

**Kingston
University**
London

Annual Accounts 2013–14



Financial Statements 2013-14

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OPERATING AND FINANCIAL REVIEW

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1. Institution's strategy and objectives

1.1 Vision and mission

The University's strategic plan is driven by key vision, purpose and value statements.

Our Vision:

To be internationally recognised for a creative approach to education that has practical outcomes which benefit people and communities.

Our Purpose:

To develop potential, transform lives and improve the world around us. To be led by learning in all that we do: enabling others to learn, continually learning ourselves and pushing the boundaries of learning through teaching, research and enterprise and professional practice

We Value:

- Rigour, curiosity, excellence and originality
- Innovation, creativity and enterprise
- Consideration, courtesy and collegiality
- Breadth, diversity and individuality

1.2 Strategic plan

Under the leadership of Vice-Chancellor Professor Julius Weinberg, the University continues to respond to significant changes in higher education. Following extensive consultation with internal and external stakeholders a new strategic plan *Led by Learning* was launched in March 2012 and has been reviewed by the Board of Governors in October 2014. Its key goals are grouped under the headings

- Learning, Enquiry and Practice
- Enriching lives
- Respect for individuals, communities and environment

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

1.3 Financial strategy

The aim of the strategy is to ensure that the University's full economic costs are covered by its income, that sufficient reserves are maintained and that the liquidity position will meet the University's operating requirements.

The strategy defines a number of key performance measures (KPMs). Four of these measures are denoted key performance indicators (KPIs) and these four are proposed as front-line mandatory ratios in determining success in achieving the financial strategy:

- Historic cost surplus as a percentage of fees and funding (4% in any one year and 5% rolling three year basis)
- Annualised servicing costs of no more than 4% per annum
- External borrowing as a multiple of EBITDA set at a ceiling of 4.0
- Net liquidity of at least 90 days

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2. Achievements and successes

The University has consistently achieved against its strategic objectives through to the end of 2013/14. The year saw a second year of student enrolment under the new fees regime introduced in 2012/13. Undergraduate recruitment in 2013/14 continued to fall from a peak in 2011/12. Students have also been subject to higher academic tariffs (entry grades) as part of *Led by Learning's* strategy to ensure academic quality and student success. Although the upper limits of student enrolment targets were not met, the cost base of the University has been carefully managed to secure a strong financial result for the year. The management of costs continues into 2014/15, with £1.6m budget reductions secured from a review of the University's administration and student support areas. A significant success is the recruitment of overseas students where total student numbers have now increased by over 5% for the second year running (an increase of almost £5m in fee income since 2011/12). The University's review of its taught undergraduate and postgraduate provision, titled the Review of the Academic Framework was implemented in the academic year 2013/14.

University staff development and training policy prioritised the themes of leadership, change and performance management throughout the year. Kingston rewards and recognises good performance and supports continuous improvement of all staff. To support this aim a review of staff feedback and the benchmarking of staff terms and conditions against the sector and wider markets was carried out.

On equality and diversity 2013/14 was an important year for Kingston. The University won the Guardian University award which recognised the achievement of embedding equality and diversity within the new academic framework. Kingston was also invited to become a member of the steering group for the London Higher's project on improving diversity in leadership. A new diversity and inclusion research unit was launched during the year. Located within the Faculty of Business and Law, this unit was formed to bridge the gap between research and practice.

On the estates and infrastructure side, steps were taken in 2013/14 to prepare for a significant investment to support University estates and facilities strategy. Design review and stakeholder consultation have continued throughout the year on a new signature building on the Penrhyn Road Campus to replace the Town House. The year saw significant capital expenditure to provide the University with a robust IT infrastructure to support learning, teaching, research and administration.

Kingston University was involved as a member of two Doctoral Training Partnership consortia in a successful bid that secured £15.9m in funding from the Arts and Humanities Research Council (AHRC). *TECHNE* is based on the idea of the practice-based doctoral degree applied across the broad spectrum of the arts and humanities. The consortium is led by Royal Holloway and includes, as well as Kingston, the universities of Surrey, Brighton and Roehampton, the University of the Arts London and the RCA. *LDOC* (London Doctoral Design Consortium) is a smaller consortium focussed on design and is led by the RCA in partnership with Kingston and the University of the Arts London. Both consortia have strong links with cultural institutions such as museums and galleries and with creative industry partners. Students were recruited through a highly competitive selection process and Kingston has been awarded 8 doctoral studentships and one masters studentship, a very good number considering the competition from other institutions and the high number of applicants. The new students will start in October 2014.

In a year with many other academic pressures, including the introduction of the new Academic Progression and Promotion scheme, and the Research Excellence Framework (REF), applicants have nevertheless managed to maintain the level of research grant activity, with the total number of applications submitted being approximately the same as last year, with a total of over £27m requested. The Faculty of Health, Social Care and Education have had a very full year for applications, increasing the number submitted from last year, and more than doubling the value. This is reflected in a large upswing in both application numbers and value to UK government sources (which includes National Health funding), and we have also seen an increase in applications to UK charities.

Whilst predictions of a downturn in awards (relating to the hiatus between EU programmes) were correct, two Faculties, Health Social Care & Education; and Arts and Social Sciences have nevertheless managed to exceed their Faculty awards targets, whilst Science, Engineering & Computing have also met one of their awards targets. This relates in part to a half-million pound EU grant early in the year to the Faculty of Science, Engineering & Computing, to study wearable sensing and smart cloud computing for integrated care to COPD patients and a recent NIHR award to Health Social Care & Education approaching the £500m mark to study

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intentional rounding in hospital wards. Awards have increased, compared with last year, from UK charities, overseas sources, non-categorisable sources, and UK government sources. Last year's awards success is reflected in this year's increase in research income.

Kingston University graduates established 270 start-up companies in 2012/13, maintaining our position as the leading UK HE institution for graduate start-ups for the fifth consecutive year and an increase of 25% on 2011/12. (Source: Higher Education – Business and Community Interaction Survey 2012/13). This demonstrates our continued commitment in equipping our students and graduates with the knowledge and skills necessary to create new businesses, new jobs and new wealth.

