

Strategic Review and Financial Statements 2016/17



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

This has been a year of significant change, in which our new leadership team set out the University's response to changing market conditions in a multi-stage operational plan, Plan 2020.

The plan sets out to improve academic performance and the student experience in order to raise reputation and market position, thereby securing a sustainable financial position. It comprises an Academic Improvement Plan (AIP), a Professional and Support Services Review and a Transformation Programme.

Through the AIP we are redesigning parts of the course portfolio and creating new directorates – of Student Achievement and Research and Business Innovation - to support academic improvement.

Our students are at the heart of what we do and our new Student Achievement Directorate will enable us to concentrate resources on improving student attainment further and accelerating their future success.

We must help our students to develop holistically so that our graduates leave campus with the knowledge, confidence and energy needed to get on in the world. Opportunities for sports, clubs and volunteering should be readily available and supported.

Employability skills must be developed through an extensive menu of placements of varied duration, mentoring and coaching. Our university environment should provide social spaces so that students want to spend time on campus to learn from each other, formally and informally.

We have introduced two new senior academic roles – Pro Vice-Chancellor Strategy and Performance and Pro-Vice Chancellor Institutional Advancement - to focus on performance enhancement and market insight. We are developing a strategy to increase our transnational and postgraduate student numbers.



Through the Professional and Support Services Review we are reducing costs in line with a university of just over 15,000 students while improving effectiveness and increasing the proportion of spending on academic endeavours.

We have begun an ambitious programme of transformation to develop leadership and forge our new vision, mission and corporate plan. All staff and students have been invited to join discussion about development of a university strategy and faculty plans for its delivery.

We must attract and retain staff with a passion for learning and teaching, and for helping to deliver social value. This has consequences for recruitment, induction, probation, appraisal and staff development. All staff will engage in continuous professional development.

The curriculum must be subject to continuous improvement. Opportunities for advancement must favour those activities closest to the students. We recognise that research and professional practice help to create that passion for learning and teaching and foster truly three-dimensional profiles for our academic staff.

We value our wider community and we aim to create campuses that are inviting and accessible to the local and regional community. We seek to address global and national issues through working with local and London stakeholders and other partners.

We will contribute strongly to the educational, cultural and social life of the Royal Borough of Kingston through partnership initiatives, support for its cultural institutions and the contribution of our art gallery and museum as well as a range of activities such as short courses, evening lectures and weekend events.

While focusing on improvement through Plan 2020 we are proud to highlight some of the University's recent achievements, including:

- The Guardian University Award for Teaching Excellence 2017, with commendation for our ground-breaking work to reduce the attainment gap between BME and white students.
- Three National Education Opportunities Network (NEON) Awards for success in opening up higher education to all, including University of the Year for the second year running.
- A rise of seven places in this year's Guardian University Guide league table to be ranked 81st overall.
- Times Higher Education ranking Kingston University one of the world's top 200 young institutions in the 2017 Young University Rankings using teaching, research, citations, international outlook and industry outcome as measures.



Steven Spier
Vice-Chancellor



David Edmonds
Chair, Board of
Governors

1. Strategic Review

Under new Vice-Chancellor Professor Steven Spier's leadership, a common purpose is being articulated that puts students at the heart of all University activities. Kingston is employing a 'whole university' approach to improving academic performance and adding value to every aspect of students' experience in order to enhance our academic reputation.

This year's key development has been the launch of Plan 2020, a strategy to realise the university's full potential, improve its reputational standing and achieve long-term financial sustainability.

Parts of the academic portfolio have been redesigned to make them more attractive to students and teaching quality enhanced where required. Plan 2020 is also re-aligning the University's professional services to support a reduced student body of 15,000 FTE.

Kingston University remains strongly committed to providing students with the best education possible irrespective of their backgrounds and to enhancing their employability.

To deliver this mission we must understand a student's education as occurring within, and beyond, the classroom. Our graduates will leave campus with the knowledge, confidence and energy that sets them apart.

2. Development and performance throughout the year

Financial strategy

The financial strategy supports Plan 2020 by ensuring that the University's full economic 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 £125.9m 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 which 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 40% of net assets excluding pension reserve

Table 2.

	Target	2016/17	2015/16
Net liquidity (days)	>60 days	229 days	292 days
Borrowings as % net assets excluding pension liabilities	<40%	23.9%	20.5%

These two measures are met for 2016/17 and for the period of the financial plan to 2019/20.

Summary of Financial Performance for the year

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

The reported deficit of £14.2m is stated after charging restructuring costs of £5.8m and pension charges of £4.3m. With the launch of plan 2020 in November 2016, this result represents the re-forecast position in January 2017 with the anticipated level of restructuring costs being incurred in the year. Therefore the underlying result is a deficit of £4.3m as the University continues its re-organisation programme as part of Plan 2020. The liquidity position remains strong with a year-end cash balance of £125.9m.

Table 1.

Statement of comprehensive income		
	2016/17 £m	2015/16 £m
Income	201.3	209.3
Expenditure	215.5	208.6
Surplus of the year	-14.2	0.7

Balance sheet		
Fixed assets	410.5	392.0
Current assets	144.0	166.7
Creditors falling due within 1 year	-108.3	-43.9
Net current assets	35.7	122.8
Creditors falling due after 1 year	-36.6	-95.3
Pension provision	79.4	104.9
Net assets	330.1	314.5

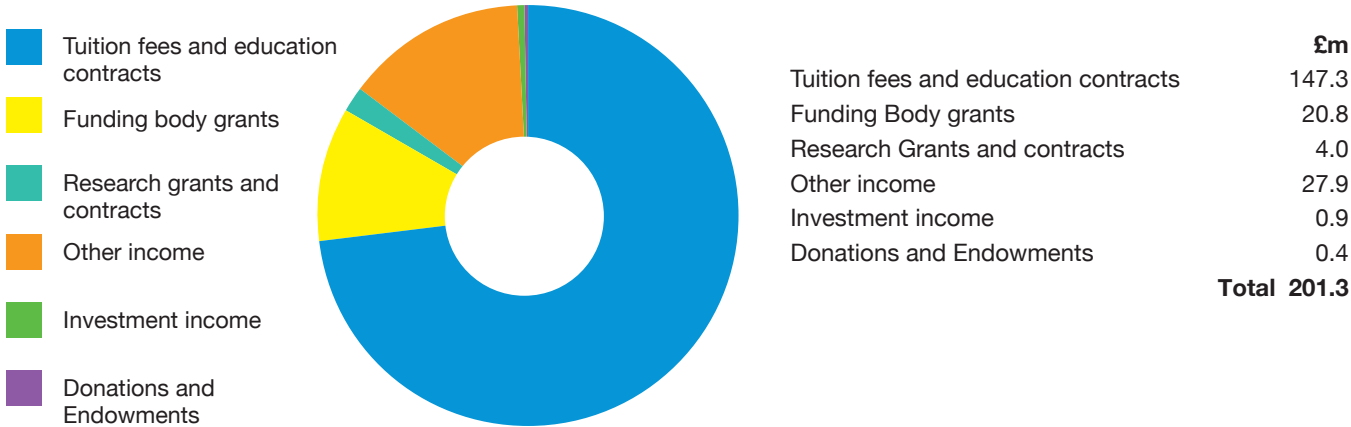
Cash balance	125.9	153.2
Cash generated from operating activities	-1.1	19.6



Financial highlights for the year

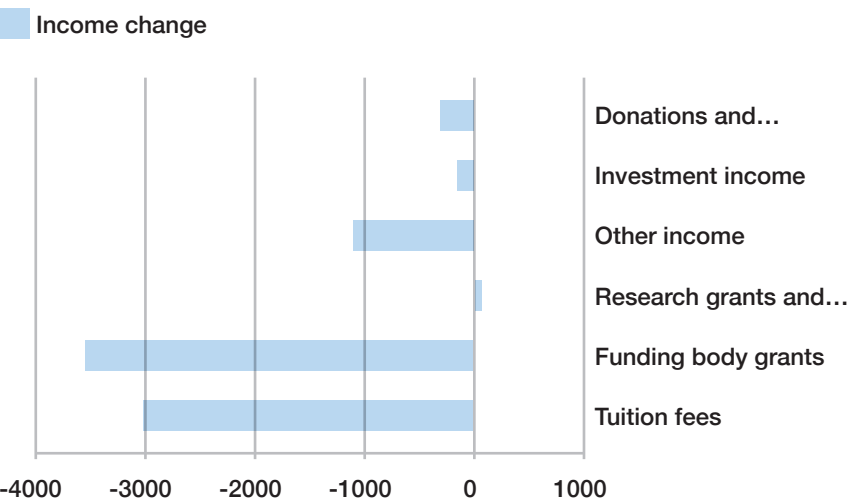
The total income of £201.3m is received mainly from two sources: HEFCE income and tuition fees. An analysis of the income is shown in the chart below.

