

Strategic Review and Financial Statements

2017/18







Welcome

A very productive year has seen Kingston University successfully delivering its ambitious plan to improve academic performance; be more adaptive in order to face challenges successfully, and reduce the cost base. We are gratified to see this reflected in our enhanced position in every major league table and in improved financial performance.

While we continued to focus our attention on raising the academic performance, we also funded initiatives to support and expand areas of excellence. We developed an organisational narrative through the drafting of a Corporate Plan with its vision, mission and aims that involved workshops with staff, students and the Board. It puts students at the centre of everything that we do. We reconfigured the faculties, reducing them from five to four, to bring business and social science closer, and to expand Kingston School of Art's portfolio to include performing arts, media, and humanities.

We are well on our way to being a university that can prosper in what are tumultuous times. There is, though, still plenty to do. A reinvigorated Senior Leadership Team will continue its focus on academic performance and reputation; professional and support services that are aligned to our mission, and financial performance that will allow investment.

Steven Spier
Vice-Chancellor



David Edmonds
Chair, Board of Governors



Our year in review

Enhancing opportunities for students

The University's commitment to equality, diversity and inclusion, which saw it receive the Guardian Award for Teaching Excellence in 2017, remains a key tenet of an institution-wide approach to improving outcomes for students from all backgrounds.

The results of the University's pioneering work ensuring all students have a fairer chance of achieving their full academic potential led to the proportion of Kingston's BME students obtaining first and upper-second class degrees increasing from 45 per cent in 2012 to 70 per cent in 2017.

A value-added measure, believed to be the first of its kind adopted by an institution in the United Kingdom, has been pivotal to the University's success in this area. The University has subsequently been awarded £500,000 from the Government's Catalyst Fund to cascade its successful approach nationally to a consortium of five other higher education institutions and a further education college.

Ongoing work to provide the best teaching and learning experience for the University's students has seen the scope of activity undertaken by the Directorate for Student Achievement, formed last year, finessed further. An enhanced student employability service and expanded remit for activity to widen access, participation and inclusion, taking a whole life cycle approach to student success, are integral elements of these changes. More intensive work is also planned to map and report back on graduates' career destinations to build an enhanced evidence base to inform future decision making. Expansion of the Learning and Teaching Enhancement Centre is providing more focussed support for course teams to improve teaching quality; provide opportunities for continuing professional development and celebrate good practice across the University.

Standing in the higher education sector

Our progress in transforming the academic performance and reputation of the University has confirmed by an improvement in its league table performance. The University climbed 23 places in the 2019 Guardian University Guide league tables, coming in at joint 58th position, and is placed among the top 10 London institutions. Five subject areas – sport science, pharmacy, journalism, fashion, and design – feature in the top 10 nationally and also lead the listings for London.

Elsewhere, the University rose seven places in the Complete University Guide league tables released in April, having risen the year before too. The most recent Times and Sunday Times Good University Guide also showed Kingston moving seven places this year following last year's five, with art and design featuring high in the subject table. In the guide's first-ever social inclusion ranking, Kingston was placed at 18 in the country and was commended for the award-winning work on supporting students from black and minority ethnic backgrounds.

The most recent Times and Sunday Times Good University Guide showed Kingston moving seven places this year following last year's five, to place it at 110, with art and design featuring high in the subject table. In the guide's first ever social inclusion ranking, Kingston was placed at 18 in the country and was commended for the award-winning work on supporting students from black and minority ethnic backgrounds.





Academic Improvement Programme

As part of ongoing work to reconfigure its course portfolio and academic provision, the University embarked on a realignment involving Kingston Business School, the Faculty of Arts and Social Sciences and Kingston School of Art in February that came in to effect on 1 August, in time for the 2018–19 academic year.

The reconfiguration strengthens academic endeavour to the advantage of students and staff by bringing together subjects that have a natural association. Kingston Business School and the Faculty of Arts and Social Sciences combined to form a new Faculty of Business and Social Sciences. The School of Arts, Culture and Communication, previously based

in the Faculty of Arts and Social Sciences, become part of Kingston School of Art (KSA). Its broader portfolio will further boost KSA's international reputation and influence, bringing its portfolio in line with key competitors across the sector by adding performance arts, media, journalism, publishing and humanities. The reconfiguration reduces the number of Faculties at the University from five to four.

Elsewhere, significant progress has been made refocussing course provision in the Faculty of Science, Engineering and Computing. Work to reconfigure the School of Computer Science and Mathematics has culminated in the implementation of a streamlined and modernised undergraduate degree offering. The School now has a stronger emphasis on data science and applicable mathematics, moving away from actuarial science, actuarial mathematics and statistics. Its more industry-focussed approach centres on a portfolio of six BSc (Hons) programmes in computer science, computer games programming, cyber security and computer forensics, digital media technology, data science and mathematics.

A revamped engineering course portfolio has been introduced to improve how it meets the needs of prospective students, employers and industry partners. The School of Engineering and the Environment has been created and a review of the undergraduate portfolio has resulted in a suite of new courses with a strong focus on active learning and problem-based teaching.

Alongside these developments, a pilot programme for a new MEng in Aerospace Engineering, which will include a one-year industrial placement, will be trialled and rolled out further if successful. Degree Apprenticeships will increasingly form a key part of the School's offering.

Faculties and schools

Kingston School of Art

- School of Art and Architecture
- School of Arts, Culture and Communication
- School of Cultural Studies and Creative Industries
- Design School

Faculty of Business and Social Sciences

- Kingston Business School
- School of Law, Social and Behavioural Sciences

Faculty of Health, Social Care and Education

- School of Allied Health, Midwifery and Social Care
- School of Education
- School of Nursing

Faculty of Science, Engineering and Computing

- School of Computer Science and Mathematics
- School of Engineering and the Environment
- School of Life Sciences, Pharmacy and Chemistry

Senior Management Team and leadership

A Dean for the new Faculty of Business and Social Sciences joined the University in August 2018. The new Dean joins a reinvigorated Senior Leadership Team, which has also been bolstered this year by the arrival of a permanent Dean of Kingston School of Art, who additionally serves as Pro Vice-Chancellor for Development, and a new Registrar and University Secretary.

The appointment of a permanent Pro Vice-Chancellor for Research, Business and Innovation in January ensures strong strategic direction in readiness for the Research Excellence Framework (REF) in 2021 and place the University in an improved position to grow income through enterprise and innovation. Five senior academics from across the University have been selected to prestigious national roles in REF subject panels, with a further appointed to share expertise on the REF Equality and Diversity Panel.

Financial position

After detailed work across the University to make necessary savings for the 2017-18 financial year, the Institution is also on track to pinpoint and implement additional cost savings required in 2018-19 as it works towards ensuring its long term financial sustainability.

Work realigning the professional and support services to improve the fit with the University's planned size of approximately 15,000 students will form an important element of achieving these targets. Services have identified further in-year pay and non-pay cost reductions, while careful vacancy management and work to refocus portfolios across the professional and support services made substantial contributions to savings required as part of the corporate plan.



Corporate plan

The University has a proud heritage of educating people and advancing knowledge, making a difference to the world around us; having impact. We will build on this heritage through our commitment to high academic achievement, to supporting an inclusive learning and innovating community, and through a balance of scholarship, research and professional practice. The Corporate Plan sets out our overarching goals and character through vision and mission statements and our aims for students, staff and the local and global community.

Our vision

Our students will be sought after for their academic achievements, and their ability to shape society and contribute to the economy.

Our mission

To enhance students' life chances through inspiring learning, advancing knowledge, innovating professional practice and engaging with society.

Our aims

Our students:

- will study a curriculum that equips them with the academic, social, and personal skills to prosper in global and diverse environments;
- will value their own diversity of backgrounds, identities and experiences;
- will learn in an environment of encouragement and support;
- will be part of a physical and virtual campus community;
- will have varied and extensive opportunities to enhance their practical and professional skills.

Our staff

- will engage with the latest scholarship, research and professional practice to deliver the best possible teaching, curriculum, and student experience;
- will produce research that has impact and contributes to a vibrant learning culture;
- will have a commitment to inclusive higher education and to helping develop social capital;
- will have a diversity of backgrounds and identities;
- will be supported in developing their skills and abilities.

Our local and global community

- will seek our research and expertise for its impact on culture, society and industry;
- will seek our students and graduates as employees, partners and providers of services;
- will benefit from our commitment to sustainability and support for local and regional communities and groups.

Kingston University is special. We are passionate about the power of a university education to transform lives, and believe strongly in students putting their academic study into practice – 'learning through doing'.

We are committed to opening higher education up to the whole community; indeed it is an essential part of our ethos. Nearly 60 per cent of our students come from homes where they are the first generation to attend a University; more than 50 per cent from black and minority ethnic backgrounds; many commute from home, and many work to support their time at Kingston University.

We open up choices, offering students a diverse range of undergraduate and postgraduate programmes, helping them into their careers, to develop their potential and achieve their ambitions. We are equally committed to the development of our staff's potential, for the benefit of our students and ourselves.

In order to achieve our vision we recognise the importance of local and global relevance in the courses we offer, the research we undertake and the relationships we build with businesses and local and regional communities.

Strategy and objectives

Plan 2020 Programme and Corporate Plan

Activity to transform teaching, learning and research at Kingston and reposition it as the top modern university in London has continued apace during the past twelve months. Further significant consolidation of the academic portfolio has resulted in a more focused course offering, tailored to students' and employers' needs. This has been underpinned by additional streamlining and reconfiguration of day-to-day operations and functions across professional and support services.

The first anniversary of the launch of the Plan 2020 programme saw the University mark a major milestone in its transformation, when the Board of Governors approved its new vision, mission and corporate plan.

