

**Kingston  
University**  
London

STRATEGIC REVIEW



2015/16

# Financial Statements







# Statement from the Acting Vice-Chancellor and the Chair, Board of Governors

Kingston University continues to operate in a very strong financial position despite an increasingly competitive environment for home, EU and international students. The university generated cash from operations of £19.5m during 2015/16, which is helping us to accelerate our investment in estate, infrastructure and improving the student experience.

The Board of Governors has approved a £325m investment programme which, over the next decade, will continue to create high quality buildings and landscaping to improve the teaching and learning environment. The new buildings will be innovative, environmentally sustainable and flexible enough to adapt to future needs.

During the coming year the University will focus significant effort on implementing an academic improvement programme and developing an enhanced professional service culture to ensure all students enjoy the best possible experience.

The pace of change, already evident in the creation of new laboratories and lecture space at Penrhyn Road Campus, will continue into 2016/17 with construction of a new sports hall at Kingston Hill Campus and continuation of major IT projects to support student learning, finance and HR systems.

We are pleased to report that the University's positive year-end position enables us to bring forward our investment, to the benefit of students, staff and the local community.

**Steven Spier**  
Acting Vice-Chancellor



**David Edmonds**  
Chair, Board of Governors



# 1. Summary of financial performance for the year

These financial statements are prepared under the new accounting standard FRS102 with last year's results restated for comparison. The accounts represent the consolidated position and include the wholly-owned subsidiary companies Kingston University Service Company Limited (KUSCO),

Kingston University Campus Enterprises Limited (KUCEL) and Kingston University Enterprises Limited (KUEL). The statements also include share of the revenue, costs, assets and liabilities from a joint venture arrangement in health and social care education with St George's, University of London.

Table 1.

Statement of comprehensive income		
	2015/16 £000	2014/15 £000
Income	209,351	213,446
Expenditure	208,650	197,183
<b>Surplus of the year</b>	<b>701</b>	<b>16,263</b>

Balance sheet		
Fixed assets	392,004	383,449
Current assets	166,741	148,643
Creditors falling due within 1 year	43,901	44,207
Net current assets	122,840	104,436
Creditors falling due after 1 year	95,389	73,216
Pension provision	104,922	90,030
Net assets	314,533	324,639

Cash balance	153,239	136,288
Cash generated from operating activities	19,581	30,743

The reported surplus levels are lower than in previous years with the adoption of the new standard FRS102 and the result of £0.7m is after charging accounting adjustments totalling £5.6m. These adjustments are not cash related and the financial performance and liquidity position remain strong, with cash generated from operations of £19.5m.

The long term creditors include the loan from Barclay's Bank of £60.2m. The covenants for this loan relating to debt servicing cover and balance sheet strength are met for the duration of the ten-year financial plan.



## 2. Strategy and objectives

### Strategic plan

Under the leadership of the Acting Vice-Chancellor, the University continues to respond to the challenges of an increasingly competitive higher education environment. Its key goals are grouped under the headings:

- Learning, enquiry and practice
- Enriching lives
- Respect for individuals, communities and environment

This overarching strategy is underpinned by core academic strategies for education, research and enterprise. There are six further supporting strategies covering people, finance, estates, marketing and communications, information and civic engagement.



## 3. Development and performance throughout the year

### Recruitment

The Government's removal of the cap on student recruitment, in an increasingly competitive environment, made recruitment difficult in 2015/16. It led to a shortfall against target of 500 FTEs for full time undergraduate students. Verified data from the 2014/15 entry shows average entry tariff points at 290 with early data from 2015/16 suggesting a slight reduction to 285 points.

### National Student Survey

Kingston University achieved an overall student satisfaction rate of 82%, an increase of four percentage points on the previous year's National Student Survey.

The University's sport science and nutrition degrees achieved top rankings, with third year undergraduates the most satisfied in England and Wales. Both subjects scored 100% student satisfaction. That score was matched by three other high performers - computer science (games programming), geography and mechanical engineering.

### Financial strategy

In supporting the University's objectives, the financial strategy ensures that the organisation's full economic costs are covered by its income, that sufficient reserves are maintained and that the liquidity position will meet operating requirements.

The strategy defines four key performance measures which are used as front-line mandatory ratios in determining success:

- Historic cost surplus as a percentage of fees and funding (4% in any one year and 5% rolling three year basis);
- External borrowing as a multiple of averaged six-year EBITDA set at a ceiling of 5.0;
- Net liquidity of at least 60 days,
- Borrowings not to exceed 40% of net assets excluding pension reserve.



Table 2.

	Target	2015/16	2014/15
Surplus as % fee and funding income	>5%	4%	12%
Net liquidity (days)	>60 days	284 days	272 days
External borrowing a multiple of average six year EBITDA	<5.0	3.7	2.7
Borrowings as % net assets excluding pension liabilities	<40%	20.50%	15.60%

The first parameter above is calculated on the old accounting standard and a new KPI will be agreed during 2016/17 based on cash generation. The other three measures are calculated on the new FRS102 standard.

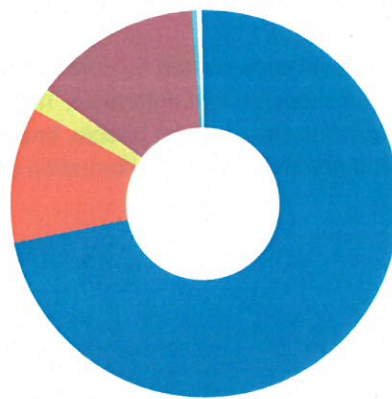
### Financial highlights for the year

The total income of £209m is mainly received from tuition fees from students as demonstrated in charts (right).



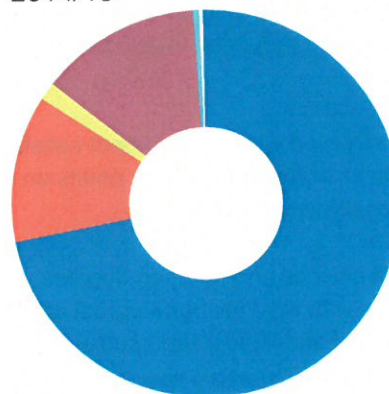
### Total income

2015/16



- Tuition fees and education contracts
- Funding body grants
- Research grants and contracts
- Other income
- Investment income

2014/15

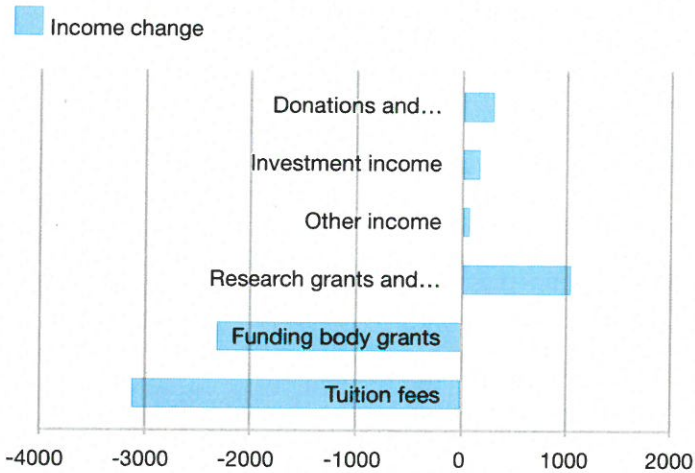


- Tuition fees and education contracts
- Funding body grants
- Research grants and contracts
- Other income
- Investment income



The total income level reduced by £4.0m from 2014/15 as shown in the chart below:

### Income change

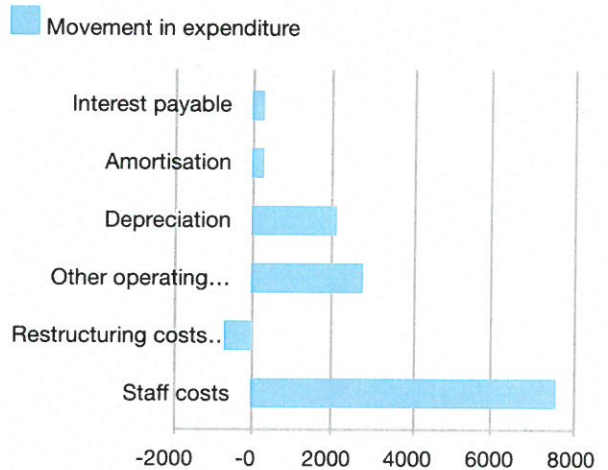


The decrease in HEFCE funding of £2.3m reflects the phased reduction in funding for old regime students. The decrease in tuition fee income of £3.1m is the net impact of the student recruitment outcome described above. The headline fee for undergraduate students was £9,000 (£9,000 in 2014/15) with HEFCE funding applied to high cost subjects.

The total expenditure of £208.6m is categorised as follows:

Total expenditure increased over 2014/15 by £11.4m which included the following movements:

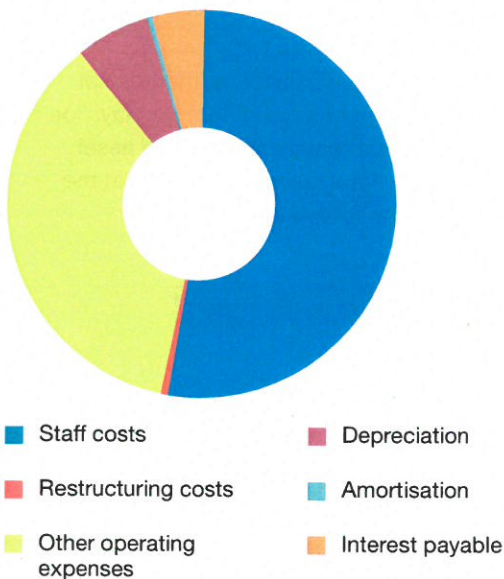
### Movement in expenses



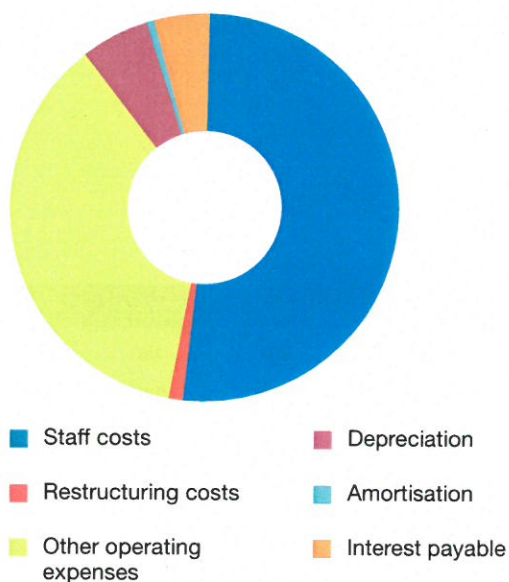
The increase in staff costs of £6.6m represents salary cost inflation of £2.0m, increased pension and NI costs of £1.5m and a net increase in staff FTEs of 63 (£3.1m). The increase in other operating expenses of £2.4m represents increased costs on repairs and general maintenance of £1.4m and other expenses of £1.8m which is offset by reductions in student bursaries of £0.8m. The increased depreciation charge reflects a full year charge for additional investment of £13.8m last year.