2016/17 (£m) income



The total income reduced by £8.0m from 2015/16 as shown in the chart below:

Movement in income

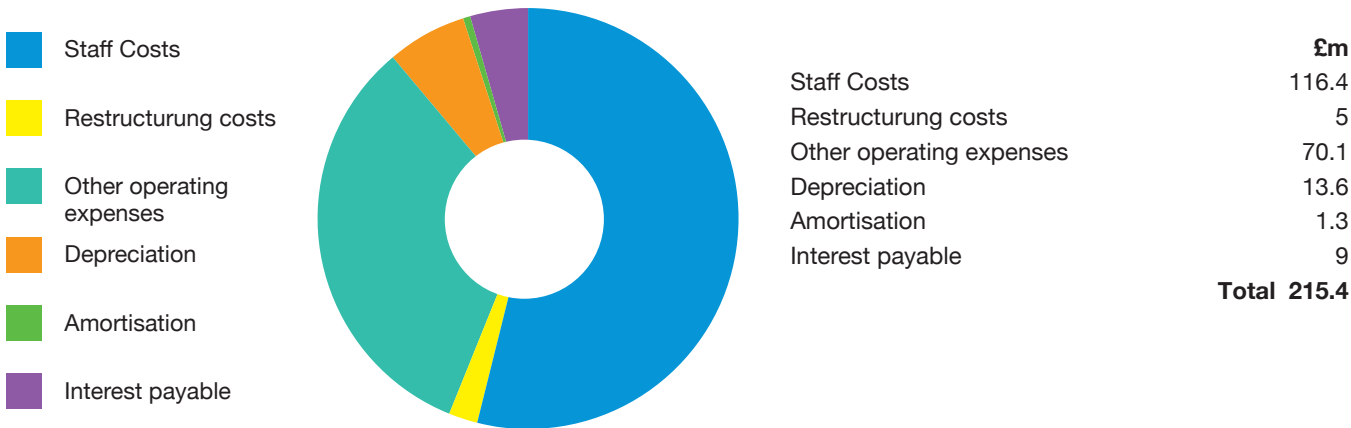


The decrease in HEFCE funding of £3.6m reflects reductions in funding for high cost students (£0.9m) and targeted allocations (£2.7m). The decrease in tuition fee income of £3.0m results from reduction in undergraduate students as recruitment has become more

challenging in a more competitive market. The decrease in other income of £1.0m results from a reduction in catering activity. The headline fee for undergraduate students was £9,000 (£9,000 in 2015/16) with HEFCE funding applied to high cost subjects.

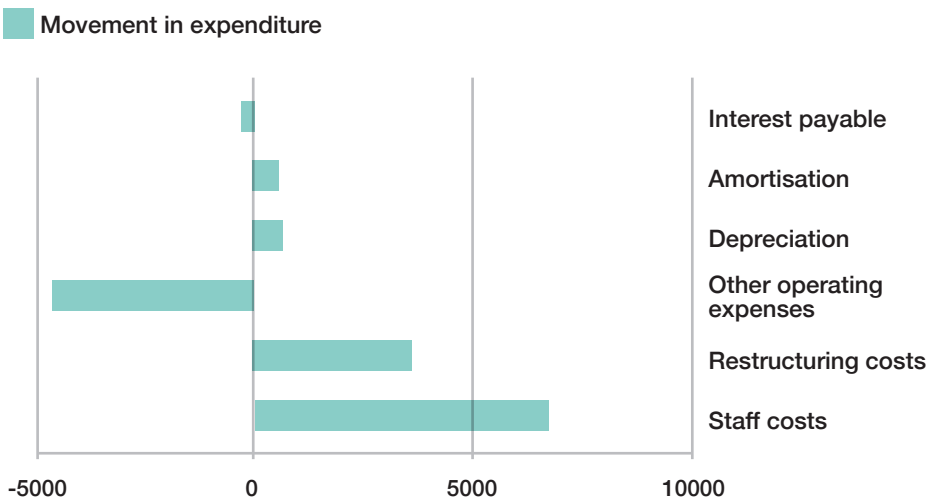
Total expenditure of £215.4m is categorised as follows:

2016/17 (£m) expenditure



Total expenditure increased by £6.8m as shown in the table below:

Movement in expenditure



The increase in staff costs of £6.6m includes salary cost inflation of £2.5m, removal of contracted-out national insurance totalling £1.0m, volume changes of £0.9m and pension charges (non-cash) of £0.9m. The increase in restructuring costs of £3.6m results from staff exit costs as part of Plan 2020. The decrease

in other operating expenses of £4.6m includes reduction in catering costs of £1.6m (see income reduction above), franchising costs of £0.9m (associated with income reduction) and bursary payments of £1.0m due to lower student numbers.



Capital expenditure

Expenditure on fixed assets totalled £25.8m including freehold buildings and assets under construction £14.0m, investment property £5.5m, £6.3m on plant, machinery and equipment (mainly AV equipment and end point devices). The investment property is adjacent to the Knights Park campus. Expenditure on intangible assets of £7.7m included the Unified project (enterprise solution for Finance /HR and Payroll systems) and Canvas student academic portal.

Treasury management

The cash generated from operating activities totalled £-1.1m (2015/16 £19.6m). The year-end cash balance reduced by £27.3m to £125.9m. Surplus funds are invested with the main UK and European banks on term deposits. Interest earned on these deposits amounted to £0.9m in the year at an average rate of 0.9%.

The decrease in the cash balance is after receipt of the last tranche of the new £40m Barclays loan (£15m) and payments for fixed asset additions of £33.1m. Total loans outstanding at the year-end include a bank loan to Barclays Bank (£72.5m), Clayhill Service Concession arrangement (£19.7m) and obligations under finance leases (£5.3m).

Widening participation

Kingston University was named Institution of the Year for the second year running at the annual NEON awards for its ongoing commitment to widening participation.

The University also received an award in the retention and success category for its student engagement programme, whilst a Kingston graduate was named NEON Student of the Year. Associate Director for Widening Participation, Jenni Woods, was awarded an MBE in the Queen's Birthday Honours List for her services to widening access.

In 2016/17, the University allocated a total of £3.2m in financial support for students, comprising: 250 Kingston Bursaries for new entrants (£2,000 per student); 155 bursaries for care leavers and learners estranged from their families (£1,500 per student); travel awards for bursary recipients and commuting students (£90 per student); and progression scholarships for students receiving a Kingston Bursary the previous year.

Funds were also made available to support disabled learners and students in financial hardship. A further sum of £3.6m was allocated through the University's access agreement to a wide range of activities to support success and onward progression of students from disadvantaged backgrounds and groups under-represented in higher education.

Equality and diversity

Kingston University is recognised as sector leading for its work on equality, diversity and inclusion.

The black and minority ethnic (BME) student attainment gap is a longstanding and sector-wide issue. At Kingston, we have continued to make good progress in closing this gap for black and minority ethnic (BME) students. Our collaborative and strategic approach has resulted in the reduction in the difference between BME and white students achieving the top two degree grades (first or 2:1) from 19% in 2013/14 to 15.4% in 2015/16, bringing us in line with the English sector average.

In 2016/17 Kingston University was awarded a £500,000 grant from the Higher Education Funding Council for England (Hefce) to extend the value added metric and inclusive curriculum framework we developed to six other institutions.

We are incredibly proud that our inclusive curriculum framework won the teaching excellence category in the Guardian 2017 University Awards. Director of Student Achievement Nona McDuff, a champion of inclusivity, was awarded an OBE in the Queen's Birthday Honours List for her services to higher education.



Teaching and learning successes

Kingston University wins Guardian University Award for teaching excellence

Kingston University scooped the teaching excellence accolade at this year's Guardian University Awards. Kingston's inclusive curriculum framework – which provides staff with animations, research findings and case studies to help demystify inclusivity – drew specific praise from the Guardian panel.

Kingston University was also named one of the best young institutions in the world – one of the top two in the United Kingdom – in the latest QS rankings of universities under 50 years of age.