In 2013/14, the University was awarded £625k for five new Knowledge Transfer Partnerships and was recognised for its achievement in KTP by being awarded a Grade A (outstanding) by the Technology Strategy Board for a successful project with security company, Selectamark. The University was also awarded new collaborative projects with creative and digital SMEs in the capital through the London Fusion and Creativeworks London programmes, for which the University is a delivery partner.

Kingston Business School was awarded a prestigious Small Business Charter award in recognition of the role it has played in helping to kick-start British enterprise. The Small Business Charter was created following a government report recommending that business schools and entrepreneurs work closer together to deliver real change. This award will further enable the University to share its expertise through various government initiatives, as well as encourage and facilitate enterprise in the local business community.

3. Public benefit statement

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

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

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

The governing body is aware of its responsibilities in relation to charitable purposes in making decisions on the University's educational character and mission and in relation to the effective and efficient use of resources. To deliver its mission (outlined in 1.1) Kingston has developed as a comprehensive university – with a wide range of subjects taught at all levels and a diverse student body. The University is proud of its past as a polytechnic, from which enduring commitments to widening participation and vocational and professional preparation are derived. It is ambitious for its future as a university with a growing research reputation and international presence.

4. Civic engagement

Developing good relationships with and providing benefit for the community is enshrined at the heart of *Led by Learning*, which states that the University believes in 'respect for individuals, communities and our environment'. The strategy specifies that the University will work closely with local and regional communities to develop an engaged civic university and one of the University's six supporting strategies underpins this. A key to this is the recognition by us and the Royal Borough of Kingston of mutual benefit, which is discussed at regular liaison meetings.

The University's community-facing activity is diverse and occurs widely across the institution. It encompasses high level strategic activity as well as work in the community, including student volunteering, public events, participation in a range of groups representing varied local and regional stakeholders and support for the local economy.

Kingston University is closely involved with a range of bodies and organisations to support and enhance local educational, business and cultural interests. Economically, the University is one of the town's largest employers, contributing an estimated £500m annually to the local economy.

We also contribute our expertise in bids to secure funding for cultural and economic development. For instance, we have worked with Kingston Museum on a Heritage Lottery Bid, we are part of a Local Enterprise Partnership bid to regenerate the old Post Office as an incubator for the creative industries, and we are part of an EU bid for the Creative Youth Festival. The University is a partner, with Kingston Council and Kingston College in developing a new secondary school in North Kingston, due to open in 2015.

The University's academics and researchers provide knowledge and expertise to local organisations such as Hampton Court Palace and the Metropolitan Police to help them innovate and become more competitive. We co-sponsored and participated in a major conference on the future of the borough.

Every year more than 6,000 students graduate from the University, providing a much-needed skilled workforce for the region. The University is very proud that the 2013 HE – Business and Community Interaction Survey showed that Kingston graduates generated the most start-up companies of any UK HE institution for the fourth year running.

The University contributes significantly to the region's cultural, educational and social life through public lectures, exhibitions and performances and by opening up its sporting, health, conference and specialist facilities to local residents, businesses and community organisations. The University was instrumental in bringing the Rose Theatre to Kingston and continues to offer it financial and artistic support. Our major estate development on Penrhyn Road, the Townhouse, will help provide a gateway to that part of Kingston, creating a second landmark across from Surrey County Hall.

Staff and students offer some 3,500 hours of service to good causes each year through an award-winning volunteering scheme run by the Students' Union. The University also has an extensive programme of school visits, offering educational support and encouraging local children to aim for university, particularly those whose family have no previous experience of higher education.

The University is committed to sustainable development, coming near the top of the People and Planet's Green League Table and works with the local community on many environmental projects, such as increasing the biodiversity of the Knights Park stretch of the Hogsmill River, or recycling furniture.

Widening Participation

In 2013/14, the University disbursed £1.488m to 496 new entrants (£3,000 per student) under the Government's National Scholarship (NSP) Programme and £738k to 738 students for the Kingston Scholarship (£1,000 per student). A total of £2.2m disbursed to 1,234 students who met the University's eligibility criteria for additional student support. In 2013/14 the University also allocated a total of £746k progression scholarships which were allocated to students who in the previous year had been in receipt of the NSP or Kingston bursary. The progression scholarships awarded were based on a student's average mark and were allocated as follows:

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Band 1 (£1,500 – average mark 70%+)	133 students totalling £199,500
Band 2 (£1,000 – average mark 60–69%)	388 students totalling £388,000
Band 3 (£500 – average mark 50–59%)	317 students totalling £158,500

The Government's contribution towards the National Scholarship Programme (NSP) increased from 2012/13 (from £799k in 2012/13 to £1.392m in 2013/14) and consequently the University matched funding was also increased. The level allocated for bursary funding will not continue as the Government in 2014/15 has reduced its NSP contribution and in 2015/16 the NSP allocation has been discontinued. The University is therefore reflecting Government policy and guidance from the Office for Fair Access (OFFA) and is focussing its resources, in future years, on retention and student success whilst still continuing to offer some KU bursaries to students who meet the University's eligibility criteria for additional student support. This will continue to be reflected in the University's Access Agreement and in the activities the University supports which are now being managed more tightly by the Access Working Group in line with the University's educational strategy.

5. Regulatory and competitive environment

The University's main sources of income reflect the nature of the regulatory and competitive environment in which it operates. In 2013/14 84.5% of its income (83.8% in 2012/13) came from funding agencies' grants, tuition fee income and education contracts. The major proportion of this income, 75.4% (77.0% in 2012/13) relates to teaching income, both funding and fees, for the provision of education to full-time UK and EU students. The student numbers are regulated through contracts with the funding agencies, mainly HEFCE, who will determine the number of students eligible for funding. The University must meet student number controls to avoid financial penalties. HEFCE exercises much of this regulation through the Financial Memorandum. In 2013/14, 13.9% of income (12.5% in 2012/13) came from overseas students. The Government regulates the number of overseas students via UK Border Agency controls.

Kingston University, through its joint arrangement with St George's, University of London, operates the Faculty of Health, Social Care and Education. The Faculty delivers innovative training programmes in pre-registration adult nursing, midwifery and physiotherapy alongside a range of programmes contracted by NHS London. In 2013/14, 4.2% of University income (4.6% in 2012/13) was generated from NHS contracts.

