

Support from UKRI and the Research Councils corresponds to approximately 26 per cent of new awards.

Wellcome Trust remains a key funder for King’s, supporting a range of strategic awards including Innovation Translation Partnership Awards, Collaborative Awards and two Strategic PhD Programmes.

We have been awarded two prestigious ERC Synergy Awards and been successful in receiving NIHR support for a number of strategic initiatives, including an NIHR Health Protection Research Unit in Emergency Preparedness and Response and a £9m award to transform the NIHR CLAHRC South London into the Applied Collaboration (ARC) South London, which will be one of 15 NIHR ARCs across the country undertaking applied health and care research. We have also been successful in receiving £4m from Research England to renew MedCity funding.

Collaboration with our KHP partners enriches our research environment and is key to ensuring that our research can deliver outcomes to the benefit of society. To strengthen this, a Joint Venture (JV) between King's and other KHP partners will create a vibrant MedTech Accelerator ecosystem that will accelerate the development of new MedTech innovations, supporting venture building from proof of concept through development, and ultimately a successful exit.

## Service

### Serve to shape and transform

Service is a core part of our academic mission alongside Education and Research. It embodies our commitment to societal impact, at home in London, across the UK and internationally. By helping to shape and transform local communities and societies around the world through innovative social reform initiatives, embedding service to society within the educational experience, delivering research focused on meeting societal need, supporting volunteering among our students, staff and alumni, and committing to environmental sustainability, we aim to create positive change now and in the future.

In recognition of our commitment to serving society, King's placed ninth in the world and third in Europe in the Times Higher Education (THE) Impact Rankings 2020. These pioneering rankings use the United Nation's Sustainable Development Goals (SDGs) as a framework for reporting on the societal impact of universities. King's was particularly recognised for our work with local, national and international partners, ranking fourth in the world for 'Partnerships for the Goals' (SDG 17).

In 2019, we formalised our partnership with national community organising charity Citizens UK by becoming their first whole-university strategic partner. King's has worked with the South London chapter of Citizens UK since 2017 and several impactful projects are a product of community organising training that staff have undertaken, such as Campus Conversations, North Star and Conversations about Race. In February 2020, Citizens UK announced King's as the UK's first 'Refugees Welcome University', in recognition of its contribution to understanding and responding to the global issue of forced displacement and helping to realise the educational potential of refugees.

To call for better recognition of the public value of universities, King's led on the production of a report with the Universities of Chicago and Melbourne. This report, titled 'Advancing University Engagement: University engagement and global league tables', is based on expert input, consultations with students and university staff around the world, and three pilot studies with 20 universities. It proposes a new framework to measure and rank the impact of universities in order to encourage more activities that benefit local communities and wider society.

To enable the King's community to make a more significant contribution to society, Service Time – the allowance King's staff are given for voluntary activities – was increased from one to three days per year in January 2020. Service Time is of mutual benefit as through these activities participating staff can build relationships with community groups, learn new or build on existing skills, enhance their professional and personal development, boost morale, and improve their physical and mental health.

Our Service ethos determined King's quick response to COVID-19, with students and staff developing inspirational ways of contributing to the fight against the pandemic. With the impact of COVID-19 expected to be long-lasting and far-reaching, King's will continue to serve our local, national, and international communities.

## London

### A civic university at the heart of London

The depth and strength of King's relationships with organisations across the capital, and with our communities and local partners in King's home boroughs of Lambeth, Southwark, and Westminster was brought into sharp focus by the impact of COVID-19. King's response underlined its role as a civic institution and demonstrated the extent to which its deep commitment to London and its communities extends across the university.

In line with the agreed strategic approach to London, the King's community extended their expertise and connections throughout the year to work side-by-side with local communities across Education, Research and Service, delivering both local and global impact. King's students draw on London within and alongside their education, helping them to develop as the change-makers of tomorrow. Notable examples include:

- The School of Global Affairs in the Faculty of Social Sciences & Public Policy launched a co-curricular programme called [Global London Advocates](#). The programme offers opportunities for students to work collaboratively with local communities and community groups identified by local partners.

The Faculty of Dentistry, Oral & Craniofacial Sciences launched [Thriving in Cultural London](#), an innovative arts-based learning module. Leveraging King's central location and its strong cultural links across the city, the module is designed to help King's dental students not only to adapt to life in London, but to thrive from the very start of their first term at university.

Through collaborations with other universities and with London's businesses, agencies, institutions, policy makers and practitioners, partnerships ensured that King's research is informed by London and that it delivers benefits to the capital and the communities around us, drawing on the opportunities of [London as a Living Laboratory](#). Examples this year include:

- The National Gallery and King's jointly launched 'National Gallery X' (NGX), a collaborative research and development programme that plans to collaborate with Google Arts and Culture. NGX will explore the potential of new technologies for galleries in the future.
- Data from a free mobile app developed by King's and the British Safety Council show outdoor workers are exposed to up to 15 per cent more pollution than the average Londoner.

In consultation, King's students and staff made it clear that they want to do more to serve and sustain our local communities, while local charities and community organisations told us they often struggle to recruit high quality trustees. In partnership with KCLSU, King's co-developed and launched [Board Bank for students](#), a pilot programme to recruit students as trustees for local charity boards while also responding to the nationwide chronic under-representation of young people on boards.

[#ContinuingToServe](#), launched in April 2020, was a university-wide approach to bringing together, strengthening and celebrating the many ways in which King's people responded to COVID-19. King's was able to build on key relationships with local authorities, charities and communities nurtured through the #KingsLocal framework to match local need with the expertise and skills of the King's community.

This year saw the launch of [King's Civic Challenge](#), a flagship initiative trailed in [Vision 2029](#) that brings together students, staff and local charities to co-develop solutions to local challenges. Students and local charities took part in a structured learning programme culminating in a grand final at City Hall in March. Students pitched to a panel of judges including senior leaders from King's, City Hall and from each of our local authorities in Southwark, Lambeth and Westminster, and six winning teams received a package of funding and continued alumni support to deliver their projects.

King's Civic Challenge was the last public event to take place at City Hall before lockdown. In Lambeth United: Our response to COVID-19, Jack Hopkins, Leader of Lambeth Council, a member of the Civic Challenge judging panel described it 'as a wonderful afternoon of celebration, partnership and investment in our neighbourhoods'. The Civic Challenge is a totemic example of King's community collaborating with our local partners and communities to achieve our ambition to be a civic university at the heart of London.

## International

### [An international community that serves the world](#)

With students and staff from over 150 countries, King's is a truly global university, and at the heart of our vision for internationalisation are two core values: cultural competency and having a global problem-solving mindset. With this year marked by the spread of COVID-19, these values take on even greater significance.

At King's we define cultural competency as the ability to see the world through the lens of others – in all their diversity. This includes people from different nations and regions, socio-economic backgrounds, races, genders, ages, religions and abilities. Students and staff at King's develop their cultural competency at home, abroad and online. Our own diversity, curriculum, interdisciplinarity, London location, dedication in service to society and global reach all combine to make this possible.

King's global reach and capacity to solve global problems is achieved through regional strategies, and university alliances and networks. We are proud of our enduring 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 and provide diverse and enriching educational experiences for our students.

Our engagement with the world fosters and supports collaborations that address global challenges and contribute to the prosperity of local and global communities. For example, in response to the COVID-19 outbreak, King's Global Health Partners moved quickly to support our African partners in Sierra Leone, Somaliland and DR Congo where the capacity to provide care to critically unwell patients is among the lowest in the world. We also initiated a joint expert seminar series to exchange clinical best practices with clinicians from partner institutions in China, Italy, the USA and Brazil.

Other notable collaborations include a joint PhD with the University of Pretoria in South Africa in Leadership Studies with reference to security and development, and Wellcome Trust-funded research collaborations to improve cancer care for patients in India. In East Asia work is ongoing towards establishing the first joint medical school in Shenzhen, China with the Southern University of Science and Technology (SUSTech), while the King's-Nanjing Health School recently celebrated five years of delivering world-class education and best-practice in nursing and midwifery.

Although Brexit continues to be a pressing issue, our European relationships have never been stronger. As part of its Circle U Alliance with Aarhus University (Denmark), Humboldt University of Berlin (Germany), Université de Paris (France), University of Belgrade (Serbia), University of Louvain (Belgium) and University of Oslo (Norway), King's was thrilled to have been selected as one of the universities to make up the next pilot 'European University'. King's also remains an active participant in the Guild of European Research-Intensive Universities, shaping EU research policy.

We are committed to developing successful students, staff and alumni who can contribute to building a better, fairer world around them. Education and research are global endeavours and we will never compromise on our commitment to the principle of being an international community that serves the world.

### Sustainability

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. 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 made good progress against its sustainability targets in 2019-20. We have reduced our carbon emissions by approximately 49 per cent since 2005-06, achieving our target to reduce our emissions by 43 per cent by 2020. While the closure of some of our buildings due to the COVID-19 pandemic likely had an effect on this reduction, we are confident that we can maintain reductions in carbon emissions. We are also working on decarbonising our energy supply. Since 2017, all electricity directly purchased by King's has come from UK wind power through our electricity supplier. In October 2019 we signed a Power Purchase Agreement (PPA) with wind farms in Scotland and Wales, sourcing approximately 20 per cent of our baseload electricity directly from them. We will now be working towards our target to be net zero carbon by 2025.

We have also increased our reuse and recycling rate from 56 per cent in 2018-19 to 64 per cent in 2019-20. This is the result of continuous improvements to our waste management, including the introduction of new waste streams and working closely with our campus operations teams to spot and correct issues.

Our students and staff continue to engage with sustainability, and our Sustainability Champions programme has grown to over 500 staff Champions across more than 70 teams. In our residences, we launched a successful pilot Sustainable Living Community, bringing together students interested in sustainability and developing a tailored event programme to develop their sustainability knowledge.

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 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.

King's exposure to fossil fuel investments has steadily reduced over the last couple of years and now stands at 0.9 per cent and we hope will reduce to nil over the next 12 months.

### Equality, Diversity and Inclusion

King's is striving to create an inclusive environment where all individuals are valued and able to succeed and we have identified six themes as published in our [Equality, Diversity & Inclusion Strategy](#). Whilst work continues on all themes, academic year 2019-2020 presented two major equality, diversity and inclusion (EDI) challenges for King's. Firstly, the COVID-19 pandemic and its impact on our students and staff and secondly the murder of George Floyd and the global profile of the Black Lives Matters movement.

### Coronavirus and EDI

King's has worked hard, supported by our Equality, Diversity & Inclusion Team, to ensure that our response to COVID-19 has taken EDI considerations into account and avoided unnecessary differential impacts on staff and students across a range of issues including return to campus planning, provision of blended learning, research activity and financial measures. This included swiftly updating and focusing Equality Analysis materials for COVID-19 e.g. quick reference guides, abridged Equality Analysis template, and a Coronavirus Disease Equality Considerations Report.



### Race Equality and Black Lives Matter

As a globally diverse employer and educator, the university recognises the toxic impact of racism on our student body and workforce. Over the course of 2020, we have worked closely with our students, their representatives, and the staff Race Equality Network to provide support to those experiencing the trauma of racism.