Leading the way in training nursing associates

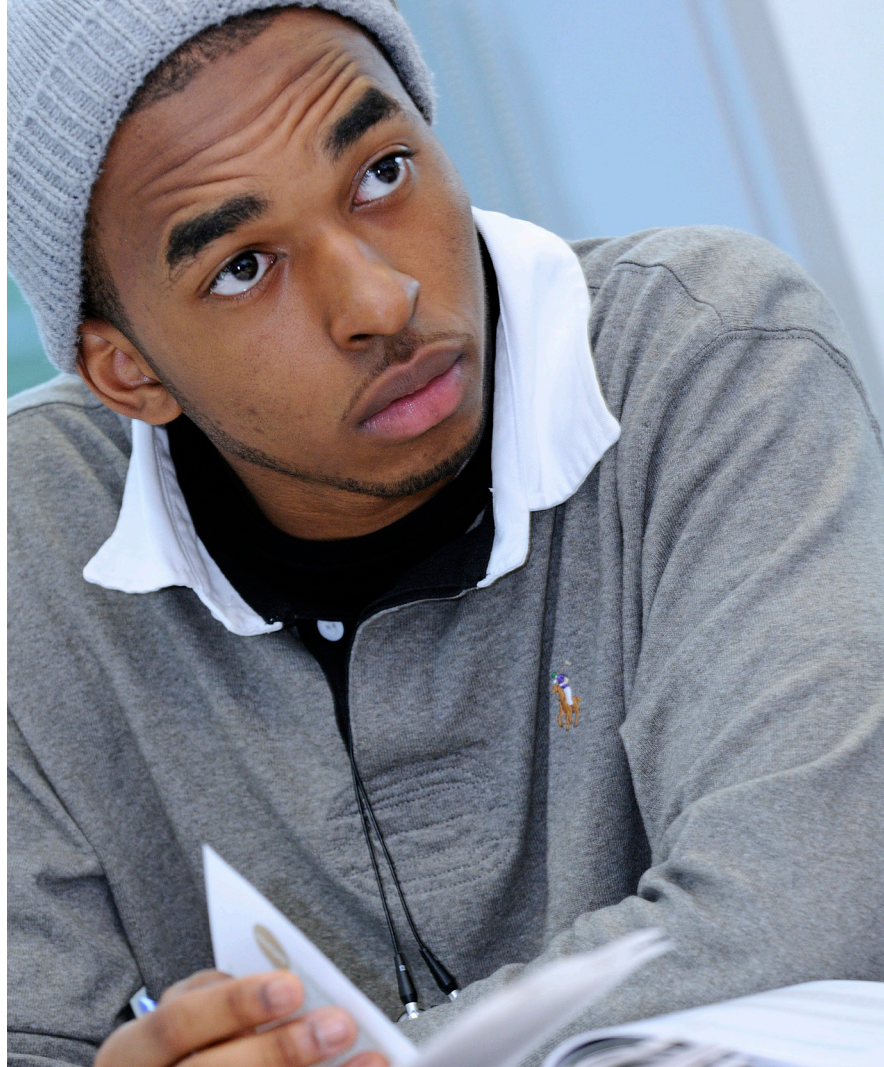
Kingston University and St George's, University of London have been selected to train students to become nursing associates as part of a major new Health Education England initiative. Nursing associates – who will deliver hands-on care for patients – will work alongside nursing care support workers, who have a care certificate, and fully-qualified registered nurses, bridging the existing gap between the two roles.

State-of-the-art science and technology facilities

Top British scientists Dr Helen Sharman and Dame Professor Julia Higgins opened a new suite of laboratories in the Faculty of Science, Engineering and Computing. The facilities are part of a £6.8m project to encourage people from all backgrounds to get passionate about science, technology, engineering and mathematics (STEM) subjects.

Iconic music producer Tony Visconti opens recording studio

Legendary record producer Tony Visconti – who has worked with global stars David Bowie, Marc Bolan, Morrissey and U2 – opened a new analogue recording studio at Kingston University.



The Visconti studio is the focal point of a research and teaching project which will see the innovative music producer and Kingston University visiting professor recording with students and staff, as well as invited guest artists. The new partnership also involves the British Library and Science Museum.

Research

The University has had continued success as a member of two consortia (TECHNE and LDOC) for AHRC studentship funding, with 13 studentships awarded in this year's competitions to Kingston School of Art and the Faculty of Arts and Social Sciences, a total of nearly £760,000. The University's recurrent research funding (QR) allocation from HEFCE for 2016/17 has increased slightly to £3.2m, due mainly to our growing number of research students.

The introduction of Research Development Managers into each faculty and an associated push for competitive external funding has started to bear fruit. Bids in 2016/17 have already exceeded the preceding four years and look to be around one third higher in value than last year.

Awards have also already exceeded the previous four years and are likely to end up around 20-25% higher than last year. The Faculties of Science, Engineering and Computing and Business and Law each won three awards of over £250,000. Of these, three were funded from the European Union, two by UK Research Councils (EPSRC) and one by a local charity. The largest award so far during the year is €900,000 for the MONICA project, a large-scale demonstration of cultural societal applications of networked 'internet of things' wearable devices.

Enterprise

Commercial course provision continued to grow and included the launch of a new portfolio of continuing professional development courses for teachers and educators. The University also welcomed nearly 120 international students to English summer schools and residential courses, including two cohorts from Tokyo, sparking a new relationship with Japan.

New collaborations included a government-sponsored Knowledge Transfer Partnership grant worth £150,000 with VCA Technology, a leading video analytics software company. The project will leverage the University's computer science and deep learning expertise over two years.

A major agreement was signed with Heythorpe Healthcare to upskill China's health and social care workforce in the field of caring for older people. A key challenge faced by the Chinese government is the training of more specialist healthcare professionals as the country's ageing population is estimated to reach 300 million people by 2035.

The latest Higher Education Business and Community Interaction Survey reported that, for the eighth year running, Kingston was one of the top two universities in the country for the number of graduates starting their own companies. The University helped 289 entrepreneurial graduates get their companies off the ground in 2016.

Kingston University's reputation as a hotbed of entrepreneurial talent was demonstrated with a number of students being selected to enter national business competitions including the University Alliance Innovating Future Business 2017, Young Enterprise National Finals and the Enactus National Expo Awards.

This year also saw the launch of the Enterprise Circle – a group of illustrious alumni who are championing student and graduate enterprise at Kingston University through financial support, mentoring and advice.

Public Benefit Statement

Kingston University's legal status is that of a higher education corporation but it is also an exempt charity under the Education Reform Act 1988, s125A (as amended by the Charities Act 2011) and subject to monitoring by the Higher Education Funding Council for England (HEFCE) in its role as principal regulator under the terms of the Charities Act 2011, 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 or poverty

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



3. Public engagement

Kingston University is an integral part of our local and regional communities and we have a strong commitment to public engagement. We strive to build strong relationships with the wider community and to enhance the economic and social wellbeing of our locality.

Economic Impact

A 2015/16 study of the University's economic impact by BIGGAR Economics demonstrates the substantive contribution Kingston University is making toward the local, regional and national economy:

- Kingston University students contribute £71.3 million to Kingston and £194.8 million regionally
- Visitors travelling to meet staff and students and attending events contribute £2.2 million to Kingston and £4.1million regionally
- Knowledge transfer activities contribute £3 million to Kingston and £15.2 million regionally

Social and Cultural Impact

- Active role in more than 20 local organisations and partnerships to promote and improve the local area
- Contribute towards running Kingston Academy, a local secondary school which opened in 2015
- Promote science in schools, community groups and public events with our mobile lab in a lorry
- Support culture and tourism through venues such as the Rose Theatre, Dorich House Museum and the Stanley Picker Gallery
- Protect and enhance biodiversity in our local area by contributing over 600 volunteer hours per year
- Annual Civic Reception (2017) showcased the University's research and outreach activities attracting a wide-range of local stakeholders and audiences.

Table 4.

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

4. Principal risks and uncertainties 2016/17

The financial environment for higher education remains challenging, bringing with it volatility in a period of significant uncertainty. The University recognises that it faces a substantial number of inherent risks and uncertainties resulting from both sector-specific issues and those from the wider community. The university proactively manages risk, identifying, monitoring, managing and mitigating risk and promoting a strong culture of 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. The current SRR was last presented to and reviewed by the Board of Governors on 12 July 2017. The SRR along with a number of other considerations also informs the internal audit plan for the forthcoming year.

The SRR continues to remain a dynamic and fluid document comprised of 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 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 either by an individual SMT member or alternatively by the SMT collectively. 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 to ensure further resilience and assurance that the risks are being appropriately reviewed, updated and monitored.

The University's principal risks and uncertainties, those that may adversely affect its strategy, financial position and performance are detailed within its Strategic Risk Register.

Among the risks of particular significance are:

- Student Recruitment - Higher education is increasingly competitive. Whilst the University is somewhat less reliant on the international market than many of its peers, a substantial change to the international profile would undoubtedly result in a negative impact on student numbers and a significant loss of income. The University has implemented its Plan 2020 Academic Improvement Plan and refreshed its academic portfolio to compete more effectively and mitigate any potential impact. The University will continue to monitor the political and economic environment impacting student recruitment from within the UK, EU and internationally and review and revise the financial forecasts accordingly.
- Failure to improve the university league tables - There is a risk that failure to improve league table position could negatively impact the University's reputation and adversely impact on recruitment, research funding and grant collaborations. The University has implemented a subject area review, enhanced marketing activity and taken action to improve those subject areas in the lower quartiles.
- Brexit – the potential future legislative changes arising from Brexit will continue to be evaluated in terms of retention of EU student and staff employed by the University.