### Total expenditure

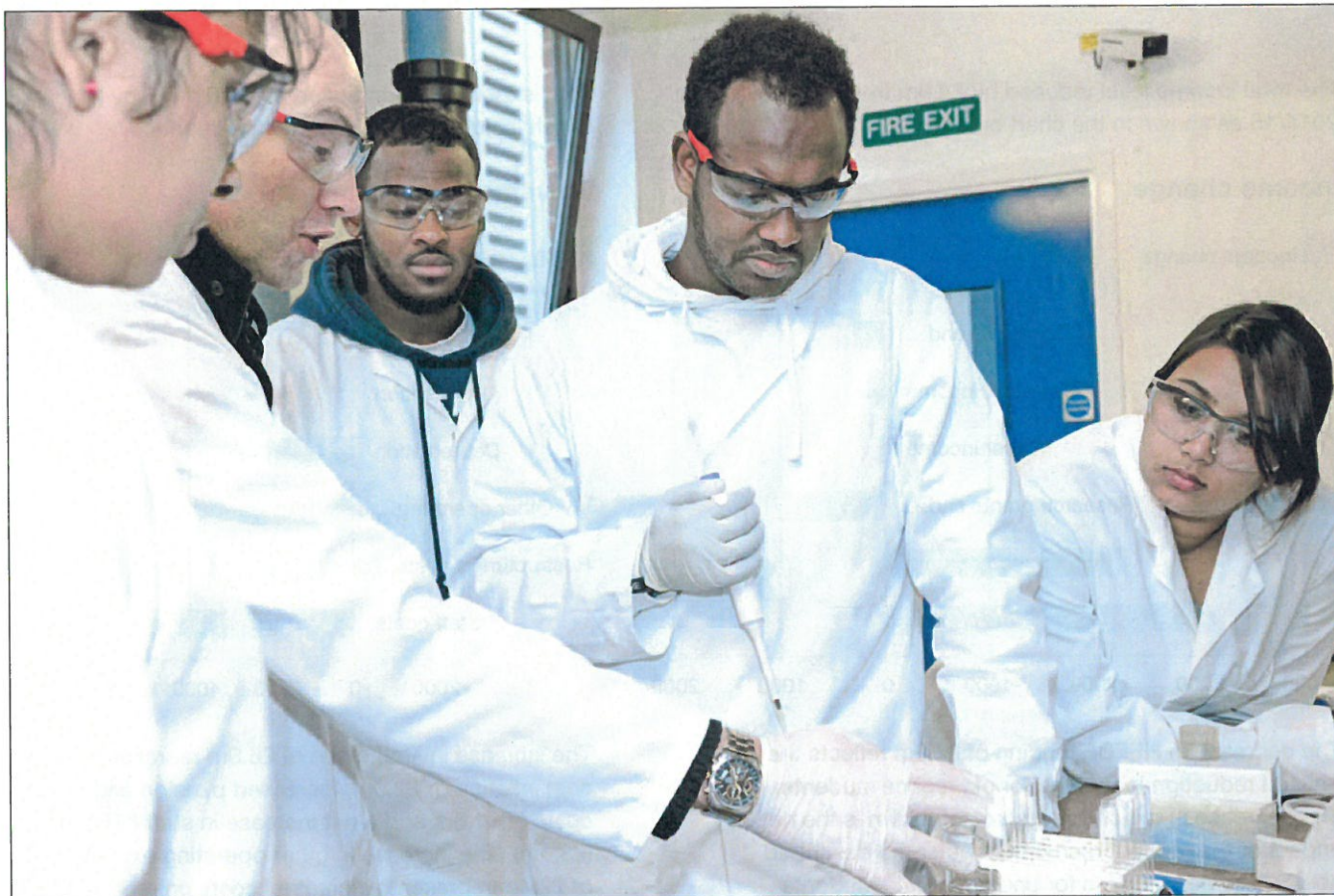
2015/16



2014/15







### Capital expenditure

Expenditure on fixed assets totalled £22.0m: £3.2m on freehold buildings, £7.8m on assets under construction (fees for the new Town house building and the STEM teaching laboratory), £4.0m on software and £7.0m on plant, machinery and equipment. The expenditure on equipment included the provision of new end point devices as part of the New Information Infrastructure programme.

### Treasury management

The cash generated from operating activities totalled £19.6m (2014/15 £30.7m). The year-end cash balance increased by £4.3m to £153.2m. Surplus funds are invested with the main UK and European banks on term deposits. Interest earned on these deposits amounted to £0.9m in the year at an average rate of 0.9%.

The increase in the cash balance is after receipt of the second tranche of a new £40m Barclays loan (£25m in 2015/16) and payments for fixed asset additions of £22m. Total loans outstanding at the year-end include the following:

Table 3.

	2015/16	2014/15	Term	Rate	Security
	£m	£m			
Barclays Bank	60.2	37.6	2020–2031	4.49%	None
<b>Finance leases:</b>					
Roodhill leasing	6.4	7.5	2019–2022	7.50%	Middle Mill Halls Chancellors Halls Kingston Bridge House



### Widening participation

Kingston University's commitment to widening participation in higher education saw it named University of the Year in the prestigious NEON awards. Head of Widening Participation, Jenni Woods also won a NEON Award in the Outstanding Contribution to Widening Access category.

In 2015/16, the University allocated a total of £2.9m in financial support for students, comprising: 420 Kingston Bursaries for new entrants (£2,000 per student); 130 bursaries for care leavers (£1,500 per student); up to 800 travel awards for bursary recipients and commuting students (£90 per student); and progression scholarships for students receiving a Kingston Bursary the previous year. Funds were also made available to support students in financial hardship. A sum of £3.2m was allocated through the University's access agreement to activities designed to support access, student success and progression of students from under-represented backgrounds.

### Equality and diversity

Kingston University has made substantial progress in closing the attainment gap for its black and minority ethnic (BME) students. A number of creative new approaches have been employed to reduce the difference between BME and white students achieving the top two degree grades (first or 2:1) from 29.5% in 2011/12 to 18.3% in 2014/15.

Kingston University was awarded a £25,000 grant from the Higher Education Academy in 2015/16 to collaborate with Wolverhampton and Hertfordshire Universities, which have a strong record in addressing the BME attainment gap.

The University is one of just eight higher education institutions to be awarded the Race Equality Charter Bronze Award by the Equality Challenge Unit in the first year of the award.

### Teaching and learning successes

#### UK's first university-based paramedic virtual reality training centre launched

Based in the Faculty of Health, Social Care and Education, and run jointly by Kingston University and St George's, University of London, the Paramedic Clinical Simulation Centre uses the latest technology to train students for paramedic careers. The new facilities include a revolutionary immersion room that

uses 3D technology to emulate real-life settings – enabling students to practise emergency scenarios such as dealing with a road accident or responding to a nightclub fire.

#### Partnering with Women's Institute to fashion centenary knitwear collection

The Women's Institute joined forces with Kingston University to weave together a century of knitting know-how with the vision of some of fashion's future trail blazers. Twenty one members of the WI worked with 11 up-and-coming designers from the University's fashion department in a cutting edge collaboration unveiled in a catwalk show at the Royal Albert Hall as part of the voluntary organisation's centenary celebrations.

#### Kingston University named one of world's top 150 most international institutions

Kingston University was named one of the world's top 150 most international institutions by sector-leading magazine Times Higher Education (THE).





The influential publication ranked the University 136 out of a total of 800 international institutions in its newly released listing, placing it in the top 17% globally and just three places below prestigious American institution Harvard. Standing at number 53 in the United Kingdom, Kingston University joins an elite group of higher education providers able to attract students, staff and research partners from around the world.

### Research

The University's recurrent research funding (QR) allocation from HEFCE for 2016/17 has remained stable at £3.1m.

The Postgraduate Experience Project (PEP), a national initiative led by Kingston University to investigate the motivations and experiences of postgraduate applicants and students, was praised as one of the most comprehensive reviews of its kind. PEP was part of a major Government project to increase take-up of master's study. It was part-funded by a grant from the Higher Education Funding Council for England's (HEFCE) £25m Postgraduate Support Scheme.

Despite a challenging funding environment, 2015/16 saw some notable achievements for Kingston University. The European Research Council (ERC) awarded a €1.6m grant to study the links of sex work and trafficking to migration. Another significant award of £340k was received from NIHR to improve patient, carer and staff experiences in inpatient stroke units.

The University has had continued success as a member of two consortia (TECHNE and LDOC) for AHRC studentship funding, with nine studentships being awarded in this year's competitions to the Faculties of Art, Design and Architecture and Arts and Social Sciences, a total of £367k.

### Enterprise

Kingston University has, for the sixth time, come first in the table for graduate business start-ups, according to latest figures released by the Higher Education Statistics Agency. The University faced tough competition from 158 higher education institutions across the United Kingdom after helping 371 of its entrepreneurial graduates to get their companies off the ground. Kingston University students set up one in 10 of all graduate start-up businesses launched in England.





The University's successful executive education programme provided management and leadership training to companies including Volvo, Park Plaza Group and Merlin Entertainment. Kingston continued to increase its international summer school market, with new partnerships in India, adding to existing partnerships in China and the Middle East.

The Enterprise Education and Information Centre (EEIC) continues to be active in providing information and organising and supporting enterprise events for students and faculty. Kingston University was nationally recognized for outstanding entrepreneurial support through the Small Business Charter (Silver) award.

### Public benefit statement

Kingston University's legal status is that of a higher education corporation but it is also an exempt charity under the Education Reform Act 1988, s125A (as amended by the Charities Act 2011) and subject to monitoring by the Higher Education Funding Council for England (HEFCE) in its role as principal regulator under the terms of the Charities Act 2011, s25. These acts require the University to demonstrate clearly the public benefits it provides and that these are related to the aims of the University. The University has had due regard to the Charity Commission's guidance on public benefit.

As both a charity and a higher education corporation, the University makes a significant contribution to several of the charitable purposes set out in the Charities Act 2011, s3. In addition to the advancement of education these include:

- The advancement of the arts, culture, heritage or science
- The advancement of health or the saving of lives
- The advancement of citizenship or community development
- The advancement of amateur sport
- The advancement of environmental protection or improvement
- The relief of those in need by reason of age, ill health disability, financial hardship, or other disadvantage and
- The prevention or relief or poverty

The governing body is aware of its responsibilities in relation to charitable purposes in making decisions on the University's educational character and mission and in relation to the effective and efficient use of resources.

To deliver its mission Kingston has developed as a comprehensive university – with a wide range of subjects taught at all levels and a diverse student body. The University is proud of its past as a polytechnic, from which enduring commitments to widening participation and vocational and professional preparation are derived. It is ambitious for its future as a university with a growing research reputation and international presence.





## 4. Civic engagement

A recent study on the University's economic impact demonstrates the following contribution to the local and national economy:

**Table 4.**

	Kingston economy	London economy	UK economy
Core impact through employment	£114m	£155m	£276m
Students	£71m	£194m	£238m
Tourism and culture	£2m	£4m	£5m
Employment	3,800 jobs	7,900 jobs	12,500 Jobs

The report, published by BiGGAR Economics, shows that Kingston University is making a substantial economic contribution to the local borough, London and the United Kingdom as a whole. The report found that, in 2014/15, Kingston University generated an estimated £921.1m gross value added (GVA) as well as supporting 12,500 jobs throughout the country. Of this total:

- £453 million GVA and 7,900 jobs were in London and
- £221.1 million GVA and 3,800 jobs were in the Royal Borough of Kingston upon Thames.

GVA is the measure of the value of goods and services produced in an area, industry or sector of an economy.

The report also found that, for every pound spent, the University generated £10 GVA for the national economy, making it a dynamic economic driver. Similarly, every job provided directly by the University supported 6.9 jobs throughout the United Kingdom.

As well as the quantifiable economic impacts, the University has made significant community contributions. Developing good relationships with and providing benefit for the community is enshrined at the heart of the University's strategy, which commits to close working with local and regional communities.

### Sustainability and ethics

Kingston University's Sustainability Review Group is overseeing progress towards the ISO14001 (2015) standard. The University has adopted the Responsible Futures framework to embed sustainability and ethics in the curriculum in partnership with the Union of Kingston Students.

The institutional KPI on emissions from energy use and the vehicle fleet continues to improve, achieving a 20% reduction in CO2 emissions against the 2005/6 baseline. Heating and lighting efficiency projects, ITS rationalisation of servers and a shift to multi-functional printing devices have contributed.

The KU Procurement function has embedded sustainability in the catering, bus and waste tenders and the University maintained Fairtrade status. A new fleet of hybrid buses, run in partnership with RAPT Dev London, will carry more passengers, reduce pollution by 75 to 90% and reduce carbon emissions by 30%.

The University continues to provide leadership for sustainability, regionally and nationally.



## 5. Principal risks and uncertainties

### Strategic Risk Register (SRR)

The University maintains strong governance for risk management, outlined in an overarching risk policy. The 27 faculty and directorate risk registers are updated three times a year. As well as managing and recording risk at the local level they contribute directly to the strategic risk register. The most recent strategic risk register (SRR) was signed off by the Board of Governors in July 2016.

The SRR is closely aligned to the University's strategic objectives. Preventative, or mitigating, actions have been put in place to address risks in a volatile HE environment. The principal risks include:

- Possible reduction in student demand for places due to a range of external influences
- The University's league table position
- Compromise in quality and/or inability to recruit to target due to government policy changes and other contributing factors
- Reduction in the international market due to United Kingdom immigration policy

These, and other, high level risks have required changes to the process by which risks are managed and reviewed within the University. These process changes will enable the University's senior management to be aware of the increasing probability and impact of risks and to take appropriate action to counter them.

All of the risks identified in strategic risk register have their own action plans. The strategic risk register is updated a minimum of three times per year. At each update the actions are also updated and reviewed. They are then changed as appropriate.



### European Union withdrawal

Kingston University generates £10m revenue per annum from EU students and one third of all KU research funding is from the EU. Staff and students are currently allowed free movement within the European Union without any restrictions. Erasmus exchanges have for many years provided opportunities for students across the EU.