This year, we have engaged more staff, students and leaders in our race equality work than ever before. Over the course of the year, we have:

- Completed a Race Equality Charter self-assessment, to audit, measure and accredit our progress and commitment towards race equality for staff and students, submitted July 2020 (results pending).
- Engaged 180 of King’s most senior leaders in the university’s first online Equality Leadership summit, specifically addressing issues of race and racism within the university.
- Drawn together Professional Services Executive leadership to discuss and address issues of race inequality in our workforce.
- Launched and fostered a staff Race Equality Network, providing sponsorship and investment.
- Delivered an ongoing programme of town hall fora across our faculties and directorates, following up on May’s leadership summit and engaging staff and students with issues of race locally.
- Delivered nine Conversations about Race across seven faculties, with almost 200 staff and student attendees, aiming to foster a greater sense of belonging for Black and Minority Ethnic (BME) students.
- Celebrated Black History Month, including an annual, university-wide address from Professor ‘Funmi Olonisakin and the inaugural Annual Harold Moody Lecture.
- Published pay gap analysis by ethnic group, alongside statutory gender pay gap reporting.

Despite our progress and rigour, it is clear that there is more to do. In many ways, our histories and legacy are far reaching and complex. In 2020 the university reaffirmed our vision to become an actively anti-racist university and to eliminate racism and discrimination on campus.

King’s College London challenges itself to continually improve and has created a series of Key Performance Indicators (KPIs) to manage and monitor progress towards key goals. Our EDI KPIs are set annually with progress monitored by our Council. Our targets track with the upper quartile of comparable universities. Our data shows we are exceeding our targets for proportions of senior female professional services staff, BME academic staff and BME professional services staff. King’s matches the target exactly for female BME academic staff.

We are fractionally under target for the proportions of senior female academic staff, and female BME professional services staff.

### KPIs at King’s institutional level

	2018-19 latest data	2017-18	King’s near term targets
Senior female academic staff %	36.8	36.3	37.1
Senior female professional services staff %	49.7	48.2	48.7
Black and Minority Ethnic (BME) academic staff %	20.6	18.9	19.8
BME professional services staff %	21.7	20.2	21.0
Female BME academic staff %	10.1	–	10.1
Female BME professional services staff %	13.1	–	13.5

### Prospects and planning outlook

The potential scale and duration of the COVID-19 pandemic and subsequent impacts on the economy, health and ways of life remain uncertain. King’s immediate response, phase one, was focussed on stabilising the institution: moving to remote working and blended education delivery; looking after staff and students; and supporting COVID-19 clinical efforts and research.

Having moved quickly to complete these initial actions our current priorities are making strong preparations for academic year 2020-21 (phase two) and managing the expected financial consequences (phase three).

Our phase one stabilising actions such as pausing most of our staff recruitment and capital investment programme, as well as using appropriate Government support schemes were put in place swiftly to conserve cash whilst protecting jobs as the pandemic evolved and we are in a comfortable position to face the uncertainties of the year ahead.

We are now completing and finessing our work in phase two (preparing for 2020-21). We will review some of the actions we took to conserve cash as the outcome of the student admissions cycle becomes clearer. Our priorities continue to be to protect our students and staff. We will continue to be cautious in our commitments on capital investments which, if available in 2020-21, will be limited, and any capital allocation will be assessed based on a number of criteria - cash available, strategy alignment, ability to generate income and any evolving risks around external income. Costs are likely to increase on these projects because of COVID-19; delays and inflation and additional costs related to contractor health and safety and social distancing.

Much remains uncertain but our initial student enrolments are strong and to pre-COVID targets. There remains the potential for greater volatility in the first semester of 2020-21, particularly against a background of spikes in infection rates across the globe and national actions to manage the virus over the winter period. We are making choices that create financial sustainability and flexibility in the context of this uncertainty.

To inform some of those choices, and to prepare for the later phases of our response to COVID-19, we are also developing and adapting our work to build for our future success.

Our Vision 2029 strategy remains unchanged, some aspects have been accelerated and others may be delayed slightly as a consequence of the epidemic.

There are some grounds for cautious optimism; it's forecast that demand for higher education will increase in the UK by c.1m places over the next 10 years; that the demand for higher education internationally is likely to increase from 250m to 370m students; that the UK government remains committed to increasing research and development investment to 2.4 per cent of GDP by the end of this parliament and is currently reviewing the cross-subsidies from international student fees to research activity; that the social contract between universities and society is likely to be recalibrated after the pandemic, re-establishing the purpose of universities with social and civic responsibilities; and that King's reputation is improving, as measured by various global league tables. Demand for our programmes remains strong and we are confident that we have taken necessary steps to ensure we emerge from the pandemic in robust health.

At the same time the pandemic has enabled us to progress more swiftly with some planned initiatives, in particular our plans to advance online and blended learning and seek out estates efficiencies. Whilst not without challenges, the relative success of working from home for many of our staff has also enabled us to think more creatively about space utilisation.

There remain issues to be addressed in relation to the differential impact of inflation on costs and income in the UK higher education sector. There are no simple solutions to these, and some creative answers may be needed by Government, the sector and individual institutions to address the issues in both teaching and research.

In terms of risk, over the next year or so we see the main remaining financial threats as being pay related. Whilst King's has excellent and valued relations with its committed staff, there are a number of external challenges that will arise during the next few years around cost of living together with the significant challenges faced by defined benefit pension schemes.

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. Continuing to increase operating cash generation is crucial for both risk management and for the university's forward investment plans.

## Going Concern

The senior officers of the university and Council, as is their responsibility, have considered the going concern status of King's College London and are confident the university is and will continue to be a going concern for the foreseeable future (defined externally as a period greater than 12 months from the approval date of these financial statements). These financial statements have therefore been prepared on a going concern basis.

In coming to this conclusion, the senior officers and Council have taken the following actions:

- Prepared detailed income and expenditure, and cash flow budgets and forecasts for the 2020-21 financial year, with due regard to sensitivity of income to home and overseas student numbers.
- Prepared prudent income and expenditure, cash flow, and balance sheet forecasts for a period of five years, reflecting the greater degree of uncertainty in the Higher Education sector due to the social and economic impacts of COVID-19.
- Calculated and reviewed debt covenants on both an actual and forecast basis five years from the balance sheet date, to ensure it will not breach them based upon the university's financial strategy and plan.
- Had all budgets and forecasts scrutinised by the university's Finance Committee which has expert independent members.
- Considered the solvency and liquidity position of the university and the availability to it of debt finance as required, including active management of its credit rating (as provided by Standard & Poor's).
- Considered the severe but plausible downsides the university may face in the foreseeable future.

## Forecasts

Despite concerns around the impact of COVID-19 on student numbers, these have held up well in 2020-21 giving the university cause for optimism in the short to medium term. Even taking this welcome news into account, the university has prepared prudent budgets and baseline forecasts for 2020-21 and the following four years.

The university expects to generate financial statement deficits in the coming years; however, these deficits largely reflect the costs of recent investment in the campus, the cash impact of which has already largely been incurred. The underlying operating position is also expected to be unfavourable in 2020-21 in these models due to prudence in including significant cost increases and factoring in downside risks in income retention next year as a result of the impact of the pandemic.

In the following years these will improve such that the university will generate positive contributions from its academic activities. In addition, but not included in the baseline financial numbers tested for going concern, activities are in train to stimulate and improve the financial position in the longer term.

Despite the likely challenging financial statement deficits, the university expects to generate positive overall cash flows in each of the next five years, with reasonable positive operating cash flows from 2021–22 onwards.

### Liquidity and access to debt finance

Having prepared prudent income, expenditure, and cash flow forecasts for a five year period from the balance sheet date, the university is confident of generating net positive cash flows whilst continuing to invest sustainably in our teaching and research facilities.

Both as at the balance sheet date and based upon the forecasts over the five year period from the balance sheet date, the university is confident it has comfortable headroom on all its current loan covenants, and is not at risk of breaching them under normal operating conditions. In 2019–20 we revalued our freehold land holdings to reflect more of the real strength of our asset base. This was done to create increased headroom should the university wish to take out new debt and to increase existing debt covenant cover in expectation of large increases in pension deficit provisions impacting future years' net asset positions.

The university actively manages its available cash in line with its Treasury Management Policy, which is reviewed annually by Finance Committee. The university has in place revolving credit facilities of a total value of £75m which are not currently drawn down, ensuring we have access to cash funding should we be faced with an unforeseen negative cash flow event. We maintain ongoing discussions with both potential lenders and independent debt finance advisors, which combined with the universities credit rating (independently set by Standard and Poor's, and which was AA- at the date of approval of these financial statements), gives us the confidence longer-term debt finance is available to the university should we decide to pursue this.

### Severe but plausible downsides

The most significant downside risk currently faced by the university is our continued ability to attract sufficient numbers of high calibre students to fill the space available on our courses. The university has a history of international students making up a significant share of its student body and this is at potential risk due to the combined effects of COVID-19 and the United Kingdom leaving the European Union. Our world class academic offering, international reputation and strong brand combined with the geographical appeal of London gives the university confidence that it will continue to be attractive to students from both the United Kingdom and the rest of the world.

Despite this, the university has prepared forecasts for the coming years on a prudent basis, having given regard to sensitivity around student numbers. Should the university see a significant fall in its student numbers it is confident it has the tools available to meet the associated financial challenges.

The ongoing uncertainty around the value of the technical deficit on the USS pension scheme, the future benefits structure and costs associated with them are of great concern to the university, impacting the ability to forecast on a medium to long-term basis and causing uncertainty for its valued staff members. It seems highly likely that employer contributions will increase in future to meet these challenges and ensuring the university can meet these increased cash outflows have been considered in preparing forecasts. The USS Trustee is currently engaging employers around an updated valuation and the scheme covenant, and the university has considered the implication of potential new covenant requirements when reviewing its debt covenant position and ability to take out new debt.

The university continues to engage constructively with the USS Trustee and unions through Universities UK, to achieve an appropriate balance between ensuring benefits which appeal to members are maintained whilst ensuring the scheme remains affordable long-term.

### Conclusions

We know that 2020–21 will be a difficult and volatile year. We have taken management action to preserve cash and to ensure we have contingencies in place to emerge from the coming year in good financial health.

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. There are, however, grounds for cautious optimism. Demand for a King's degree is strong; we have already taken swift action to preserve cash and we have made rapid progress on our flexible learning agenda and new ways of working.

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

**Annie Kent**  
*Interim Vice President  
(Finance)/CFO*

## 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.

# Corporate governance

The following statement, covering the period of these financial statements and up to the date of their approval, 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 Higher Education Code of Governance.

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 academic 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.

Despite the need to work and meet remotely, because of the COVID-19 pandemic, the Council and its committees have fully met their governance obligations throughout this difficult period. In addition to the scheduled meetings of the Council and its standing committees, there have been ongoing additional briefings for independent Council members and special meetings of the Chairs' Committee to which all members of Council have been invited when decisions have been needed outside of the regular Council schedule.

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, Provosts/Senior Vice Presidents, Senior Vice Presidents & Vice Presidents/Vice Principals and the College Secretary. 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.

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 2020 and up to the date of the approval of the financial statements.