5. Modern Slavery Act 2015

The University's Ethics Policy, states our commitment to the highest standards of ethical conduct in all our activities, along with making continuous improvements in this area. The University does not engage in, or condone, the practices of human trafficking, slavery or forced labour. A full statement is included on the University Website.

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 also published its own Modern Slavery Statement. We channel in excess of 30% of the value of our addressable spend through LUPC and agreements arranged by the other higher education purchasing consortia and public sector purchasing consortia.

The particular 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, and our facilities management services are provided by our wholly owned subsidiary, KUSCo, which pays the London Living Wage.

Policies:

The University has put in place a number of measures to ensure compliance with the Modern Slavery Act 2015. Our Ethics Strategy 2014, was reviewed in 2016 and an Ethics Action Plan formally included. It references Modern Slavery considerations, alongside other ethical business practices. The University Guide to Good Research Practice has also been reviewed and now incorporates reference to Modern Slavery. Training in relation to the Ethics Strategy (including Modern Slavery) is available to all parts of the University with training in 2016/17 being delivered to suppliers.

Due Diligence:

Our due diligence process for the validation of new partners, and arising institutional agreements, include requirements for compliance with the Act. Additionally, we use a procurement tool where all new suppliers are requested to complete a questionnaire to confirm arrangements in place across supply chains. We also undertake much of our procurement via the LUPC which itself has publicly committed to tackling slavery and human rights abuses in its supply chains, and to acquiring goods and services for its members without causing harm to others. The University also has a policy of not employing unpaid interns across the facilities management workforce.

Work will continue during 2017/18 to ensure ongoing compliance with the Act.

6. Future Prospects

The 2017 recruitment data indicates that undergraduate Home/EU recruitment is on target, albeit a lower target as part of the Plan 2020 strategy. 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 2017.18 show overall student numbers ahead of 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 underway.



OF KINGSTON UNIVERSITY

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

The system of internal control is based on identifying the principal risks to the achievement of policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically. This process has been in place during the year ended 31 July 2017 and up to the date of approval of the financial statements, and accords with HEFCE guidance.

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

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

Our review of the effectiveness of the system of internal control is informed by KCG, which operates to standards defined in the HEFCE 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 terms and conditions of the Memorandum of Assurance and Accountability agreed between the Higher Education Funding Council for England and the Board of Governors of Kingston University, the Board of Governors, through its designated office holder, is required to prepare financial statements for each financial year that give a true and fair view of the state of affairs of Kingston University and its subsidiaries, and of the surplus or deficit and cash flows for that year.

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

In relation to the preparation of the 2016/17 financial statements, the Board of Governors has ensured that:

- suitable accounting policies are selected and applied consistently;
- judgements and estimates are made that are reasonable and prudent;
- applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Kingston University has adequate resources to continue in operations for the foreseeable future. For this reason the going concern basis continues to be adopted in the preparation of the financial statements.

The Board of Governors has taken reasonable steps to:

- ensure that funds from the Higher Education Funding Council for England and Education Funding Agency, and National College for Teaching and Leadership are used only for the purpose for which they have been given and in accordance with the Memorandum of Assurance and Accountability dated July 2016 with the Funding Council and any other conditions which the Funding Council may from time to time prescribe;
- ensure that income has been applied in accordance with the Education Reform Act 1988;
- ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources;
- safeguard the assets of Kingston University and its subsidiaries and prevent and detect fraud; and
- secure the economic, efficient and effective management of the resources and expenditure of Kingston University and its subsidiaries.

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

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

LIST OF BOARD OF GOVERNORS

OF KINGSTON UNIVERSITY

Ms Heather ALLAN	
Mr Laurence BLACKALL	
Ms Jan BROADBENT	
Mrs Sandra CAMPOPIANO	
Ms Beatrice CAREY	End of tenure 12/07/17
Mr Paul CLEAL	Appointed 12/07/17
Mrs Nancy COGSWELL	
Mr James DENHOLM-PRICE	
Mr. David EDMONDS	
Mr. Gary ERNEST	
Professor Caroline GIPPS	
Mrs Jenny HIGHAM	
Mr Neil MACINTOSH	End of tenure 21/07/17
Mr. Peter MAYHEW-SMITH	
Mrs Alison OSBORNE	Appointed 19/01/17
Professor Stella SANDFORD	
Ms Jane SCOTT	
Mr Francis SMALL	
Professor Steven SPIER	Appointed 03/10/16 (ex officio)
Professor Julius WEINBERG	Resigned 26/09/16
Mr Mick WILLIAMS	Appointed 19/01/17
Ms Jo WOODS	
Ms Alayna ZANGIE	Appointed 9/09/17

INDEPENDENT AUDITORS' REPORT

TO THE

BOARD OF GOVERNORS OF KINGSTON UNIVERSITY

Opinion

We have audited the financial statements of Kingston University for the year ended 31 July 2017 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 2017 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 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 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 Higher Education Funding Council for England ("HEFCE") Audit Code of Practice

In our opinion, in all material respects:

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

INDEPENDENT AUDITORS' REPORT

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 17, 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 University or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements


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.

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 the Memorandum of Assurance and Accountability with the Higher Education Funding Council for England.



James Aston, Senior Statutory Auditor

BDO LLP, Statutory Auditor
Gatwick
West Sussex
United Kingdom

Date: 20 November 2017

STATEMENT OF ACCOUNTING POLICIES

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 2016/17). 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.
- The critical underlying assumptions in relation to the estimate of the pension defined benefit scheme obligation such as standard rates of inflation, mortality, discount rate and anticipated future salary increases. Variations in these assumptions have the ability to significantly influence the value of the liability recorded and annual defined benefit expense.
- The underlying assumptions in relation to the estimate of the present value of the obligation in respect of the funding deficit plan for the USS pension scheme such as the salary inflation over the period of the funding deficit plan and the discount rate to be used.
- Determine whether the agreement entered into with GH Clayhill Ltd meets the definition of a service concession arrangement. Factors taken into consideration in reaching a decision include whether the asset is an infrastructure asset, who has control of the services provided and the provisions relating to the asset at the end of the life of the agreement.

Other key sources of estimation uncertainty

- *Tangible fixed assets (see note 12)*

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

- *Investments (see notes 17)*

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 18)*

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

3. Basis of consolidation

The consolidated financial statements include the University and its subsidiaries for the financial year to 31 July 2017. The results of subsidiaries acquired or disposed of during the period are included in the consolidated statement of income and expenditure from the date of acquisition or up to the date of disposal. Intra-group transactions are eliminated on consolidation.

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

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

4. Income recognition

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

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

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

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

Grant funding

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

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

Donations and Endowments

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

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

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

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

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

STATEMENT OF ACCOUNTING POLICIES

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

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

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

5. Accounting for retirement benefits

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

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

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

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

Defined Benefit Plan

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

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

6. Employment benefits

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

7. Leases

Leases in which the University assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Leased assets acquired by way of the finance lease and the corresponding lease liabilities are initially recognised at an amount equal to the lower of their fair value and the present value of the minimum lease payments at the inception of the lease.

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

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

8. Service Concession Arrangements

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

STATEMENT OF ACCOUNTING POLICIES

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

9. Fixed Assets

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

Land and buildings

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

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

New builds	50 years
Refurbishments	10-50 years

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

Equipment

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

Impairment of fixed assets

Assets that are subject to depreciation or amortisation are assessed at each reporting date to determine whether there is any indication that the assets are impaired. Where there is any indication that an 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.

Finance costs

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

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

10. Heritage Assets

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

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

11. 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.

STATEMENT OF ACCOUNTING POLICIES

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 & 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 of gains are applied to exclusively charitable purposes.