At present it is unclear what the full effect of withdrawal from the EU will have on British universities. These matters will be kept under review as negotiations get underway.

Kingston University remains committed to its mission to be an open and inclusive international institution. It will continue to champion the importance of protecting freedom of movement for EU students and staff and work hard to ensure access to EU research networks and funding is protected as fully as possible.



## 6. Modern Slavery Act 2015

The University has put in place a number of measures to ensure compliance with the Modern Slavery Act 2015. These include the use of a procurement tool which requires all new suppliers to complete a questionnaire to confirm arrangements in place across supply chains. The University Guide to Good Research Practice is under review and

will incorporate reference to the ethics policy and modern slavery. The University has a policy of not employing unpaid interns across the facilities management workforce. This work will continue during 2016/17 to ensure compliance with the act.

## 7. Future prospects

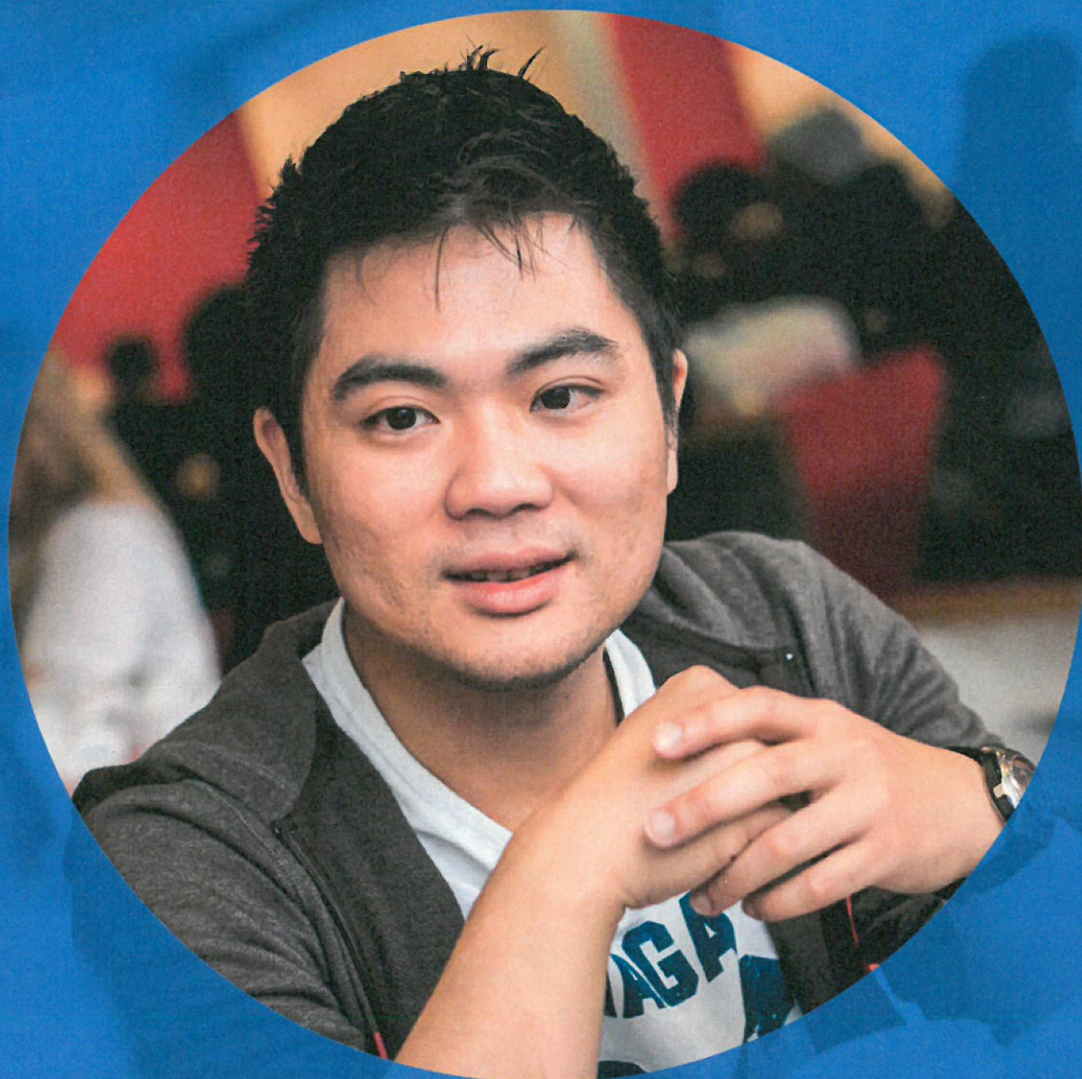
The Board of Governors has approved a £325m investment programme which, over the next decade, will continue to create high quality buildings and landscaping to improve the teaching and learning environment. The new buildings will be innovative, environmentally sustainable and flexible enough to adapt to future needs.

The financial position at the year-end is helping us to accelerate our investment in estate, infrastructure and improving the student experience.

The recruitment position for home, EU and international students remains challenging. The early 2016 recruitment data indicates that there will be a small shortfall and the ability of the University to generate sufficient cash-flow from operations is the key factor in ensuring ongoing financial stability.













## RESPONSIBILITIES

### OF THE BOARD OF GOVERNORS OF KINGSTON UNIVERSITY

In accordance with the Education Reform Act 1988, the Board of Governors is responsible for the administration and management of the affairs of Kingston University and its subsidiaries, including ensuring an effective system of internal control, and is required to present audited financial statements for each financial year.

The Board of Governors is responsible for ensuring that proper accounting records are kept that disclose at any time and with reasonable accuracy the financial position of the University and its subsidiaries, to enable it to ensure that the financial statements are prepared in accordance with the Education Reform Act 1988, applicable law and United Kingdom Generally Accepted Accounting Practice. In addition, within the terms and conditions of the Memorandum of Assurance and Accountability agreed between the Higher Education Funding Council for England and the Board of Governors of Kingston University, the Board of Governors, through its designated office holder, is required to prepare financial statements for each financial year that give a true and fair view of the state of affairs of Kingston University and its subsidiaries, and of the surplus or deficit and cash flows for that year.

Financial statements are published on Kingston University's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. Ensuring the maintenance and integrity of Kingston University's website is the responsibility of the Board of Governors. The Board of Governors' responsibility also extends to the ongoing integrity of the financial statements contain therein.

In relation to the preparation of the 2015/16 financial statements, the Board of Governors has ensured that:

- suitable accounting policies are selected and applied consistently;
- judgements and estimates are made that are reasonable and prudent;
- applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Kingston University has adequate resources to continue in

operations for the foreseeable future. For this reason the going concern basis continues to be adopted in the preparation of the financial statements.

The Board of Governors has taken reasonable steps to:

- ensure that funds from the Higher Education Funding Council for England and Education Funding Agency, and National College for Teaching and Leadership are used only for the purpose for which they have been given and in accordance with the Memorandum of Assurance and Accountability dated 2014 with the Funding Council and any other conditions which the Funding Council may from time to time prescribe;
- ensure that income has been applied in accordance with the Education Reform Act 1988;
- ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources;
- safeguard the assets of Kingston University and its subsidiaries and prevent and detect fraud; and
- secure the economic, efficient and effective management of the resources and expenditure of Kingston University and its subsidiaries.

As far as each member of the Board of Governors is aware:

- a) there is no relevant audit information of which the University's auditors are not aware; and
- b) each member has taken all the steps that he or she ought to have taken to be aware of any relevant audit information and to establish that the university's auditors are aware of that information.



# LIST OF BOARD OF GOVERNORS

## OF KINGSTON UNIVERSITY

Ms Heather ALLAN	
Mr Laurence BLACKALL	
Ms Jan BROADBENT	
Mrs Sandra CAMPOPIANO	
Mrs Beatrice CAREY	Appointed 13/07/16
Mr David CARTER	End of Tenure 13/07/16
Mrs Nancy COGSWELL	Appointed 25/11/15
Dr James DENHOLM-PRICE	
Mr. David EDMONDS	
Mr. Gary ERNEST	
Mr Bruce FRASER	End of Tenure 13/07/16
Professor Caroline GIPPS	
Mrs Jenny HIGHAM	Appointed 25/11/15
Mr Frank KENNEDY	End of Tenure 13/07/16
Prof Peter KOPELMAN	
Mr Neil MACINTOSH	
Mr. Peter MAYHEW-SMITH	
Dr Sunitha NARENDRAN	End of Tenure 01/04/16
Mr John RIPLEY	End of Tenure 13/07/16
Ms Liz RYLATT	End of Tenure 13/07/16
Professor Stella SANDFORD	Appointed 13/07/16
Ms Jane SCOTT	
Mr Francis SMALL	Appointed 15/07/15
Professor Steven SPIER	Appointed 03/10/16 (ex officio)
Professor Julius WEINBERG	Resigned 26/09/16
Ms Jo WOODS	



## OF KINGSTON UNIVERSITY

As the governing body of Kingston University, we have responsibility for maintaining a sound system of control that supports the achievement of policies, aims and objectives, while safeguarding the public and other funds and assets for which we are responsible, in accordance with the responsibilities assigned to the governing body in the instrument of Governance for 'Kingston University Higher Education Corporation' which provides for Kingston University's Articles of Governance and the Memorandum of Assurance and Accountability with the HEFCE.

The system of internal control is based on identifying the principal risks to the achievement of policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically. This process has been in place during the Year ended 31 July 2016 and up to the date of approval of the financial statements, and accords with HEFCE guidance.

As the governing body, we have responsibility for reviewing the effectiveness of the system of internal control. The following processes have been established:

- a. We meet at regular intervals five times a year and consider the plans and strategic direction of the institution.
- b. We receive periodic reports from the Audit and Risk Assurance Committee concerning, internal control, governance, value for money, risk management and data quality.
- c. The University has established a Risk Management Committee to oversee risk management, which met five times during the year, reporting to the SMT (Senior Management Team) and The Audit and Risk Assurance Committee.
- d. The Audit and Risk Assurance Committee meets four times a year and receives regular reports from the Head of Internal Audit (Managing director of Kingston City Group – Internal Audit Consortium), which include an independent opinion on the adequacy and effectiveness of the institution's system of internal control, together with recommendations for improvement.
- e. We have a Finance Committee which regularly reviews the annual plan, monitors progress against the plan, and takes a view on the going concern basis of the University.
- f. A regular programme of review exists to keep up-to-date the record of risks facing the organisation at both strategic and operational levels.
- g. A robust risk prioritisation methodology based on risk ranking has been established in the identification and evaluation of risks.
- h. A series of organisation-wide risk registers is maintained by nominated risk managers across the institution.
- i. A programme of risk awareness training continues as part of the annual Risk Management programme.
- j. A system of key performance and risk indicators has been developed and incorporated in detailed strategic and operational monitoring modules, which derive from risk registers across the institution; these modules track the progress made with implementing agreed actions for the mitigation of identified risks.
- k. The process of risk management is fully embedded and

integrated within the institution's planning processes, at both strategic (institutional) and operational (Faculty and Departmental) levels.

Our review of the effectiveness of the system of internal control is informed by Kingston City Group, which operates to standards defined in the HEFCE Audit Code of Practice. Kingston City Group submits regular reports which include the Head of Internal Audit's independent opinion on the adequacy and effectiveness of the institution's system of internal control, with recommendations for improvement.

Our review is also informed by executive managers who develop and maintain the internal control framework, and external auditors who report and attend Audit and Risk Assurance Committee meetings, as necessary.



## INDEPENDENT AUDITORS' REPORT

### TO THE BOARD OF GOVERNORS OF KINGSTON UNIVERSITY

We have audited the financial statements of Kingston University for the year ended 31 July 2016 which comprise the Consolidated and University Statement of Comprehensive Income, the Consolidated and University Balance Sheets, the Consolidated and University Statement of Changes in Reserves, the Consolidated Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the University's Governors, as a body, in accordance with paragraph 124B of the Education Reform Act 1988. Our audit work has been undertaken so that we might state to the University's Governors 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 University's Governors as a body, for our audit work, for this report, or for the opinions we have formed.

#### **Respective Responsibilities of the University's Governing Body and Auditors**

As explained more fully in the statement of responsibilities of the Board of Governors, the members of the Governing Body are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law, regulatory requirements and International Standards on Auditing (UK and Ireland) and the Audit Code of Practice issued by the Higher Education Funding Council for England. Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

#### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the FRC's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

In addition, we also report to you whether income from funding bodies, grants and income for specific purposes and from other restricted funds administered by the University have been properly applied only for the purposes for which they were received and whether income has been applied in accordance with the Statutes and, where appropriate, with the Memorandum of Assurance and Accountability with the Higher Education Funding Council for England.