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 at least 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), has provided executive management oversight of the control of risk at the university. The process by which enterprise risk is managed and governed is currently being refreshed to ensure that the senior executive are more visibly accountable for the ownership of risk management and to draw clearer lines for the assurance of risk management to the Council.
- 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 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 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.
- In setting the annual Internal Audit Plan, regard is also given to the need of the Internal Audit Unit to provide an opinion on the university's activities in respect of promoting the achievement of value for money. Where appropriate, reports on specific Internal Audit exercises provide an opinion on the achievement of value for money. An annual report is also provided by the Chief Procurement Officer for the Audit, Risk & Compliance Committee to assist members in forming an opinion in this regard.

In view of the emergency situation which arose around the COVID-19 pandemic, the Audit, Risk & Compliance Committee received a detailed consideration of the effects of the pandemic on the risk profile of the university from management at its June 2020 meeting. This included discussion with management on the ways in which the university was addressing remote working and online teaching across its community. The most significant risks identified concerned the impact on the resilience of individual members of staff and the ability to deliver a high-quality and effective online education programme. These considerations were reported to the Council in July 2020.

For the year ended 31 July 2020 and up to the date of the approval of the financial statements no significant control weakness, as defined in paragraph 27 of the OfS Regulatory Advice 9: Accounts Direction, were identified.

The Council's full review of the effectiveness of the system of internal control for the year ended 31 July 2020 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.

Council 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 2019 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 parent university, 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 2020 which comprise the Consolidated and university 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 2020, 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 2019 Statement of Recommended Practice – Accounting for Further and Higher Education; and
- meet the requirements of the Accounts Direction dated 25 October 2019 issued by the Office for Students.

### 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.

### 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, 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 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 23, 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 by the Accounts Direction dated 25 October 2019 issued by the Office for Students ('the Accounts Direction').

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, UK Research and Innovation (including Research England), the Education and Skills Funding Agency and the Department for Education have been applied in accordance with the relevant terms and conditions.

### Matters on which we are required to report by exception

We are required by the Accounts Direction to report to you where the university has an access and participation plan that has been approved by the Office for Students' director of fair access and participation and the results of our audit work indicate that the Group's and the university's expenditure on access and participation activities for the financial year disclosed in Note 32 has been materially misstated.

We are also required by the Accounts Direction to report to you where the results of our audit work indicate that the Group's and the university's grant and fee income, as disclosed in note 5 to the financial statements has been materially misstated.

We have nothing to report in these respects.

### 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

27 November 2020

# Statement of principal accounting policies

## 1. Accounting convention

These financial statements have been prepared in accordance with United Kingdom Accounting Standards, including Financial Reporting Standard 102 (FRS 102) and the Statement of Recommended Practice (SORP) – Accounting for Further and Higher Education issued in 2019. They have also been prepared in accordance with the ‘carried forward’ powers and duties of previous legislation (Further and Higher Education Act 1992 and the Higher Education Act 2004) and the new powers of the Higher Education and Research Act 2017 during the transition period to 31 July 2019, the Royal Charter, the Accounts Direction issued by the Office for Students (OfS), the Terms and conditions of funding for higher education institutions issued by the Office for Students and the Terms and conditions of Research England Grant.

The university is a public-benefit entity and has applied the relevant public-benefit requirement of FRS 102.

## 2. Basis of preparation

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of endowment asset investments, and freehold land.

The functional currency of the university is Pounds Sterling, the currency of the United Kingdom, which is the primary economic environment the university operates in. The consolidated Financial Statements are also presented in Pounds Sterling. Foreign operations are included in accordance with the Foreign Currency Translation Policy set out below.

Judgements made by management in the application of these accounting policies that have a significant effect on the Financial Statements and estimates with a significant risk of material adjustment in the next year are discussed in the notes to these financial statements.

## 3. 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, with uniform accounting policies adopted by the university and its subsidiaries. Intra-company sales and profits are eliminated fully on consolidation.

Joint ventures are accounted for using the ‘Equity Method’. They are initially recognised at transaction cost adjusted each year to reflect the university’s share of the joint venture’s Comprehensive Income, recognised through Other Comprehensive Income. Joint ventures are reviewed annually to ensure that the investment is worth the carrying amount and a provision against the value created, if necessary.

In accordance with Section 9 of FRS 102, 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.

The university has taken the exemption under section 3.3 of the SORP (1.12(b) of FRS 102) to not produce a cash flow statement for the university in its separate financial statements.

## 4. Going Concern

The university continues to adopt the going concern basis in preparing these financial statements. In coming to this conclusion Council and the Officers of the university have undertaken the following actions;

- Prepared detailed income and expenditure, and cash flow budgets and forecasts for the 2020–21 financial year, with due regard to sensitivity of income to home and overseas student numbers.
- Prepared prudent Income and Expenditure, cash flow, and balance sheet forecasts for a period of five years, reflecting the greater degree of uncertainty in the Higher Education sector due to the social and economic impacts of COVID-19.
- Calculated and reviewed debt covenants on both an actual and forecast basis five years from the balance sheet date, to ensure it will not breach them based upon the university’s financial strategy and plan.
- Had all budgets and forecasts scrutinised by the university’s Finance Committee which has expert independent members.
- Considered the solvency and liquidity position of the university and the availability to it of debt finance as required, including active management of its credit rating (as provided by Standard & Poor’s).
- Considered the severe but plausible downsides the university may be faced with in the foreseeable future, including the impacts of COVID-19, the United Kingdom leaving the European Union, and the ongoing uncertainty around the USS pension scheme technical deficit.

Based upon this Council is confident that the university has adequate resources to continue in operational existence for the foreseeable future, and will have sufficient funds to meet its liabilities as they fall due over a period of at least 12 months from the date of approval of these financial statements.

Council is not aware of any material uncertainties which would prevent the university from continuing as a going concern.

## 5. Recognition of income

### Provision of goods and services

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 extent of the completion or provision of the service supplied.

### Tuition fees and education contracts

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. Bursaries and scholarships are accounted for gross as expenditure and not deducted from income.

### Agency

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.

### Grants

Where the university receives income, such as grants, on a basis that is without commercial substance it accounts for this on a Non-Exchange Transaction basis. A Non-Exchange Transaction is defined as when:

*'An entity receives value from another entity without directly giving approximately equal value in exchange.'*

Government grants include funding council block grant, research grants from government sources, and other grants and donations from non-government sources (including research grants).

As set out in Section 24 of FRS 102, Government Grants, the university has opted to account for government grants as for other non-exchange transactions, under the performance model. Income is recognised within the Statement of Comprehensive Income when the grant is receivable (legal/contractual commitment) and performance related conditions specified in the agreement are met. In the absence of performance conditions income is recognised in full as soon as it becomes receivable.

Performance conditions are defined as follows:

*'A condition that requires the performance of a particular level of service or units of output to be delivered, with payment of, or entitlement to, the resources conditional on that performance.'*

Resources received in advance of completion of performance conditions are recognised on the balance sheet as deferred income and released to the Statement of Comprehensive Income and Expenditure as conditions are met. Where grants are received in arrears accrued income or receivable assets are recognised in line with income recognition.

For OfS / Research England funding grants relating to a single academic year, income is recognised in full in the period to which the grant relates. Grants relating to more than a single year are recognised pro-rata across the term of the grant.

Grants for the purpose of purchasing or constructing specific assets are recognised as income upon the asset being brought into use, or in line with phased completion of large construction projects where this is the performance condition. Grants where the university has discretion over the assets purchased or built and there is no performance condition are recognised in full as income when the grant becomes receivable.

Income is classified as 'Research Grants and Contracts' when it meets the Frascati definition of research as set out by the Organisation for Economic Co-operation and Development (OECD), and which is generally accepted within the Higher Education sector as the standard by which work is determined to be research. In the majority of cases research income is recognised in line with expenditure of the grant on the research area and any related contributions towards overhead costs, spend on appropriate research costs being the performance condition.

### Donations, endowments, and non-government capital grants

Donations and endowments are non-exchange transactions which do not meet the definition of government or research grants and are accounted for under the performance model.

Donation and new endowment income is recognised within the Statement of Comprehensive Income when the grant is receivable (legal/contractual commitment) and performance-related conditions specified in the agreement are met. In the absence of performance conditions income is recognised in full as soon as it becomes receivable, being the earlier of receipt of the donation or contractual obligation from the donor.

Donations and endowments with donor-imposed restrictions are recognised in restricted income and restricted endowment reserves respectively and retained within the restricted reserves 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.

Restrictions are defined as:

*'A requirement that limits or directs the purposes for which a resource may be used that does not meet the definition of a performance-related condition.'*

Donations with no restrictions are recorded in unrestricted income reserves.

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.

Donations for the purpose of purchasing or constructing specific assets are recognised as income upon the asset being brought into use, or in line with phased completion of large construction projects where this is the performance condition.

#### Investment Income

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

Endowment investment income and appreciation is recorded as 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.

### 6. Employment benefits

#### Post-Employment Benefits (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 Department of Health's NHS Pension Scheme (NHSPS). The schemes are valued at least every three years by professionally qualified and independent actuaries.

SAUL is a defined benefit scheme, and with effect from 1 October 2016, USS changed from a defined benefit only pension scheme to a hybrid pension scheme, providing defined benefits (for all members), as well as defined contribution benefits.

The assets of both schemes are held in separate trustee administered funds. Due to the mutual nature of the schemes, the assets are not attributed to individual institutions and scheme wide contribution rates are 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. Therefore, as required by Section 28 of FRS 102 Employee Benefits, the university accounts for the schemes as if they are defined contribution scheme. As a result, the amount charged to the Statement of Comprehensive Income and Expenditure represents the contributions payable to the schemes in respect of the accounting period.

A liability is recorded within provisions for any contractual commitment to fund past deficits within either USS or SAUL as determined by the scheme management. The provision being calculated on a discounted future cash flow basis and the associated expense and subsequent release being recognised as staff costs in the Statement of Comprehensive Income and Expenditure.

NHSPS 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 accounted for as if it were a defined contribution scheme. As a result, the amount charged to the Statement of Comprehensive Income and Expenditure represents the contributions payable to the scheme in respect of the accounting period. As the scheme is unfunded there is no requirement to provide for contractual commitments to fund past deficits.

#### Short-term Employee 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. A liability is recognised at each Balance Sheet date to the extent that employee holiday allowances have been accrued but not taken, the expense being recognised as staff costs in the Statement of Comprehensive Income and Expenditure.

### 7. 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.

## 8. 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 lease term.

## 9. Repairs and maintenance

Expenditure to ensure that a Property, Plant and Equipment asset maintains its previously recognised standard of performance is recognised in the Statement of Comprehensive Income and Expenditure in the period in which it is incurred. The university has a planned maintenance programme, which is reviewed annually.

## 10. 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.

## 11. Intangible assets

### Software licences and implementation costs

Software, licences, and their associated implementation costs, costing less than £25k, are written off in the year of acquisition. All other software, licences, and associated implementation costs are capitalised at cost (including irrecoverable VAT and costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended) and recognised as intangible assets.

Capitalised software and licences are depreciated over their useful economic life of up to 5 years or the remaining length of the licence, using the straight-line method.