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

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

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

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 2017

	Notes	2016/17 £000s	2016/17 £000s	2015/16 £000s	2015/16 £000s
		Consolidated	University	Consolidated	University
INCOME					
Tuition fees and education contracts	1	147,287	147,287	150,273	150,273
Funding body grants	2	20,752	20,752	24,391	24,391
Research grants and contracts	3	4,021	3,814	3,984	3,955
Other income	4	27,958	27,289	29,023	28,358
Investment income	5	881	869	970	936
Donations and Endowments	6	403	403	710	710
Total income		201,302	200,414	209,351	208,623
EXPENDITURE					
Staff costs	7	116,414	109,468	109,792	103,303
Fundamental restructuring costs	7	4,985	4,985	1,310	1,310
Other operating expenses		70,104	77,070	74,760	81,605
Depreciation	12	13,601	13,601	12,819	12,819
Amortisation	11	1,311	1,311	646	646
Interest and other finance costs	8	8,980	8,840	9,292	9,087
Total expenditure	9	215,395	215,275	208,619	208,770
(Deficit)/Surplus before other gains/(losses)		(14,093)	(14,861)	732	(147)
(Loss) on disposal of fixed assets		(122)	(122)	(31)	(31)
(Deficit)/Surplus before tax		(14,215)	(14,983)	701	(178)
Taxation	10	-	-	(31)	-
(Deficit)/Surplus before gift aid		(14,215)	(14,983)	670	(178)
Qualifying charitable donations		-	502	-	624
Surplus for the year		(14,215)	(14,481)	670	446
Actuarial gain/(loss) in respect of pension schemes	24	29,743	28,162	(10,775)	(10,554)
Total comprehensive income/(expenditure) for the year		15,528	13,681	(10,105)	(10,108)
Endowment comprehensive income for the year		(16)	(16)	(16)	(16)
Restricted comprehensive income for the year		35	35	201	201
Unrestricted comprehensive income for the year		15,510	13,662	(10,290)	(10,293)
		15,528	13,681	(10,105)	(10,108)

The notes on pages 31-46 form part of the financial statements.

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

BALANCE SHEETS

FOR THE YEAR ENDED 31 JULY 2017

		Consolidated 2016/17 £000s	University 2016/17 £000s	Consolidated 2015/16 £000s	University 2015/16 £000s
	Notes				
Fixed assets					
Intangible assets	11	10,888	10,888	4,475	4,475
Tangible assets	12	397,498	397,498	385,400	385,400
Heritage assets	12 & 15	1,998	1,998	2,014	2,014
Investments	17	115	6,216	115	6,216
		410,499	416,600	392,004	398,105
Current assets					
Stock		53	55	230	227
Debtors	18	17,991	18,339	13,272	13,806
Current asset investment	19	41,579	41,579	67,632	67,632
Cash at bank and in hand		84,369	77,284	85,607	78,310
		143,992	137,257	166,741	159,975
Creditors: amounts falling due with 1 year	20	(108,333)	(107,713)	(43,901)	(43,252)
Net current assets		35,659	29,544	122,840	116,723
Total assets less current liabilities		446,158	446,144	514,844	514,828
Creditors: amounts falling due after more than one year	21	(36,600)	(36,600)	(95,389)	(95,389)
Net assets excluding pension liability		409,558	409,544	419,455	419,440
Provisions for liabilities					
Pension provisions	24	(79,497)	(75,330)	(104,922)	(98,907)
Total Net assets		330,061	334,214	314,533	320,533

The notes on pages 31-46 form part of the financial statements.

BALANCE SHEETS (continued)
FOR THE YEAR ENDED 31 JULY 2017

Consolidated	University	Consolidated	University
2016/17	2016/17	2015/16	2015/16
£000s	£000s	£000s	£000s

Notes

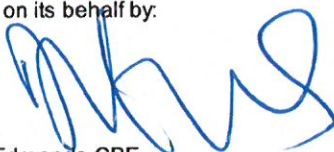
Restricted reserves


Income and expenditure reserve - endowment fund	25	1,159	1,159	1,175	1,175
Income and expenditure reserve - restricted reserve	25	1,308	1,308	1,273	1,273

Unrestricted reserves

Income and Expenditure Account - unrestricted		91,995	96,148	73,519	79,519
Revaluation reserve		235,599	235,599	238,566	238,566
		<u>330,061</u>	<u>334,214</u>	<u>314,533</u>	<u>320,533</u>

The financial statements were approved and authorised for issue by the Governing Body on 16 November 2017 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 31-46 form part of the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN RESERVES

FOR THE YEAR ENDED 31 JULY 2017

Consolidated	Income and expenditure reserve			Revaluation	Total
	Endowment £'000	Restricted £'000	Unrestricted £'000	reserve £'000	£'000
Balance as at 1 August 2016	1,175	1,273	73,519	238,566	314,533
(Deficit)/ Surplus from the income and expenditure statement	(16)	35	(14,234)		(14,215)
Other Comprehensive income					
Actuarial gain on pension scheme			29,743		29,743
Transfers between revaluation & income and expenditure reserve			2,967	(2,967)	-
Total comprehensive (expenditure)/ income 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 £'000	Restricted £'000	Unrestricted £'000	reserve £'000	£'000
Balance as at 1 August 2016	1,175	1,273	79,519	238,566	320,533
(Deficit)/ Surplus from the income and expenditure statement	(16)	35	(14,500)		(14,481)
Other Comprehensive income					
Actuarial gain on pension scheme			28,162		28,162
Transfers between revaluation & income and expenditure reserve			2,967	(2,967)	-
Total comprehensive (expenditure)/ income 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	Income and expenditure reserve			Revaluation	Total
	Endowment £'000	Restricted £'000	Unrestricted £'000	reserve £'000	£'000
Balance as at 1 August 2015	1,191	1,072	80,603	241,772	324,638
(Deficit)/ Surplus from the income and expenditure statement	(16)	201	485		670
Other Comprehensive income					
Actuarial loss on pension scheme			(10,775)		(10,775)
Transfers between revaluation & income and expenditure reserve			3,206	(3,206)	-
Total comprehensive (expenditure)/ income for the year	(16)	201	(7,084)	(3,206)	(10,105)
Balance 31 July 2016	1,175	1,273	73,519	238,566	314,533

University	Income and expenditure reserve			Revaluation	Total
	Endowment £'000	Restricted £'000	Unrestricted £'000	reserve £'000	£'000
Balance as at 1 August 2015	1,191	1,072	86,606	241,772	330,641
(Deficit)/ Surplus from the income and expenditure statement	(16)	201	261		446
Other Comprehensive income					
Actuarial loss on pension scheme			(10,554)		(10,554)
Transfers between revaluation & income and expenditure reserve			3,206	(3,206)	-
Total comprehensive (expenditure)/ income for the year	(16)	201	(7,087)	(3,206)	(10,108)
Balance 31 July 2016	1,175	1,273	79,519	238,566	320,533

The notes on pages 31-46 form part of the financial statements.

CONSOLIDATED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 JULY 2017

		2016/17 £000s	2015/16 £000s
	Notes		
Cash flow from operating activities			
Surplus for the year		(14,215)	670
Adjustment for non-cash items			
Depreciation	12	13,601	12,819
Amortisation of intangible assets	11	1,311	646
(Increase)/decrease in stocks		177	(25)
(Increase)/decrease in debtors		(4,689)	(1,123)
Increase/(decrease) in creditors		(5,818)	(716)
Increase/(decrease) in provisions		(213)	-
Difference between net pension and pension liability		2,267	890
Adjustment for investing or financing activities			
Interest received and income from investments	5	(881)	(970)
Interest paid and finance costs	8	8,980	9,292
Tax expense		-	31
Deficit/ (surplus) from the sale of fixed assets		121	31
Amortised Grant		(1,766)	(1,931)
Cash generated from operating activities		(1,126)	19,615
Tax paid		-	(31)
Net Cash generated from operating activities		(1,126)	19,584
Cash flows from investing activities			
Capital grants received		1,448	2,766
Payments to acquire fixed and intangible assets		(33,227)	(22,118)
Interest received		851	917
Net movement in short term deposits	19	26,052	2,617
		(4,876)	(15,818)
Cashflows from financing activities			
Interest paid		(6,715)	(6,063)
Repayments of amounts borrowed		(2,372)	(2,118)
New loans		15,000	25,000
Capital element of finance lease rental payments		(1,148)	(1,016)
Increase/ (decrease) in cash in the period		4,764	15,803
Increase/(Decrease) in cash and cash equivalents in the year		(1,238)	19,568
Cash and cash equivalents at beginning of the year		85,607	66,039
Cash and cash equivalents at the end of the year		84,369	85,607

The notes on pages 31-46 form part of the financial statements.

NOTES TO THE ACCOUNTS
Year ended 31 July 2017

1 TUITION FEES AND EDUCATION CONTRACTS

	2016/17 Consolidated £000s	2016/17 University £000s	2015/16 Consolidated £000s	2015/16 University £000s
Full-time UK and EU students	100,048	100,048	101,323	101,323
Part-time UK and EU students	7,159	7,159	7,584	7,584
Overseas full-time students	26,617	26,616	28,587	28,587
Overseas part-time students	972	972	687	687
NHS teaching contracts	9,887	9,887	9,107	9,107
Short course fees	2,604	2,604	2,985	2,985
	<u>147,287</u>	<u>147,287</u>	<u>150,273</u>	<u>150,273</u>

University 2015/16 amounts have been restated to reflect correct position of the NHS contract.