6. Analysis of financial position

The overall financial position of the University continues to be strong, with a sustainable surplus at a similar level to 2012/13. The balance sheet and liquidity position remain strong during a transition period following the introduction of higher fees and ahead of a significant investment programme.

	Target	2013/14	2012/13
Surplus as % fee and funding income	>5%	7.7%	7.5%
Annualised servicing costs as a % of income	<4%	2.9%	3.0%
Net liquidity (days)	>90 days	246 days	229 days
External borrowings as a multiple of EBITDA	<4.0	1.6	1.7

The financial statements comprise the results of the activities channelled through the University as a legal entity and give the consolidated results of the University and its subsidiary companies – Kingston University Service Company Limited (KUSCO), Kingston University Enterprises Limited (KUEL), Kingston University Campus Enterprises Limited (KUCEL) and Kingston University Press Limited (KUPL). KUSCO provides certain support services to the University and its subsidiaries. KUEL undertakes activities which, for legal or commercial reasons, are more appropriately channelled through a limited company. KUCEL was established to further develop conference and vacation letting activity. Kingston University Press Limited handles the University's printing and publishing activity. The statements also include an apportionment of the surplus from a joint arrangement in health and social care education with St George's, University of London.

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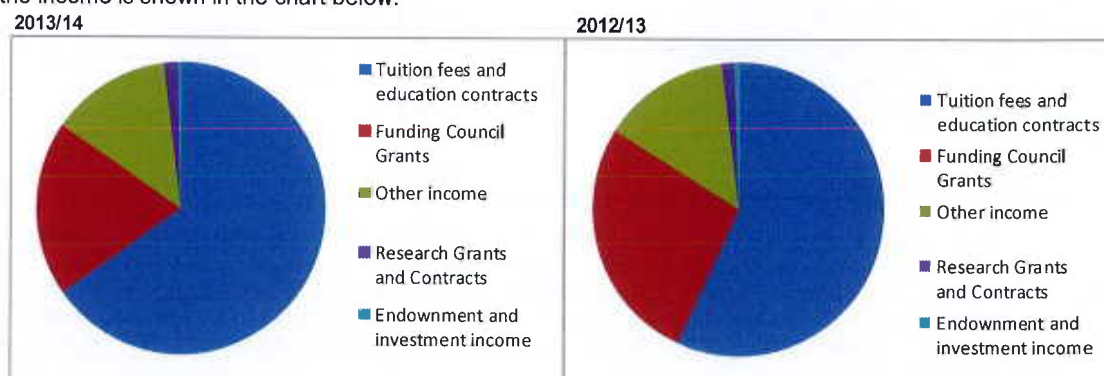
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Overview of the financial result for the year

The University's financial performance for the year to 31 July 2014 is summarised as follows:

	2013/14	2012/13
	£'000	£'000
Total Income	205,463	202,686
Total Expenditure	193,975	192,145
Historic cost surplus	12,196	11,249
Cashflow from operating activities	29,333	24,073
Cash at Bank and in hand	122,836	113,770
Increase in net assets excluding pensions liability	12,455	10,076
Increase in total reserves excluding pensions liability	13,167	12,342

The total income of £205m is mainly received from two sources; HEFCE income and tuition fees. An analysis of the income is shown in the chart below:



The total income level remains broadly constant although the movement between the income categories from 2012/13 are as follows:

Movement in income:	£'000
Decrease in funding council grants	-15,226
Increase in tuition fees and education contracts	18,849
Other movements	-846
Increase in income	2,777

The decrease in HEFCE funding and the increase in tuition fees results from the introduction of new fee arrangements in higher education. For first year undergraduate students in 2013/14, the headline fee charged was £8,750 (2012/13: £8,500; 2011/12: £3,465). There is a consequent reduction in HEFCE funding for these students. The number of undergraduate students fell by 1,400 from 2012/13.

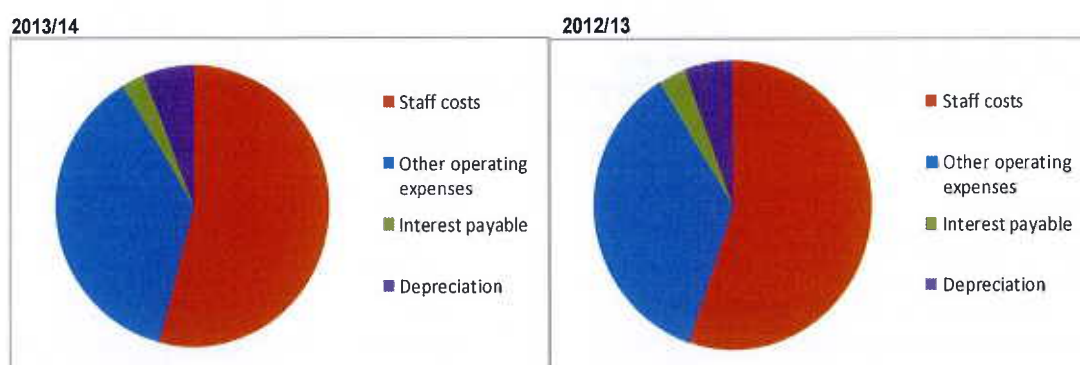
The total expenditure of £193,975k is categorised as follows:

Total expenditure increased over 2012/13 by £2,333k which included the following movements:

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Movement in expenditure	
	£'000
Decrease in staff costs	-1,119
Increase in other operating expenses	3,203
Decrease in interest payable	-1,123
Increase in depreciation charge	870
Increase in expenditure	1,830

The decrease in staff costs of £1.1m represents salary cost inflation of £2.3m, offset by a staff reduction of 39 FTEs (£3.4m). The increase in other operating expenses represents increased costs on residencies, catering and conferences of £2.2m, academic costs of £1.6m, repairs and general maintenance of £1.4m and staff related costs of £0.9m. This is offset by reductions in student bursaries of £1.5m and franchising costs of £1.2m. The reduction in interest payable of £1.1m arises from the pension scheme adjustment (FRS17) of £0.8m and term loans of £0.3m.

Capital expenditure

Expenditure on fixed assets totalled £16.9m, £2.8m of which was on freehold buildings. The main component of this total relates to the New Information Infrastructure Programme which concentrates on enhancements to IT and library services. Improvements to the estate continue to be carried out in accordance with the Campus Development Plan. The University has also spent almost £6m during the year on estate maintenance.