#### **Opinion on the financial statements**

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 2016 and of the Group's and the University's income and expenditure, gains and losses, reserves and cashflows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Education Reform Act 1988 (as amended by the Further and Higher Education Act 1992), the Memorandum of Assurance and Accountability with the Higher Education Funding Council for England, and the Accounts Direction to Higher Education Institutions 2015/16.



## INDEPENDENT AUDITORS' REPORT

### TO THE BOARD OF GOVERNORS OF KINGSTON UNIVERSITY

#### Opinion on other matters required by the Higher Education Funding Council for England Audit Code of Practice

In our opinion, in all material respects:

- funds from whatever source administered by the University for specific purposes have been properly applied to those purposes and, if relevant, managed in accordance with relevant legislation.
- funds provided by HEFCE have been applied in accordance with the Memorandum of Assurance and Accountability and any other terms and conditions attached to them.
- The requirements of the HEFCEs Accounts Direction have been met.



James Aston, Senior Statutory Auditor

BDO LLP  
Statutory Auditor  
Gatwick  
United Kingdom

Date: 17 November 2016



## 1. Basis of preparation

Kingston University is a Higher Education Institution incorporated in England under the Education Reform act 1988 (as amended by the Further and higher Education Act 1992). These financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education in 2014 and in accordance with Financial Reporting Statements (FRS102) and the Accounts direction to Higher Education Institutions 2015/16). The University is a public benefit entity and therefore has applied the relevant public benefit requirement of FRS102. The financial statements are prepared in accordance with the historical cost convention (modified by the revaluation of fixed assets). The financial statements are the first financial statements prepared under FRS102 and information on the impact of the first time adoption is given in note 30.

In preparing the separate financial statements of the parent University, advantage has been taken of the following disclosure exemptions available in FRS102:

- No cash flow statement has been presented for the parent university;
- Disclosures in respect of the parent company's financial instruments have not been presented as equivalent disclosures have been provided in respect of the group as a whole;
- No disclosure has been given for the aggregate remuneration of the key management personnel of the parent company as their remuneration is included in the totals for the group as a whole.

## 2. Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements the Board of Governors have made the following judgements:

- Determine whether leases entered into by the university either as a lessor or a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- Determine whether there are indicators of impairment of the university's tangible and intangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.
- The critical underlying assumptions in relation to the estimate of the pension defined benefit scheme obligation such as standard rates of inflation, mortality, discount rate and anticipated future salary increases. Variations in these assumptions have the ability to significantly influence the value of the liability recorded and annual defined benefit expense.
- The underlying assumptions in relation to the estimate of the present value of the obligation in respect of the funding deficit plan for the USS pension scheme such as the salary inflation over the period of the funding deficit plan and the discount rate to be used.
- Determine whether the agreement entered into with GH Clayhill Ltd meets the definition of a service concession arrangement. Factors taken into consideration in reaching a decision include whether the asset is an infrastructure asset, who has control of the services provided and the provisions relating to the asset at the end of the life of the agreement.

### *Other key sources of estimation uncertainty*

- *Tangible fixed assets (see note 12)*

Tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

- *Investments (see notes 15 and 16)*

The most critical estimates, assumptions and judgements relate to the determination of carrying value of unlisted investments. In determining this amount, the Group applies the overriding concept that fair value is the amount for which an asset can be exchanged between knowledgeable willing parties in an arm's length transaction. The nature, facts and circumstance of the investment drives the valuation methodology.



## STATEMENT OF ACCOUNTING POLICIES

- *Trade debtors (see note 17)*

The estimate for receivables relates to the recoverability of the balances outstanding at year end. A review is performed on an individual debtor basis to consider whether each debt is recoverable.

### 3. Basis of consolidation

The consolidated financial statements include the University and its subsidiaries for the financial year to 31 July 2016. The results of subsidiaries acquired or disposed of during the period are included in the consolidated statement of income and expenditure from the date of acquisition or up to the date of disposal. Intra-group transactions are eliminated on consolidation.

The consolidated financial statements do not include the income and expenditure of the Students Union as the University does not exert control or dominant influence over policy decisions.

The University has a jointly controlled operation with St Georges Hospital Medical School for the provision of Healthcare education. Under the terms of the agreement, assets and liabilities are shared equally, income and expenditure is apportioned according to the underlying activity attributed to each institution.

### 4. Income recognition

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

Tuition fees and education contract income is stated gross of any expenditure which is not a discount and credited to the Statement of Comprehensive Income over the period in which students are studying. Where the amount of the tuition fee is reduced by a discount for prompt payment, income receivable is shown net of the discount. Bursaries and scholarships are accounted for gross as expenditure and not deducted from income.

Investment income is credited to the Statement of Comprehensive Income on a receivable basis.

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

#### Grant funding

Government revenue grants including funding council block grant are accounted for under the accrual model and research grants are recognised in income over the period in which the University recognises the related costs for which the grant is intended to compensate. Where part of a government grant is deferred it is recognised as deferred income within creditors and allocated between creditors due within one year and due after one year as appropriate.

Grants (included research grants) from non government sources are recognised in income where the University is entitled to the income, and performance related conditions have been met. Income received in advance of performance related conditions being met is recognised as deferred income within creditors on the balance sheet and released to income as the conditions are met.

Government capital grants are recognised in income over the expected useful life of the asset. Other capital grants are recognised in income when the University is entitled to the funds subject to any performance related conditions being met.

#### Donations and Endowments

Non exchange transactions without performance related conditions are donations and endowments. Donations and endowments with donor imposed restrictions are recognised in income when the University is entitled to the funds. Income is retained within the restricted reserve until such time that it is utilised in line with such restrictions at which point the income is released to general reserves through a reserve transfer.

Donations with no restrictions are recognised in income when the University is entitled to the funds.

Investment income and appreciation of endowments is recorded in income in the year in which it arises and as either restricted or unrestricted income according to the terms of other restriction applied to the individual endowment fund.

There are four main types of donations and endowments identified within reserves:

1. Restricted donations – the donor has specified that the donation must be used for a specific purpose



## STATEMENT OF ACCOUNTING POLICIES

2. Unrestricted permanent endowments – the donor has specified that the fund is to be permanently invested to generate an income stream for the general benefit of the University

3. Restricted expendable endowments – the donor has specified a particularly objective other than the purchase or construction of tangible fixed assets, and the University has the power to use the capital

4. Restricted permanent endowments – the donor has specified that the fund is to be permanently invested to generate an income stream to be applied to a particular objective.

### 5. Accounting for retirement benefits

The University has four defined benefit pension schemes; Local Government Pension Scheme (LGPS), Universities Superannuation Scheme (USS), Teachers Pension Scheme (TPS) and London Pension Fund Authority (LPFA). The schemes are defined benefit schemes, which are externally funded and contracted out of the state Second Pension (S2P). Each fund is valued every three years by professionally qualified independent actuaries.

The USS is a multi-employer scheme for which it is not possible to identify the assets and liabilities to University members due to the mutual nature of the scheme and therefore this scheme is accounted for as a defined contribution scheme. A liability is recorded within provisions for any contractual commitment to fund past deficits with the USS scheme.

The Teacher's Pension Scheme (TPS) is a multi-employer pension scheme. As the TPS is underwritten by central government and the University has no future obligation to make contributions to the scheme, this is effectively a defined contribution scheme in so far as it affects the University, and is accounted for as such.

Contributions to defined pension schemes are charges to the statement of comprehensive income in the year in which they become payable.

#### Defined Benefit Plan

A defined benefit plan is a post-employment benefit plan other than defined contribution plan. Under a defined benefit plan, the University's obligation is to provide the agreed benefits to current and former employees, and the actuarial risk and investment risk are borne, in substance by the University. The Group will recognise a liability for its obligation under a defined plan net of plan assets. This net defined pension liability is measured as the estimated amount of benefit that employees have earned in return for their service in the current and prior periods, discounted to determine the present value, less the fair value of plan assets. The calculation is performed by a qualified actuary using the projected unit credit method. Where the calculation results in a net asset, recognition of the asset is limited to the extent to which the University is able to recover the surplus either through reduced contributions in the future or through refunds from the plan.

The obligation to fund the past deficit on the Universities' Superannuation Scheme (USS) arises from the contractual obligation with the pension scheme for total payments relating to benefits arising from past performance. Management have assessed future employees within the USS scheme and salary payment over the period of the contracted obligation in assessing the value of this provision.

### 6. Employment benefits

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

### 7. 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 the finance lease and the corresponding lease liabilities are initially recognised at an amount equal to the lower of their fair value and the present value of the minimum lease payments at the inception of the lease.

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 as to produce a constant periodic rate.

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

### 8. Service Concession Arrangements

Fixed assets held under service concession arrangements are recognised on the Balance Sheet at the present value of the minimum payments when the assets are brought into use with a corresponding financial liability.



## STATEMENT OF ACCOUNTING POLICIES

Payments under the service concession arrangements are allocated between service costs, finance charges and financial liability repayments to repay the financial liability to nil over the life of the arrangement.

### 9. Fixed Assets

Fixed assets are stated at cost or deemed cost less accumulated depreciation and accumulated impairment losses. Certain items of fixed assets that had been revalued on or prior to the date of transition to the 2014 FE HE SORP, are measured on the basis of deemed cost, being the fair value at the date of revaluation.

#### Land and buildings

Cost incurred in relation to the land and buildings after initial purchase or construction, and prior to valuation, are capitalised to the extent that they increase the expected future benefits to the University.

Freehold land is not depreciated as it is considered to have an indefinite useful life. Freehold buildings are depreciated on straight line basis over their expected useful lives.

New builds	50 years
Refurbishments	10-50

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

#### Equipment

Capitalised equipment, including software, is stated at cost and depreciated over its expected useful life of between 4 – 10 years.

#### Impairment of fixed assets

Assets that are subject to depreciation or amortisation are assessed at each reporting date to determine whether there is any indication that the assets are impaired. Where there is any indication that an assets may be impaired, the carrying value of the asset (or cash-generating unit which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the assets carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the assets (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGU's). Non-financial assets that have been previously impaired are reviewed at each reporting date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

#### Finance costs

Finance costs are charged to the statement of comprehensive income over the term of the debt using the effective interest method in the period in which they are incurred.

Issue costs are initially recognised as reduction in the proceeds of the associated capital instrument.

### 10. Heritage Assets

Works of art and other artefacts have been capitalised and recognised at the cost or value of acquisition, where such a cost or valuation is reasonably obtainable. Heritage assets are not depreciated as their long economic life and high residual value mean that any depreciation would not be material.

Buildings which form part of a Heritage asset have been capitalised and recognised at the cost or value of acquisition, where such a cost or valuation is reasonably obtainable. Heritage buildings are depreciated over their useful life.

### 11. Intangible assets

Intangible assets are amortised over their useful life of between 4 to 10 years. Intangible assets relate to software development costs that have future economic benefit to the university.

### 12. Investments

Non-current asset investments are held on the Balance Sheet at cost less impairment. Investments in subsidiaries are carried at cost, less impairment, in the University's accounts.

Current asset investments are term deposits which have a transaction price.



**13. Cash and cash equivalents**

Cash and cash equivalents includes cash in hand, deposits which have maturity of less than three months and overdrafts.

**14. Jointly controlled operations**

The University accounts for its share in its Joint Arrangement with St Georges Medical School as a jointly controlled operation. The University accounts for its share of transactions from joint operations in the statement of Comprehensive Income and for its share of assets & liabilities in the balance sheet

**15. Taxation**

The University is an exempt charity within the meaning of Part 3 of the Charities Act 2011. It is therefore a charity within the meaning of Para 1 of schedule 6 to the Finance Act 2010 and accordingly, the University is potentially exempt from taxation in respect of the income or capital gains received within categories covered by section 478-488 of the Corporation Tax Act 2010 (CTA 2010) or section 256 of the Taxation Chargeable Gains Act 1992, to the extent that such income of gains are applied to exclusively charitable purposes.

The University receives no similar exemption in respect of Value Added Tax. Irrecoverable VAT on inputs is included in the costs of such inputs. Any irrecoverable VAT allocated to fixed assets is included in their cost.

The University subsidiaries are liable to Corporation Tax in the same way as any other commercial organisation.

Deferred tax is provided in full on timing differences which results in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current rates and law. Timing differences arise from the inclusion of items and expenditure in taxation computations in periods different from those in which they are included in financial statements.

**16. Reserves**

Reserves are classified as restricted or unrestricted. Restricted endowment reserves include balances which, through endowments to the University, are held as a permanent restriction fund which the University must hold in perpetuity.

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

**17. Financial assets**

Financial assets are initially measured at transaction price (including transaction costs) and subsequently held at cost, less any impairment.