## 12. Fixed assets

### Freehold land

Freehold land is accounted for under a revaluation policy, being valued at cost at initial recognition and subsequently being revalued to fair value with positive movements recognised in Other Comprehensive Income and in a revaluation reserve. Negative movements in fair value are recognised in Other Comprehensive Income to the extent that they reverse previously recognised gains, or expenditure where they take the asset below its original cost. Fair value has been calculated without deduction for costs which may be incurred on any subsequent sale.

The university has a policy of ensuring a full revaluation takes place at least every five years, or more frequently where there is evidence that the fair value is materially different to the current value.

Depending upon the nature of the property fair value is measured on a depreciated replacement cost, existing use value or market value basis. All valuations comply with the Royal Institute of Chartered Surveyors global valuation standards.

### Buildings and Leasehold Land

Buildings and long leasehold land are stated at cost (including irrecoverable VAT and costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended) 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 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 and Plant

Equipment 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 (including irrecoverable VAT and costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended) and depreciated over its expected useful life;

- Plant – 15 years
- Capitalised leased equipment – 15 years.
- Fixtures and fittings – 15 years
- Equipment purchased on research grants – remaining term of the grant
- All other equipment – 5 years

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

### Impairment

Assets are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in the Statement of Comprehensive Income. Where indicators exist for a decrease in impairment loss on assets, the prior impairment loss is reversed only to the extent that it does not lead to a revised carrying amount higher than if no impairment had been recognised.

### Borrowing costs

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

### Disposal of fixed assets

Gains or losses on disposal of fixed assets are recognised as the difference between the consideration received (net of any VAT) and the carrying value of the asset at the date sale plus costs incurred in the sale.

## 13. 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 15 to the accounts.

## 14. Investment properties

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

As per section 16.3A of FRS 102, student accommodation is not classified as investment property as the university is a public benefit entity and the property is held primarily for the provision of social benefits.

Investment properties are measured initially at cost and subsequently at fair value (without the deduction for costs which may be incurred in any subsequent sale), based on the valuation undertaken by an independent Chartered Surveyor and updated annually for market movement, 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.

## 15. Investments

All investments will initially be recognised at cost and subsequently measured at fair value at each reporting date. Where fair value cannot be reliably measured or investments are not publicly traded, they will be measured at cost less impairment. All gains and losses on investment assets, both realised and unrealised, are recognised in the Statement of Comprehensive Income and Expenditure as they accrue.

Investments in listed shares (where shares are publicly traded or their fair value can be reliably measurable) are measured at market value.

Investments in subsidiary undertakings and associates are recognised at transaction cost less accumulated impairment losses.

## 16. 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. Highly liquid is considered to be holdings which can be liquidated in less than three months.

## 17. Taxation status

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the reporting date.

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. Any irrecoverable VAT allocated to fixed assets is included in their cost.

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

### 18. 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.

### 19. Financial Instruments

The university has adopted the option to apply the recognition, measurement, and disclosure requirements of sections 11 and 12 of FRS 102.

A financial asset and a financial liability are offset only when there is a legally enforceable right to set off the recognised amounts and an intention either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

#### Financial Assets

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of interest for a similar debt instrument.

Other financial assets, including investments in equity instruments which are not subsidiaries, associates, or joint ventures are initially measured at fair value, which is typically the transaction price. These assets are subsequently carried at fair value and changes in fair value at the reporting date are recognised in the Statement of Comprehensive Income and Expenditure. Where the investment in equity instruments are not publicly traded and where the fair value cannot be reliably measured the assets are measured at cost less impairment.

Financial assets are de-recognised when the contractual rights to the cash flows from the asset expire or are settled or substantially all of the risks and rewards of the ownership of the asset are transferred to another party.

Financial assets are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in the Statement of Comprehensive Income and Expenditure.

For financial assets carried at amortised cost, the amount of an impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

#### Financial Liabilities

Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of interest for a similar debt instrument. Debt instruments are subsequently carried at amortised cost using the effective interest rate method.

Financial liabilities are de-recognised when the liability is discharged, cancelled, or expires.

# Consolidated and university statement of comprehensive income and expenditure

For the year ended 31 July 2020

	Note	Consolidated		University	
		2019-20 £000	2018-19 £000	2019-20 £000	2018-19 £000
<b>Income</b>					
Tuition fees and education contracts	1	428,828	393,788	428,828	393,788
Funding body grants	2	148,309	128,301	148,309	128,301
Research grants and contracts	3	200,544	194,681	200,544	194,681
Other income	4	165,473	163,941	165,566	163,942
Investment income	6	4,186	5,123	4,180	5,119
Total income before donations and endowments		947,340	885,834	947,427	885,831
Donations and endowments	7	16,835	16,131	16,835	16,131
Total income		964,175	901,965	964,262	901,962
<b>Expenditure</b>					
Staff costs	8	(562,744)	(512,634)	(558,102)	(507,493)
Staff costs – movement on USS pension provision	8, 22	116,035	(166,657)	116,035	(166,657)
Other operating expenses	11	(342,352)	(339,403)	(347,140)	(344,725)
Depreciation and amortisation	13, 14	(59,615)	(53,463)	(59,600)	(53,420)
Interest and other finance costs	10	(19,403)	(17,719)	(19,403)	(17,719)
Total expenditure	11	(868,079)	(1,089,876)	(868,210)	(1,090,014)
<b>Surplus/(deficit) before other gains and losses</b>		96,096	(187,911)	96,052	(188,052)
Gain on disposal of fixed assets		35,817	9,417	35,817	9,417
Gain on endowment investments	25	(1,426)	24,438	(1,426)	24,438
Gain/(loss) on property investment	16	(730)	(220)	(730)	(220)
<b>Surplus/(deficit) before tax</b>		129,757	(154,276)	129,713	(154,417)
Taxation	12	(7)	–	–	–
<b>Surplus/(deficit) for the year</b>		129,750	(154,276)	129,713	(154,417)
Unrealised surplus on revaluation of tangible assets		484,321	–	484,321	–
<b>Total comprehensive income for the year</b>		614,071	(154,276)	614,034	(154,417)
<b>Represented by:</b>					
Endowment comprehensive income for the year	25	(5,810)	24,612	(5,810)	24,612
Restricted comprehensive income for the year	24	947	15,448	947	15,448
Unrestricted comprehensive income for the year	26	134,613	(194,336)	134,576	(194,477)
Revaluation reserve comprehensive income for the year		484,321	–	484,321	–
		614,071	(154,276)	614,034	(154,417)

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. Total Comprehensive Income at historic cost in 2019-20 would have been £129,750k (2018-19 (£154,276k))

The notes from page 36 onwards form part of the financial statements.



# Consolidated and university statement of changes in reserves

For the year ended 31 July 2020

	Income and expenditure account			Revaluation reserve	Total
	Endowment £000	Restricted £000	Unrestricted £000	£000	£000
<b>Consolidated</b>					
<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 1 August 2019</b>	258,074	4,214	529,292	–	791,580
Surplus/(deficit) for the year	(5,810)	947	134,613	–	129,750
Surplus on revaluation	–	–	–	484,321	484,321
<b>Total comprehensive income for the year</b>	(5,810)	947	135,698	484,321	614,071
Reserve transfer	–	(1,405)	1,405	–	–
<b>Balance at 31 July 2020</b>	<b>252,264</b>	<b>3,756</b>	<b>665,310</b>	<b>484,321</b>	<b>1,405,651</b>

	Income and expenditure account			Revaluation reserve	Total
	Endowment £000	Restricted £000	Unrestricted £000	£000	£000
<b>University</b>					
<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 1 August 2019</b>	258,074	4,214	531,483	–	793,771
Surplus/(deficit) for the year	(5,810)	947	134,576	–	129,713
Surplus on revaluation	–	–	–	484,321	484,321
<b>Total comprehensive income for the year</b>	(5,810)	947	134,576	484,321	614,034
Reserve transfer	–	(1,405)	1,405	–	–
<b>Balance at 31 July 2020</b>	<b>252,264</b>	<b>3,756</b>	<b>667,464</b>	<b>484,321</b>	<b>1,407,805</b>

# Consolidated and university balance sheets

As at 31 July 2020

	Note	Consolidated		University	
		2019-20 £000	2018-19 £000	2019-20 £000	2018-19 £000
<b>Non-current assets</b>					
Intangible assets	13	32,245	–	32,245	–
Tangible assets	14	1,487,873	1,048,126	1,489,828	1,050,067
Investments	16	66,488	68,690	66,488	68,690
Endowment investments	17	252,264	258,074	252,264	258,074
		<u>1,838,870</u>	<u>1,374,890</u>	<u>1,840,825</u>	<u>1,376,831</u>
<b>Current assets</b>					
Trade and other debtors due within 1 year	18	145,381	149,235	147,183	149,457
Trade and other debtors due after 1 year	18	2,010	–	2,010	–
Cash and cash equivalents		207,577	130,387	204,151	128,800
		<u>354,968</u>	<u>279,622</u>	<u>353,344</u>	<u>278,257</u>
<b>Less: creditors: amounts falling due within one year</b>	19	<u>(355,999)</u>	<u>(311,162)</u>	<u>(354,176)</u>	<u>(309,547)</u>
<b>Net current assets/(liabilities)</b>		<u>(1,031)</u>	<u>(31,540)</u>	<u>(832)</u>	<u>(31,290)</u>
Total assets less current liabilities		<u>1,837,839</u>	<u>1,343,350</u>	<u>1,839,993</u>	<u>1,345,541</u>
<b>Creditors: amounts falling due after more than one year</b>	20	<u>(305,503)</u>	<u>(308,510)</u>	<u>(305,503)</u>	<u>(308,510)</u>
<b>Provisions</b>					
Pension provisions	22	(122,032)	(238,607)	(122,032)	(238,607)
Other provisions	23	(4,653)	(4,653)	(4,653)	(4,653)
<b>Total net assets</b>		<u>1,405,651</u>	<u>791,580</u>	<u>1,407,805</u>	<u>793,771</u>
<b>Restricted reserves</b>					
Income and expenditure reserve – endowment reserve	25	252,264	258,074	252,264	258,074
Income and expenditure reserve – restricted reserve	24	3,756	4,214	3,756	4,214
<b>Unrestricted reserves</b>					
Income and expenditure reserve – unrestricted	26	665,310	529,292	667,464	531,483
Revaluation reserve		484,321	–	484,321	–
<b>Total reserves</b>		<u>1,405,651</u>	<u>791,580</u>	<u>1,407,805</u>	<u>793,771</u>

The financial statements on pages 32 to 58 were approved by the Council on 24 November 2020 and signed on its behalf by:

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

**Professor Sir Edward Byrne**  
*President & Principal*

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

# Consolidated statement of cash flows

For the year ended 31 July 2020

	<i>Note</i>	<b>2019-20</b> £000	<b>2018-19</b> £000
<b>Cash flow from operating activities</b>			
Surplus/(deficit) for the year		129,750	(154,276)
<b>Adjustment for non-cash items</b>			
Depreciation and amortisation	13, 14	59,615	53,463
(Gain)/Loss on property investment	16	730	220
(Gain)/Loss on endowment investments	17	1,426	(24,438)
(Increase)/Decrease in debtors		1,844	(48,327)
Increase/(Decrease) in creditors		33,316	33,925
(Decrease) in lease premium on development property		(869)	(870)
Write down in value of investments	16	800	800
Increase/(Decrease) in pension provisions	22	(120,441)	163,175
<b>Adjustment for investing or financing activities</b>			
Investment income	6	(4,186)	(5,123)
Interest payable	10	19,403	17,719
Endowment income	7	(826)	(2,791)
(Gain)/loss on disposal of fixed assets		(35,817)	(9,417)
Brought forward asset under construction balances written-off		-	5,578
Capital grant income	2, 7	(20,209)	(11,234)
<b>Net cash inflow from operating activities</b>		<b>64,536</b>	<b>18,404</b>
<b>Cash flows from investing activities</b>			
Proceeds from sale of fixed assets		86,315	-
Proceeds from sale of endowment asset investments	17	30,174	30,708
Capital grants receipts	2,7	20,209	11,234
Investment income	6	4,186	5,123
Payments made to acquire fixed assets		(83,636)	(69,464)
Change in non-current asset investments	16	(60)	(946)
New non-current endowment asset investments	17	(31,015)	(30,114)
Endowment asset investments change in cash balances	17	5,225	768
		<b>31,398</b>	<b>(52,691)</b>
<b>Cash flows from financing activities</b>			
Interest paid		(13,986)	(14,253)
Interest element of finance lease payments		(1,432)	(1,567)
Endowment cash received	7	826	2,791
Repayments of amounts borrowed		(2,368)	(1,609)
Capital element of finance lease payments		(1,784)	(1,456)
		<b>(18,744)</b>	<b>(16,094)</b>
<b>Change in cash and cash equivalents in the year</b>		<b>77,190</b>	<b>(50,381)</b>
Cash and cash equivalents at beginning of the year		130,387	180,768
Cash and cash equivalents at end of the year		207,577	130,387
<b>Change in cash and cash equivalents in the year</b>		<b>77,190</b>	<b>(50,381)</b>

# Notes to the accounts

For the year ended 31 July 2020

## 1. Tuition fees and education contracts

	Consolidated and university	
	2019-20 £000	2018-19 £000
Full-time students charged home fees	155,475	147,471
Full-time students charged overseas fees	203,640	172,102
NHS contracted student fees	8,912	14,968
Part-time fees	21,850	17,091
Special and short course fees	28,845	29,943
Research studentship and support grants	10,106	12,213
	<b>428,828</b>	<b>393,788</b>

## 2. Funding body grants

	Consolidated and university	
	2019-20 £000	2018-19 £000
Funding body teaching grants	42,161	39,923
Funding body research grants	78,464	69,347
Other funding body grants	10,145	8,797
Funding body capital grants	17,539	10,234
	<b>148,309</b>	<b>128,301</b>

## 3. Research grants and contracts

	Consolidated and university	
	2019-20 £000	2018-19 £000
Research Councils	49,534	47,826
UK central government, local authorities, health and hospital authorities	38,976	39,888
UK industry, commerce and public corporations	16,322	13,972
UK charitable bodies	52,660	54,042
EU government	17,413	16,729
EU Charities, Industry and Other	4,784	4,927
Overseas non EU	19,400	16,248
Other UK Sources	1,181	1,022
Other	274	27
	<b>200,544</b>	<b>194,681</b>

## 4. Other income

	Consolidated		University	
	2019-20 £000	2018-19 £000	2019-20 £000	2018-19 £000
Academic departments costs reimbursed by NHS	13,663	13,298	13,663	13,298
Clinical excellence awards reimbursed by NHS	7,795	7,740	7,795	7,740
Residences, catering and conferences	47,727	59,571	47,727	59,571
Services rendered to NHS and related bodies	16,358	16,525	16,358	16,525
Gift aid payments from subsidiaries	–	–	159	22
Consultancy	24,541	23,917	24,541	23,917
Royalties	3,340	4,207	3,340	4,207
Commercial rental income	6,891	5,115	6,891	5,115
Other income	45,158	33,568	45,092	33,548
	<b>165,473</b>	<b>163,941</b>	<b>165,566</b>	<b>163,942</b>

## 5. Grant and fee income

The below table is provided in line with the requirements of the Office for Students' Accounts Direction and summarises the grant and fee income of the College by the nature and source of that income. All income included in the table is also included in notes 1 to 4.

	Consolidated and university	
	2019-20 £000	2018-19 £000
Grant income from the OfS	122,472	111,396
Grant income from other bodies	114,349	104,632
Fee income for research awards (exclusive of VAT)	10,106	12,213
Fee income from non-qualifying courses (exclusive of VAT)	28,845	29,944
Fee income for taught awards (exclusive of VAT)	389,877	351,632
	<b>665,649</b>	<b>609,817</b>

## 6. Investment income

	Consolidated		University	
	2019-20 £000	2018-19 £000	2019-20 £000	2018-19 £000
Income on restricted permanent endowments ( <i>note 25</i> )	1,501	2,379	1,501	2,379
Income on restricted expendable endowments ( <i>note 25</i> )	553	651	553	651
Other interest receivable	2,132	2,093	2,126	2,089
	<b>4,186</b>	<b>5,123</b>	<b>4,180</b>	<b>5,119</b>

## 7. Donations and endowments

	Consolidated and university	
	2019-20 £000	2018-19 £000
Capital grants	2,670	1,000
New endowments ( <i>note 25</i> )	826	2,791
Donations with restrictions	10,340	7,024
Unrestricted donations	2,999	5,316
	<b>16,835</b>	<b>16,131</b>

## 8. Staff costs

	Consolidated		University	
	2019-20 £000	2018-19 £000	2019-20 £000	2018-19 £000
<b>Staff costs:</b>				
Wages and salaries	420,271	384,213	415,470	379,834
Redundancy payments	1,827	1,627	1,820	1,627
Social security costs	44,819	39,754	44,232	39,309
Pension contributions relating to current year service ( <i>note 29</i> )	66,525	56,489	66,176	56,229
Permanently employed	533,442	482,083	527,698	476,999
Agency and contract staff costs	29,302	30,551	30,404	30,494
Staff costs (excluding pension provision)	<b>562,744</b>	<b>512,634</b>	<b>558,102</b>	<b>507,493</b>
Movement on USS pension provision	(116,035)	166,657	(116,035)	166,657
Staff costs	<b>446,709</b>	<b>679,291</b>	<b>442,067</b>	<b>674,150</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 213 individuals as compensation for loss of office during 2019-20 (2018-19 222 individuals).

**8. Staff costs** (continued)

	2019-20	2018-19
<b>Average number of directly employed staff, expressed as full-time equivalents:</b>		
Academic/clinical, including research contract staff	4,362	4,118
Administrative and related staff	1,454	1,333
Technical	461	402
Clerical	1,360	1,279
Cleaning and security	355	–
Other	152	174
	<b>8,144</b>	<b>7,306</b>

Remuneration of higher paid staff is the full-time equivalent basic annual salary prior to any adjustment for salary sacrifice. The figures below for both years now include market supplements as per the change in the OFS accounts direction for 2019-20. The number of staff are calculated on a full-time equivalent basis. Staff who joined or left part-way through a year but who would have received salary in these bands in a full year are not included. Where a proportion of the salary is directly reimbursed by the NHS, research funder, consultancy project or similar, only the portion paid by the university is disclosed.

	2019-20 Total Full-time equivalent	2018-19 Total Full-time equivalent		2019-20 Total Full-time equivalent	2018-19 Total Full-time equivalent
£100,001-£104,999	73.9	68.0	£175,000-£179,999	2.0	–
£105,000-£109,999	71.8	32.7	£180,000-£184,999	1.0	1.3
£110,000-£114,999	13.0	16.4	£185,000-£189,999	1.2	3.0
£115,000-£119,999	20.8	13.5	£190,000-£194,999	3.2	1.0
£120,000-£124,999	9.8	13.0	£195,000-£199,999	2.0	0.3
£125,000-£129,999	13.5	8.0	£200,000-£204,999	–	–
£130,000-£134,999	11.7	12.8	£205,000-£209,999	–	1.0
£135,000-£139,999	3.6	5.5	£210,000-£214,999	1.0	1.0
£140,000-£144,999	9.0	5.3	£215,000-£219,999	1.0	1.3
£145,000-£149,999	7.3	6.5	£220,000-£224,999	0.3	1.0
£150,000-£154,999	4.9	3.3	£225,000-£229,999	–	0.8
£155,000-£159,999	3.7	4.1	£230,000-£234,999	0.8	–
£160,000-£164,999	6.8	5.8	£305,000-£309,999	–	0.4
£165,000-£169,999	7.6	3.8	£375,000-£379,999	0.4	–
£170,000-£174,999	2.0	0.2		<b>272.3</b>	<b>210.0</b>

The accounts included a total amount of £164k in severance payments (including the cost of additional pension benefits purchased by the university) made to one higher-paid employee in 2018-19; no equivalent payments were made in 2019-20.

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

	2019-20 Number	2019-20 £000	2018-19 Number	2018-19 £000 Restated*
Key management personnel staff costs	11	2,424	11	2,539

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

\*2018-19 key management personnel remuneration has been restated to include employer pension contributions to ensure the disclosure complies with the requirements of Financial Reporting Standard 102.

## 8. Staff costs (continued)

### President & 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, which complies with the guidance issued by the Committee of University Chairs, 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. The policy establishes the set of peer institutions for salary comparison purposes with which King's is aligned.

**Value:** President & Principal Professor Sir Edward Byrne has provided outstanding leadership to King's since his arrival in 2014. Under his leadership, King's has grown significantly and strategically 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 continued outstanding success of the King's Business School, the reinvigoration of Engineering within King's and through TEDI, a significant collaboration with international partners at the University of Arizona and the University of New South Wales. King's student body has continued to grow and diversify, at undergraduate and postgraduate 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. King's has been recognised by the Times Higher Education rankings this year as 9th in the world for societal impact and sustainability and 11th as one of the most international universities in the world. Further, and more immediately, under his leadership King's has made significant and far-reaching contributions to the country throughout the COVID-19 crisis in research and in service nationally and locally.

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. At the outset of the COVID-19 crisis and with the realisation of the potential impact of it on the university's future finances, he and the other members of the senior executive team announced that they would take a voluntary pay cut effective 1 August 2020 for a period of six months subject to further review dependent on the financial circumstances. For the balance of the 2019-20 academic year until he steps down at the end of January 2021, Professor Byrne's salary and pension package will be reduced by 30 per cent.

Professor Byrne will be retiring from King's in 2021. He will leave a vibrant and thriving institution and the members of the King's community are very grateful for all he has done in the last seven years.

**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, during 2019-20, the Committee was advised by a remuneration expert from PwC. The annual performance review is based on progress toward a set of key performance indicators mutually agreed at the beginning of each academic year.

	2019-20 £000	2018-19 £000
<b>Emoluments of the President &amp; Principal:</b>		
Salary	350	350
Benefits-in-kind	–	–
Accommodation	40	40
	390	390
Pension scheme contributions	73	65
<b>Total emoluments of the President &amp; Principal</b>	<b>463</b>	<b>455</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.