Treasury management

Performance against the financial strategy KPIs relating to liquidity and borrowing capacity are summarised as follows:

	Target	2013/14	2012/13
Net liquidity (days)	>90 days	246 days	229 days
External borrowings as a multiple of EBITDA	<4.0	1.8	2

Cash generated from operations amounted to £29.3m (£24.1m in 2012/13) with a year-end cash balance of £122.8m (£113.7m in 2012/13). The average cash balance over the year was just over £118m. The treasury management policy specifies the parameters within which surplus funds can be invested in terms of financial standing of the institutions and monetary value and there is a clear process to handle variations to this policy when it is necessary. All excess balances are invested with secure UK and European banks over a range of deposits from call accounts to 12-month placements.

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The University's long-term debt amounts to £45.1m, summarised in the table below:

	Rate	Outstanding amount £m	Repayment date
Barclays loan	4.84%	36.7	30.9.20
Finance leases	7.5%	8.4	1.4.19 to 1.4.22

The Barclays loan funded the first stage of the campus development plan which is now substantially complete. The finance leases relate to three halls of residence, Middle Mill, Kingston Bridge House and Chancellors.

In addition to the above commitment, the University has a PFI contract for the renovation and running of the Clayhill halls of residence. The University pays a unitary charge of £2.1m per annum which escalates by no more than 3% per annum. The renovation costs relating to this agreement are not included on the balance sheet, in accordance with FRS5.

Financial outlook

The university has generated substantial surpluses for the last five years as shown in the table below:

£m	2009/10	2010/11	2011/12	2012/13	2013/14
Historical cost surplus	16.7	20.6	11.6	11.3	12.2
Cash generated from operations	24.3	27.4	24.5	24.1	29.3

The Board of Governors approved a methodology to review the going concern of the University at its meeting in July 2012. The review was undertaken in accordance with recommendations from the Financial Sustainability Strategy Group, as included in the report "assessing the sustainability of higher education institutions" prepared by JM Consulting. This recommends the governing body undertakes an internal review of sustainability and that this is recorded in the annual report.

The recruitment levels for home/EU and overseas students are being closely monitored and the University plans to meet the financial strategy target surplus level of 5% minimum fee and funding income for 2014/15.

7. Performance and operation of the University

The University monitors performance across the range of its activity through a suite of performance indicators derived from Kingston's strategic objectives. The Board of Governors agreed a set of 10 key performance indicators (KPIs) in 2006 and these were reviewed in 2009 in the light of CUC guidance on the use of performance indicators in University governance.

A new framework of performance indicators was implemented in 2012/13 following the launch of *Led by Learning*. The list of University-level performance indicators has been revised and extended to 15, with some of these disaggregated to faculty and course level for internal management purposes.

In addition to a review of the definitions and targets for each indicator, the schedule of updates has been smoothed into an annual cycle. The process still provides an annual review of progress, which aims to give assurance of the institution's sustainability, but individual indicators are also closely monitored throughout the year.

At each of five Board of Governors meetings per year, detailed updates of two, three or four performance indicators are discussed. The updates comprise the latest data in a time series, a faculty by faculty breakdown (where appropriate) and an external sector comparison. A brief description of the actions to effect further improvement is also provided in each indicator's one-page summary. Prior to reaching the Board of Governors, these updates are considered by the senior management team and a red, amber or green flag is associated with the update.

University-Level Key Performance Indicators

edit November 14

ID	Title (with SMT RAG rating)	Definition	Responsibility	Year of previous value	Previous Value	Short Term Target	Latest result	Long Term Target	Notes
64	Entry Standards	Average Tariff points For Young First Degree Entrants	Planning	2011/12	313	285	298	>= median of Alliance Group	
99	Student Retention	Full time First Degree Retention of First Year Entrants - Young & Mature [HESA performance indicator 3a]	Planning	2010 Entry Cohort	87.0%	87.5%	88.2%	90% by 2015/16	
161	NSS Overall Satisfaction	% of students taught at KU expressing overall satisfaction with their course	Planning	2011/12	79%	83%	80%	Exceed sector median by 2015/16	
164	Staff Qualifications	% of salaried staff with academic responsibilities who have either a Doctorate, qualifications in Learning & Teaching or both	Human Resources	2011/12	30% with doctorate	50%	33% with Doctorate plus 8% with Certification L&T in HE	100% of students taught by staff with a doctorate, a qualification in learning & teaching, or both, by 2020/21	
38	Staff Engagement	Composite percentage score approximating staff engagement, derived from multiple questions in staff survey conducted by Aon Hewitt (previously Capita Surveys & Research)	Human Resources	2011/12	74% Staff Satisfaction'	33%	29% Staff 'Engagement'	40% to 65% range	
49	Minimum level of financial surplus	Percentage ratio of historical surplus/(deficit) for the year after taxation to Total Income excluding NHS and non-credit bearing courses	Finance	2011/12	7.75%	5.40%	7.51%	Minimum of 5% (3 years rolling) & 4% in any single year	
55	External borrowings as a multiple of EBITDA	The ratio of external borrowings to earnings before interest and taxation	Finance	2011/12	1.86	Does not exceed 4	1.74	Does not exceed 4	
58	Minimum level of cash liquidity	Days ratio of net liquidity to total expenditure (excluding depreciation & pension cost adjustment) [HEFCE metric 25b]	Finance	2011/12	206 days	90 days minimum	232	90 days minimum	
61	Gearing Ratio	External borrowing/ reserves exc pension liability	Finance	2011/12	28%	Not more than 45%	23%	Not more than 45%	
100	Satisfaction rate in Q13 survey	% of postgraduate respondents expressing that the overall experience of their course has met or exceeded expectations [Q13.g in survey co-ordinated by HEA]	ADC	2011/12	82.8%	83%	80.8%	within 1% of sector average or greater by 2016	
16	University external research funding	Value of research bids successful in year plus enterprise income reported in HEBIS return. Subtract research funding from industry (to avoid double-count) and in-kind payments	Research Committee Business & Enterprise Committee	2011/12	£3.1m	£5.5m	£5.2m	£6.2m by 2014/15	
27	Research Students	Number of research students completing studies in reporting period, having commenced full time studies in preceding 5 years (or part time studies in preceding 9 years)	Research Committee	2011/12	45		61		
101	Position in Universities Green League	Ranking, Award and Status in annual 'green' league table	Planning	2012	42nd - First Class Award with score of 40.5	Maintain First Class Award and score 42/70	61st - Upper Second Class Award with score of 37/70	Score within 10% of league leader	
102	Graduate Prospects	% of FT first degree qualifiers obtaining full time work or undertaking further study in the annual DLHE returns	Planning	2011/12	84.90%	86%	89.0%	90% by 2015/16	
139	Estate condition	% of non-residential estate in EMS condition categories A & B	Estates	2011/12	58%	PR, KP & KH surveys undertaken	59%	65%	