**18. Financial liabilities and equity**

Financial liabilities are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form. Financial liabilities are initially measured at transaction price (including transaction costs) and subsequently held at amortised cost.



**CONSOLIDATED**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 JULY 2016**

	Notes	2015/16 £000s Consolidated	2015/16 £000s University	2014/15 £000s Consolidated	2014/15 £000s University
<b>INCOME</b>					
Tuition fees and education contracts	1	150,273	152,281	153,497	155,456
Funding body grants	2	24,391	24,391	26,723	26,723
Research grants and contracts	3	3,984	3,955	2,906	2,796
Other income	4	29,023	26,350	28,962	26,084
Investment income	5	970	936	880	844
Donations and Endowments	6	710	710	478	478
<b>Total income</b>		<b>209,351</b>	<b>208,623</b>	<b>213,446</b>	<b>212,381</b>
<b>EXPENDITURE</b>					
Staff costs	7	111,102	104,613	104,466	97,914
Other operating expenses		74,760	81,605	72,362	79,084
Depreciation	12	12,819	12,819	10,882	10,882
Amortisation	11	646	646	549	549
Interest and other finance costs	8	9,292	9,087	9,187	8,988
<b>Total expenditure</b>	9	<b>208,619</b>	<b>208,770</b>	<b>197,446</b>	<b>197,417</b>
<b>Surplus before other gains/(losses)</b>		<b>732</b>	<b>(147)</b>	<b>16,000</b>	<b>14,964</b>
Gain/(Loss) on disposal of fixed assets		(31)	(31)	263	263
<b>Surplus/(deficit) before tax</b>		<b>701</b>	<b>(178)</b>	<b>16,263</b>	<b>15,227</b>
Taxation	10	(31)	-	-	-
<b>Surplus/(deficit) before gift aid</b>		<b>670</b>	<b>(178)</b>	<b>16,263</b>	<b>15,227</b>
Gift aid		-	624	-	950
<b>Surplus for the year</b>		<b>670</b>	<b>446</b>	<b>16,263</b>	<b>16,177</b>
Actuarial (loss) in respect of pension schemes	23	(10,775)	(10,554)	(4,283)	(3,751)
<b>Total comprehensive (expenditure)/ income for the year</b>		<b>(10,105)</b>	<b>(10,108)</b>	<b>11,980</b>	<b>12,426</b>
Endowment comprehensive income for the year		(16)	(16)	(16)	(16)
Restricted comprehensive income for the year		201	201	77	77
Unrestricted comprehensive income for the year		(10,290)	(10,293)	11,919	12,365
		<b>(10,105)</b>	<b>(10,108)</b>	<b>11,980</b>	<b>12,426</b>

The notes on pages 32-50 form part of the financial statements.

All amounts included within the statement of comprehensive income are in respect of continuing activities.

# BALANCE SHEETS

FOR THE YEAR ENDED 31 JULY 2016

		Consolidated 2015/16 £000s	University 2015/16 £000s	Consolidated 2014/15 £000s	University 2014/15 £000s
	Notes				
<b>Fixed assets</b>					
Intangible assets	11	4,475	4,475	1,132	1,132
Tangible assets	12	385,400	385,400	380,174	380,174
Heritage assets	12 & 13	2,014	2,014	2,028	2,028
Investments	16	115	6,216	115	6,216
		392,004	398,105	383,449	389,550
<b>Current Assets</b>					
Stock		230	227	205	201
Debtors	17	13,272	13,806	12,150	12,891
Current asset investment	18	67,632	67,632	70,249	70,249
Cash at bank and in hand		85,607	78,310	66,039	58,444
		166,741	159,975	148,643	141,785
Less Creditors: amounts falling due with 1 year	19	(43,901)	(43,252)	(44,207)	(43,342)
<b>Net current assets</b>		122,840	116,723	104,436	98,443
<b>Total assets less current liabilities</b>		514,844	514,828	487,885	487,993
Creditors: amounts falling due after more than one year	20	(95,389)	(95,389)	(73,216)	(73,216)
<b>Net Assets excluding pension liability</b>		419,455	419,440	414,669	414,777
<b>Provisions for liabilities</b>					
Pension provisions	23	(104,922)	(98,907)	(90,030)	(84,135)
<b>Total net Assets</b>		314,533	320,533	324,639	330,642

The notes on pages 32-50 form part of the financial statements.



**BALANCE SHEETS (continued)**  
**FOR THE YEAR ENDED 31 JULY 2016**

Consolidated	University	Consolidated	University
2015/16	2015/16	2014/15	2014/15
£000s	£000s	£000s	£000s

Notes

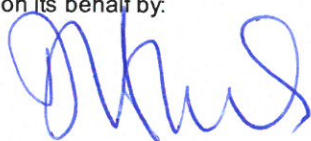
**Restricted reserves**

Income and expenditure reserve - endowment fund	24	1,175	1,175	1,191	1,191
Income and expenditure reserve - restricted reserve	24	1,273	1,273	1,073	1,073

**Unrestricted reserves**

Income and Expenditure Account - unrestricted		73,519	79,519	80,603	86,606
Revaluation reserve		238,566	238,566	241,772	241,772
		<u>314,533</u>	<u>320,533</u>	<u>324,639</u>	<u>330,642</u>

The financial statements were approved and authorised for issue, by the Governing Body on 17 November 2016, and were signed on its behalf by:



David Edmonds CBE  
Chairman of the Board of Governors



Professor Steven Spier  
Acting Vice-Chancellor

The notes on pages 32-50 form part of the financial statements.

**CONSOLIDATED STATEMENT OF CHANGES IN RESERVES**  
**FOR THE YEAR ENDED 31 JULY 2016**

Consolidated	Income and expenditure reserve			Revaluation reserve	Total
	Endowment	Restricted	Unrestricted		
	£'000	£'000	£'000	£'000	£'000
<b>Balance as at 1 August 2015</b>	1,191	1,072	80,603	241,772	324,638
Surplus/ (deficit) from the income and expenditure statement	(16)	201	485		670
<i>Other Comprehensive income</i>					
Actuarial loss on pension scheme			(10,775)		(10,775)
Transfers between revaluation & income and expenditure reserve			3,206	(3,206)	-
Total comprehensive income for the year	(16)	201	(7,084)	(3,206)	(10,105)
<b>Balance 31 July 2016</b>	<u>1,175</u>	<u>1,273</u>	<u>73,519</u>	<u>238,566</u>	<u>314,533</u>

University	Income and expenditure reserve			Revaluation reserve	Total
	Endowment	Restricted	Unrestricted		
	£'000	£'000	£'000	£'000	£'000
<b>Balance as at 1 August 2015</b>	1,191	1,072	86,606	241,772	330,642
Surplus/ (deficit) from the income and expenditure statement	(16)	201	260		445
<i>Other Comprehensive income</i>					
Actuarial loss on pension scheme			(10,554)		(10,554)
Transfers between revaluation & income and expenditure reserve			3,207	(3,207)	-
Total comprehensive income for the year	(16)	201	(7,086)	(3,207)	(10,109)
<b>Balance 31 July 2016</b>	<u>1,175</u>	<u>1,273</u>	<u>79,519</u>	<u>238,566</u>	<u>320,533</u>

Consolidated	Income and expenditure reserve			Revaluation reserve	Total
	Endowment	Restricted	Unrestricted		
	£'000	£'000	£'000	£'000	£'000
<b>Balance as at 1 August 2014</b>	1,207	996	66,257	244,199	312,659
Surplus/ (deficit) from the income and expenditure statement	(16)	77	16,202		16,263
<i>Other Comprehensive income</i>					
Actuarial loss on pension scheme			(4,283)		(4,283)
Transfers between revaluation & income and expenditure reserve			2,427	(2,427)	-
Total comprehensive income for the year	(16)	77	14,346	(2,427)	11,980
<b>Balance 31 July 2015</b>	<u>1,191</u>	<u>1,073</u>	<u>80,603</u>	<u>241,772</u>	<u>324,639</u>

University	Income and expenditure reserve			Revaluation reserve	Total
	Endowment	Restricted	Unrestricted		
	£'000	£'000	£'000	£'000	£'000
<b>Balance as at 1st August 2014</b>	1,207	996	71,814	244,199	318,216
Surplus/ (deficit) from the income and expenditure statement	(16)	77	16,116		16,177
<i>Other Comprehensive income</i>					
Actuarial loss on pension scheme			(3,751)		(3,751)
Transfers between revaluation & income and expenditure reserve			2,427	(2,427)	-
Total comprehensive income for the year	(16)	77	14,792	(2,427)	12,426
<b>Balance 31 July 2015</b>	<u>1,191</u>	<u>1,073</u>	<u>86,606</u>	<u>241,772</u>	<u>330,642</u>

The notes on pages 32-50 form part of the financial statements.



**CONSOLIDATED**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 JULY 2016**

		2015/16 £000s	2014/15 £000s
	Notes		
<b>Cash flow from operating activities</b>			
Surplus for the year		670	16,263
<b>Adjustment for non-cash items</b>			
Depreciation	12	12,819	10,882
Amortisation of intangible assets	11	646	549
(Increase)/decrease in stocks		(25)	(10)
(Increase)/decrease in debtors		(1,123)	(1,089)
(Increase)/decrease in creditors		(716)	(1,804)
Pension costs less contributions payable		890	362
<b>Adjustment for investing or financing activities</b>			
Interest receivable		(970)	(880)
Interest payable		9,292	9,187
Tax expense		31	-
Deficit/ (surplus) from the sale of fixed assets		31	(263)
Capital grants recognised in the year		(1,931)	(2,454)
<b>Cash generated from operating activities</b>		19,615	30,743
Tax paid		(31)	
<b>Net Cash generated from operating activities</b>		19,584	30,743
<b>Cash flows from investing activities</b>			
Proceeds from the sale of fixed assets		-	295
Capital grants received		2,766	2,666
Payments to acquire fixed and intangible assets		(22,118)	(13,346)
Interest received		917	763
Net movement in short term deposits		2,617	(18,986)
		(15,818)	(28,608)
<b>Cashflows from financing activities</b>			
Interest paid		(5,255)	(4,843)
Interest element of finance lease rental payments		(808)	(962)
Repayments of amounts borrowed		(2,118)	(1,966)
New loans		25,000	-
Capital element of finance lease rental payments		(1,016)	(892)
<b>Increase/ (decrease) in cash in the period</b>		15,803	(8,663)
<b>Increase/(Decrease) in cash and cash equivalents in the year</b>		19,568	(6,528)
Cash and cash equivalents at beginning of the year		66,039	72,567
Cash and cash equivalents at the end of the year		85,607	66,039

The notes on pages 32-50 form part of the financial statements.

**NOTES TO THE ACCOUNTS**  
Year ended 31 July 2016

**1 TUITION FEES AND EDUCATION CONTRACTS**

	2015/16 Consolidated £000s	2015/16 University £000s	2014/15 Consolidated £000s	2014/15 University £000s
Full-time UK and EU students	101,323	101,323	103,211	103,211
Part-time UK and EU students	7,584	7,584	7,253	7,253
Overseas full-time students	28,587	28,587	28,390	28,390
Overseas part-time students	687	687	1,131	1,131
NHS teaching contracts	9,107	11,115	8,964	10,922
Short course fees	2,985	2,985	4,548	4,549
	<u>150,273</u>	<u>152,281</u>	<u>153,497</u>	<u>155,456</u>

**2 FUNDING COUNCIL GRANTS**

	2015/16 Consolidated £000s	2015/16 University £000s	2014/15 Consolidated £000s	2014/15 University £000s
Recurrent grant (including research element)	20,394	20,394	22,112	22,112
HEFCE specific grants	1,312	1,312	1,433	1,433
National College of Training and Leadership	-	-	30	30
Education funding agency	754	754	694	694
Deferred capital grants released in year	1,931	1,931	2,454	2,454
	<u>24,391</u>	<u>24,391</u>	<u>26,723</u>	<u>26,723</u>

**3 RESEARCH GRANTS AND CONTRACTS**

	2015/16 Consolidated £000s	2015/16 University £000s	2014/15 Consolidated £000s	2014/15 University £000s
Research Councils	861	861	520	520
UK based charities	596	597	460	460
Other research grants and contracts	2,527	2,497	1,926	1,816
	<u>3,984</u>	<u>3,955</u>	<u>2,906</u>	<u>2,796</u>

**4 OTHER INCOME**

	2015/16 Consolidated £000s	2015/16 University £000s	2014/15 Consolidated £000s	2014/15 University £000s
Residencies and catering	20,346	20,346	19,226	19,225
Income from UK public bodies	2,039	1,537	2,244	2,216
Course validation fees/teaching contracts	1,519	1,519	1,138	1,139
Other income	5,118	2,947	6,354	3,504
	<u>29,023</u>	<u>26,350</u>	<u>28,962</u>	<u>26,084</u>