Developed and refined following extensive consultation with the governing body, staff, student community and external stakeholders, it provides a strategic framework and strong focus for taking the University forward, clearly articulating its values. Positioning students' learning and campus experience firmly at the heart of everything it does, it also redefines the University's strong commitment to contributing to society and the economy through its academic expertise, research and innovation. Equipping its graduates with the energy, knowledge and confidence to make a noticeable difference in the world around them is also a core principle.

The final version was shared with the University's leadership community in February and rolled out to staff and students at a series of cross campus drop-in sessions during spring.

Development and performance throughout the year

Access, participation and inclusion

Kingston University continues to be recognised as sector leading for its work on access, participation and inclusion.

The University has continued to make strong progress in closing the attainment gap for black and minority ethnic (BME) students. A collaborative and strategic approach has resulted in a further reduction in the difference between BME and white students achieving the top two degree grades (first or 2:1) from 15 per cent in 2015/16 to 11 per cent in 2016/17; 4 per cent lower than the sector average of 15 per cent.

For the third year running, Kingston University received recognition at the annual NEON awards; this time in the retention and success category for Studylab, a tailored programme within the Kingston School of Art that provides enhanced academic support for students at Levels 4 and 5 through email contact, workshops, seminars and tutorials.

Kingston University has entered into a partnership with the Unite Foundation, a charity that supports careleavers and estranged students, to provide full accommodation scholarships in Unite halls of residence for those students. This is an extension of the comprehensive support offered through the KU Cares programme. Two students commencing their studies in 2018/19 have been awarded scholarships and will live in Unite halls alongside students from other London universities for the duration of their course.

Kingston University has also received a substantial donation of £843,000 over three years from the Mohn Westlake Foundation to expand the successful Head Start programme and further extend the University's support for young independent students estranged from their families. The funds provided by the Foundation will enable the University to more than double the number of students who will benefit from these transformational programmes during the next three years.

In 2017/18, the University allocated a total of £2.2m in financial support for students, comprising: 250 Kingston Bursaries for new entrants (£2,000 per student); 140 bursaries for care leavers and learners estranged from their families (£1,500 per student); 35 bursaries for young adult carers (£500 per student); and progression scholarships for students receiving a Kingston Bursary the previous year.

Funds were also made available to support disabled learners and students in financial hardship. A further sum of £4m was allocated through the University's access agreement to a wide range of activities to support the access, success and onward progression of students from disadvantaged backgrounds and groups under-represented in higher education.

Research, business and innovation

Success as a member of two consortia (TECHNE and LDOC) for AHRC studentship funding has continued for another year, with Kingston University winning more studentships than any other TECHNE consortium member. In this year's competitions, 14 studentships were awarded to Kingston School of Art and the Faculty of Arts and Social Sciences, with a total of more than £721,000. Extensive supervisor training has run this year, with 71 places taken up. The University's recurrent research funding (QR) allocation from HEFCE has increased slightly to £3.2m, due mainly to the growing number of research students.

Major activity has been around REF. New eligibility guidelines mean all staff with significant responsibility for research will be submitted. Whilst work around the new careers framework continued, a mock REF exercise undertaken in year highlighted areas on which to concentrate and demonstrated that a high proportion of staff have at least one research output, a minimum requirement for the REF. At the end of the 3rd quarter, research funding was reduced, but within natural variation of previous years. However, the pattern varies across the University, and the Faculty of Arts & Social Sciences had nearly doubled value of bids and awards from the previous year.

Review and overhaul of course provision and establishment of new offerings and clients has led to a healthy portfolio estimated at around £1.7m for a combination of summer schools and short courses in 2017/18, and similar for the forthcoming year. The largest ever cohort of summer school students (approximately 150), mainly from China, was welcomed this year.

Degree Apprenticeships is a new area for the University, and Research, Business and Innovation has been working across directorates to review and establish operating procedures.

Engagement activities have included:

- Commercialisation: granting of a European patent for and licensing to Clarity Biosolutions Ltd of a *Staphylococcus aureus* detection compound produced in the Faculty of Science, Engineering and Computing.
- New relationships: new contracts and funding bids have been supported across a range of non-academic partners.
- Interdisciplinary engagement: a pilot cross-faculty '24-hour hackathon' around health and wellbeing ran in February with three student challenges set by health and community organisations. Two of the best proposed innovative and sustainable solutions to real life aged-care issues are being developed further with Carebase, which runs a number of elderly care homes across south-east England and East Anglia.

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 Office for Students (OfS) in its role as principal regulator under the terms of the Charities Act 2011, section 25. 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;
- the prevention or relief of 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.

Public engagement

Kingston University is proud to play an important role in our local and regional communities. The University strives to build strong relationships with the wider community and to enhance the cultural, economic and social character of the locality.

Throughout the year, the University continued to play an active role in a wide range of local organisations and partnerships to promote and improve the local area. As well as being a patron member of Kingston Chamber of Commerce, the University has board representation at organisations such as Kingston First.

This close relationship was celebrated during the annual Civic Reception, which showcased to local residents the University's civic engagement activities and included a discussion panel in partnership with Kingston Council on Shaping the Future of Kingston.

Three years of collaboration between the University and partners in the borough contributed to Ofsted success in July when the Kingston Academy, a local secondary school the University has co-sponsored with Kingston College and Kingston Council since 2015, achieved an Outstanding rating in its first inspection.

The University also worked with Kingston Council and Kingston First on Re-imagining Kingston Town Centre, a project designed to enhance the public realm and connectivity between Kingston's public spaces and the town centre.

The local landscape also featured in a project involving Kingston School of Art students. Iconic landmarks in the borough were celebrated in designs for the Kingston Pound, a local currency that encourages consumers and businesses to buy goods and services locally and support independent retailers.

On campus, work on the University's flagship Town House continued, with the University collaborating with construction company Willmott Dixon to deliver educational and employment skills opportunities to the wider community. So far the Employment Skills Plan has delivered site visits for 435 students from a range of institutions, workshops for 690 students and 281 apprentice weeks.





Sustainability and ethics

The Board of Governors renewed their commitment to sustainability approving a Corporate Social Responsibility policy in July 2017. The policy states the University's commitment to contribute to the United Nations Sustainable Development Goals in the core business of teaching and learning, in research and innovation and in our civic engagement activities, as well as in our daily operations.

Examples of our contribution include specialist courses in Renewable Energy and Environment and extra-curricular opportunities to participate in sustainability actions both locally and globally; research supporting the implementation of the Welsh Well-Being of Future Generations Act and; investment in hybrid buses reducing carbon emissions by 30 per cent and nitrous dioxide and particulate matter by more than 90 per cent, reducing impact on local air quality.

The University works closely with the Royal Borough of Kingston and hosted the launch of the annual report of the Director of Public Health on air quality on National Clean Air Day, 21 June 2018.

Summary of financial performance

Financial strategy

The financial strategy supports Plan 2020 by ensuring that the University's costs are covered by its income, that sufficient reserves are maintained and that the liquidity position will meet its operating requirements. The substantial cash reserve of £91.5m together with cash generated from operations is used to invest in estates and infrastructure to support student experience.

The strategy defines two key performance measures that are used as front-line mandatory ratios in determining success in achieving the financial strategy:

- Net liquidity of at least 60 days
- Borrowings not to exceed 32% of net assets excluding pension reserve

These two measures are met for 2017/18 and for the period of the financial plan to 2019/20. The reduction in liquidity days is due to the level of investment made in infrastructure projects of £37m (see capital expenditure section below).

	Target	2017/18	2016/17
Net liquidity (days)	>60 days	117 days	229 days
Borrowings as % net assets excluding pension liabilities	<32%	23.0%	23.9%



Summary of financial performance for the year

The reported deficit of £13.1m is stated after charging restructuring costs of £3.2m and pension charges of £6.2m and before an actuarial gain in respect of pension schemes of £26.4m. This compares to a deficit of £14.2m last year, and this year costs have reduced by £10.2m and income has fallen by £9.1m. The cost reduction of £10.2m demonstrates the impact of Plan 2020 as the University re-configures the cost base to meet a reduced student body with a lower income. Despite the reported loss, the University has generated cash from operations of £11.2m and the liquidity position remains strong with a year-end cash and cash equivalents balance of £91.5m.

These financial statements are prepared under the accounting standard FRS102 and represent the consolidated position to include the wholly-owned subsidiary companies Kingston University Service Company Limited (KUSCO), Kingston University Campus Enterprises Limited (KUGEL) 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.



Statement of Comprehensive Income

	2017/18 £m	2016/17 £m
Income	192.2	201.3
Expenditure	205.3	215.5
Surplus (deficit) for the year	-13.1	-14.2

Balance Sheet

Fixed Assets	435.0	410.5
Current Assets	114.6	144.0
Creditors Falling due within 1 year	-45.3	-108.3*
Net Current Assets	69.3	35.7
Creditors falling due after 1 year	-101.8	-36.6*
Pension Provision	-59.2	-79.5
Net Assets	343.3	330.1

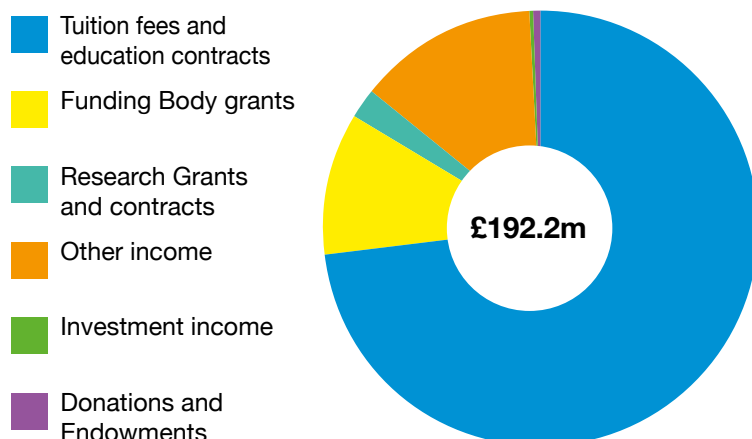
Cash and cash equivalents balance	91.5	125.9
Cash Generated from operating activities	11.2	-1.1

* The Barclays covenant is met this year so disclosed in accordance with repayment profile in agreement.