## 8. Staff costs (continued)

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

	2019-20	2018-19
President & Principal base pay multiple of median base pay	10.0	10.1
President & Principal total pay multiple of median total pay	10.7	11.7

As per the guidance from the Office for Students included within the calculation are only staff for whom the university are required to provide real time reporting to HMRC. The calculation of the medians includes staff employed through King's Talent Bank Ltd, a wholly owned subsidiary of the university.

**Methodology:** Full time equivalent (FTE) pay is calculated by summing relevant pay types and the percentage of FTE worked over the year (August 2019 to July 2020) 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.

## 9. 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 £796 to or on behalf of one member (2019 – six, £11,971) in respect of their Council duties.

## 10. Interest and other finance costs

	Consolidated and university	
	2019-20 £000	2018-19 £000
Bank and other loans wholly repayable within five years	910	721
Loans not wholly repayable within five years	13,317	13,810
Finance leases	1,311	1,557
Net charge on pension schemes	3,865	1,631
	<b>19,403</b>	<b>17,719</b>

## 11. Analysis of total expenditure by activity

	Staff costs £000	Other operating expenditure £000	Depreciation and amortisation £000	Interest and other finance costs £000	Consolidated		University	
					2019-20 £000	2018-19 £000	2019-20 £000	2018-19 £000
Academic departments	310,538	41,135	4,167	–	355,840	331,019	355,840	331,019
Academic services	31,902	33,082	8,103	–	73,087	58,087	73,086	58,087
Central administration and services	52,494	11,794	23	–	64,311	66,344	64,443	66,482
General education expenditure	11,449	43,828	33	–	55,310	47,958	55,310	47,958
Staff and student facilities	13,582	15,510	915	–	30,007	22,155	30,007	22,155
Premises	28,025	104,122	37,016	–	169,163	137,827	169,163	137,827
Residence and catering operations	8,739	44,247	1,437	10,225	64,648	69,712	64,648	69,712
Research grants and contracts	110,255	47,845	7,921	–	166,021	166,912	166,021	166,912
Pension costs	(120,441)	–	–	3,865	(116,576)	164,769	(116,576)	164,769
Other costs	166	789	–	5,313	6,268	25,093	6,268	25,093
<b>Total expenditure</b>	<b>446,709</b>	<b>342,352</b>	<b>59,615</b>	<b>19,403</b>	<b>868,079</b>	<b>1,089,876</b>	<b>868,210</b>	<b>1,090,014</b>



**11. Analysis of total expenditure by activity (continued)**

## Cost reimbursed by NHS Trusts

Included in the university's expenditure the following costs were reimbursed by the NHS Trusts which form the King's Health Partnership, and other NHS Trusts the College provides services to.

	Staff costs £000	Other operating expenditure £000	Depreciation and amortisation £000	Interest and other finance costs £000	Consolidated		University	
					2019-20 £000	2018-19 £000	2019-20 £000	2018-19 £000
Academic departments – costs reimbursed by NHS	13,764	27	–	–	13,791	13,498	13,791	13,498
Academic departments – clinical excellence awards	7,725	–	–	–	7,725	7,514	7,725	7,514
Academic departments – services rendered to NHS	6,765	5,713	9	–	12,487	12,448	12,487	12,448
Central administration and services	104	–	–	–	104	–	104	–
	28,358	5,740	9	–	34,107	33,460	34,107	33,460

**Auditor's remuneration****Consolidated and university**

	2019-20 £000	2018-19 £000
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## External auditors' remuneration in respect of audit services:

University financial statements	90	87
Subsidiary financial statements	12	9
US GAAP financial statements	–	36
US Loans and NCTL certifications	9	9
	111	141

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

Corporation and other Tax	39	–
Total remuneration paid to external auditors	150	141

**Consolidated**

	2019-20 £000	2018-19 £000
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## Other operating expenses include:

Operating lease rentals:		
• land and buildings	62,798	68,303
• other	259	259

## 12. Taxation

	Consolidated		University	
	2019-20 £000	2018-19 £000	2019-20 £000	2018-19 £000
<b>Current tax</b>				
Current tax expense	1	–	–	–
Adjustment in respect of previous years	6	–	–	–
<b>Total Tax Expense</b>	<b>7</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Factors effecting the tax charge</b>				
Surplus before taxation	129,750	(154,276)	129,713	(154,417)
UK corporation tax at 19%	24,653	–	24,645	–
Surplus falling within charitable exemption	(24,641)	–	(24,645)	–
Other differences attributable to subsidiaries	(11)	–	–	–
Adjustment in respect of previous years	6	–	–	–
<b>Total Tax Expense</b>	<b>7</b>	<b>–</b>	<b>–</b>	<b>–</b>

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

## 13. Intangible assets

### Consolidated and university

	IT Systems	Assets in the course of construction	Total
	£000	£000	£000
<b>Cost</b>			
At 1 August 2019	–	–	–
Transfer from tangible assets	12,253	14,767	27,020
Additions	895	9,122	10,017
Transfer	2,918	(2,918)	–
At 31 July 2020	16,066	20,971	37,037
<b>Amortisation</b>			
At 1 August 2019	–	–	–
Transfer from tangible assets	(2,393)	–	(2,393)
Charge for the year	(2,399)	–	(2,399)
At 31 July 2020	(4,792)	–	(4,792)
<b>Net book value</b>			
At 1 August 2019	–	–	–
At 31 July 2020	11,274	20,971	32,245

Historically the university has classified non-current assets relating to Corporate IT Systems as tangible assets; in 2019–20 these assets have been reclassified as intangible assets to ensure compliance with the requirements of Financial Reporting Standard 102. This has required a transfer of £24,627k of net book value from tangible to intangible assets during the year.

## 14. Tangible assets

Consolidated	Freehold		Leasehold Land and buildings £000	Plant £000	Furniture and equipment £000	Leased equipment £000	Assets in the course of construction £000	Total £000
	Land £000	Buildings £000						
<b>Cost</b>								
At 1 August 2019	36,390	374,171	566,966	156,153	194,738	21,733	117,976	1,468,127
Additions	–	–	280	10,231	5,543	–	57,565	73,619
Revaluation adjustment	484,321	–	–	–	–	–	–	484,321
Transfers	–	391	2,991	19,179	4,928	–	(27,489)	–
Transfer to Intangibles	–	–	–	–	(12,253)	–	(14,767)	(27,020)
Disposals	–	–	–	(21)	–	–	(36,329)	(36,350)
At 31 July 2020	520,711	374,562	570,237	185,542	192,956	21,733	96,956	1,962,697
<b>Depreciation</b>								
At 1 August 2019	–	(94,716)	(122,506)	(50,722)	(133,222)	(18,835)	–	(420,001)
Transfers	–	(47)	50	(3)	–	–	–	–
Charge for year	–	(6,446)	(13,519)	(10,425)	(25,377)	(1,449)	–	(57,216)
Transfer to Intangibles	–	–	–	–	2,393	–	–	2,393
At 31 July 2020	–	(101,209)	(135,975)	(61,150)	(156,206)	(20,284)	–	(474,824)
<b>Net book value</b>								
At 1 August 2019	36,390	279,455	444,460	105,431	61,516	2,898	117,976	1,048,126
At 31 July 2020	520,711	273,353	434,262	124,392	36,750	1,449	96,956	1,487,873
<b>University</b>								
	Land £000	Buildings £000	Leasehold Land and buildings £000	Plant £000	Furniture and equipment £000	Leased equipment £000	Assets in the course of construction £000	Total £000
<b>Cost</b>								
At 1 August 2019	36,390	375,244	567,936	156,006	194,449	21,733	117,976	1,469,734
Additions	–	–	280	10,231	5,542	–	57,565	73,618
Revaluation adjustment	484,321	–	–	–	–	–	–	484,321
Transfers	–	391	2,991	19,179	7,846	–	(30,407)	–
Transfer to Intangibles	–	–	–	–	(12,253)	–	(14,767)	(27,020)
Disposals	–	–	–	(21)	–	–	(36,329)	(36,350)
At 31 July 2020	520,711	375,635	571,207	185,395	195,584	21,733	94,038	1,964,303
<b>Depreciation</b>								
At 1 August 2019	–	(94,736)	(122,524)	(50,600)	(132,972)	(18,835)	–	(419,667)
Transfers	–	(47)	49	(2)	–	–	–	–
Charge for year	–	(6,467)	(13,538)	(10,404)	(25,343)	(1,449)	–	(57,201)
Transfer to Intangibles	–	–	–	–	2,393	–	–	2,393
At 31 July 2020	–	(101,250)	(136,013)	(61,006)	(155,922)	(20,284)	–	(474,475)
<b>Net book value</b>								
At 1 August 2019	36,390	280,508	445,412	105,406	61,477	2,898	117,976	1,050,067
At 31 July 2020	520,711	274,385	435,194	124,389	39,662	1,449	94,038	1,489,828

In 2019-20 the university has adopted a policy of revaluing freehold land to fair value. The university believes that the fair value better reflects the true value of the university's freehold land assets.

#### 14. Tangible assets (continued)

Freehold land was revalued to fair value as at 31 July 2020 by an independent Chartered Surveyor, Gerald Eve, in accordance with the RICS Valuation – Global Standards (January 2020 edition) and FRS102. The fair value of land is based on either open market value (operational assets) or depreciated replacement cost (specialised assets). In their report Gerald Eve included a material valuation uncertainty statement regarding the impact of COVID-19 on property valuations, but confirmed this does not mean the valuation cannot be relied upon.

If a revaluation policy had not been adopted for freehold land it would have a net book value of £36,390k.

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 £56,857k (2019 £58,689k).

#### 15. 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 fifteenth 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, twentieth-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 eighteenth-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.

## 16. Investments

	Investment property £000	Francis Crick Institute £000	Other investments £000	Consolidated and university	
				Total 2020 £000	Total 2019 £000
At 1 August 2019	28,961	37,600	2,129	68,690	68,764
Additions	–	–	60	60	946
Gain/(impairment)	(730)	(800)	–	(1,530)	(1,020)
Transfer to Debtors	–	–	(732)	(732)	–
At 31 July 2020	28,231	36,800	1,457	66,488	68,690

### Subsidiary undertakings

Entity	Nature of activity	Nature of entity	Relationship with University	Interest
King's Talent Bank Ltd	Employment agency	Company limited by shares	Wholly owned subsidiary	100%
King's College London Business Ltd	Provision of Information technology support	Company limited by shares	Wholly owned subsidiary	100%
College Facilities Ltd	Facilities management services	Company limited by shares	Wholly owned subsidiary	100%
KCL Ventures Ltd	Dormant	Company limited by shares	Wholly owned subsidiary	100%

All subsidiaries and associated undertakings are incorporated in England and Wales and prepare accounts to 31 July each year, with the exception of KCL Ventures Ltd which prepares accounts to 31 March each year.

The total value of capital invested in subsidiary undertakings is £4 (2018-19 £4).