**5 INVESTMENT INCOME**

	2015/16 Consolidated £000s	2015/16 University £000s	2014/15 Consolidated £000s	2014/15 University £000s
Interest receivable	970	936	880	844
	<u>970</u>	<u>936</u>	<u>880</u>	<u>844</u>



**NOTES TO THE ACCOUNTS**  
(continued)  
Year ended 31 July 2016

**6 DONATIONS AND ENDOWMENTS**

	2015/16 Consolidated £000s	2015/16 University £000s	2014/15 Consolidated £000s	2014/15 University £000s
Unrestricted donations	710	710	478	478
	<u>710</u>	<u>710</u>	<u>478</u>	<u>478</u>

**7 STAFF**

	2015/16 Consolidated £000s	2015/16 University £000s	2014/15 Consolidated £000s	2014/15 University £000s
<b>Staff Costs</b>				
Wages and salaries	86,286	80,832	83,306	77,449
Social security costs	7,777	7,306	6,823	6,353
Movement on USS pension	316	316	468	468
Other pension costs	16,723	16,159	13,849	13,643
	<u>111,102</u>	<u>104,613</u>	<u>104,446</u>	<u>97,914</u>

**Vice-Chancellor and Chief Executive**

2015/16 £000s	2014/15 £000s
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The emoluments of the Vice-Chancellors serving in the year were as follows:

**Vice Chancellor**

Emoluments	215	214
Employer's contribution to pension fund	25	34
	<u>240</u>	<u>248</u>

**Key management personnel**

	2015/16 £000s	2014/15 £000s
£160,001 and over	2	-
£140,001 - £150,000	-	1
£130,001 - £140,000	2	1
£120,001 - £130,000	1	-
£110,001 - £120,000	2	2
£100,001 - £110,000	3	4

The average number of persons employed by the University during the year, expressed as full-time equivalents was:

	2015/16 Consolidated £000s	2015/16 University £000s	2014/15 Consolidated £000s	2014/15 University £000s
Executive, senior and academic staff	893	893	880	880
Research, language and teaching assistants	46	46	48	48
General and professional staff	1,164	937	1,112	891
	<u>2,103</u>	<u>1,876</u>	<u>2,040</u>	<u>1,819</u>

The total sum of £2,647 (2015:£788) was claimed as expenses by five (2015:five) members of the Board of Governors during 2015/16.

All of the expenses were in respect of travel and subsistence. No remuneration is provided to governors for services provided as governors, or for any other services.

**Key management personnel**

Key management personnel are those persons having authority and responsibility for planning, directing, and controlling the activities of the University. For Kingston University this is deemed to be the Board of Governors, and the University's Senior Management Team. Staff costs include compensation paid to key personnel.

2015/16 £000s	2014/15 £000s
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<b>Key management personnel costs</b>	2,453	2,194
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**NOTES TO THE ACCOUNTS**  
(continued)  
Year ended 31 July 2016

**8 INTEREST PAYABLE**

	2015/16 Consolidated £000s	2015/16 University £000s	2014/15 Consolidated £000s	2014/15 University £000s
On loans payable wholly or partly in more than 5 years	2,397	2,397	2,577	2,577
On Service concession arrangement	2,858	2,858	2,799	2,799
On finance leases	808	808	962	962
	6,063	6,063	6,338	6,338
Net interest on net defined benefit liability	3,229	3,024	2,849	2,650
	9,292	9,087	9,187	8,988

**9 ANALYSIS OF TOTAL EXPENDITURE BY CATEGORY**

	2015/16 Consolidated £000s	2015/16 University £000s	2014/15 Consolidated £000s	2014/15 University £000s
Academic and related expenditure	122,701	122,701	105,264	105,264
Administration and central services	32,030	40,242	38,192	44,847
Premises (including service concession cost)	22,335	16,261	23,533	18,081
Residences, catering and conferences	18,867	19,890	19,284	20,085
Research grants and contracts	3,786	3,481	2,784	2,784
Other expenses	8,900	6,195	8,389	6,356
	208,619	208,770	197,446	197,417

Other operating expenses include:

External auditors remuneration in respect of audit services	78	79
External auditors remuneration in respect of non-audit services	30	8
Operating lease rentals:		
Land and buildings	2,208	610

**10 TAXATION**

The taxation charge is due on profits generated by KUSCO Ltd and calculated as follows:

	2015/16 £000s	2014/15 £000s
Profits chargeable to tax	153	-
Tax charged at 20%	31	-

**11 INTANGIBLE ASSETS**

	2015/16 Consolidated £000s	2015/16 University £000s	2014/15 Consolidated £000s	2014/15 University £000s
Software				
<b>Cost or Valuation</b>				
Opening balance	4,978	4,978	4,569	4,569
Additions in the year	3,989	3,989	410	410
Disposals in the year	(1,199)	(1,199)	-	-
<b>Closing Balance</b>	7,768	7,768	4,979	4,979
<b>Amortisation</b>				
Opening balance	(3,846)	(3,846)	(3,298)	(3,298)
Amortisation	(646)	(646)	(549)	(549)
Amortisation on disposals	1,199	1,199	-	-
<b>Closing Balance</b>	(3,293)	(3,293)	(3,846)	(3,846)
<b>Net Book Value</b>				
<b>Closing balance</b>	4,475	4,475	1,132	1,132
<b>Opening balance</b>	1,132	1,132	1,271	1,271

Intangible assets relates to the development of software for use by the University.



**NOTES TO THE ACCOUNTS**  
(continued)  
Year ended 31 July 2016

**12 FIXED ASSETS**  
**CONSOLIDATED AND UNIVERSITY**

**Cost or Valuation**

Balance as at 31 July 2015

Cost

Additions

Disposals

Balance as at 31 July 2016

Freehold Land £000s	Freehold Buildings £000s	Service concession arrangement Land and Buildings (Note 12) £000s	Plant, Machinery, Equipment £000s	Assets Under Construction Total £000s	Heritage Assets Total £000s	Total £000s
138,780	304,487	7,668	49,890	1,809	2,348	504,982
-	3,260	-	7,004	7,798	-	18,062
-	-	-	(10,450)	-	-	(10,450)
138,780	307,747	7,668	46,444	9,607	2,348	512,594

Consisting of valuation as at:

Pre 1 August 1996

31 July 2014

Cost

32,874	37,875	-	-	-	-	70,749
105,906	84,129	5,180	-	-	837	196,052
-	185,743	2,488	46,444	9,607	1,511	245,793
138,780	307,747	7,668	46,444	9,607	2,348	512,594

**Depreciation**

Balance as at 31 July 2015

Charge in year

Disposals

Balance as at 31 July 2016

-	86,434	-	36,026	-	320	122,780
-	7,280	-	5,525	-	14	12,819
-	-	-	(10,419)	-	-	(10,419)
-	93,714	-	31,132	-	334	125,180

**Net Book Value**

Balance as at 31 July 2016

138,780	214,033	7,668	15,312	9,607	2,014	387,414
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Balance as at 31 July 2015

138,780	218,053	7,668	13,864	1,809	2,028	382,202
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The net book value of freehold buildings includes £33,717,904 (2015:£34,392,600) in respect of assets acquired under finance leases. The depreciation charge on these assets is £766,776 (2013:£767,400).

*Reconciliation of Net Book value to historic cost method*

Net Book Value

Revaluation reserve

Historic cost NBV

Balance as at 31 July 2016

Balance as at 31 July 2016

387,414

238,566

148,848

Three properties act as security against finance leases. The value of these buildings is £18,984,784 (2015:£19,352,540)

**NOTES TO THE ACCOUNTS**  
**(continued)**  
**Year ended 31 July 2016**

**13 SERVICE CONCESSION ARRANGEMENTS**

The University has one service concession arrangement which is recognised on the Balance Sheet where service delivery has commenced.

In May 2002 Kingston University entered into a contract with Grosvenor for the construction of halls of residence at Clayhill. Payments made into the arrangement, are linked to RPI. The numbers below are based on that based on estimates. Unitary payments of GBP 2,195,000 inflate by RPI over the 35 years of the arrangement.

The assets and liabilities relating to this scheme are recognised on the University's Balance Sheet.

Service commenced on November 2003 and the contract will finish on November 2038, at which point the building reverts to the university.

**Movement in Service concession arrangement assets**

The net book value of the service concession included in the Balance Sheet as at 31 July 2016 is £7,361,280 (2015 £7,514,640). The movement in depreciation in the year is £153,360 (2015: £153,360).

**Movement in Service concession arrangement liabilities**

The total liabilities relating to the service concession included in the Balance Sheet as at 31 July 2016 were £19,409,086 (2015 £19,034,631). The sum of £374,655 was repaid during the year.

**Future commitments**

The following table analyses the University's future commitments in relation to service concession arrangements.

£'000	Payable in 1 year	Payable in 2-5 years	Greater than 5 years	Total
Liability repayments	(356)	(1,131)	20,897	19,409
Finance Charge	2,914	12,151	43,619	58,684
Service charge	666	2,870	16,804	20,341
	3,224	13,890	81,321	98,434

**14 HERITAGE ASSETS**

**CONSOLIDATED AND UNIVERSITY**

**Dorich House building and art collection:**

**Cost or Valuation**

Balance as at 1 August 2015	1,966	382	2,348
Balance as at 31 July 2016	1,966	382	2,348

**Depreciation**

Balance as at 1 August 2015	320	-	320
Charge in year	14	-	14
Balance as at 31 July 2016	334	-	334

**Net Book Value**

Balance as at 31 July 2016	1,632	382	2,014
Balance as at 31 July 2015	1,646	382	2,028

The Heritage Assets comprises Dorich House Museum which is located on Kingston Hill. This is a fully accredited museum which is open to the public and holds an extensive collection of Dora Gordines paintings. It is the University's intention to preserve this collection and to be a specialist cultural resource.



**NOTES TO THE ACCOUNTS**  
(continued)  
Year ended 31 July 2016

**15 INVESTMENT IN JOINT VENTURE**

The University has a jointly controlled operation with St Georges Hospital Medical School for the provision of Healthcare education. Under the terms of the agreement, assets and liabilities are shared equally, income and expenditure is apportioned in relation to the award granted to each institution. The amounts included within the financial statements from the jointly controlled operation are:

	Year ended 31 July 2016		Year ended 31 July 2015	
	£'000	£'000	£'000	£'000
<b>Income and expenditure account</b>				
Income		14,519		14,443
Surplus		1,531		2,922
<b>Balance sheet</b>				
Fixed assets	201		160	
Current assets	4,396		5,553	
		4,597		5,713
Creditors: amounts due within one year	(3,065)		(2,793)	
Creditors: amounts due after more than one year	0		0	
		(3,065)		(2,793)
<b>Share of net assets</b>		1,532		2,920

**16 INVESTMENT**

**INVESTMENTS**

Shares in Subsidiary Undertakings £000s	Other Investments £000s	Total £000s
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**CONSOLIDATED**

At 1 August 2015 and 31 July 2016

115 115

**UNIVERSITY**

At 1 August 2015 and 31 July 2016

6,101 115 6,216

The investments consist of shares in the University's subsidiaries listed below, together with other unlisted investments.

Subsidiary	Country of incorporation	Percentage Owned	Main Business
Kingston University Enterprises Limited	England and Wales	100%	Trading and consultancy
Kingston University Campus Enterprises Limited	England and Wales	100%	Vacation letting
Kingston University Service Company Limited	England and Wales	100%	Management of residences and property services
Kingston University Innovations Limited	England and Wales	100%	Dormant
Kingston University Press Limited	England and Wales	100%	Dormant

**NOTES TO THE ACCOUNTS**  
(continued)  
Year ended 31 July 2016

**17 DEBTORS**

Amounts falling due within one year:

	Consolidated 2015/16 £000s	University 2015/16 £000s	Consolidated 2014/15 £000s	University 2014/15 £000s
Other Trade receivables	4,453	4,341	4,457	4,324
Amounts owed by subsidiary undertakings	-	704	-	914
Accrued income	1,880	1,852	759	759
Other debtors	487	487	198	199
Prepayments	3,061	3,031	3,283	3,242
	<u>9,881</u>	<u>10,415</u>	<u>8,697</u>	<u>9,438</u>

Amounts falling due after more than one year:

Other debtors (recoverable pension asset)	3,391	3,391	3,453	3,453
	<u>3,391</u>	<u>3,391</u>	<u>3,453</u>	<u>3,453</u>
	<u>13,272</u>	<u>13,806</u>	<u>12,150</u>	<u>12,891</u>

**18 CURRENT ASSET INVESTMENTS**

	Consolidated 2015/16 £000s	University 2015/16 £000s	Consolidated 2014/15 £000s	University 2014/15 £000s
Short term deposits	67,632	67,632	70,249	70,249

These are cash deposits with a term exceeding three months.