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Progress against KPIs

Recruitment

Undergraduate recruitment in 2013/14 continued to fall after the new regime of 2012/13 had reversed the upwards trend in demand and entry standards that had characterised the period up to 2011/12. For a second year, the University did not approach the upper limit of its Student Number Control and although the minimum tariff threshold of entry standards was maintained, the overall average tariff of entrants continued to decline. The average tariff had previously increased faster than anticipated, surpassing the 300 mark for the first time in 2011/12, and the subsequent consolidation to just under 300 was still ahead of target.

Retention

The HESA performance indicator pertaining to student retention has peaked at its highest level since (at least) 2000/01, with over 88% of first year first degree students continuing their studies. The latest figures pertain to the 2011/12 cohort, which had higher entry standards than their counterparts before and since.

Employability

There has been a sharp increase in the proportion of Kingston graduates finding work or entering further study, with the previous improvement of 1.5% followed up by a 4.1% jump for the 2012/13 graduating cohort. This recovery can be partially explained by a swift improvement among London institutions, which have recently been suffering from a negative London effect, but nevertheless Kingston's improvement is swifter than that of its peers and caused the University to surpass its short-term target.

National Student Survey (NSS)

Following a slow upwards trend in student satisfaction, 2014 saw overall satisfaction reduce to 78% from 80%. There was a clear indication that the University's organisation and management was causing the students' dissatisfaction with their courses, likely as a result of turmoil associated with implementation of the Review of the Academic Framework.

8. Sustainability and Ethics

This year the KU Sustainability Hub has developed and tested the structures and governance for embedding sustainability across the institution. As a result activities have included:

- Multi-stakeholder groups to consult and agree on a full portfolio of publicly available sustainability policies and plans for continuous improvement.
- Testing and agreement on systems and governance structures to involve key staff in the embedding and delivery of sustainability and ethics across all core business areas
- The identification of responsible members of staff to deliver action plans with specific and prioritised targets and feed data on key indicators into the Sustainability Hub for monitoring.
- The Sustainability Review Group (SRG) has met termly to strategically review and advise on direction.

The SRG uses a Maturity Matrix to assess status and acknowledges that whilst KU finds itself at the early stages, there is strong commitment from SMT to deliver on the commitments to embedding sustainability and ethics in Led by Learning, and that the change and renewal programme provides many opportunities for so doing.

The Sustainability Hub has conducted audits of basic environmental legislation and communicated corrective actions required by colleagues. Introductory sustainability training for all staff has been developed and incorporated into induction procedures. The next year will see targeted communication of legislative

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requirements and targeted training sessions to support a pathway to zero tolerance on legal compliance across the institution, alongside development of general sustainability and ethics training for existing staff.

The board-level KPI, the People and Planet Green League re-launches in October and there is controversy in the sector over its continuing usefulness. Foreseeing this, a comprehensive suite of internal sustainability indicators have been produced and tracked in a Sustainability Dashboard, updated termly and presented to Infrastructure Committee over the last year. Key developments and achievements recorded here include:

- Total Scope 1 & 2 carbon emissions (direct use of fuels/owned vehicle fleet) remained at just over 12,000 CO2tonnes costing c.£165k in carbon taxes.
- The KU 2020 carbon reduction target submitted to HEFCE of 35% equates to c.8,200 CO2tonnes pa. 'Step change' actions over the next 6 years, including on-site renewables, are required to meet this and contribute to the UK Government 80% carbon emissions reduction target by 2050. Costed feasibility studies are being prepared for SMT consideration.
- A 6.4% reduction of c.840 CO2tonnes was achieved due to energy efficiency projects, combined with a milder winter and changes in the UK grid emissions factor.
- Scope 3 carbon emissions were reported to HEFCE for the first time comprising 57,000 CO2tonnes from procurement, 4,000 from travel (with failure to report on business travel) and negligible amounts from water and waste. Whilst methodologies are being tested nationally, the figures show a clear need to focus on procurement and embed in work with the supply chain which is included in the Sustainable Procurement Action Plan of the Corporate Procurement Strategy.
- Water usage increased by 13% and is being investigated. 50% of water usage is in halls where water efficient showerheads are being tested.
- Waste arisings remained c.860 tonnes of office waste, recycling increased by 4% to 33%. A new waste tender will require 80%+ levels of recycling as a minimum to achieve value for money as per sector comparators.
- Over 50 individual staff members reused furniture internally saving c.£8k. Expanding to embed in KUSCO, Estates and Procurement furniture processes will increase savings.
- Compliance audits were conducted and corrective actions identified, waste data will be expanded to include all KU waste produced on campus.
- The Town House redevelopment is on track at Stage C, to reach BREEAM Excellent (with the aspiration of Outstanding).
- Ed Davey, Secretary of State for Climate Change, attended KU events including the celebration for Green Impact teams and the launch of Kingston Energy.
- Over 25 events were attended by over 260 staff and students who volunteered almost 850 hours including for: biodiversity and Green Impact, contributing to the Kingston Award.
- KU maintained Fairtrade status, supplied 100% free range eggs, over 20% MSC certified fish, around 35% seasonal food.
- KU continued to provide leadership for sustainability in the sector with the Director of the Sustainability Hub chairing the London Universities Environment Group; managing the Mayor's Low Carbon Entrepreneur Prize and speaking at Peking University on security issues.