### Joint venture

Entity	Nature of activity	Nature of entity	Relationship with University	Interest
TEDI-London	Tertiary education	Company limited by guarantee	Joint venture	33%

TEDI-London is joint venture between King's College London, the University of New South Wales, and Arizona State University to set up a new provider of higher education in the field of engineering. The company was incorporated in 2019 in England and Wales and is limited by guarantee with each venturer being a one third member of the guarantee, and with the right to appoint one third of the company's directors. King's College London's share of the guarantee is £10.

For the purposes of the preparation of these financial statements TEDI-London represents a jointly controlled entity, and it is accounted for under equity method as per section 15 of FRS 102, with the university recognising its share of the net assets and annual surplus of the company. However as at 31 July 2020 TEDI-London has not yet commenced teaching and as such the company is in a net liability position. In line with section 15 of FRS 102 the university has not recognised TEDI-London within these financial statements as its share of the company is currently worth less than its original investment.

### Other unconsolidated undertakings

Entity	Nature of activity	Nature of entity	Relationship with University	Interest
The Francis Crick Institute Ltd	Biomedical research	Company limited by shares	Investment	16.6%

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.

**17. Endowment investments**

	Consolidated and university	
	2019-20 £000	2018-19 £000
Balance at 1 August	258,074	233,462
Additions	31,015	30,114
Disposals	(30,174)	(30,708)
Appreciation/ (Depreciation)	(1,426)	24,438
Increase/(decrease) in cash balances	(5,225)	768
Balance at 31 July	252,264	258,074
Fixed interest stocks	9,092	8,587
Equities	220,916	222,006
Bank balances	22,256	27,481
	252,264	258,074
Fixed interest and equities at cost	182,491	172,556

**18. Trade and other debtors**

	Consolidated		University	
	2020 £000	2019 £000	2020 £000	2019 £000
Amounts falling due within one year:				
Trade debtors	26,932	32,652	26,932	32,652
Other debtors	4,238	2,237	4,038	2,035
Research grant debtors	31,548	35,432	31,548	35,432
Research grant work in progress	47,466	40,488	47,466	40,488
Prepayments and accrued income	35,197	38,426	35,132	37,095
Amounts owed by group undertakings	–	–	2,067	1,755
	145,381	149,235	147,183	149,457
Amounts falling due after more than one year:				
Other debtors	2,010	–	2,010	–
	2,010	–	2,010	–

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

	Consolidated		University	
	2020 £000	2019 £000	2020 £000	2019 £000
Trade creditors	5,372	8,240	5,149	8,113
Deferred income	184,952	176,506	184,952	176,054
Other creditors and accruals	111,948	95,334	111,490	95,420
Holiday pay accrual	17,189	10,196	16,144	9,316
Social security and other taxation payable	29,670	14,303	29,502	14,061
Amounts owed to group undertakings	–	–	71	–
Obligations under finance leases less term deposits for repayment (note 21)	1,642	1,642	1,642	1,642
Current element of long-term liabilities (note 21)	5,226	4,941	5,226	4,941
	355,999	311,162	354,176	309,547

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

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

	Consolidated		University	
	2020 £000	2019 £000	2020 £000	2019 £000
Research grants received on account	105,465	91,885	105,465	91,885
Other income	30,817	61,438	30,817	60,986
Donations	18,874	21,658	18,874	21,658
Tuition fees	29,612	–	29,612	–
Other deposits	184	1,525	184	1,525
	<b>184,952</b>	<b>176,506</b>	<b>184,952</b>	<b>176,054</b>

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

	Consolidated and university	
	2020 £000	2019 £000
Obligations under finance leases ( <i>note 21</i> )	12,694	13,027
Term deposits for loan repayments	(11,670)	(10,096)
	<b>1,024</b>	<b>2,931</b>
Loans ( <i>note 21</i> )	<b>285,787</b>	<b>286,018</b>
Long-term borrowings	<b>286,811</b>	<b>288,949</b>
Lease premium on investment property	<b>18,692</b>	<b>19,561</b>
Long-term creditors	<b>305,503</b>	<b>308,510</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.

**21. Borrowings**

	Consolidated and university			
	Finance Leases		Loans	
	2020 £000	2019 £000	2020 £000	2019 £000
Obligations under finance leases fall due and loans are repayable as follows:				
Between one and two years	12,694	1,642	5,511	5,214
Between two and five years	–	11,385	20,580	19,167
Total between one and five years	<b>12,694</b>	<b>13,027</b>	<b>26,091</b>	<b>24,381</b>
Over five years	–	–	259,696	261,637
Total over one year ( <i>note 20</i> )	<b>12,694</b>	<b>13,027</b>	<b>285,787</b>	<b>286,018</b>
Within one year ( <i>note 19</i> )	<b>1,642</b>	<b>1,642</b>	<b>5,226</b>	<b>4,941</b>
	<b>14,336</b>	<b>14,669</b>	<b>291,013</b>	<b>290,959</b>
Term deposits for loan repayments	(11,670)	(10,096)	–	–
	<b>2,666</b>	<b>4,573</b>	<b>291,013</b>	<b>290,959</b>

## 21. Borrowings (continued)

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.

## 22. Pension provisions

	Consolidated and university	
	US\$ £000	Total £000
At 1 August 2019	238,607	238,607
Deficit contributions paid during the year	(4,406)	(4,406)
Additional discount rate interest charge for the year	3,866	3,866
Increase to reflect 2019 deficit funding plan	(116,035)	(116,035)
At 31 July 2020	122,032	122,032

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 0.74% (2019: 1.62%) 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 2018 actuarial valuation (the only agreed valuation and deficit recovery plan as at the balance sheet date). This has given rise to a significant decrease in the deficit provision. In March 2020 a new valuation was commenced by USS which is expected to significantly increase the technical deficit on the scheme.

The deficit recovery plan requires employer contributions of 2% of salaries over the period 1 October 2019 to 30 September 2021 at which point the rate will increase to 6%, until 31 March 2028. In the year ended 31 July 2019, the liability was based on the previous deficit recovery plan, which required payment of 5% of salaries over the period 1 April 2020 to 30 June 2034 which resulted in the far higher provision as at 31 July 2019.

As at the balance sheet date and the date of approval of these financial statements no updated funding plan has been agreed so no adjustment has been made to the provision to reflect the expected greater technical deficit. It is to be expected that the provision will increase significantly in future years once a new deficit funding plan is agreed.

### Sensitivity analysis

Change in assumptions at 31 July 2020	Approximate increase/ (decrease) in provision £m	
	+0.5%	-0.5%
Discount rate	(2.9)	3.0
Long-term salary inflation	2.9	(2.8)
Long-term head count increase	3.0	(2.9)



**23. Other provisions**

	<b>Consolidated and university</b> Leasehold dilapidations
	£000
At 1 August 2019	4,653
Utilised in year	–
Transferred from Income and Expenditure Account during the year	–
At 31 July 2020	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.

**24. Restricted reserves**

	<b>Consolidated and university</b>	
	<b>2020</b>	<b>2019</b>
	<b>Total</b>	<b>Total</b>
	£000	£000
At 1 August	4,214	4,694
Income	12,774	27,484
Expenditure	(11,827)	(12,036)
Net restricted income for the year	947	15,448
Capital grants spent and transferred to unrestricted reserves	–	(15,928)
Transfer to unrestricted reserves	(1,405)	
At 31 July	3,756	4,214

**25. Endowment reserves**

	<b>Consolidated and university</b>					
	<b>Restricted permanent</b>			<b>Restricted expendable Total</b>	<b>2020 Total</b>	<b>2019 Total</b>
	<b>Original gift</b>	<b>Unapplied total return</b>	<b>Total</b>			
	£000	£000	£000	£000	£000	£000
Capital at 1 August	77,743	145,132	222,875	35,199	258,074	233,462
New donations and endowments	520	–	520	306	826	2,791
Change in market value of endowment investments	–	(1,245)	(1,245)	(181)	(1,426)	24,438
Investment income	–	1,501	1,501	553	2,054	3,030
Expenditure	–	(4,524)	(4,524)	(2,740)	(7,264)	(5,647)
At 31 July	78,263	140,864	219,127	33,137	252,264	258,074
Represented by:						
Capital	78,263	129,197	207,460	30,329	237,789	243,611
Accumulated income	–	11,667	11,667	2,808	14,475	14,463
	78,263	140,864	219,127	33,137	252,264	258,074

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.

## 25. Endowment reserves (continued)

	At 1 August 2019 £000	Additions and transfers £000	Change in market value £000	Total return income £000	Expenditure £000	At 31 July 2020 £000
<b>Funds with income under £100,000</b>						
Chairs and lectureships (169 funds)	82,607	794	(2,537)	3,031	(2,435)	81,460
Scholarships (162 funds)	31,942	5	(1,017)	1,041	(382)	31,589
Other funds (68 funds)	18,373	–	(589)	893	(151)	18,526
Prize funds (258 funds)	11,241	27	(357)	340	(43)	11,208
<b>Funds with income over £100,000</b>						
Newland-Pedley General Fund	21,390	–	(683)	645	(602)	20,750
Dimbleby Endowment Fund	10,846	–	(353)	333	(246)	10,580
Van Geest Foundation Fund	7,400	–	(161)	179	(1,329)	6,089
Lau China Institute Donation	8,164	–	(261)	246	(229)	7,920
Richard Dickinson USA Fund	6,842	–	(213)	201	(50)	6,780
Yeoh Tiong Lay Centre Donation	7,996	–	(264)	249	(249)	7,732
Sackler Chair Endowment Fund	5,125	–	(155)	146	(77)	5,039
Herbert Dunhill Chair of Rehabilitation	4,774	–	(153)	144	(116)	4,649
Avantha Chair	4,570	–	(151)	143	(86)	4,476
Paediatric Research Unit Lectureship Fund	4,565	–	(151)	142	(142)	4,414
Mary Dunhill Chair of Cutaneous Medicine	4,569	–	(149)	141	(181)	4,380
Sackler Foundation Endowment Fund	4,375	–	(142)	134	(85)	4,282
Lacey Travelling Bursaries	4,364	–	(141)	133	–	4,356
Richard Dickinson Trust General Fund	4,035	–	(132)	124	(134)	3,893
Arcadia Endowment	4,023	–	(128)	121	(112)	3,904
Chair of Rheumatology	3,556	–	(123)	116	(486)	3,063
Michael Brown Foundation	3,704	–	(119)	112	(31)	3,666
Tommy's Campaign Chair in Fetal Health	3,613	–	(118)	111	(98)	3,508
Total return from capital gains	–	–	6,671	(6,671)	–	–
	258,074	826	(1,426)	2,054	(7,264)	252,264

The Newland-Pedley General Fund is used to support the Faculty of Dentistry, Oral & Craniofacial Sciences.

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 & 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 Faculty of Dentistry, Oral & Craniofacial Sciences.