**19 CREDITORS - AMOUNTS FALLING  
DUE WITHIN ONE YEAR**

	Consolidated 2015/16 £000s	University 2015/16 £000s	Consolidated 2014/15 £000s	University 2014/15 £000s
Obligations under finance leases	1,147	1,147	1,015	1,015
Bank loans (note 21)	2,729	2,730	2,532	2,532
Trade creditors	7,232	7,120	7,089	6,903
Amounts owed to subsidiary undertakings	-	171	-	149
Other creditors including tax and social security	10,563	10,395	10,440	10,272
Accruals	14,685	14,145	12,699	12,039
Tuition fees in advance	1,599	1,599	1,931	1,931
Deferred income	2,689	2,689	5,026	5,027
Deferred Capital Grants	1,575	1,575	1,722	1,722
Deferred revenue grants	1,682	1,681	1,753	1,752
	<u>43,901</u>	<u>43,252</u>	<u>44,207</u>	<u>43,342</u>

**Deferred income**

Included with accruals and deferred income are the following items of income which have been deferred until specific performance related conditions have been met

	Consolidated 2015/16 £000s	University 2015/16 £000s	Consolidated 2014/15 £000s	University 2014/15 £000s
Deferred Grant income	2,129	2,129	4,174	4,174
	<u>2,129</u>	<u>2,129</u>	<u>4,174</u>	<u>4,174</u>



**NOTES TO THE ACCOUNTS**  
(continued)  
Year ended 31 July 2016

**20 CREDITORS - AMOUNTS FALLING  
DUE AFTER MORE THAN  
ONE YEAR**

	<b>Consolidated 2015/16 £000s</b>	<b>University 2015/16 £000s</b>	<b>Consolidated 2014/15 £000s</b>	<b>University 2014/15 £000s</b>
Obligations under finance leases	5,306	5,306	6,453	6,453
Service concession arrangements (Note 13)	19,409	19,409	19,034	19,034
Bank loans	57,488	57,488	35,172	35,172
Deferred Capital Grants	12,866	12,866	11,884	11,884
Other loans	320	320	673	673
	<b>95,389</b>	<b>95,389</b>	<b>73,216</b>	<b>73,216</b>

**21 ANALYSIS OF BANK LOANS**

	<b>Consolidated 2015/16 £000s</b>	<b>University 2015/16 £000s</b>	<b>Consolidated 2014/15 £000s</b>	<b>University 2014/15 £000s</b>
Due within one year or on demand	2,729	2,730	2,066	2,066
Due between one and two years	2,936	2,936	2,211	2,211
Due between two and five years	8,583	8,583	7,644	7,644
Due in five years or more	45,969	45,969	22,862	22,862
Due after more than one year	57,488	57,488	32,717	32,717
Total secured and unsecured loans	<b>60,217</b>	<b>60,217</b>	<b>34,783</b>	<b>34,783</b>

**Obligations under Finance Leases**

Due within one year or on demand	1,885	1,885	1,823	1,823
Due between one and two years	1,948	1,948	1,885	1,885
Due between two and five years	4,432	4,432	5,164	5,164
Due in five years or more	1,258	1,258	2,475	2,475
Due after more than one year	7,638	7,638	9,524	9,524
Total obligations under Finance leases	<b>9,523</b>	<b>9,523</b>	<b>11,347</b>	<b>11,347</b>
Less finance charges allocated to future periods	<b>(3,070)</b>	<b>(3,070)</b>	<b>(3,878)</b>	<b>(3,878)</b>
	<b>6,453</b>	<b>6,453</b>	<b>7,469</b>	<b>7,469</b>

**Analysis of terms of repayment and rates of interest**

For loans and leases falling due after more than five years

<b>Lender</b>	<b>Value and type</b>	<b>Start date</b>	<b>Term</b>	<b>Interest rate</b>
Roodhill Leasing (Middle Mill)	£4.1m lease	22/05/1997	01/04/2022	7.50%
Roodhill Leasing (Kingston Bridge House)	£3.4m lease	22/05/1997	01/04/2022	7.50%
Roodhill Leasing (Kingston Hill Chancellors)	£5.3m lease	22/09/1994	01/04/2019	7.50%
Barclays	£17m term loan	20/12/2005	30/09/2020	5.57%
Barclays	£35m term loan	31/07/2008	31/07/2031	6.09%
Barclays	£40m term loan	31/07/2015	31/07/2030	3.31%

On 31 July 2015 the University entered into a new loan with Barclays Bank for an additional £40m at a rate of 3.31% over a period of 15 years. The new loan is scheduled to be drawn down in three tranches as follows: £10m 31/1/16; £15m 31/7/16; £15m 31/1/17. The existing loans above have been consolidated into the new loan with a resultant composite rate of 4.49%.

**NOTES TO THE ACCOUNTS**  
(continued)  
Year ended 31 July 2016

**22 Financial instruments**

Consolidated 2015/16 £000s	University 2015/16 £000s	Consolidated 2014/15 £000s	University 2014/15 £000s
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The University financial instruments may be analysed as follows:

Financial liabilities

Financial liabilities measured at amortised cost	60,217	60,217	37,704	37,704
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**23 Provisions for liabilities**

**Consolidated**

Pension Provision		Obligations to fund deficit on pension	Total Pensions Provisions
LGPS £'000	LPFA £'000	USS £'000	£'000

At 1 August 2015	82,978	5,895	1,157	90,030
Charged to I&E in the year	3,882	(101)	(42)	3,739
Actuarial loss	10,554	221	378	11,153
<b>At 31 July 2016</b>	<b>97,414</b>	<b>6,015</b>	<b>1,493</b>	<b>104,922</b>

**University**

Pension Provision		Obligations to fund deficit on pension	Total Pensions Provisions
LGPS £'000	LPFA £'000	USS £'000	£'000

At 1 August 2015	82,978	-	1,157	84,135
Utilised in year	3,882	-	(42)	3,840
Actuarial loss	10,554	-	378	10,932
<b>At 31 July 2016</b>	<b>97,414</b>	<b>-</b>	<b>1,493</b>	<b>98,907</b>

Refer to Note 27 for pension scheme details.

**USS deficit**

The obligation to fund the past deficit on the University's Superannuation Scheme (USS) arises from the contractual obligation with the pension scheme for total payments relating to benefits arising from past performance. Management have assessed future employees within the USS scheme and salary payment over the period of the contracted obligation in assessing the value of this provision.

The assumptions for calculating the provision for the obligation to fund deficit on the USS scheme are:

Discount rate	3.6%
Inflation	2.2%



**NOTES TO THE ACCOUNTS**  
(continued)  
Year ended 31 July 2016

**24 ENDOWMENT RESERVES**

Restricted net assets relating to endowments are as follows:

	<b>Restricted permanent endowments £000s</b>	<b>Expendable endowments £000s</b>	<b>Total £000s</b>
Balance at 1 August 2015	1,191	1,072	2,263
Transfer to income and expenditure account	(16)	-	(16)
Income received	-	201	201
Balance at 31 July 2016	<u>1,175</u>	<u>1,273</u>	<u>2,448</u>

**Total Endowment Asset**

Endowment assets comprise

Heritage assets

2,014

Cash

434

2,448

**25 OPERATING LEASE COMMITMENTS**

Total rentals payable under operating leases:

	<b>2015/16 Land and Buildings £000s</b>	<b>2014/15 Land and Buildings £000s</b>
Payable during the year	2,208	2,356
Future minimum lease payments due:		
Not later than 1 year	2,203	2,208
Later than 1 year and not later than 5 years	2,503	4,635
Later than 5 years	-	72
Total lease payments due after one year	<u>4,706</u>	<u>6,915</u>

**NOTES TO THE ACCOUNTS**  
(continued)  
Year ended 31 July 2016

**26 CAPITAL COMMITMENTS - CONSOLIDATED & UNIVERSITY**

Capital expenditure contracted that has not been provided for in the financial statements

Capital expenditure that has been authorised by the Governing Body but has not yet been contracted for

2015/16 £000s	2014/15 £000s
3,755	4,445
228,612	51,304
<u>232,367</u>	<u>55,749</u>

**27 OTHER FUNDING**

The University received additional funds from the funding councils (HEFCE and NCTL) which it holds and distributes to either students or other educational partners.

	GTP £000s	NCTL bursaries £000s	Refugees into teaching £000s
	£	£	£
Balance as at 1 August 2015	955	41	8
Income	-	1,593	-
Amounts repaid	-	(41)	-
Amounts disbursed	(755)	(1,493)	(8)
Balance as at 31 July 2016	<u>200</u>	<u>100</u>	<u>0</u>

The unspent balance is held with creditors within deferred income and other creditors.

**28 RELATED PARTY TRANSACTIONS**

Grants were paid to Kingston University Students Union amounting to £823k (2014/15: £706k), an organisation in which the Campus representatives, Mr Noor Khan ( August 2015 to March 2016) and Ms Erin maskell ( April 2016 to July 2016) were members of Kingston University Governing Body.

Transactions relating to franchised arrangements with St. Georges Hospital Medical School, an organisation in which the Principal, Professor Jenny Higham is a member of the Kingston University Governing Body amounted to payments of £490k (2014/15: £514k).

Transactions relating to franchised arrangements with Kingston College, an organisation in which the Principal, Peter Mayhew-Smith is a member of the Kingston University Governing Body amounted to payments of £2,774k (2014/15 £2,538k).

Kingston University entered into transactions valued at £23,100 (2014/15: £36,960) with Creative Youth, a charity for which Peter Mayhew- Smith is a director.



**NOTES TO THE ACCOUNTS**  
(continued)  
Year ended 31 July 2016

**29 Pension Schemes**

The University's employees belong to four principal pension schemes, the Teachers' Pensions Scheme (TPS), London Pension Fund Authority (LPFA) Pension Scheme, the Universities Superannuation Scheme (USS), and the Local Government Pension Scheme (LGPS). These are defined benefit schemes. However, the TPS is a national scheme and it is not possible to identify the University's share of underlying assets and liabilities.

Pension charges for the year (covering all schemes):	2015/16 £000s
TPS: contributions paid	8,212
USS: contributions paid	941
LGPS	6,673
LPFA	897
Total Pension Cost	16,723

**(i) The Universities Superannuation Scheme**

The total cost charged to the profit and loss account is £941,000 (2015: £1,182,000) as shown in note 27. The latest available full actuarial valuation of the scheme was at 31 March 2014 ("the valuation date"), which was carried out using the projected unit method.

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

The 2014 valuation was the third valuation for USS under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. At the valuation date, the value of the assets of the scheme was £41.6 billion and the value of the scheme's technical provisions was £46.9 billion indicating a shortfall of £5.3 billion. The assets therefore were sufficient to cover 89% of the benefits which had accrued to members after allowing for expected future increases in earnings.

Defined benefit liability numbers for the scheme have been produced using the following assumptions:

	2016	2015
Discount rate	3.6%	3.3%
Pensionable salary growth	n/a	3.5% in the first year and 4.0% thereafter
Pensions increases (CPI)	2.2%	2.2%

The main demographic assumption used relates to the mortality assumptions. Mortality in retirement is assumed to be in line with the Continuous Mortality Investigation's (CMI) S1NA tables as follows:

Male members' mortality	98% of S1NA ["light"] YoB tables – No age rating
Female members' mortality	99% of S1NA ["light"] YoB tables – rated down 1 year

Use of these mortality tables reasonably reflects the actual USS experience. To allow for further improvements in mortality rates the CMI 2014 projections with a 1.5% pa long term rate were also adopted. The current life expectancies on retirement at age 65 are:

	2016	2015
Males currently aged 65 (years)	24.3	24.2
Females currently aged 65 (years)	26.5	26.4
Males currently aged 45 (years)	26.4	26.3
Females currently aged 45 (years)	28.8	28.7

	2016	2015
Scheme assets	£49.8bn	£49.1bn
Total scheme liabilities	£58.3bn	£60.2bn
FRS 102 total scheme deficit	£8.5bn	£11.1bn

**NOTES TO THE ACCOUNTS**  
**(continued)**  
**Year ended 31 July 2016**

**29 Pension Schemes (continued)**

**(ii) Local Government Pension Scheme (LGPS)**

**(Retirement Benefits) Disclosure for the accounting period ending 31 July 2016**

**Kingston University Pension Scheme**

A defined benefit pension scheme (LGPS) is operated on behalf of the employees of Kingston University, the figures disclosed below have been derived from the actuarial valuations carried out by Hymans Robertson LLP Limited as at 31 July 2016. The date of the last triennial valuation was 31 March 2013.