2 FUNDING COUNCIL GRANTS

	2016/17 Consolidated £000s	2016/17 University £000s	2015/16 Consolidated £000s	2015/16 University £000s
Recurrent grant (including research element)	17,618	17,618	20,394	20,394
HEFCE specific grants	640	640	1,312	1,312
Education funding agency	728	728	754	754
Deferred capital grants released in year	1,766	1,766	1,931	1,931
	<u>20,752</u>	<u>20,752</u>	<u>24,391</u>	<u>24,391</u>

3 RESEARCH GRANTS AND CONTRACTS

	2016/17 Consolidated £000s	2016/17 University £000s	2015/16 Consolidated £000s	2015/16 University £000s
Research Councils	419	419	861	861
UK based charities	514	514	596	597
Other research grants and contracts	3,088	2,880	2,527	2,497
	<u>4,021</u>	<u>3,814</u>	<u>3,984</u>	<u>3,955</u>

4 OTHER INCOME

	2016/17 Consolidated £000s	2016/17 University £000s	2015/16 Consolidated £000s	2015/16 University £000s
Residencies and catering	19,922	19,922	20,346	20,346
Income from UK public bodies	1,468	1,468	2,039	1,537
Course validation fees/teaching contracts	1,146	1,146	1,519	1,519
Other income	5,422	4,753	5,118	4,955
	<u>27,958</u>	<u>27,289</u>	<u>29,023</u>	<u>28,358</u>

University 2015/16 amounts have been restated to reflect correct position of the NHS contract.

5 INVESTMENT INCOME

	2016/17 Consolidated £000s	2016/17 University £000s	2015/16 Consolidated £000s	2015/16 University £000s
Interest receivable	881	869	970	936
	<u>881</u>	<u>869</u>	<u>970</u>	<u>936</u>

6 DONATIONS AND ENDOWMENTS

	2016/17 Consolidated £000s	2016/17 University £000s	2015/16 Consolidated £000s	2015/16 University £000s
Unrestricted donations	403	403	710	710
	<u>403</u>	<u>403</u>	<u>710</u>	<u>710</u>

NOTES TO THE ACCOUNTS
(continued)
Year ended 31 July 2017

7 STAFF

Staff Costs

	2016/17 Consolidated	2016/17 University	2015/16 Consolidated	2015/16 University
	£000s	£000s	£000s	£000s
Wages and salaries	87,863	82,083	84,976	79,522
Restructuring Costs	4985	4985	1310	1310
Social security costs	9,062	8,562	7,777	7,306
Movement on USS pension	(213)	(213)	316	316
Other pension costs	19,702	19,036	16,723	16,159
	121,399	114,453	111,102	104,613

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)

	2016/17 £000s	2015/16 £000s
Salary	169	-
Bonus	-	-
Expense allowance	-	-
Other benefits	-	-
Relocation costs	-	-
Total	169	-
Employer's contribution to pension fund	21	-
Total after pension costs	190	-

Former Vice Chancellor (up to 26 September 2016)

Salary	40	215
Bonus	-	-
Expense allowance	-	-
Other benefits	-	-
Relocation costs	-	-
Total	40	215
Employer's contribution to pension fund	1	25
Total after pension costs	41	240

Higher Paid Employees (including Vice Chancellor)

	2016/17 £000s	2015/16 £000s
£250,001 - £260,000	1	-
£210,001 - £220,000	-	1
£180,001 - £190,000	1	2
£170,001 - £180,000	1	-
£160,001 - £170,000	-	1
£150,001 - £160,000	1	-
£140,001 - £150,000	-	-
£130,001 - £140,000	1	2
£120,001 - £130,000	1	1
£110,001 - £120,000	1	3
£100,001 - £110,000	6	4

Compensation for loss of office payable to higher paid employees:

	£000s	£000s
Compensation payable recorded within staff costs paid to 5 people	432	-

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

	2016/17 Consolidated	2016/17 University	2015/16 Consolidated	2015/16 University
Executive, senior and academic staff	904	803	893	893
Research, language and teaching assistants	53	46	46	46
General and professional staff	1,151	927	1,153	926
	2,108	1,776	2,092	1,865

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.

Key management personnel costs

2016/17 £000s	2015/16 £000s
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3,331 2,453

The total sum of £733 (2016:£2,647) was claimed as expenses by three (2015:five) members of the Board of Governors during 2016/17. 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 2017

8 INTEREST PAYABLE

	2016/17 Consolidated £000s	2016/17 University £000s	2015/16 Consolidated £000s	2015/16 University £000s
On loans payable wholly or partly in more than 5 years	3,125	3,125	2,397	2,397
On Service concession arrangement	2,852	2,852	2,858	2,858
On finance leases	738	738	808	808
	6,715	6,715	6,063	6,063
Net interest on net defined benefit liability	2,265	2,125	3,229	3,024
	8,980	8,840	9,292	9,087

9 ANALYSIS OF TOTAL EXPENDITURE BY CATEGORY

	2016/17 Consolidated £000s	2016/17 University £000s	2015/16 Consolidated £000s	2015/16 University £000s
Academic and related expenditure	123,524	123,524	122,701	122,701
Administration and central services	34,684	42,385	32,030	40,242
Premises (including service concession cost)	24,333	17,899	22,335	16,261
Residences, catering and conferences	18,834	19,850	18,867	19,890
Research grants and contracts	3,863	3,369	3,786	3,481
Other expenses	10,157	8,248	8,900	6,195
	215,395	215,275	208,619	208,770

Other operating expenses include:

External auditors remuneration in respect of audit services	82	66	78	79
External auditors remuneration in respect of non-audit services	8	8	30	30
Operating lease rentals:				
Land and buildings	2,647	2,647	2,208	2,208

10 TAXATION

The taxation charge in 2015/16 is due on profits generated by KUSCO Ltd and calculate as follows:

	2016/17 £000s	2015/16 £000s
	Consolidated	Consolidated
Profits chargeable to tax	-	153
Tax charged at 20%	-	31

11 INTANGIBLE ASSETS

	2016/17 Consolidated £000s	2016/17 University £000s	2015/16 Consolidated £000s	2015/16 University £000s
Software				
Cost				
Opening balance	7,768	7,768	4,978	4,978
Additions in the year	7,724	7,724	3,989	3,989
Disposals in the year	(2,278)	(2,278)	(1,199)	(1,199)
Closing Balance	13,214	13,214	7,768	7,768
Amortisation				
Opening balance	3,293	3,293	3,846	3,846
Amortisation	1,311	1,311	646	646
Amortisation on disposals	(2,278)	(2,278)	(1,199)	(1,199)
Closing Balance	2,326	2,326	3,293	3,293
Net Book Value				
Closing balance	10,888	10,888	4,475	4,475
Opening balance	4,475	4,475	1,132	1,132

NOTES TO THE ACCOUNTS
(continued)
Year ended 31 July 2017

12 TANGIBLE ASSETS
CONSOLIDATED AND UNIVERSITY

Cost or Valuation

Balance as at 31 July 2016

Cost

Additions

Written Off

Transfer

Balance as at 31 July 2017

Freehold Land £000s	Freehold Buildings £000s	Service concession arrangement Land and Buildings (Note 14) £000s	Plant, Machinery, Equipment £000s	Assets Under Construction Total £000s	Heritage Assets Total £000s	Investment property (Note 13) £000s	Total £000s
138,780	227,513	7,668	46,444	9,607	2,348	-	432,360
-	5,654	-	6,311	8,301	-	5,539	25,805
-	-	-	(22,604)	-	-	-	(22,604)
-	5,094	-	-	(5,094)	-	-	-
138,780	238,261	7,668	30,151	12,814	2,348	5,539	435,561

Consisting of valuation as at:

Pre 1 August 1996

31 July 2014

Cost

32,874	37,875	-	-	-	-	-	70,749
105,906	84,129	5,180	-	-	837	-	196,052
-	116,257	2,488	30,151	12,814	1,511	5,539	168,760
138,780	238,261	7,668	30,151	12,814	2,348	5,539	435,561

Depreciation

Balance as at 31 July 2016

Charge in year

Prior year restatement

Written Off

Balance as at 31 July 2017

-	13,480	-	31,132	-	334	-	44,946
-	7,153	153	6,279	-	16	-	13,601
-	(307)	307	-	-	-	-	-
-	-	-	(22,482)	-	-	-	(22,482)
-	20,326	460	14,929	-	350	-	36,065

Net Book Value

Balance as at 31 July 2017

138,780	217,935	7,208	15,222	12,814	1,998	5,539	399,496
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Balance as at 31 July 2016

138,780	214,033	7,668	15,312	9,607	2,014	-	387,414
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The net book value of freehold buildings includes £32,946,912 (2016:£33,717,904) in respect of assets acquired under finance leases. The depreciation charge on these assets is £770,284 (2016:£766,776). These properties act as security against finance leases.

Reconciliation of Net Book value to historic cost method

Net Book Value

Balance as at 31 July 2017

399,496

Revaluation reserve

235,599

Historic cost NBV

Balance as at 31 July 2017

163,896

The freehold buildings had the balance brought forward for both cost and depreciation restated. There was no resulting change in the opening Net Book Value.