Financial highlights for the year

The total income of £192.2m is received mainly from two sources: OFS income and tuition fees. An analysis of the income is shown in the chart below:

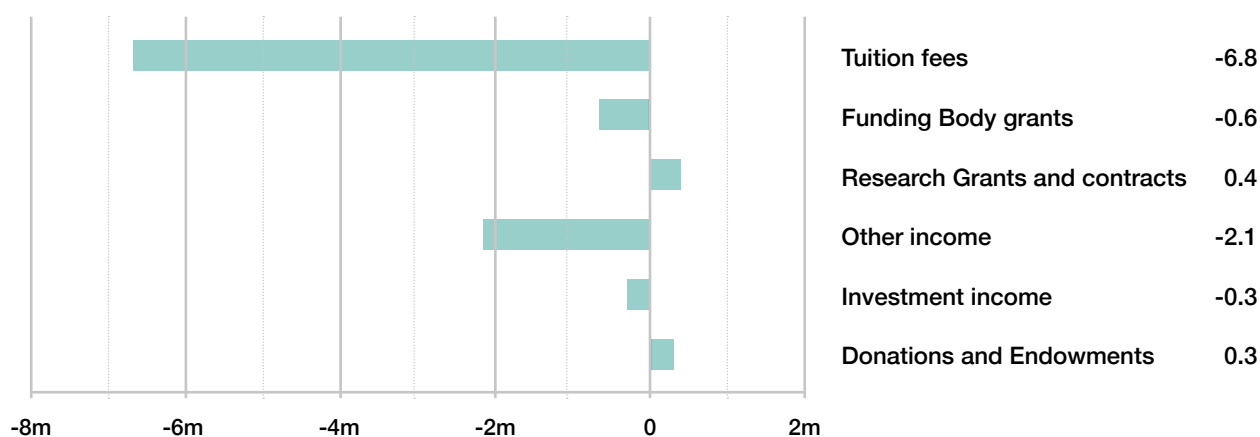
2017/18 (£m) income



The total income reduced by £9.1m from 2016/17 as shown in the chart below:

Movement in income

Movement in income / £m

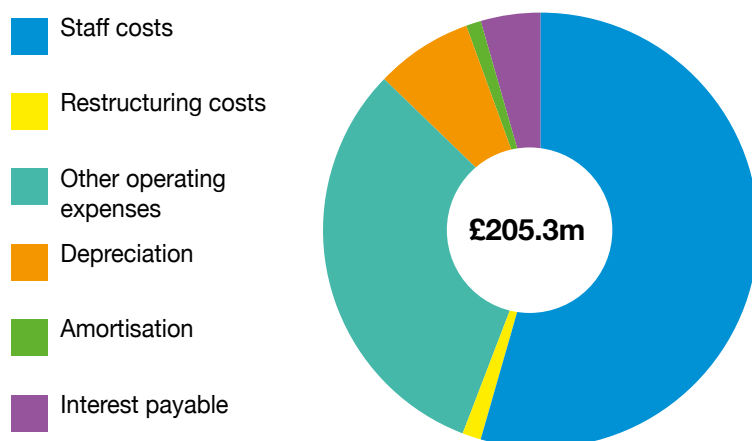


The decrease in tuition fee income of £6.8m results from a planned reduction in undergraduate students as a result of targeted changes to the academic provision. This enables the University to operate more effectively in a competitive

market. This reduction is not expected to recur in 2018/2019. The headline fee for undergraduate students was £9,250 (£9,000 in 2016/17) with OFS funding applied to high cost subjects.

Total expenditure of £205.3m including £0.5m loss on disposal of assets is categorised as follows:

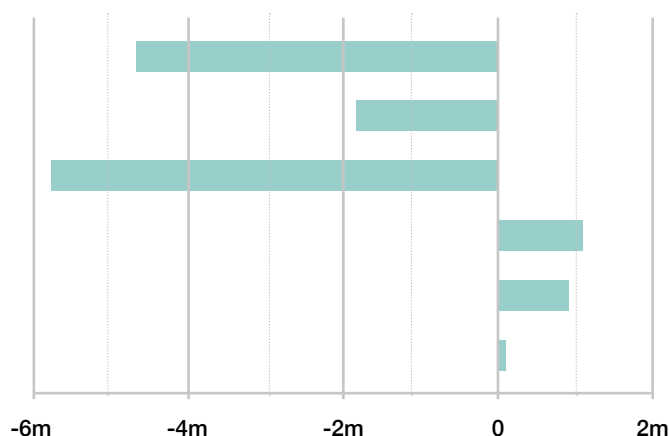
2017/18 (£m) expenditure



Total expenditure decreased by £10.2m as shown in the table below:

Movement in expenditure

Movement in expenditure / £m



Staff Costs	-4.6
Restructuring costs	-1.8
Other operating expenses	-5.9
Depreciation	1.1
Amortisation	0.9
Interest payable	0.1

The impact of Plan 2020 shows that measures to control staff costs have taken effect with costs reducing by £4.6m from £116.4m to £111.7m. This equates to the average number of staff being employed by the University reducing

by 72 over the previous year. In addition to this, other operating expenditure is reduced by £6.2m including reduction in agency/contractor costs (£2.7m), planned maintenance (£2.5m) and bursaries (£1.8m).

Capital expenditure

Expenditure on fixed assets totalled £37.2m including freehold buildings and assets under construction £34.8m, and £2.4m on plant, machinery and equipment. The assets under construction included the Town House development (£19.9m) and the new extension at Knights Park (£11.0m). The Town House development is a new signature building for the University comprising a Learning Resource Centre, multi-media auditorium, performance space and dance studios. The Knights Park extension will provide upgraded facilities, workshops and equipment for the Kingston School of Art. Additions to intangible assets included software development of £5m.

Treasury management

The cash generated from operating activities totalled £11.2m (2016/17: £1.1m outflow). This improvement is due to the creditor levels being restored to normal levels following the acceleration of payments at the last year end due to the implementation of the new finance system.

The year-end cash balance reduced by £34.5m to £91.5m. Surplus funds are invested with the main UK and European banks on term deposits. Interest earned on these deposits amounted to £0.6m in the year at an average rate of 0.6%.

The decrease in the cash balance is after payments for fixed asset additions of £36.9m. Total borrowings outstanding at the year-end include a bank loan to Barclays Bank (£69.5m), Clayhill Service Concession arrangement (£20.1m) and obligations under finance leases (£4.0m).

Future prospects

The 2018 recruitment data indicates that recruitment is close to target. The University's ability to generate sufficient cash flow from operations is the key factor in ensuring financial sustainability in future. The latest recruitment figures for 2018/19 show overall student numbers close to target and the University continues to re-align the cost base to match income to enable a sustainable surplus to be met by 2019/20. The transformation of the estate is progressing, with the Town House development well under way and due for completion in 2019/20.



Principal risks and uncertainties

The financial environment for Higher Education remains challenging, bringing with it volatility in a period of significant uncertainty. The University recognises it faces a substantial number of inherent risks and uncertainties resulting from both sector-specific issues and those from the wider community. It proactively identifies, monitors, manages and mitigates against risk, promoting a robust and proactive approach and culture towards both risk management and governance.

The Strategic Risk Register (SRR) is considered quarterly by both the Senior Management Team (SMT) and the Audit and Risk Assurance Committee (ARAC) before being presented to the Board of Governors annually. The SRR, coupled with a number of other considerations, also informs the internal audit plan for the forthcoming year.

The SRR remains a dynamic and fluid document comprising both current and emerging risks. It not only informs both management and the Board of the key risks that are being faced by the University but it also highlights the actions and control measures that are being adopted in order to mitigate against those risks. Deliberations include the nature and extent of the risk, the likelihood of the risk materialising and the University's ability to reduce the impact of the risk.

Each of the risks recorded on the SRR are owned by either an individual member of the SMT or alternatively by the SMT as a collective and are informed by the University's operational risk registers. Each SMT member has responsibility for ensuring that their specific risk is regularly reviewed. Each risk is also assigned to the most appropriate Board Committee or to the Board directly in its entirety in order to ensure further resilience and assurance that the risks are being appropriately reviewed, updated and monitored accordingly.

Principal risks and uncertainties are detailed within the University's Strategic Risk Register. These are the most significant risks that may adversely affect the University's strategy, financial position and/or performance. The risk assessment process evaluates the probability of the specific risks materialising and the subsequent financial or strategic impact on staff, students and/or stakeholders.

Among the key risks is student recruitment. The higher education sector continues to remain a very competitive market. Failure to achieve Home/EU student number targets remains a concern across the sector. Whilst the University is somewhat less reliant upon the international market than many of its peers, a substantial change to the international profile would undoubtedly result in a negative impact upon student numbers and a significant loss of income. The University has implemented a number of control measures in order to mitigate against the risks attached to student recruitment, including the reconfiguration of academic provision resulting in increased exposure to new markets and more focused course portfolios. Furthermore, it has placed a greater emphasis upon the student experience within the new Corporate Plan.

The University will continue to monitor the situation, reviewing and revising the financial forecasts where necessary to reflect future legislative changes and impacts as and when they develop and as the uncertainty of the UK political and economic environment impacting UK and global student recruitment becomes clearer.

At a time of significant economic constraint and ever heightened competition the continuation of a robust and mature risk management framework is paramount to ensure the University's financial health prevails.