9. People

Development and training

The development and training strategy for 2013/14 identified leadership, change and performance management as priorities for corporate and devolved training budgets. Senior Management Team staff moves have led to a focus on top team development and a review of the current leadership development programme. In addition, we are supporting the many change programmes in the University by offering workshops to support those leading and coping with change. In response to the University's focus on performance management, workshops have been offered to senior staff.

Members of staff also have a range of support mechanisms available to them, including a comprehensive employee assistance programme for confidential guidance and advice, face-to-face counselling and a harassment contact scheme. The provider also offers monthly webinars to support staff wellbeing. Induction has been improved with a review of the corporate introduction event and improved on-boarding support.

Staff engagement, which is monitored through an institutional KPI, remains an important source of information for development, with many of the key drivers for engagement identified as a priority development need. Since the last staff survey the University has improved engagement data by identifying a correlation with student satisfaction, this is thought to be the first work of this kind in the sector. The Human Resources team continues to support an active group of engagement representatives who work with their management teams on local engagement issues and translate corporate actions into practice.

Communication continues to be a driver for engagement and a key OD activity in response to high levels of change currently taking place throughout the university and the HE environment. Alongside existing communication channels HR have been working with relevant project teams to improve how information is shared on our Process Review Programme and local restructures. Kingston has a good record of constructive industrial relations and relationships with its recognised unions – University & College Union (UCU), UNISON, Royal College of Nursing (RCN) and Royal College of Midwives (RCM). HR worked with UCEA during the spring to avoid a threatened marking boycott that would have significantly impacted the student experience.

Reward and Recognition

Kingston rewards and recognises good performance and supports continuous improvement in teaching, research, enterprise, professional practice and administration.

Key elements of the University's benefits package are generous annual leave, sick pay and statutory pension schemes: the Teachers' Pensions Schemes (TPS) for academic staff and the Local Government Pension Scheme (LGPS) for support staff. The University also supports membership of the Universities Superannuation Scheme (USS) if employees were scheme members immediately prior to joining Kingston.

The Reward team are progressing a number of Reward projects including reviewing the positive feedback from staff and managers on the Executive and Senior Staff pay scheme implemented in August 2013 and benchmarking staff terms and conditions for our Grades 1-10 against the sector and wider markets.

Equality and diversity

2013/14 was a strong year for equality and diversity at Kingston. We are proud winners of the Guardian University award which recognised our comprehensive approach to embedding equality and diversity in and through the introduction of the new academic framework. Already we can see the impact of this initiative in the positive outcomes of staff analysed by gender and ethnicity and the differentials for age and disability which are now being prioritised through focus groups on age and a disability review planned for 2015. Career routes to professorship have been widened to include learning and teaching and professional practice which is intended to improve the diversity in professorial roles and to value these areas of academic activity which significantly

(REPORT OF THE GOVERNING BODY)

2013/14 FINANCIAL STATEMENTS

impact student experience and outcomes. Apart from better NSS returns, we aim to see improvements to retention rates and the BME attainment gap.

We are pleased to receive the Athena SWAN Bronze award which recognises our solid foundation for achieving gender equality in science, engineering and technology (SET) areas. The application process and subsequent action plan enables the University to direct resources to achieve the potential of all our talented staff and is a step towards the silver award which can be a pre-requisite for funding.

Kingston is also pleased to have their application to take part in the new Race Charter Mark accepted. We recognise this is an important step in improving the success and experience of our BME students and staff and our performance in terms of retention and attainment as well as our reputation as an inclusive institution.

Kingston has also gained external recognition for our work in equality and diversity and we were invited to be a member of the steering group for the London Higher's project on improving diversity in leadership. We are also pleased to note that the equality mentoring schemes were highlighted in an award which recognised our work to support the employability of our BME students.

The foundation of an important performance improvement was laid this year. The Senior Management Team agreed a SMT level BME attainment gap KPI. Review of our processes, research in the sector and a metric will lead to an institutional plan to progress this KPI from 2014/15.

Kingston launched a new diversity and inclusion research unit. Located within the Faculty of Business and Law this entity is formed in conjunction with the Equality, Diversity and Inclusion Unit to bridge the gap between research and practice by for example including research that benefits Kingston and the higher education sector.

A significant achievement in 2013/4 was that we exceeded 3 of our Public Sector equality objectives. These were set: to reduce the gap between the proportion of female academics in grade 10 roles compared to the proportion of male academics in grade 10 roles; to increase the proportion of disabled students on disabled student allowance (DSA) and to increase the proportion of disabled students on DSA who were in employment within 6 months of graduation.

10. Principal risks and uncertainties

Strategic Risk Register (SRR)

The University maintains strong governance for Risk Management. There is an overarching risk policy that sets out the structure for the management of risk within the University. 27 faculties and departments all maintain risk registers these are updated four times a year. As well as managing and recording risk at the local level they contribute directly to the strategic risk register. The most recent strategic risk register (SRR) was signed off by the Board of Governors in July 2014.

The SRR has been developed in close alignment with the objectives of the universities strategic "Led by Learning" plan. However, the volatility of the environment in which the HE sector now operates presents the University with a number of external risks. These have been considered and preventative, or mitigating, actions put in place. These risks include:

- Possible substantial reduction in student demand for places due to many external influences;
- Compromise in quality and/or inability to recruit to target due to government policy changes and other contributing factors;
- Reduction in the international market due to United Kingdom visas and immigration policy changes.

OPERATING AND FINANCIAL REVIEW

(REPORT OF THE GOVERNING BODY)

2013/14 FINANCIAL STATEMENTS

These, and other, high level risks have required changes to the process by which risks are managed and reviewed within the University (including changes of emphasis in the role of the Audit and Risk Assurance Committee and a requirement for all committees reporting to the board to demonstrate their emphasis on risk management). These process changes will enable the University's senior management to be aware of increasing probability and impact of risks and to take appropriate action to counter them.

Mitigation of risk.

All of the risks identified in strategic risk register have their own action plans. These plans are then overseen by the appropriate committee. For example a finance risk that relates to student fees is monitored by the fees group. The strategic risk register is updated a minimum of 4 times per year. At each update the actions are also updated and reviewed. They are then changed as appropriate.