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

## 26. Unrestricted reserves

	<u>Consolidated</u>	<u>University</u>
	£000	£000
Balance at 1 August 2019	529,292	531,483
Surplus after depreciation of assets at cost and tax	134,613	134,576
Release of restricted capital funds spent in year	–	–
Transfer from restricted reserves	1,405	1,405
Balance at 31 July 2020	<u>665,310</u>	<u>667,464</u>
<b>The reserves are:</b>		
Income and expenditure reserve, which is nominally allocated to:		
Capital reserve	698,049	700,004
Departmental reserves	66,831	66,831
Pension reserve	(122,032)	(122,032)
Revenue reserve	22,462	22,661
General reserves	<u>(32,739)</u>	<u>(32,540)</u>
Total income and expenditure reserve	<u>665,310</u>	<u>667,464</u>

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

## 27. Consolidated reconciliation of net debt

	<b>2019-20</b>	
	£000	
Net debt 1 August 2019	165,145	
Movement in cash and cash equivalents	(77,190)	
Movement on accrued interest	(1,970)	
Other non-cash changes	117	
Net debt 31 July 2010	86,102	
Change in net debt	79,043	
Analysis of net debt	<b>31 July 2020</b>	<b>31 July 2019</b>
	£000	£000
Cash and cash equivalents	207,577	130,387
Borrowings: amounts falling due within one year		
Secured loans	3,210	3,096
Unsecured loans	2,016	1,845
Obligations under finance leases	1,642	1,642
	6,868	6,583
Borrowings: amounts falling due after more than one year		
Obligations under finance lease	12,694	13,027
Secured loans	38,952	42,163
Unsecured loans	246,835	243,855
Term deposit	(11,670)	(10,096)
	286,811	288,949
Net debt	86,102	165,145

## 28. Capital commitments

	<b>Consolidated and university</b>	
	<b>2020</b>	<b>2019</b>
	£000	£000
Commitments contracted at 31 July	22,632	22,739
Commitments authorised but not contracted at 31 July	102,375	109,450
	125,007	132,189

## 29. 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	
	2019-20 £000	2018-19 £000	2019-20 £000	2018-19 £000
Contributions to USS	54,858	46,014	54,858	46,014
Contributions to SAUL	11,565	9,157	11,565	9,157
Contributions to NHSPS	4,341	4,375	4,341	4,375
Contributions to other pension schemes	267	622	(82)	362
	71,031	60,168	70,682	59,908
Contributions for funding of deficit relating to prior service	(4,406)	(3,482)	(4,406)	(3,482)
Pension contributions included within capital projects	(100)	(197)	(100)	(197)
	66,525	56,489	66,176	56,229
Pension contributions included within staff costs				
Movement on pension provision within staff costs	(116,035)	166,657	(116,035)	166,657
	(49,510)	223,146	(49,859)	222,886

### Universities Superannuation Scheme (USS)

The institution participates in Universities Superannuation Scheme (USS) which is the main scheme covering most academic and academic-related staff. The Scheme is a hybrid pension scheme, providing defined benefits (for all members), as well as defined contribution benefits. The assets of the Scheme are held in a separate trustee-administered fund.

Because of the mutual nature of the Scheme, the assets are not attributed to individual institutions and a scheme-wide contribution rate is set. 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. As required by Section 28 of FRS 102 'Employee Benefits', the university therefore 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) with related expenses being recognised through the Consolidated Statement of Comprehensive Income.

Deficit recovery contributions due within one year for the institution are £5,445k (2019: £4,406k).

The latest available complete actuarial valuation of the Retirement Income Builder section of the Scheme is at 31 March 2018 ('the valuation date'), which was carried out using the projected unit method. A valuation as at 31 March 2020 is underway but not yet complete.

Since the university cannot identify its share of Retirement Income Builder (defined benefit) assets and liabilities, the following disclosures reflect those relevant for those assets and liabilities as a whole.

The 2018 valuation was the fifth valuation for USS under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. At the valuation date, the value of the assets of the Scheme was £63.7 billion and the value of the Scheme's technical provisions was £67.3 billion indicating a shortfall of £3.6 billion and a funding ratio of 95%.

**29. Pensions (continued)**

The key financial assumptions used in the 2018 valuation are described below. More detail is set out in the Statement of Funding Principles.

Discount rate (forward rates)	Years 1-10: CPI + 0.14% reducing linearly to CPI - 0.73% Years 11-20: CPI + 2.52% reducing linearly to CPI + 1.55% by year 21 Years 21 +: CPI + 1.55%
Pension Increases (CPI)	Term dependent rates in line with the difference between the Fixed Interest and Index Linked yield curves, less 1.3% p.a.

The main demographic assumption used relates to the mortality assumptions. These assumptions are based on analysis of the Scheme's experience carried out as part of the 2018 actuarial valuation. The mortality assumptions used in these figures are as follows:

## Mortality base table (2018 valuation)

Pre-retirement	71% of AMCOO (duration 0) for males and 112% of AFCOO (duration 0) for females.
Post-retirement	97.6% of SAPS S1NMA 'light' for males and 102.7% of RFV00 for females.
Future improvements to mortality	CMI_2017 with a smoothing parameter of 8.5 and a long term improvement rate of 1.8% pa for males and 1.6% pa for females.

The current life expectations on retirement at age 65 are:

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

A further full valuation as at 31 March 2020 is currently underway. As the valuation has only recently commenced there is still work to be done agreeing the technical provisions assumptions, the extent of future investment risk, the duration of the deficit period and the level of deficit contributions. As part of this process USS are consulting on rule changes in respect of strengthening the employer covenant. The valuation must be completed by 30 June 2021. However it is generally anticipated that there will be a significant increase in the deficit provision as at 31 July 2021 (assuming the valuation is completed by then).

Contribution rates for the Scheme are as follows:

	Members	Employers
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%
From 1 October 2021 (2018 scheme valuation)	11.0%	23.7%

It is to be expected that these contribution rates will change with the agreement of a new deficit funding plan based upon the 31 March 2020 valuation.

The main 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 £58,589 p.a. in 2019-20 and will be £59,586 in 2020-21.
- 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.

## 29. Pensions (continued)

### 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%, but of these 3.8% are covered by the Department of Health and Social Care and are not a cost to the university.

### 30. Related party transactions

The university maintains a register of the interests of the members of Council and of its standing committees, which is published on its website [kcl.ac.uk/aboutkings/governance/council/registerofinterests](http://kcl.ac.uk/aboutkings/governance/council/registerofinterests)

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.

These financial statements reflect the following transactions with related parties which were undertaken on an arms length basis and under normal commercial terms;

Name	Nature of interest	Consolidated and university 2019-20	
		Income/(Expenses) £000	Amount due from/(to) £000
Association of Commonwealth Universities	A Senior Officer of the university and Member of the Council was Chairman	(6.6)	–
Bank of England	Member of the Council was an employee and Member of various committees	(5.5)	–
Guy's and St Thomas' Charity	Member of the Council was a Trustee	9,351.8/ (150.0)	954.7
HCA Health Care	A Senior Officer of the university and Member of the Council was a Member of the Advisory Board	(3.6)	–
King's Maths School	A Senior Officer of the university and Member of Council was a Trustee	268.5	5.9
MedCity Ltd	A Senior Officer of the university and Member of Council was a Director	(286.5)	–
Russell Group	A Senior Officer of the university and Member of the Council was a Board Member	(80.2)	–
Science Gallery International	A Senior Officer of the university was a Board Member	(70.9)	–
Somerset House Trust	Member of the Council was a Trustee	9.9 / (672.7)	–
TEDI London	A Senior Officer of the university and Member of the Council was a Trustee. TEDI London is Joint Venture investment of the university	–	(938.4)
The Council for the Advancement & Support of Education Europe (CASE Europe)	A Senior Officer of the university and Member of Council was a Trustee	(22.5)	–
University of London	A Senior Officer of the university and Member of the Council was a Trustee	415.0 / (724.1)	41.2 / (14.5)
The Superannuation Arrangements of the University of London (SAUL)*	A Senior Officer of the university and Member of Council was a Director		
King's College London Students' Union (KCLSU)**	Member of the Council was President of the Union		

\* Refer to note 29 for details of annual contributions to the Superannuation Arrangements of the University of London (SAUL)

\*\* 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. In 2019-20 the university made an annual block grant payment of £3,826k to the Union. The university also provides the Union with building space with a notional rental income value of £3,317k for which no cash is exchanged and the university recognises as both rental income and notional grant expenditure

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. The nature of the relationship with these NHS Trusts makes it difficult to quantify the value shown in the accounts each year. Senior staff of the university and members of Council may also hold senior positions in these organisations.



### 30. Related party transactions (continued)

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.

The university has paid Francis Crick Institute £2,820k during the year as agreed contributions to overheads, studentships and reimbursement of other costs, and received £599k for seconded staff. The university recognises an investment balance related to its initial £40m investment in the Institute.

The university has taken advantage of the exemptions under section 33 of FRS 102 for '100%' or 'wholly' owned subsidiaries not to disclose intra-group transactions.

### 31. Training salaries

	Consolidated and university	
	2019-20 £000	2018-19 £000
Balance underspent at 1 August	252	255
Funding Council and Department for Education grants	3,615	3,892
Disbursed to students	(3,784)	(3,895)
Balance underspent at 31 July	83	252

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 and university Statement of Comprehensive Income and Expenditure Account.

### 32. Access and participation

	Consolidated and university		
	Staff costs £000	Non-staff costs £000	Total £000
Access Investment	1,312	1,195	2,507
Financial Support	–	8,322	8,322
Disability Support	633	29	662
Research and Evaluation	190	19	209
	2,135	9,565	11,700

#### Access

Access investment includes pre-16, post-16, work with community and adults, work with disabled students, strategic work with school and other partners. The committed spend on 'Access' in the 2019-20 APP submission based on proportion of total higher fee income was £2,585,390.

Note that the spend on disabled students support provided includes ongoing work, expansion of assistive technology and inclusive approach. The expenditure here refers to services and work funded via the Student Premium as part of our overarching Student Success work, rather than higher fee income as part of the Access and Participation Plan.

The committed spend on financial support based on proportion of total higher fee income in the APP 2019-20 APP submission was £8,457,599. However, this was based on a forecast of maximum potential eligible students. The number of eligible students was lower than forecast, leading to lower than forecast expenditure.

Where staff members do not work wholly on Access and Participation activities, a proportion of their staff costs have been included in this disclosure in line with best estimates of the time they spent on these activities.

**33. Financial instruments**

	Consolidated		University	
	2019-20 £000	2018-19 £000	2019-20 £000	2018-19 £000
Financial assets				
<i>Financial assets at fair value through Statement of Comprehensive Income</i>				
Listed investments	230,008	230,593	230,008	230,593
<i>Financial assets that are equity instruments measured at cost less impairment</i>				
Other investments	1,457	2,129	1,457	2,129
<i>Financial assets that are debt instruments measured at amortised cost</i>				
Cash and cash equivalents	33,926	37,577	22,256	27,481
Other debtors	147,391	149,235	149,193	149,457
Financial liabilities				
<i>Financial liabilities measured at amortised cost</i>				
Loans	291,013	290,595	291,013	290,595
Finance leases	14,336	14,669	14,336	14,669
Trade creditors	5,372	8,240	5,149	8,113
Other creditors	343,759	296,339	342,159	294,851

**34. 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	62,798	259	63,057	68,562
Future minimum lease payments due:				
Not later than one year	61,798	22	61,820	62,204
Later than one year and not later than five years	231,037	88	231,125	216,828
Later than five years	469,364	119	469,483	466,036
Total lease payments due	762,199	229	762,428	745,068