Modern Slavery Act 2015

Introduction

This Statement is designed to satisfy the requirements of Part 6 Section 54 of the Modern Slavery Act (2015).

The University's Ethics Policy states our commitment to adhering to the highest standards of ethical conduct in all our activities and to making continuous improvements in this area. The University does not engage in, or condone, the practices of human trafficking, slavery or forced labour.

Structure of the business and supply chains

The University's supply chains mainly fall within the following 'top level' categories:

- Estates and Facilities Management (works, services and goods)
- ICT equipment and services
- Professional services
- Teaching materials

The University is a member of the London Universities Purchasing Consortium (LUPC) which has published its own Modern Slavery Statement and through whom the University has membership of Electronics Watch which works to protect the rights of electronics workers globally.

The University undertakes in excess of 30% of the value of our addressable spend through the LUPC and agreements arranged by the other higher education purchasing consortia and public sector purchasing consortia.

The business and supply chains which may pose particular risks in terms of slavery are in facilities management, ICT & AV equipment, construction, and partnerships with overseas institutions in some jurisdictions. Our due diligence processes (below) minimise these risks.

Due diligence

Our facilities management services are provided by our wholly owned subsidiary, which pays the London Living Wage and does not employ unpaid interns.

Our membership of Electronics Watch via the LUPC means we can collaborate to minimise the risks of modern slavery.

We use a procurement tool (Net Positive Futures), which requires new suppliers to complete a questionnaire to review and confirm arrangements in place to comply with the Act across supply chains.

Additionally, our due diligence process for the validation of new partners, and arising institutional agreements, includes requirements for compliance with the Act.

Policies

The University has put in place a number of measures to ensure compliance with the Modern Slavery Act 2015.

- Our Ethics Strategy embeds Modern Slavery considerations, alongside other ethical business practices.
- Our Guide to Good Research Practice incorporates reference to the Ethics Strategy and Modern Slavery.
- Training in relation to the Ethics Strategy (including Modern Slavery) is provided.

Work will continue during 2018/19 to ensure compliance with the Act.

Trade Union (Facility Time Publication Requirements) Regulations 2017

The Trade Union (Facility Time Publication Requirements) Regulations 2017 came into force on the 1st April 2017. These regulations place a legislative requirement on the University to collate and publish, on an annual basis, a range of data on the amount and cost of facility time within the organisation. The relevant data for 2017.18 is as follows:

- The number of employees who acted as trade union officials during the year totalled 15 staff;
- The percentage of their time spent on trade union activity was as follows;

Percentage of time	Number of employees
0%–50%	15
51%–99%	0
100%	0

- The percentage of total salary costs spent on facility time totalled 0.09%
- Of the total facility time spent there was no paid trade union activity incurred.

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 Office for Students (OFS) Terms and Conditions of Funding for Higher Education Institutions.

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 2018 and up to the date of approval of the financial statements, and accords with OFS 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 four 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 (ARAC) concerning internal control, governance, value for money, risk management and data quality.
- c. ARAC met four times during the year and receives regular reports from the Head of Internal Audit (Managing director of KCG – 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. ARAC also reports to the (Senior Management Team).
- d. We have a Finance Committee which regularly reviews the annual plan, monitors progress against the plan, and ensures that the University is managed as a going concern.
- e. A regular programme of review exists to keep up-to-date the record of risks facing the organisation at both strategic and operational levels.
- f. A robust risk prioritisation methodology based on risk ranking has been established in the identification and evaluation of risks.
- g. A series of organisation-wide risk registers is maintained by nominated risk managers across the institution.
- h. A programme of risk awareness training continues as part of the annual Risk Management programme.
- i. 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.
- j. The process of risk management is fully embedded and integrated within the institution's planning processes, at both strategic (institutional) and operational (Faculty and Directorate) levels.

Our review of the effectiveness of the system of internal control is informed by KCG, which operates to standards defined in the OFS Audit Code of Practice.

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.

RESPONSIBILITIES OF THE BOARD OF GOVERNORS

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 OFS terms and conditions of the Terms and Conditions of Funding for Higher Education Institutions, 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 2017/18 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 OFS 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 July 2016 with the Funding Council and any other conditions which the OFS 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	Resigned 19/07/18
Ms Jan BROADBENT	Retired 19/07/18
Mrs Sandra CAMPOPIANO	
Mr Paul CLEAL	
Mrs Nancy COGSWELL	
Mr James DENHOLM-PRICE	
Mr. David EDMONDS	
Mr. Gary ERNEST	
Professor Caroline GIPPS	
Professor Jenny HIGHAM	
Mr. Peter MAYHEW-SMITH	
Mrs Alison OSBORNE	
Professor Stella SANDFORD	
Ms Jane SCOTT	
Mr Francis SMALL	
Professor Steven SPIER	
Mr Mick WILLIAMS	
Ms Jo WOODS	
Ms Alayna ZANGIE	Appointed 9/09/17, tenure ended 19/07/18

TO THE
BOARD OF GOVERNORS OF KINGSTON UNIVERSITY

Opinion

We have audited the financial statements of Kingston University for the year ended 31 July 2018 which comprise the Consolidated and University Statements of Comprehensive Income, the Consolidated and University Balance Sheets, the Consolidated and University Statements of Changes in Reserves, the Consolidated Cash Flow Statement and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the group and University's affairs as at 31 July 2018 and of the group and University's income and expenditure, gains and losses, changes in reserves and group cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education and relevant legislation.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

Other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The Board of Governors are responsible for the other information. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information including the Strategic Report and Corporate Governance statement and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters required by the Office for Students ("OFS") and Research England 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 OFS and Research England have been applied in accordance with these terms and conditions and any other terms and conditions attached to them; and
- The requirements of OFS's Accounts Direction have been met.

TO THE

BOARD OF GOVERNORS OF KINGSTON UNIVERSITY

Responsibilities of the Board of Governors

As explained more fully in the statement on responsibilities of the Board of Governors set out on page 19, the board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Board of Governors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

In addition, we also report to you whether income from funding bodies, grants and income for specific purposes and from other restricted funds administered by 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 Office for Students terms and Conditions of Funding for Higher Education Institutions.

Use of our report

This report is made solely to the University Board of 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 Board of 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 Board of Governors as a body, for our audit work, for this report, or for the opinions we have formed.

BDO LLP

Paula Willock, Senior Statutory Auditor

BDO LLP, Statutory Auditor

Gatwick

West Sussex

United Kingdom

Date: *29 November 2018*

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 2017/18). The University is a public benefit entity and therefore has applied the relevant public benefit requirement of FRS102.

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;
- 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.
- FRS 102 makes the distinction between a group plan and a multi-employer scheme. A group plan consists of a collection of entities under common control typically with a sponsoring employer. A multi-employer scheme is a scheme for entities not under common control and represents (typically) an industry-wide scheme such as Universities Superannuation Scheme. The accounting for a multi-employer scheme where the employer has entered into an agreement with the scheme that determines how the employer will fund a deficit results in the recognition of a liability for the contributions payable that arise from the agreement (to the extent that they relate to the deficit) and the resulting expense in profit or loss in accordance with section 28 of FRS 102. The directors are satisfied that Universities Superannuation Scheme meets the definition of a multi-employer scheme and has therefore recognised the discounted fair value of the contractual contributions under the funding plan in existence at the date of approving the financial statements.
- 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 11)*

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.

- *Investment property (see notes 11 and 12)*

The investment property was acquired on 18 April 2017 and since acquisition there has been no material change in market conditions. Accordingly the cost of the property is deemed to be a fair approximation to its market value at the year end.

- *Investments (see notes 15)*

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 16)*

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.

- *Defined benefit pension scheme (see note 28)*

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.

3. Basis of consolidation

The consolidated financial statements include the University and its subsidiaries for the financial year to 31 July 2018. 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

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.

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.

Grant funding

Government revenue grants including funding council block grant and research grants are accounted for under the accrual model and 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 (including 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 the donation.

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
- 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 particular 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 institution participates in Universities Superannuation Scheme. The scheme is a hybrid pension scheme, providing defined benefits (for all members), as well as defined contribution benefits. The assets of the scheme are held in a separate trustee-administered fund. Because of the mutual nature of the scheme, the assets are not attributed to individual institutions and a scheme-wide contribution rate is set. The institution is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. As required by Section 28 of FRS 102 "Employee benefits", the institution therefore accounts for the scheme as if it were a wholly defined contribution scheme. As a result, the amount charged to the profit and loss account represents the contributions payable to the scheme. Since the institution has entered into an agreement (the Recovery Plan) that determines how each employer within the scheme will fund the overall deficit, the institution recognises a liability for the contributions payable that arise from the agreement (to the extent that they relate to the deficit) and therefore an expense is recognised.

The 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.

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 the pension schemes are charged 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.

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 leases 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 bought into use with a corresponding financial liability.

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 years

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

Equipment

Capitalised equipment 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 asset 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.

STATEMENT OF ACCOUNTING POLICIES

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 financial instrument.

10. Heritage Assets

Works of art and other artefacts have been capitalised and recognised at the cost or value at 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. Investment Property

Investment property is land and buildings held for rental income or capital appreciation. Investment properties are measured initially at cost and subsequently at fair value with movements recognised in the Statement of Comprehensive Income. Properties are not depreciated but are revalued annually according to market conditions at 31 July each year.

12. 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.

13. 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 are carried at a transaction price.

14. Cash and cash equivalents

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

15. Jointly controlled operations

The University accounts for 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 and liabilities in the Balance Sheet

16. 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 or 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.

17. 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.

18. Financial assets

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

19. 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.