13 INVESTMENT PROPERTY

The University investment property was acquired on 18 April 2017 and the fair value is recorded as the purchase price.

NOTES TO THE ACCOUNTS
(continued)
Year ended 31 July 2017

14 SERVICE CONCESSION ARRANGEMENTS

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

In May 2002 Kingston University entered into a contract with Grosvenor for the construction of halls of residence at Clayhill. Payments made into the arrangement, are linked to RPI. The numbers below are based on that based on estimates. Unitary payments of £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 2017 is £7,207,920 (2016 £7,361,280). The movement in depreciation in the year is £153,360 (2016: £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 2017 were £19,765,699 (2016 £19,409,086). The value of the movement in liability for 16/17 was £356,613.

Future commitments

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

£'000	Payable in 1 year	Payable in 2-5 years	Greater than 5 years	Total
Liability repayments	(333)	(970)	21,069	19,766
Finance Charge	2,968	12,320	40,482	55,770
Service charge	686	2,957	16,032	19,675
	3,321	14,307	77,583	95,211

15 HERITAGE ASSETS

CONSOLIDATED AND UNIVERSITY

Dorich House building and art collection:

Cost or Valuation

Balance as at 1 August 2016

Balance as at 31 July 2017

Land and Buildings £000s	Art Collection £000s	Total £000s
1,966	382	2,348
1,966	382	2,348

Depreciation

Balance as at 1 August 2016

Charge in year

Balance as at 31 July 2017

334	-	334
16	-	16
350	-	350

Net Book Value

Balance as at 31 July 2017

Balance as at 31 July 2016

1,616	382	1,998
1,632	382	2,014

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

NOTES TO THE ACCOUNTS
(continued)
Year ended 31 July 2017

16 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 2017		Year ended 31 July 2016	
	£'000	£'000	£'000	£'000
Income and expenditure account				
Income		15,164		14,519
Surplus		1,946		1,531
Balance sheet				
Fixed assets	234		201	
Current assets	3,482		4,396	
		3,716		4,597
Creditors: amounts due within one year	(1,769)		(3,065)	
Creditors: amounts due after more than one year	-		-	
		(1,769)		(3,065)
Share of net assets		1,946		1,532

17 INVESTMENT

INVESTMENTS

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

CONSOLIDATED

At 1 August 2016 and 31 July 2017

115 115

UNIVERSITY

At 1 August 2016 and 31 July 2017

6,101 115 6,216

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

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

NOTES TO THE ACCOUNTS
(continued)
Year ended 31 July 2017

18 DEBTORS

Amounts falling due within one year:

	Consolidated 2016/17 £000s	University 2016/17 £000s	Consolidated 2015/16 £000s	University 2015/16 £000s
Trade and student receivables	6,845	6,577	4,453	4,341
Amounts owed by subsidiary undertakings	-	686	-	704
Accrued income	1,479	1,479	1,880	1,852
Other debtors	415	409	487	487
Prepayments	5,874	5,811	3,061	3,031
	<u>14,613</u>	<u>14,961</u>	<u>9,881</u>	<u>10,415</u>

Amounts falling due after more than one year:

Other debtors (recoverable pension asset)	3,378	3,378	3,391	3,391
	<u>3,378</u>	<u>3,378</u>	<u>3,391</u>	<u>3,391</u>
	<u>17,991</u>	<u>18,339</u>	<u>13,272</u>	<u>13,806</u>

19 CURRENT ASSET INVESTMENTS

	Consolidated 2016/17 £000s	University 2016/17 £000s	Consolidated 2015/16 £000s	University 2015/16 £000s
Term deposits	41,579	41,579	67,632	67,632

These are cash deposits with a term exceeding three months.

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

	Consolidated 2016/17 £000s	University 2016/17 £000s	Consolidated 2015/16 £000s	University 2015/16 £000s
Obligations under finance leases	1,290	1,290	1,147	1,147
Bank loans (note 22)	72,481	72,481	2,729	2,730
Trade creditors	667	579	7,232	7,120
Amounts owed to subsidiary undertakings	-	263	-	171
Other creditors including tax and social security	10,802	10,345	10,563	10,395
Accruals	14,447	14,112	14,685	14,145
Tuition fees in advance	2,913	2,910	1,599	1,599
Deferred income	1,441	1,441	2,689	2,689
Deferred Capital Grants	1,630	1,630	1,575	1,575
Deferred revenue grants	2,662	2,662	1,682	1,681
	<u>108,333</u>	<u>107,713</u>	<u>43,901</u>	<u>43,252</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 2016/17 £000s	University 2016/17 £000s	Consolidated 2015/16 £000s	University 2015/16 £000s
Deferred Grant income	469	469	2,129	2,129
	<u>469</u>	<u>469</u>	<u>2,129</u>	<u>2,129</u>

NOTES TO THE ACCOUNTS
(continued)
Year ended 31 July 2017

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

	Consolidated 2016/17 £000s	University 2016/17 £000s	Consolidated 2015/16 £000s	University 2015/16 £000s
Obligations under finance leases	4,015	4,015	5,306	5,306
Service concession arrangements (Note 14)	19,766	19,766	19,409	19,409
Bank loans (note 22)	-	-	57,488	57,488
Deferred Capital Grants	12,494	12,494	12,866	12,866
Other loans	325	325	320	320
	<u>36,600</u>	<u>36,600</u>	<u>95,389</u>	<u>95,389</u>

22 ANALYSIS OF BANK LOANS

	Consolidated 2016/17 £000s	University 2016/17 £000s	Consolidated 2015/16 £000s	University 2015/16 £000s
Due within one year or on demand	72,481	72,481	2,729	2,730
Due between one and two years	-	-	2,936	2,936
Due between two and five years	-	-	8,583	8,583
Due in five years or more	-	-	45,969	45,969
Due after more than one year	-	-	57,488	57,488
Total secured and unsecured loans	<u>72,481</u>	<u>72,481</u>	<u>60,217</u>	<u>60,217</u>

Obligations under Finance Leases

Due within one year or on demand	1,949	1,949	1,885	1,885
Due between one and two years	2,014	2,014	1,948	1,948
Due between two and five years	3,676	3,676	4,432	4,432
Due in five years or more	-	-	1,258	1,258
Due after more than one year	5,690	5,690	7,638	7,638
Total obligations under Finance leases	<u>7,639</u>	<u>7,639</u>	<u>9,523</u>	<u>9,523</u>
Less finance charges allocated to future periods	<u>(2,334)</u>	<u>(2,334)</u>	<u>(3,070)</u>	<u>(3,070)</u>
	<u>5,305</u>	<u>5,305</u>	<u>6,453</u>	<u>6,453</u>

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	0.09%
Barclays	£40m term loan	31/07/2015	31/07/2030	3.31%

During the year the University breached covenants relating to loans from Barclays. The University received confirmation of waiver of those covenants after the year end. The University is currently negotiating those covenants.

NOTES TO THE ACCOUNTS
(continued)
Year ended 31 July 2017

23 Financial instruments

Consolidated	University	Consolidated	University
2016/17	2016/17	2015/16	2015/16
£000s	£000s	£000s	£000s

The University financial instruments may be analysed as follows:

Financial liabilities

Financial liabilities measured at amortised cost	72,481	72,481	60,217	60,217
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24 Provisions for liabilities

Consolidated

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

At 1 August 2016	97,414	6,015	1,493	104,922
Charged to statement of comprehensive income:	4,798	(267)	(213)	4,318
Actuarial Gain	(28,162)	(1,581)	-	(29,743)
At 31 July 2017	74,050	4,167	1,280	79,497

University

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

At 1 August 2016	97,414	-	1,493	98,907
Charged to statement of comprehensive income:	4,798	-	(213)	4,585
Actuarial Gain	(28,162)	-	-	(28,162)
At 31 July 2017	74,050	-	1,280	75,330

Refer to Note 30 for pension scheme details.