11. Future Plans

The University is committed to maintaining its investment in academic developments and infrastructure despite the anticipated future financial challenges. The financial results for 2013/14 represent a robust financial position that will greatly assist in managing the risks and uncertainties. The financial strategy parameters have been met in 2013/14 and the medium-term plans require the cost base to match the income levels projected when the whole student body will be subject to the new fee arrangements and the sustainable recruitment position will be understood.

In addition to the measures described in section 7 above, the University is now working with a company appointed to review the University's processes in the administration and student support areas. From this work a number of options are now being considered for implementation to achieve the optimal structure and configuration of the University's support function.

12. Conclusion

The year 2013/14 has been another successful year both academically and financially. A sustainable surplus has been generated ahead of a period of change, re-organisation and planned investment. The financial planning process recognises the impact of reduced student recruitment levels and the need to contain costs to achieve the sustainable surplus levels of 5% fee and funding income over a rolling three year period.



Mr David Edmonds
Chairman of the Board of Governors



Professor Julius Weinberg
Vice-Chancellor

RESPONSIBILITIES

OF THE

BOARD OF GOVERNORS OF KINGSTON UNIVERSITY

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

The Board of Governors is responsible for ensuring that proper accounting records are kept that disclose at any time and with reasonable accuracy the financial position of the University and its subsidiaries, to enable it to ensure that the financial statements are prepared in accordance with the Education Reform Act 1988, applicable law and United Kingdom Generally Accepted Accounting Practice. In addition, within the terms and conditions of the Financial Memorandum 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 2013/2014 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 Skills 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 Financial Memorandum dated 2010 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.

LIST OF BOARD OF GOVERNORS

OF KINGSTON UNIVERSITY

Ms Heather ALLAN	
Ms Jan BROADBENT	
Mr Chris BROOKS	
Mr David CARTER	
Cllr Stephen COOKSEY	Resigned 21/11/13
Dr James DENHOLM-PRICE	
Mr. David EDMONDS	
Mr. Gary ERNEST	
Mr Bruce FRASER	
Professor Caroline GIPPS	
Denza GONSALVES	
Ms Lesley GRANGER	
Mr Robert GREEN	Resigned 20/11/13
Mr Frank KENNEDY	
Prof Peter KOPELMAN	
Mr. Peter MAYHEW-SMITH	Appointed 22/08/13
Mr Neil MACINTOSH	
Dr Sunitha NARENDRAN	
Mr John RIPLEY	
Ms Liz Rylatt	
Ms Jane Scott	
Professor Julius WEINBERG	
Ms Jo Woods	

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 Financial Memorandum with the HEFCE. During the period covered by these Statements, the Board of Governors has undertaken a review of its own effectiveness, in line with the guidance issues by the CUC. We concluded that '...governance is basically sound, and that appropriate arrangements are in place for providing the necessary oversight and assurance required by the various stakeholder bodies'.

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 2014 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 Committee concerning, internal control, governance, value for money, risk management and data quality.
- c. The University has established a Risk Management Committee to oversee risk management, which met five times during the year, reporting to the SMT (Senior Management Team) and The Audit and Risk Committee.
- d. The Audit and Risk Committee meets four times a year and receives regular reports from the Head of Internal Audit (Managing director of Kingston City Group – Internal Audit Consortium), which include an independent opinion on the adequacy and effectiveness of the institution's system of internal control, together with recommendations for improvement.
- e. We have a Finance Committee which regularly reviews the annual plan, monitors progress against the plan, and takes a view on the going concern basis of the University.
- f. A regular programme of review exists to keep up-to-date the record of risks facing the organisation at both strategic and operational levels.
- g. A robust risk prioritisation methodology based on risk ranking has been established in the identification and evaluation of risks.
- h. A series of organisation-wide risk registers is maintained by nominated risk managers across the institution.
- i. A programme of risk awareness training continues as part of the annual Risk Management programme.

- j. A system of key performance and risk indicators has been developed and incorporated in detailed strategic and operational monitoring modules, which derive from risk registers across the institution; these modules track the progress made with implementing agreed actions for the mitigation of identified risks.
- k. The process of risk management is fully embedded and integrated within the institution's planning processes, at both strategic (institutional) and operational (Faculty and Departmental) levels.

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

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

INDEPENDENT AUDITORS' REPORT

TO THE BOARD OF GOVERNORS OF KINGSTON UNIVERSITY

We have audited the financial statements of Kingston University for the year ended 31 July 2014 which comprise the Consolidated Income and Expenditure Account, Consolidated Statement of Total Recognised Gains and Losses, the Balance Sheets for the Group and the University, the Consolidated Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the University's Governors, as a body, in accordance with paragraph 124B of the Education Reform Act 1988. Our audit work has been undertaken so that we might state to the University's Governors those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the University and the University's Governors as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of the University's Governing Body and Auditors

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

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

Scope of the audit of the financial statements

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

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 Financial Memorandum with the Higher Education Funding Council for England.

Opinion on the financial statements

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and the University's affairs as at 31 July 2014 and of the Group's income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Education Reform Act 1988 and the Statement of Recommended Practice: "Accounting for Further and Higher Education Institutions".

INDEPENDENT AUDITORS' REPORT

TO THE BOARD OF GOVERNORS OF KINGSTON UNIVERSITY

In our opinion, in all material respects:

- income has been applied in accordance with the University's statutes and where appropriate with the applicable Financial Memorandum with the Higher Education Funding Council for England.
- funds from whatever source administered by the institution 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 Financial Memorandum and any other terms and conditions attached to them.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matter where the Higher Education Funding Council for England Audit Code of Practice requires us to report to you if, in our opinion:

- the statement of Internal Control (included as part of the Corporate Governance Statement) is inconsistent with our knowledge of the Group and the University.



James Aston
BDO LLP
Statutory Auditor
Gatwick
United Kingdom

Date: 27 November 2014

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

CONSOLIDATED
INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 JULY 2014

	Notes	2013/14 £000s	2012/13 £000s
INCOME			
Funding Council grants	2	39,657	54,883
Tuition fees and education contracts	3	134,036	115,614
Research grants and contracts	4	3,281	2,934
Other income	5	27,760	28,144
Endowment and investment income	6	729	1,110
Total income		205,463	202,686
EXPENDITURE			
Staff costs	7	105,178	106,297
Other operating expenses	8	71,875	68,672
Interest payable	9	5,141	6,265
Depreciation	10 & 11	11,781	10,911
Total expenditure		193,975	192,145
Surplus on continuing operations after depreciation of assets		11,488	10,541
Taxation	1	-	-
Surplus on continuing operations after depreciation of assets and taxation	20	11,488	10,541

The income and expenditure account is in respect of continuing activities.