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 JULY 2018

	Notes	2017/18	2017/18	2016/17	2016/17
		£000s	£000s	£000s	£000s
		Consolidated	University	Consolidated	University
INCOME					
Tuition fees and education contracts	1	140,500	140,500	147,287	147,287
Funding body grants	2	20,182	20,182	20,752	20,752
Research grants and contracts	3	4,425	4,060	4,021	3,814
Other income	4	25,840	26,063	27,958	27,289
Investment income	5	583	558	881	869
Donations and endowments	6	688	688	403	403
Total income		192,218	192,051	201,302	200,414
EXPENDITURE					
Staff costs	7	111,772	105,151	116,414	109,468
Fundamental restructuring costs	7	3,240	3,180	4,985	4,985
Other operating expenses		63,885	71,714	70,104	77,070
Depreciation	11	14,732	14,732	13,601	13,601
Amortisation	10	2,174	2,174	1,311	1,311
Interest and other finance costs	8	9,015	8,913	8,980	8,840
Total expenditure	9	204,818	205,864	215,395	215,275
Deficit before other gains/(losses)		(12,600)	(13,813)	(14,093)	(14,861)
Loss on disposal of fixed assets		(537)	(537)	(122)	(122)
Deficit before qualifying charitable donations		(13,137)	(14,350)	(14,215)	(14,983)
Qualifying charitable donations		-	852	-	502
Deficit for the year		(13,137)	(13,498)	(14,215)	(14,481)
Actuarial gain in respect of pension schemes	22	26,368	25,836	29,743	28,162
Total comprehensive income for the year		13,231	12,338	15,528	13,681
Endowment comprehensive income for the year		66	66	(16)	(16)
Restricted comprehensive income for the year		71	71	35	35
Unrestricted comprehensive income for the year		13,094	12,201	15,509	13,662
		13,231	12,338	15,528	13,681

The notes on pages 34-51 form part of the financial statements.

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

BALANCE SHEETS

AS AT 31 JULY 2018

		Consolidated	University	Consolidated	University
		2017/18	2017/18	2016/17	2016/17
		£000s	£000s	£000s	£000s
Notes					
Fixed assets					
Intangible assets	10	13,416	13,416	10,888	10,888
Tangible assets	11	419,458	419,458	397,498	397,498
Heritage assets	11	1,998	1,998	1,998	1,998
Investments	15	115	6,216	115	6,216
		434,987	441,088	410,499	416,600
Current assets					
Stock		85	85	53	55
Debtors	16	22,988	23,214	17,991	18,339
Current asset investment	17	27,788	27,788	41,579	41,579
Cash at bank and in hand		63,671	56,076	84,369	77,284
		114,532	107,163	143,992	137,257
Creditors: amounts falling due with 1 year	18	(45,173)	(43,919)	(108,333)	(107,713)
Net current assets		69,359	63,244	35,659	29,544
Total assets less current liabilities		504,346	504,332	446,158	446,144
Creditors: amounts falling due after more than one year	19	(101,811)	(101,811)	(36,600)	(36,600)
Net assets excluding pension liability		402,535	402,521	409,558	409,544
Provisions for liabilities					
Pension provisions	22	(59,243)	(55,969)	(79,497)	(75,330)
Total Net assets		343,292	346,552	330,061	334,214

The notes on pages 34-51 form part of the financial statements.

BALANCE SHEETS (continued)

AS AT 31 JULY 2018

Consolidated	University	Consolidated	University
2017/18	2017/18	2016/17	2016/17
£000s	£000s	£000s	£000s

Notes

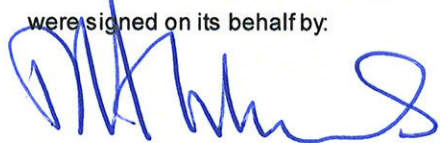
Restricted reserves

Income and expenditure reserve - endowment fund	23	1,225	1,225	1,159	1,159
Income and expenditure reserve - restricted reserve	23	1,379	1,379	1,308	1,308

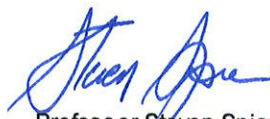
Unrestricted reserves

Income and Expenditure Account - unrestricted		108,056	111,316	91,995	96,148
Revaluation reserve		232,632	232,632	235,599	235,599
		<u>343,292</u>	<u>346,552</u>	<u>330,061</u>	<u>334,214</u>

The financial statements were approved and authorised for issue by the Governing Body on 26 November 2018 and were signed on its behalf by:



David Edmonds CBE
Chairman of the Board of Governors



Professor Steven Spier
Vice-Chancellor

The notes on pages 34-51 form part of the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN RESERVES

FOR THE YEAR ENDED 31 JULY 2018

Consolidated	Income and expenditure reserve			Revaluation	Total
	Endowment	Restricted	Unrestricted	reserve	
	£000s	£000s	£000s	£000s	£000s
Balance as at 1 August 2017	1,159	1,308	91,995	235,599	330,061
(Deficit)/surplus from income & expenditure statement	66	71	(13,274)	-	(13,137)
<i>Other comprehensive income</i>					
Actuarial gain on pension scheme	-	-	26,368	-	26,368
Transfer	-	-	2,967	(2,967)	-
Total comprehensive income/(expenditure) for the year	66	71	16,061	(2,967)	13,231
Balance 31 July 2018	1,225	1,379	108,056	232,632	343,292

University	Income and expenditure reserve			Revaluation	Total
	Endowment	Restricted	Unrestricted	reserve	
	£000s	£000s	£000s	£000s	£000s
Balance as at 1 August 2017	1,159	1,308	96,148	235,599	334,214
(Deficit)/surplus from income & expenditure statement	66	71	(13,635)	-	(13,498)
<i>Other comprehensive income</i>					
Actuarial gain on pension scheme	-	-	25,836	-	25,836
Transfer	-	-	2,967	(2,967)	-
Total comprehensive income/(expenditure) for the year	66	71	15,168	(2,967)	12,338
Balance 31 July 2018	1,225	1,379	111,316	232,632	346,552

Consolidated	Income and expenditure reserve			Revaluation	Total
	Endowment	Restricted	Unrestricted	reserve	
	£000s	£000s	£000s	£000s	£000s
Balance as at 1 August 2016	1,175	1,273	73,519	238,566	314,533
(Deficit)/surplus from income & expenditure statement	(16)	35	(14,234)	-	(14,215)
<i>Other comprehensive income</i>					
Actuarial gain on pension scheme	-	-	29,743	-	29,743
Transfer	-	-	2,967	(2,967)	-
Total comprehensive income/(expenditure) for the year	(16)	35	18,476	(2,967)	15,528
Balance 31 July 2017	1,159	1,308	91,995	235,599	330,061

University	Income and expenditure reserve			Revaluation	Total
	Endowment	Restricted	Unrestricted	reserve	
	£000s	£000s	£000s	£000s	£000s
Balance as at 1 August 2016	1,175	1,273	79,519	238,566	320,533
(Deficit)/surplus from income & expenditure statement	(16)	35	(14,500)	-	(14,481)
<i>Other comprehensive income</i>					
Actuarial gain on pension scheme	-	-	28,162	-	28,162
Transfer	-	-	2,967	(2,967)	-
Total comprehensive income/(expenditure) for the year	(16)	35	16,629	(2,967)	13,681
Balance 31 July 2017	1,159	1,308	96,148	235,599	334,214

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 JULY 2018

	Notes	2017/18 £000s	2016/17 £000s
Cash flow from operating activities			
Deficit before tax		(13,137)	(14,215)
Adjustment for non-cash items			
Depreciation and impairment of tangible assets	11	14,732	13,601
Amortisation of intangible assets	10	2,174	1,311
(Increase)/decrease in stocks		(31)	177
(Increase) in debtors		(5,255)	(4,690)
Increase/(decrease) in creditors		1,591	(5,818)
Decrease in provisions		(273)	(213)
Difference between net pension expense and liability		4,201	2,267
Adjustment for investing or financing activities			
Interest receivable	5	(583)	(881)
Interest payable	8	9,015	8,980
Loss on disposal of fixed assets		537	121
Capital grants utilised in the year		(1,746)	(1,766)
Net inflow/(outflow) from operating activities		11,225	(1,126)
Cash flows from investing activities			
Capital grants received		1,626	1,448
Payments to acquire fixed assets		(36,860)	(33,227)
Other interest received		583	851
Withdrawal of deposits	17	13,791	26,052
		(20,860)	(4,876)
Cash flows from financing activities			
Interest paid		(6,828)	(6,716)
Repayments of amounts borrowed		(2,944)	(2,372)
New loans		-	15,000
Capital element of finance lease rental payments		(1,291)	(1,148)
(Decrease)/increase in cash in the period		(11,063)	4,764
Decrease in cash and cash equivalents in the year		(20,698)	(1,238)
Cash and cash equivalents at beginning of the year		84,369	85,607
Cash and cash equivalents at the end of the year		63,671	84,369

NOTES TO THE ACCOUNTS
Year ended 31 July 2018

1 TUITION FEES & EDUCATION CONTRACTS

	2017/18	2017/18	2016/17	2016/17
	Consolidated	University	Consolidated	University
	£000s	£000s	£000s	£000s
Full-time UK and EU students	96,103	96,103	100,048	100,048
Part-time UK and EU students	7,219	7,219	7,159	7,159
Overseas full-time students	26,736	26,736	26,617	26,617
Overseas part-time students	1,369	1,369	972	972
Short course fees	2,245	2,245	2,604	2,604
NHS teaching contracts	6,828	6,828	9,887	9,887
	140,500	140,500	147,287	147,287

2 FUNDING COUNCIL GRANTS

	2017/18	2017/18	2016/17	2016/17
	Consolidated	University	Consolidated	University
	£000s	£000s	£000s	£000s
Recurrent grant (including research element)	16,236	16,236	17,618	17,618
OFS specific grants	1,219	1,219	640	640
Education funding agency	981	981	728	728
Deferred capital grants released in year	1,746	1,746	1,766	1,766
	20,182	20,182	20,752	20,752