**Assumptions**

The financial assumptions used to calculate scheme liabilities under FRS102 are:

	<b>At 31 July</b>	<b>At 31 July</b>
	<b>2016</b>	<b>2015</b>
	%pa	%pa
Rate of increase in salaries	1.9	2.6
Rate of increase of pensions	3.9	4.5
Discount rate	2.4	3.6

The most significant non-financial assumption is the assumed level of longevity. The table below shows the life expectancy assumptions used in the accounting assessments based on the life expectancy of male and female members at age 65.

<b>Pensioner</b>	<b>Males</b>	<b>Females</b>
Current pensioners	22.5 years	24.7 years
Future pensioners	24.6 years	27.0 years

**Reconciliation of movement in the fair value of plan assets**

	<b>At 31 July</b>	<b>At 31 July</b>
	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Opening position	172,807	150,747
Interest on plan assets	6,311	6,105
Plan participants' contributions	2,323	2,174
Employer contributions	8,382	7,653
Contributions in respect of unfunded benefits	2	2
Benefits paid	(5,647)	(5,828)
Unfunded benefits paid	(2)	(2)
Return on assets excluding amounts included in net interest	20,373	11,956
Closing position	204,549	172,807



**NOTES TO THE ACCOUNTS**  
(continued)  
Year ended 31 July 2016

**29 Pension Schemes (continued)**

**Reconciliation of the present value of the defined benefit obligation**

	At 31 July 2016 £'000	At 31 July 2015 £'000
Opening position	255,785	226,303
Current service cost	9,153	7,780
Past service cost ( including curtailments)	110	56
Interest cost on defined benefit obligation	9,314	9,129
Plan participants contributions	2,323	2,174
Benefits paid	(5,647)	(5,828)
Unfunded benefits paid	(2)	(2)
Change in Financial assumptions	33,665	17,715
Other experience	(2,738)	(1,542)
Closing position	301,963	255,785

**Total cost of amounts in Statement of Comprehensive Income as an expense**

Service cost		
- Current service cost	(9,153)	(7,780)
- Past service cost	(110)	(56)
Total service cost	(9,263)	(7,836)
Net interest		
- Interest income on plan assets	6,311	6,105
- Interest cost on defined benefit obligation	(9,314)	(9,129)
Total net interest	(3,003)	(3,024)
Total defined benefit cost recognised In Profit or ( Loss)	(12,266)	(10,860)

**Remeasurements**

- Change in demographic assumptions	-	-
- Change in financial assumptions	(33,665)	(17,715)
- Other experience	2,738	1,542
- Return on assets excluding amounts included in net interest	20,373	11,956
Total remeasurements recognised in Other Comprehensive Income (OCI)	(10,554)	(4,217)

**Scheme assets and expected rate of return for LGPS**

The total returns on the Fund in market value terms for the year to 31 July 2016 is estimated to be 15.2%. The actual returns for this period were 10.5%.

The estimated split of assets as at 31 July 2016 is as shown below

	At 31 July 2016	At 31 July 2015
Equities	71%	71%
Bonds	24%	24%
Property	4%	4%
Cash	1%	1%
Total	100%	100%

**NOTES TO THE ACCOUNTS**  
(continued)  
Year ended 31 July 2016

**29 Pension Schemes (continued)**

**(iii) London Pension Fund Authority (LPFA) Pension Scheme**

**(Retirement Benefits) Disclosure for the accounting period ending 31 July 2015**

A defined benefit pension scheme (LPFA) is operated on behalf of the employees of KUSCO Limited, the figures disclosed below have been derived from the actuarial valuations carried out by Barnett Waddington as at 31 July 2016. The date of the last triennial valuation was 31 March 2013.

**Assumptions**

The financial assumptions used to calculate scheme liabilities under FRS102 are:

	At 31 July 2016	At 31 July 2015
	%pa	%pa
Rate of increase in salaries	2.0	4.2
Rate of increase of pensions	1.6	2.4
Discount rate	2.4	3.6

The table below shows the life expectancy assumptions used in the accounting assessments based on the life expectancy of male and female members at age 65.

	Males	Females
Retiring today	21.3 years	24.4 years
Retiring in 20 years	23.1 years	26.2 years

**Scheme assets and expected rate of return for LPFA**

The return on the Fund (on a bid value to bid value basis) for the year to 31 July 2016 is estimated to be 5%. The actual return on Fund assets over the year may be different.

The estimated asset allocation for KUSCO (Kingston University Service Company Ltd) as at 31 July 2016 is as follows

The assets in the scheme were:

	At 31 July 2016	
	£000s	%
Equities	3,588	51%
LDIs/ Cashflow matching	610	9%
Target return portfolio	1,696	24%
Infrastructure	493	7%
Commodities	37	1%
Property	261	4%
Cash	290	4%
<b>Total</b>	<b>6,975</b>	<b>100%</b>



**NOTES TO THE ACCOUNTS**  
(continued)  
Year ended 31 July 2016

**29 Pension Schemes (continued)**

**Reconciliation of the opening & closing balances of the present value of the defined benefit obligation**

	At 31 July	At 31 July
	2016	2015
	£000s	£000s
Opening defined benefit obligation	12,437	11,807
Current service cost	123	124
Interest cost	442	474
Change in financial assumptions	666	532
Change in demographic assumptions	(332)	-
Estimated benefits paid net of transfers in	(375)	(531)
Past service costs, including curtailments	-	1
Unfunded pension payments	28	30
Closing defined benefit obligation	12,989	12,437

**Analysis of movement in the fair value of scheme assets**

	At 31 July	At 31 July
	2016	2015
	£000s	£000s
Opening fair value of Fund assets	6,543	6,358
Interest on assets	237	259
Return on assets less interest	113	26
Administrative expenses	(10)	(10)
Contributions by employer including unfunded	439	411
Contributions by Fund participants	28	30
Estimated benefits paid plus unfunded net of transfers in	(375)	(531)
Closing fair value of Fund assets	6,975	6,543

**Total cost of amounts in Statement of Comprehensive Income as an expense**

	At 31 July	At 31 July
	2016	2015
	£000s	£000s
Service cost	123	125
Net interest on the defined liability	205	215
Administrative expenses	10	10
Total costs	338	350

**NOTES TO THE ACCOUNTS**  
(continued)  
Year ended 31 July 2016

**30 Transition to FRS102 and the 2015 SORP**

As explained in the accounting policies, these are the University's first financial statements prepared in accordance with FRS 102 and the SORP. The accounting policies set out in Note 1 have been applied in preparing the financial statements for the year ended 2016, the comparative information presented in these financial statements for the year ended 2015 and in the preparation of an opening FRS 102 Statement of Financial Position at 1 April 2015. In preparing its FRS 102, SORP based Statement of Financial Position, the University has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (2007 SORP). An explanation of how the transition to FRS 102 and the SORP has affected the University's financial position, financial performance and cash flows is set out in the following tables.

		Reserves as at 1 Aug 2015 £'000	Surplus for year ended 31 July 2015 £'000	Reserves as at 31 July 2015 £'000
<b>First time adoption of FRS102</b>				
<b>Consolidated</b>				
	Note			
Surplus for the year		-	18,460	-
Actuarial adjustment		-	(7,470)	-
<b>Reserves as per SORP 2007</b>		<b>144,954</b>	<b>10,990</b>	<b>155,944</b>
USS pension	a	(665)	(492)	(1,157)
LPFA pension	b	-	(90)	-
LGPS pension	b	-	(3,158)	-
Employee benefits	c	(3,540)	20	(3,521)
Service concession arrangement	d	(15,976)	(389)	(16,365)
Fixed asset revaluation	e	191,230	1,427	192,657
Change to value of basic financial instrument	f	(3,344)	425	(2,919)
Donations	g	-	60	-
Change in Actuarial adjustment		-	(4,283)	-
<b>FRS102 adjustments</b>			<b>(6,480)</b>	
Total comprehensive income for the year		-	<b>11,980</b>	-
Value of FRS102 adjustments		<b>167,705</b>	<b>991</b>	<b>168,695</b>
Reserves as stated in accordance with FRS102		<b>312,659</b>	<b>11,980</b>	<b>324,639</b>



**NOTES TO THE ACCOUNTS**  
(continued)  
Year ended 31 July 2016

**30 Transition to FRS102 and the 2015 SORP (continued)**

**First time adoption of FRS102**

**University**

Surplus for the year

Actuarial adjustment

**Revised reserves after pension adjustment**

**Surplus for the year**

USS pension

LGPS pension

Employee benefits

Service concession arrangement

Fixed asset revaluation

Change to carrying value of the basic financial

Donations

Change in Actuarial adjustment

FRS102 adjustments

Total comprehensive income for the year

Value of FRS102 adjustments

Reserves as stated in accordance with FRS102

Note

Reserves as at	Surplus for year ended	Reserves as at
1 Aug 2015	31 July 2015	31 July 2015
£'000	£'000	£'000
-	18,420	-
-	(6,845)	-
145,618	<b>11,575</b>	157,193
-	<b>18,420</b>	-
a (665)	(492)	(1,157)
b -	(3,158)	-
c (3,459)	20	(3,439)
d (15,976)	(389)	(16,365)
e 196,042	1,291	197,331
f (3,344)	425	(2,919)
g -	60	-
-	(3,751)	-
	<b>(5,994)</b>	
-	<b>12,426</b>	-
<b>172,598</b>	<b>851</b>	<b>173,449</b>
<b>318,216</b>	<b>12,426</b>	<b>330,642</b>

**NOTES TO THE ACCOUNTS**  
(continued)  
Year ended 31 July 2016

**30 Transition to FRS102 and the 2015 SORP (cont)**

**a. Explanation of changes to previously reported reserves and surpluses.**

**USS pension**

FRS102 requires that where an institution participates in a defined benefit multi-employer plan and sufficient information is not available to use defined benefit accounting, and the institution has an obligation to fund past deficits within the scheme, the institution must recognise a liability on the Balance Sheet for this obligation and account for it in accordance with paragraph 28.11 and 28.13 to 28.13A of FRS102. This was not required under the previous further and higher education SORP.

**b. LGPS, LPFA pension**

FRS 102 requires the recognition in profit or loss of a net interest cost (or income) on defined benefit pension schemes. This is calculated by multiplying the net pension liability (or asset) by the market yields on high quality corporate bonds. The effect of this, when compared to the previous further and higher education SORP, has been to reduce reported profits for the year ended 31 July 2015 because as previously this led to the recognition of finance income calculated by reference to the expected returns on the pension plan's specific assets be they equities, properties or bonds. The change has had no effect on reported equity as the measurement of the net defined pension scheme liability (or asset) has not changed. Instead, the decrease in reported profit is mirrored by an increase in actuarial gains which are presented within other comprehensive income.

**c. Employee benefit accrual**

FRS102 requires that any short-term compensated absences such as paid annual leave, are accrued for as a creditor. This was not a requirement under the previous further and higher education SORP.

**d. Service concession arrangement**

FRS102 requires that when an organisation enters into a PFI arrangement and is the grantor, it will need to consider whether this is a service concession arrangement. Kingston University entered into such an arrangement for Halls of residence in November 2003 with GH Clayhill Ltd. As the criteria were met for a service concession arrangement, the University has recognised the asset at the present value of the minimum lease payments in accordance with the principles of finance lease accounting. Subsequently the payments in relation this arrangement are allocated between the service cost of running the asset, repayment of the financial liability and the imputed finance charge (using the effective interest method). This was not required under previous SORP and was treated as "off balance sheet".

**e. Fixed Asset Revaluation**

FRS102 allows fixed assets to be measured at its fair value at the date of transition. Kingston University has adopted this approach, which has resulted in an increased in the overall asset valuation.

**f. Change to carrying value of basic financial instrument**

This accounting adjustment is due to the restructure of the Barclays loan which was associated with Halls of Residence. This was a previously restructured finance lease, which was continued to be accounted for as a finance lease as the terms and conditions were unchanged. As the University entered into a new loan arrangement with Barclays during 2015-16, this original loan was included in this restructure and is now accounted for as a term loan. This has resulted in a higher liability and a reduced finance charge.

**g. Donations**

FRS102 requires that income from donations with restrictions is credited to the statement of comprehensive income on entitlement. Under the previous SORP this would have been deferred and matched against expenditure as it was incurred.

**Cash Flows**

The only impact of the transition to FRS 102 on the cash flows of the University or the Group is the reclassification of some short term investments to cash and cash equivalents as shown above.