USS deficit

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

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

Discount rate	2.6%
Salary Inflation	2.4%

NOTES TO THE ACCOUNTS
(continued)
Year ended 31 July 2017

25 ENDOWMENT RESERVES

Restricted net assets relating to endowments are as follows:

	Restricted permanent endowments £000s	Expendable endowments £000s	Total £000s
Balance at 1 August 2016	1,175	1,273	2,448
Transfer to income and expenditure account	(16)	-	(16)
Income received	-	35	35
Balance at 31 July 2017	<u>1,159</u>	<u>1,308</u>	<u>2,467</u>

Total Endowment Asset

Endowment assets comprise

Heritage assets	1,998
Cash	<u>469</u>
	<u>2,467</u>

26 OPERATING LEASE COMMITMENTS

Total rentals payable under operating leases:

	2016/17 Land and Buildings £000s	2015/16 Land and Buildings £000s
Payable during the year	2,647	2,208
Future minimum lease payments due:		
Not later than 1 year	3,056	2,203
Later than 1 year and not later than 5 years	<u>3,273</u>	<u>2,503</u>
	<u>6,329</u>	<u>4,706</u>

NOTES TO THE ACCOUNTS
(continued)
Year ended 31 July 2017

27 CAPITAL COMMITMENTS - CONSOLIDATED & UNIVERSITY

2016/17 £000s	2015/16 £000s
Capital expenditure contracted that has not been provided for in the financial statements	46,278
Capital expenditure that has been authorised by the Governing Body but has not yet been contracted for	3,755
101,555	228,612
147,833	232,367

28 OTHER FUNDING

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

	GTP £000s	NCTL bursaries £000s	Nursery Placement Bursary £000s
	£ '000	£ '000	£ '000
Balance as at 1 August 2016	200	100	-
Income	-	1,585	322
Amounts repaid	-	(100)	-
Amounts disbursed	-	(1,553)	(305)
Balance as at 31 July 2017	200	32	17

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

29 RELATED PARTY TRANSACTIONS

Grants were paid to Kingston University Students Union amounting to £903k (2015/16: £823k), an organisation in which Beatrice Carey was a member of Kingston University Governing Body (2015/16 - Mr Noor Khan (August 2015 to March 2016) and Ms Erin Maskell (April 2016 to July 2016).

Transactions relating to franchised arrangements with St. Georges Hospital Medical School, an organisation in which the Principal, Professor Jenny Higham is a member of the Kingston University Governing Body amounted to payments of £498k (2015/16: £490k).

Transactions relating to franchised arrangements with Kingston College, an organisation in which the Principal, Peter Mayhew-Smith is a member of the Kingston University Governing Body amounted to payments of £2,405k (2015/16 £2,774k).

Kingston University entered into transactions valued at £23k (2015/16: £23k) with Creative Youth, a charity for which Peter Mayhew-Smith is a director.

NOTES TO THE ACCOUNTS
(continued)
Year ended 31 July 2017

30 Pension Schemes

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

Pension charges for the year (covering all schemes):	2016/17
	£000s
TPS: contributions paid	9,434
USS: contributions paid	659
LGPS	9,054
LPFA	555
Total Pension Cost	19,702

(i) The Universities Superannuation Scheme

The total cost charged to the profit and loss account is £941,000 (2016: £941,000) as shown in note 27. The latest available full actuarial valuation of the scheme was at 31 March 2014 ("the valuation date"), which was carried out using the projected unit method.

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

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

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

	2017	2016
Discount rate	2.57%	3.6%
Pensionable salary growth	n/a	n/a
Pensions increases (CPI)	2.41%	2.2%

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

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

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

	2017	2016
Males currently aged 65 (years)	24.4	24.3
Females currently aged 65 (years)	26.6	26.5
Males currently aged 45 (years)	26.5	26.4
Females currently aged 45 (years)	29.0	28.8

	2017	2016
Scheme assets	£60.0bn	£49.8bn
Total scheme liabilities	£77.5bn	£58.3bn
FRS 102 total scheme deficit	£17.5bn	£8.5bn

NOTES TO THE ACCOUNTS
(continued)
Year ended 31 July 2017

30 Pension Schemes (continued)

(ii) Local Government Pension Scheme (LGPS)

(Retirement Benefits) Disclosure for the accounting period ending 31 July 2017
Kingston University Pension Scheme

A defined benefit pension scheme (LGPS) is operated on behalf of the employees of Kingston University, the figures disclosed below have been derived from the actuarial valuations carried out by Hymans Robertson LLP Limited as at 31 July 2017. 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 2017	At 31 July 2016
	%pa	%pa
Rate of increase in salaries	2.5	1.9
Rate of increase of pensions	2.9	3.9
Discount rate	2.7	2.4

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

Reconciliation of movement in the fair value of plan assets

	At 31 July 2017 £'000	At 31 July 2016 £'000
Opening position	204,549	172,807
Interest on plan assets	4,966	6,311
Plan participants' contributions	2,401	2,323
Employer contributions	9,054	8,382
Contributions in respect of unfunded benefits	2	2
Benefits paid	(6,396)	(5,647)
Unfunded benefits paid	(2)	(2)
Return on assets excluding amounts included in net interest	5,757	20,373
Closing position	220,331	204,549

NOTES TO THE ACCOUNTS
(continued)
Year ended 31 July 2017

30 Pension Schemes (continued)

Reconciliation of the present value of the defined benefit obligation

	At 31 July 2017 £'000	At 31 July 2016 £'000
Opening position	301,963	255,785
Current service cost	11,365	9,153
Past service cost (including curtailments)	124	110
Interest cost on defined benefit obligation	7,331	9,314
Plan participants contributions	2,401	2,323
Benefits paid	(6,396)	(5,647)
Unfunded benefits paid	(2)	(2)
Changes in demographic assumptions	(4,942)	-
Change in Financial assumptions	3,364	33,665
Other experience	(20,827)	(2,738)
Closing position	294,381	301,963

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

Service cost		
- Current service cost	(11,365)	(9,153)
- Past service cost	(124)	(110)
Total service cost	(11,489)	(9,263)
Net interest		
- Interest income on plan assets	4,966	6,311
- Interest cost on defined benefit obligation	(7,331)	(9,314)
Total net interest	(2,365)	(3,003)
Total defined benefit cost recognised in Profit or (Loss)	(13,854)	(12,266)

Remeasurements

- Change in demographic assumptions	4,942	-
- Change in financial assumptions	(3,364)	(33,665)
- Other experience	20,827	2,738
- Return on assets excluding amounts included in net interest	5,757	20,373
Total remeasurements recognised in Other Comprehensive Income (OCI)	28,162	(10,554)

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 2017 is estimated to be 10.1%. The actual returns for this period were 16.3%.

The estimated split of assets as at 31 July 2017 is as shown below

	At 31 July 2017	At 31 July 2016
Equities	72%	71%
Bonds	21%	24%
Property	4%	4%
Cash	3%	1%
Total	100%	100%

NOTES TO THE ACCOUNTS
(continued)
Year ended 31 July 2017

30 Pension Schemes (continued)

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

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

A defined benefit pension scheme (LPFA) is operated on behalf of the employees of KUSCO Limited, the figures disclosed below have been derived from the actuarial valuations carried out by Barnett Waddington as at 31 July 2017. 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 2017	At 31 July 2016
	%pa	%pa
Rate of increase in salaries	2.5	2
Rate of increase of pensions	2.1	1.6
Discount rate	2.6	2.4

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

	Males	Females
Retiring today	21.0 years	23.9 years
Retiring in 20 years	22.5 years	25.5 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 2017 is estimated to be 15%. 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 2017 is as follows:

The assets in the scheme were:

	At 31 July 2017	
	£000s	%
Equities	5,027	51%
LDIs/ Cashflow matching	-	9%
Target return portfolio	1,701	24%
Infrastructure	369	7%
Commodities	-	1%
Property	534	4%
Cash	568	4%
Total	8,199	100%

NOTES TO THE ACCOUNTS
(continued)
Year ended 31 July 2017

30 Pension Schemes (continued)

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

	At 31 July 2017 £000s	At 31 July 2016 £000s
Opening defined benefit obligation	12,989	12,437
Current service cost	141	123
Interest cost	307	442
Change in financial assumptions	464	666
Change in demographic assumptions	(206)	(332)
Experience loss/(gain) on defined benefit obligation	(898)	-
Estimated benefits paid net of transfers in	(462)	(375)
Past service costs, including curtailments	-	-
Unfunded pension payments	30	28
Closing defined benefit obligation	12,365	12,989

At 31 July 2017 £000s	At 31 July 2016 £000s
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Analysis of movement in the fair value of scheme assets

Opening fair value of Fund assets	6,975	6,543
Interest on assets	169	237
Return on assets less interest	899	113
Other actuarial gains/(losses)	42	-
Administrative expenses	(9)	(10)
Contributions by employer including unfunded	555	439
Contributions by Fund participants	30	28
Estimated benefits paid plus unfunded net of transfers in	(462)	(375)
Closing fair value of Fund assets	8,199	6,975

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

	At 31 July 2017 £000s	At 31 July 2016 £000s
Service cost	141	123
Net interest on the defined liability	138	205
Administrative expenses	9	10
Total costs	288	338

Remeasurements

- Return on Fund assets in excess of interest	899	113
- Other actuarial gains/(losses) on assets	42	-
- Change in financial assumptions	(464)	666
- Change in demographic assumptions	206	332
- Experience gain/(loss) on defined benefit obligation	898	-
Total remeasurements recognised in Other Comprehensive Income (OCI)	1,581	(221)