3 RESEARCH GRANTS & CONTRACTS

	2017/18	2017/18	2016/17	2016/17
	Consolidated	University	Consolidated	University
	£000s	£000s	£000s	£000s
Research Councils	1,032	1,032	419	419
UK based charities	396	357	514	514
Other research grants and contracts	2,997	2,671	3,088	2,881
	4,425	4,060	4,021	3,814

4 OTHER INCOME

	2017/18	2017/18	2016/17	2016/17
	Consolidated	University	Consolidated	University
	£000s	£000s	£000s	£000s
Residencies and catering	18,174	17,418	20,679	19,922
Income from UK public bodies	1,798	1,798	1,468	1,468
Course validation fees/teaching contracts	1,723	1,723	1,146	1,146
Other income	4,145	5,124	4,665	4,753
	25,840	26,063	27,958	27,289

5 INVESTMENT INCOME

	2017/18	2017/18	2016/17	2016/17
	Consolidated	University	Consolidated	University
	£000s	£000s	£000s	£000s
Interest receivable	583	558	881	869

6 DONATIONS AND ENDOWMENTS

	2017/18	2017/18	2016/17	2016/17
	Consolidated	University	Consolidated	University
	£000s	£000s	£000s	£000s
Unrestricted donations	688	688	403	403

NOTES TO THE ACCOUNTS
(continued)
Year ended 31 July 2018

7 STAFF

Staff Costs

	2017/18 Consolidated £000s	2017/18 University £000s	2016/17 Consolidated £000s	2016/17 University £000s
Wages and salaries	82,882	76,978	87,863	82,083
Restructuring costs	3,240	3,180	4,985	4,985
Social security costs	9,016	8,521	9,062	8,562
Movement on USS pension	(297)	(297)	(213)	(213)
Other pension costs	20,171	19,949	19,702	19,036
	115,012	108,331	121,399	114,453

Vice-Chancellor and Chief Executive

The emoluments of the Vice-Chancellors serving in the year were as follows:

Current Vice Chancellor (from 3 October 2016)

	2017/18 £000s	2016/17 £000s
Basic salary	260	169*
Performance-related pay and other bonuses	-	-
Salary sacrifice arrangements	-	-
Compensation for loss of office	-	-
Other benefits	-	-
Total before pension costs	260	169
Pension contributions and payments in lieu of pension contributions	47	21
Total after pension costs	307	190

Former Vice Chancellor (up to 26 September 2016)

Basic salary	-	40
Performance-related pay and other bonuses	-	-
Salary sacrifice arrangements	-	-
Compensation for loss of office	-	-
Other benefits	-	-
Total before pension costs	-	40
Pension contributions and payments in lieu of pension contributions	-	1
Total after pension costs	-	41

* the 2016/17 figure includes 10 months paid to the current Vice Chancellor who's remuneration was set in accordance with the University's rule on pay for acting up positions.

Justification of VCs salary

The University context

Kingston University is a modern University based in London operating across four campuses. It has recruited over 15,000 students including just under 2,000 international students from over 140 countries. The academic provision is provided by four faculties including; Science Engineering and Computing, Business and Social Sciences, the Kingston School of Art, and Health, Social Care and Education. The total income for the university was over £192m for the year and therefore the University is a large, broadly based complex organisation working in an increasingly competitive environment.

University reputation

Our progress in transforming the academic performance and reputation of the University is confirmed by an uplift in its league table performance. The University climbed 23 places in the 2019 Guardian University Guide league tables, coming in at joint 58th position, and is placed among the top 10 London institutions. Five subject areas – sport science, pharmacy, journalism, fashion, and design – feature in the top 10 nationally and also lead the listings for London. Elsewhere, the University rose seven places in the Complete University Guide league tables released in April, having risen the year before too. Now ranked 95 out of 131 institutions across the United Kingdom, it was placed 13th in the United Kingdom for art and design and featured in the top 30 list in a further five subject tables. The most recent Times and Sunday Times Good University Guide showed Kingston moving seven places this year following last year's five, to place it at 110, with art and design featuring high in the subject table. In the guide's first ever social inclusion ranking, Kingston was placed at 18 in the country and was commended for the award-winning work on supporting students from black and minority ethnic backgrounds. Of particular note is the sector leading work done to reduce the BME attainment gap at Kingston which now mirrors the sector-wide average.

Process adopted for assessing performance

The Vice-chancellor's salary and performance are annually reviewed in accordance with The Higher Education Senior Staff Remuneration code published by the Committee of University Chairs (CUC).

The Vice-Chancellor is set objectives by the Chair of the Board, which are shared with the Remuneration Committee. The Vice-chancellor is appraised by the Chair against his objectives and the organisational performance. The Vice-Chancellors pay is determined by the Remuneration Committee after considering:

- the Chair's report on performance;
- detailed salary benchmarking data against similar sized new universities;
- the rate of increase of the average remuneration of all other staff

NOTES TO THE ACCOUNTS
(continued)
Year ended 31 July 2018

7 STAFF (continued)

Higher Paid Employees (including Vice Chancellor)

	2017/18 £000s	2016/17 £000s
£260,001 - £265,000	1	-
£255,001 - £260,000	-	1
£185,001 - £190,000	-	1
£170,001 - £175,000	1	1
£150,001 - £155,000	-	1
£145,001 - £150,000	1	-
£140,001 - £145,000	1	-
£135,001 - £140,000	-	1
£125,001 - £130,000	1	-
£120,001 - £125,000	1	1
£115,001 - £120,000	1	-
£110,001 - £115,000	3	1
£105,001 - £110,000	-	2
£100,001 - £105,000	2	4

Compensation for loss of office payable to higher paid employees:

	£000s	£000s
Compensation payable recorded within staff costs paid to 94 people (2017:103)	3,240	4,985

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

	2017/18 Consolidated	2017/18 University	2016/17 Consolidated	2016/17 University
Executive, senior and academic staff	811	811	904	803
Research, language and teaching assistants	56	56	53	46
General and professional staff	1,169	957	1,151	927
	2,036	1,824	2,108	1,776

Pay ratios

	2017/18 £000s	2016/17 £000s
Basic salary ratio	6.5	4.6
Total remuneration ratio	6.5	4.6

The basic salary ratio is calculated as the ratio of the Vice Chancellor's basic salary to the median basic salary (excluding agency and contractor costs) for all staff, expressed as full-time equivalent. The remuneration ratio is calculated as the ratio of the Vice Chancellor's total remuneration to the median total remuneration (excluding agency and contractor costs) for all staff, expressed as full-time equivalent.

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.

	2017/18 £000s	2016/17 £000s
Key management personnel costs	2,956	3,036

The total sum of £1,925 (2017:£733) was claimed as expenses by four (2017:three) members of the Board of Governors during 2017/18. 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.

NOTES TO THE ACCOUNTS
(continued)
Year ended 31 July 2018

8 INTEREST PAYABLE

	2017/18 Consolidated £000s	2017/18 University £000s	2016/17 Consolidated £000s	2016/17 University £000s
On loans payable wholly or partly in more than 5 years	3,202	3,202	3,125	3,125
On service concession arrangement	2,967	2,967	2,852	2,852
On finance leases	658	658	738	738
	6,827	6,827	6,715	6,715
Net interest on net defined benefit liability	2,188	2,086	2,265	2,125
	9,015	8,913	8,980	8,840

9 ANALYSIS OF TOTAL EXPENDITURE BY CATEGORY

	2017/18 Consolidated £000s	2017/18 University £000s	2016/17 Consolidated £000s	2016/17 University £000s
Academic and related expenditure	109,534	109,534	123,524	123,524
Administration and central services	34,882	36,299	34,684	42,385
Premises (including service concession cost)	23,246	21,764	24,333	17,899
Residences, catering and conferences	19,346	20,821	18,834	19,850
Research grants and contracts	4,105	4,105	3,863	3,369
Other expenses	13,705	13,341	10,157	8,248
	204,818	205,864	215,395	215,275
Other operating expenses include:				
External auditors remuneration in respect of audit services	83	68	82	66
External auditors remuneration in respect of non-audit services	11	11	8	8
Operating lease rentals:				
Land and buildings	1,815	1,815	2,647	2,647

NOTES TO THE ACCOUNTS
(continued)
Year ended 31 July 2018

10 INTANGIBLE ASSETS

	2017/18 Consolidated	2017/18 University	2016/17 Consolidated	2016/17 University
	£000s	£000s	£000s	£000s
Software				
Cost				
Opening balance	13,214	13,214	7,768	7,768
Additions in the year	4,955	4,955	7,724	7,724
Disposals in the year	(253)	(253)	(2,278)	(2,278)
Closing Balance	17,916	17,916	13,214	13,214
Amortisation				
Opening balance	2,326	2,326	3,293	3,293
Amortisation	2,174	2,174	1,311	1,311
Amortisation on disposals	-	-	(2,278)	(2,278)
Closing Balance	4,500	4,500	2,326	2,326
Net Book Value				
Closing balance	13,416	13,416	10,888	10,888
Opening balance	10,888	10,888	4,475	4,475

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

11 TANGIBLE ASSETS

CONSOLIDATED & UNIVERSITY

	Freehold Land £000s	Freehold Buildings £000s	Service concession arrangement Land & Buildings (Note 13) £000s	Plant, Machinery, Equipment £000s	Assets Under Construction Total £000s	Heritage Assets Total £000s	Investment property (Note 12) £000s	Total £000s
Cost or Valuation								
Balance as at 31 July 2017								
Cost	138,780	238,261	7,668	30,151	12,814	2,348	5,539	435,561
Additions		2,270	-	2,428	32,491	-	-	37,189
Disposals		(1,246)	-			-	-	(1,246)
Balance as at 31 July 2018	138,780	239,285	7,668	32,579	45,305	2,348	5,539	471,504
Consisting of valuation:								
Pre 1 August 1996	32,874	37,875			-		-	70,749
31 July 2014	105,906	84,129	5,180	-	-	837	-	196,052
Cost	-	117,281	2,488	32,579	45,305	1,511	5,539	204,703
	138,780	239,285	7,668	32,579	45,305	2,348	5,539	471,504
Depreciation								
Balance as at 31 July 2017	-	20,326	460	14,929	-	350	-	36,065
Charge in year	-	7,447	153	6,184	34	-	-	13,818
Impairment	-	914						914
Disposals	-	(749)	-	-	-	-	-	(749)
Balance as at 31 July 2018	-	27,938	613	21,113	34	350	-	50,048
Net Book Value								
Balance as at 31 July 2018	138,780	211,347	7,055	11,466	45,271	1,998	5,539	421,456
Balance as at 31 July 2017	138,780	217,935	7,208	15,222	12,814	1,998	5,539	399,496

Reconciliation of Net Book value to historic cost method

Net Book Value	Balance as at 31 July 2018	421,456
Revaluation reserve		232,632
Historic cost NBV	Balance as at 31 July 2018	<u>188,824</u>

The Heritage Assets comprise 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 2018

12 INVESTMENT PROPERTY

The University investment property was acquired on 18 April 2017 and the fair value is recorded as the purchase price, which is reflective of its current market value. There has been no material change in value between the acquisition date and 31 July 2018.

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 estimates. Unitary payments of £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 2018 is £7,054,560 (2017 £7,207,920). The movement in depreciation in the year is £153,360 (2017: £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 2018 were £20,098,901 (2017 £19,765,699). The value of the movement in liability for 2017/18 was £333,202.

Future commitments

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

	Payable in 1 year	Payable in 2- 5 years	Greater than 5 years	Total
	£000s	£000s	£000s	£000s
Liability repayments	(304)	(775)	21,177	20,098
Finance charge	3,017	12,466	37,320	52,803
Service charge	707	3,045	15,237	18,989
	<u>3,420</u>	<u>14,736</u>	<u>73,734</u>	<u>91,890</u>

NOTES TO THE ACCOUNTS
(continued)
Year ended 31 July 2018

14 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 2018		Year ended 31 July 2017	
	£000s	£000s	£000s	£000s
Income and expenditure account				
Income		17,506		15,154
Surplus		<u>2,448</u>		<u>1,946</u>
Balance sheet				
Fixed assets	960		234	
Current assets	<u>5,748</u>		<u>3,482</u>	
		<u>6,708</u>		<u>3,716</u>
Creditors: amounts due within one year	(3,710)		(1,769)	
Creditors: amounts due after more than one year	<u>-</u>		<u>-</u>	
		<u>(3,710)</u>		<u>(1,769)</u>
Share of net assets		<u><u>2,998</u></u>		<u><u>1,947</u></u>

15 INVESTMENT

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

At 1 August 2017 and 31 July 2018

115 115

UNIVERSITY

At 1 August 2017 and 31 July 2018

6,101 115 6,216

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

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

The registered office of the above subsidiaries is Kings' Stone House, 12 High Street, Kingston Upon Thames, Surrey,

NOTES TO THE ACCOUNTS
(continued)
Year ended 31 July 2018

16 DEBTORS

Amounts falling due within one year:

	Consolidated 2017/18 £000s	University 2017/18 £000s	Consolidated 2016/17 £000s	University 2016/17 £000s
Trade and student receivables	12,419	11,888	6,845	6,577
Amounts owed by subsidiary undertakings	-	965	-	686
Accrued income	2,863	2,689	1,479	1,479
Other debtors	33	29	415	409
Prepayments	5,605	5,575	5,874	5,811
	<u>20,920</u>	<u>21,146</u>	<u>14,613</u>	<u>14,961</u>

Amounts falling due after more than one year:

Other debtors (recoverable pension asset)	2,068	2,068	3,378	3,378
	<u>2,068</u>	<u>2,068</u>	<u>3,378</u>	<u>3,378</u>
	<u>22,988</u>	<u>23,214</u>	<u>17,991</u>	<u>18,339</u>

17 CURRENT ASSET INVESTMENTS

	Consolidated 2017/18 £000s	University 2017/18 £000s	Consolidated 2016/17 £000s	University 2016/17 £000s
Term deposits	27,788	27,788	41,579	41,579

These are cash deposits with a term exceeding three months.

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

	Consolidated 2017/18 £000s	University 2017/18 £000s	Consolidated 2016/17 £000s	University 2016/17 £000s
Obligations under finance leases (note 20)	1,346	1,346	1,290	1,290
Bank loans (note 20)	3,162	3,162	72,481	72,481
Trade creditors	3,531	3,392	667	579
Amounts owed to subsidiary undertakings	-	15	-	263
Other creditors including tax and social security	12,575	12,087	10,802	10,345
Accruals	16,042	15,663	14,447	14,112
Tuition fees in advance	2,109	2,109	2,913	2,910
Deferred income	4,745	4,482	4,103	4,103
Deferred capital grants	1,663	1,663	1,630	1,630
	<u>45,173</u>	<u>43,919</u>	<u>108,333</u>	<u>107,713</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 2017/18 £000s	University 2017/18 £000s	Consolidated 2016/17 £000s	University 2016/17 £000s
Deferred grant income	673	673	469	469

NOTES TO THE ACCOUNTS
(continued)
Year ended 31 July 2018

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

	Consolidated 2017/18 £000s	University 2017/18 £000s	Consolidated 2016/17 £000s	University 2016/17 £000s
Obligations under finance leases (note 20)	2,669	2,669	4,015	4,015
Service concession arrangements (note 13)	20,099	20,099	19,766	19,766
Bank loans (note 20)	66,375	66,375	-	-
Deferred capital grants	12,342	12,342	12,494	12,494
Other loans	326	326	325	325
	101,811	101,811	36,600	36,600

20 BANK LOANS & FINANCE LEASES

Bank loans	Consolidated 2017/18 £000s	University 2017/18 £000s	Consolidated 2016/17 £000s	University 2016/17 £000s
Due within one year or on demand	3,162	3,162	72,481	72,481
Due between one and two years	3,390	3,390	-	-
Due between two and five years	5,391	5,391	-	-
Due in five years or more	57,594	57,594	-	-
Due after more than one year	66,375	66,375	-	-
Total secured and unsecured loans	69,537	69,537	72,481	72,481

Obligations under Finance Leases

Due within one year or on demand	2,014	2,014	1,949	1,949
Due between one and two years	1,201	1,201	2,014	2,014
Due between two and five years	2,475	2,475	3,676	3,676
Due in five years or more	-	-	-	-
Due after more than one year	3,676	3,676	5,690	5,690
Total obligations under finance leases	5,690	5,690	7,639	7,639
Less finance charges allocated to future periods	(1,675)	(1,675)	(2,334)	(2,334)
	4,015	4,015	5,305	5,305

Analysis of terms of repayment and rates of interest

Lender	Value and type	Start date	Term	Interest rate
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%

Last year the University breached covenants relating to loans from Barclays. As a result the long term debt was classified as due within one year. This financial year, the University is now compliant and the loan has been disclosed in accordance with the repayment profile in the agreement.

NOTES TO THE ACCOUNTS
(continued)
Year ended 31 July 2018

21 FINANCIAL INSTRUMENTS

Consolidated 2017/18 £000s	University 2017/18 £000s	Consolidated 2016/17 £000s	University 2016/17 £000s
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The University financial instruments may be analysed as follows:

Financial liabilities

Financial liabilities measured at amortised cost	69,537	69,537	72,481	72,481
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22 PROVISIONS FOR LIABILITIES & CHARGES

Consolidated

Pension Provision		Obligations to fund deficit on pension	Total Pensions Provisions
LGPS £000s	LPFA £000s	USS £000s	£000s
74,050	4,167	1,280	79,497
6,748	(360)	(274)	6,114
(25,836)	(532)	-	(26,368)
54,962	3,275	1,006	59,243

University

Pension Provision		Obligations to fund deficit on pension	Total Pensions Provisions
LGPS £000s	LPFA £000s	USS £000s	£000s
74,050	-	1,280	75,330
6,748	-	(273)	6,475
(25,836)	-	-	(25,836)
54,962	-	1,007	55,969

Refer to Note 28 for pension scheme details.

USS deficit

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.

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

Discount rate	2.2%
Salary Inflation	3.0%

NOTES TO THE ACCOUNTS
(continued)
Year ended 31 July 2018

23 RESTRICTED RESERVES

Net assets relating to restricted reserves comprise:

	2017/18 £000s	2016/17 £000s
Heritage assets	1,998	1,998
Cash	606	469
	<u>2,604</u>	<u>2,467</u>

24 OPERATING LEASE COMMITMENTS - CONSOLIDATED & UNIVERSITY

	2017/18 Land and Buildings £000s	2016/17 Land and Buildings £000s
Total rentals payable under operating leases:		
Payable during the year	2,008	2,647
Future minimum lease payments due:		
Not later than 1 year	2,040	3,056
Later than 1 year and not later than 5 years	6,346	3,273
Later than 5 years	19,821	-
	<u>28,207</u>	<u>6,329</u>

NOTES TO THE ACCOUNTS
(continued)
Year ended 31 July 2018

25 CAPITAL COMMITMENTS - CONSOLIDATED & UNIVERSITY

	2017/18 £000s	2016/17 £000s
Capital expenditure contracted that has not been provided for in the financial statements	41,999	46,278
Capital expenditure that has been authorised by the Governing Body but has not yet been contracted for	34,622	101,555
	<u>76,621</u>	<u>147,833</u>

26 OTHER FUNDING

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

	GTP £000s	NCTL bursaries £000s	Nursery Placement Bursary £000s
Balance as at 1 August 2017	200	32	17
Income	-	567	322
Amounts repaid	-	(32)	(17)
Amounts disbursed	-	(521)	(314)
Balance as at 31 July 2018	<u>200</u>	<u>46</u>	<u>8</u>

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

27 RELATED PARTY TRANSACTIONS

Board of Governors

During the year grants of £941k were paid to Kingston University Students Union, an organisation in which Alayna Zangie, a member of the Kingston University Governing Body, was a Sabbatical Officer. In the prior year Beatrice Carey held this position when total grants of £1,017k were paid.

Stephen Spier and Professor Jenny Higham, both members of the Kingston University Governing Body, are also Principals of St. Georges Hospital Medical School to which payments of £513k (2017: £498k) were made during the year in relation to franchised arrangements.

Peter Mayhew-Smith, a member of the Kingston University Governing Body, is the Principal of Kingston College to which payments of £2,133k (2017: £2,429k) were made during the year in relation to franchised arrangements.

Senior Management Team

The University holds a 5% interest in the Kingston Theatre LLP.

Payments in respect of services provided to the University were made to the Kingston Theatre Trust of £380k (2017: £380k), an organisation in which the Deputy Vice-Chancellor is a trustee.

NOTES TO THE ACCOUNTS
(continued)
Year ended 31 July 2018

28 PENSION SCHEMES

The University's employees belong to four principal pension schemes, the Teachers' Pensions Scheme (TPS), the Universities Superannuation Scheme (USS), London Pension Fund Authority (LPFA) Pension Scheme, 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):

	2017/18 £000s
TPS: contributions paid	6,470
USS: contributions paid	307
LGPS	12,876
LPFA	221
Total pension cost	<u>19,874</u>

(i) The Universities Superannuation Scheme

The total cost charged to the profit and loss account is £307,000 (2017: £659,000) as above.

The latest available complete actuarial valuation of the Retirement Income Builder section of the Scheme is at 31 March 2014 (the valuation date), which was carried out using the projected unit method. The valuation as at 31 March 2017 is underway but not yet completed.

Since the institution cannot identify its share of Retirement Income Builder Section of the Scheme assets and liabilities, the following disclosures reflect those relevant for the section 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. These figures will be revised once the 2017 Scheme Valuation is complete.

Defined benefit liability numbers for the Scheme for accounting purposes have been produced using the following assumptions as at 31 March 2017 and 2018:

	2018	2017
Discount rate	2.64%	2.57%
Pensionable salary growth	n/a	n/a
Pensions increases (CPI)	2.02%	2.41%
	2018	2017
Scheme assets	£63.6bn	£60.0bn
Total Scheme liabilities	£72.0bn	£77.5bn
FRS 102 total Scheme deficit	£8.4bn	£17.5bn
FRS 102 total funding level	88%	77%

NOTES TO THE ACCOUNTS
(continued)
Year ended 31 July 2018

28 PENSION SCHEMES (continued)

The main demographic assumption used relates to the mortality assumptions. These assumptions have been updated for the 31 March 2018 accounting position, based on updated analysis of the Scheme's experience carried out as part of the 2017 actuarial valuation. The mortality assumptions used in these figures are as follows:

	2018	2017
<u>Mortality base table</u>	<u>Pre-retirement:</u>	
	71% of AMC00 (duration 0) for males and 112% of AFC00 (duration 0) for females	98% of SAPS S1NA "light" YOB unadjusted for males
	<u>Post retirement:</u>	
	96.5% of SAPS S1NMA "light" for males and 101.3% of RFV00 for females	99% of SAPS S1NA "light" YOB with a -1 year adjustment for females
<u>Future improvements to mortality:</u>	CMI_2016 with a smoothing parameter of 8.5 and a long term improvement rate of 1.8% pa for males and 1.6% pa for females	CMI_2014 with a long term rate of 1.5% p.a

The current life expectancies on retirement at age 65 are:

	2018	2017
Males currently aged 65 (years)	24.5	24.4
Females currently aged 65 (years)	26.0	26.6
Males currently aged 45 (years)	26.5	26.5
Females currently aged 45 (years)	27.8	29.0

(ii) Local Government Pension Scheme (LGPS)

Retirement Benefits Disclosure for the accounting period ending 31 July 2018

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 as at 31 July 2018. The date of the last triennial valuation was 31 March 2016.

Assumptions

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

	At 31 July	At 31 July
	2018	2017
	%pa	%pa
Rate of increase in salaries	2.8	2.9
Rate of increase of pensions	2.4	2.5
Discount rate	2.8	2.7

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.

Pensioner	Males	Females
Current pensioners	22.5 years	24.8 years
Future pensioners	24.2 years	26.7 years

NOTES TO THE ACCOUNTS
(continued)
Year ended 31 July 2018

28 PENSION SCHEMES (continued)

Reconciliation of movement in the fair value of plan assets

	At 31 July 2018 £000s	At 31 July 2017 £000s
Opening position	220,331	204,549
Interest on plan assets	6,014	4,966
Plan participants' contributions	2,337	2,401
Employer contributions	9,190	9,054
Contributions in respect of unfunded benefits	2	2
Benefits paid	(6,369)	(6,396)
Unfunded benefits paid	(2)	(2)
Return on assets excluding amounts included in net interest	13,045	5,757
Closing position	244,548	220,331

Reconciliation of the present value of the defined benefit obligation

	At 31 July 2018 £000s	At 31 July 2017 £000s
Opening position	294,381	301,963
Current service cost	12,749	11,365
Past service cost (including curtailments)	1,130	124
Interest cost on defined benefit obligation	8,075	7,331
Plan participants contributions	2,337	2,401
Benefits paid	(6,369)	(6,396)
Unfunded benefits paid	(2)	(2)
Changes in demographic assumptions	-	(4,942)
Change in financial assumptions	(12,791)	3,364
Other experience	-	(20,827)
Closing position	299,510	294,381

NOTES TO THE ACCOUNTS
(continued)
Year ended 31 July 2018

28 PENSION SCHEMES (continued)

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

	At 31 July 2018 £000s	At 31 July 2017 £000s
Service cost		
- Current service cost	(12,749)	(11,365)
- Past service cost	(1,130)	(124)
Total service cost	(13,879)	(11,489)
Net interest		
- Interest income on plan assets	6,014	4,966
- Interest cost on defined benefit obligation	(8,075)	(7,331)
Total net interest	(2,061)	(2,365)
Total defined benefit cost recognised in Profit or (Loss)	(15,940)	(13,854)
Remeasurements		
- Change in demographic assumptions	-	4,942
- Change in financial assumptions	12,791	(3,364)
- Other experience	-	20,827
- Return on assets excluding amounts included in net interest	13,045	5,757
Total remeasurements recognised in Other Comprehensive Income	25,836	28,162

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 2018 is estimated to be 6.8%. The actual returns for this period were 8.6%.

The estimated split of assets as at 31 July 2018 is as shown below:

	At 31 July 2018	At 31 July 2017
Equities	73%	72%
Bonds	20%	21%
Property	5%	4%
Cash	2%	3%
Total	100%	100%

NOTES TO THE ACCOUNTS
(continued)
Year ended 31 July 2018

28 PENSION SCHEMES (continued)

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

Retirement Benefits Disclosure for the accounting period ending 31 July 2018

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 Waddingham as at 31 July 2018. The date of the last triennial valuation was 31 March 2016.

Assumptions

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

	At 31 July 2018	At 31 July 2017
	%pa	%pa
Rate of increase in salaries	2.5	2.5
Rate of increase of pensions	2.1	2.1
Discount rate	2.7	2.6

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	20.9 years	23.9 years
Retiring in 20 years	22.4 years	25.4 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 2018 is estimated to be 6%. 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 2018 is as follows:

	At 31 July 2018	
	£000s	%
Equities	5,319	60%
Target return portfolio	1,942	22%
Infrastructure	436	5%
Property	673	8%
Cash	402	5%
Total	8,772	100%

NOTES TO THE ACCOUNTS
(continued)
Year ended 31 July 2018

28 PENSION SCHEMES (continued)

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

	At 31 July 2018 £000s	At 31 July 2017 £000s
Opening defined benefit obligation	12,365	12,989
Current service cost	64	141
Interest cost	316	307
Change in financial assumptions	(188)	464
Change in demographic assumptions	(58)	(206)
Experience loss/(gain) on defined benefit obligation	-	(898)
Estimated benefits paid net of transfers in	(469)	(462)
Past service costs, including curtailments	-	-
Unfunded pension payments	16	30
Closing defined benefit obligation	12,046	12,365

Analysis of movement in the fair value of scheme assets

	At 31 July 2018 £000s	At 31 July 2017 £000s
Opening fair value of Fund assets	8,199	6,975
Interest on assets	214	169
Return on assets less interest	286	899
Other actuarial gains/(losses)	-	42
Administrative expenses	(11)	(9)
Contributions by employer including unfunded	537	555
Contributions by Fund participants	16	30
Estimated benefits paid plus unfunded net of transfers in	(469)	(462)
Closing fair value of Fund assets	8,772	8,199

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

	At 31 July 2018 £000s	At 31 July 2017 £000s
Service cost	64	141
Net interest on the defined liability	102	138
Administrative expenses	11	9
Total costs	177	288
Remeasurements		
- Return on Fund assets in excess of interest	286	899
- Other actuarial gains/(losses) on assets	-	42
- Change in financial assumptions	188	(464)
- Change in demographic assumptions	58	206
- Experience gain/(loss) on defined benefit obligation	-	898
Total remeasurements recognised in Other Comprehensive Income	532	1,581