The notes on pages 26-55 form part of these financial statements

**STATEMENT OF
TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 JULY 2014**

	2013/14 £000s	2012/13 £000s
Surplus on continuing operations after depreciation of assets, and taxation	11,488	10,541
Endowment income retained in the year	188	41
Adjustments associated with pension schemes:		
Actuarial (loss)/gain in respect of pension schemes	(8,277)	16,224
Total recognised gains and losses since last annual report	<u>3,399</u>	<u>26,806</u>

Reconciliation

Opening reserves and endowments	141,555	114,749
Total recognised gains and losses for the year	3,399	26,806
Closing reserves and endowments	<u>144,954</u>	<u>141,555</u>

The notes on pages 27-54 form part of the financial statements.

**CONSOLIDATED STATEMENT OF
HISTORICAL COST SURPLUSES AND DEFICITS
FOR THE YEAR ENDED 31 JULY 2014**

	Notes	2013/14 £000s	2012/13 £000s
Surplus on continuing operations before taxation		11,488	10,541
Difference between historical cost depreciation and the actual charge for the period calculated on the re-valued amount	19	708	708
Historical cost surplus for the period before taxation		<u>12,196</u>	<u>11,249</u>
Historical cost surplus for the period after taxation		<u>12,196</u>	<u>11,249</u>

The notes on pages 27-54 form part of the financial statements.

BALANCE SHEETS

FOR THE YEAR ENDED 31 JULY 2014

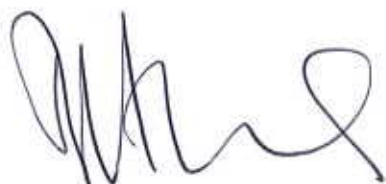
		Consolidated 2013/14 £000s	University 2013/14 £000s	Consolidated 2012/13 £000s	University 2012/13 £000s
	Notes				
Fixed Assets					
Tangible assets	10	188,624	183,817	183,529	178,578
Investments	10	115	6,232	115	6,232
Total fixed assets		188,739	190,049	183,644	184,810
Endowment Assets	11	2,202	2,202	2,014	2,014
Current Assets					
Stock		213	213	327	327
Debtors	12	10,656	11,379	9,981	10,785
Current asset investment	13	115,355	109,213	100,836	94,713
Cash at bank and in hand		7,481	6,385	12,934	11,437
		133,705	127,190	124,078	117,262
Creditors: amounts falling due within one year	14	(39,574)	(39,160)	(34,264)	(33,544)
Net current assets		94,131	88,030	89,814	83,718
Total assets less current liabilities		285,072	280,281	275,472	270,542
Creditors: amounts falling due after more than one year	15	(45,720)	(45,713)	(48,575)	(48,575)
Net Assets excluding pension liability		239,352	234,568	226,897	221,967
Pension Liability	16	(81,005)	(75,556)	(71,048)	(65,998)
Net Assets including pension liability		158,347	159,012	155,849	155,969

BALANCE SHEETS (continued)
FOR THE YEAR ENDED 31 JULY 2014

		Consolidated	University	Consolidated	University
		2013/14	2013/14	2012/13	2012/13
		£000s	£000s	£000s	£000s
	Notes				
Deferred capital grants	17	13,394	13,394	14,294	14,294
Endowment					
Restricted expendable	18	995	995	791	791
Restricted permanent	18	1,207	1,207	1,223	1,223
Reserves					
Revaluation reserve	19	52,384	52,384	53,092	53,092
General reserve	20	171,372	166,588	157,497	152,567
Total reserves excluding pension liability reserve		223,756	218,972	210,589	205,659
Pension liability reserve	16	(81,005)	(75,556)	(71,048)	(65,998)
Total reserves including pension liability reserve		142,751	143,416	139,541	139,661
TOTAL		158,347	159,012	155,849	155,969

The notes on pages 27-54 form part of the financial statements.

The financial statements on pages 21 to 54 were approved and authorised for release by the Governing Body on 26 November 2014 and were signed on its behalf by:



David Edmonds CBE
Chairman of the Board of Governors



Professor Julius Weinberg
Vice-Chancellor and Chief Executive

CONSOLIDATED
CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 JULY 2014

		2013/14 £000s	2012/13 £000s
	Notes		
Cash flow from operating activities	21	29,333	24,073
Returns on investments and servicing of finance	22	(2,649)	(2,294)
Capital expenditure and financial investment	23	(15,115)	(7,514)
Management of liquid resources		(14,518)	(9,515)
Financing	24	(2,505)	(2,258)
Increase in cash in the period		<u>(5,453)</u>	<u>2,491</u>
Reconciliation of net cash flow to movement in net funds			
Decrease in cash in the period		(5,453)	2,491
Movement in endowment asset		204	57
Change in net debt resulting from cash flows		17,024	11,773
Movement in funds in period		<u>11,775</u>	<u>14,322</u>
Net funds at 1 August		66,310	51,988
Net funds at 31 July	25	<u>78,085</u>	<u>66,310</u>

The notes on pages 27-58 form part of the financial statements.

NOTES TO THE ACCOUNTS

Year ended 31 July 2014

1. STATEMENT OF ACCOUNTING POLICIES

The financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP) Accounting for Further and Higher Education July 2007 and applicable UK accounting standards. The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

a Basis of Accounting

The Financial Statements are prepared on the historical cost basis, as modified by the revaluation of land and buildings.

b Basis of Consolidation

The consolidated financial statements include the financial statements of the University and all its subsidiary undertakings for the financial years 31 July 2014 and 2013. The consolidated financial statements exclude the financial statements of the Kingston University Students' Union as the Union does not constitute a subsidiary or quasi-subsidiary undertaking under the definitions of Financial Reporting Standards 2 and 5.

The University entered into a joint arrangement with St George's Hospital Medical School on 1 January 1996. Under the terms of the joint arrangement, assets and liabilities are divided equally and 50% of the value of the appropriate assets and liabilities has been included in the Balance Sheet of the University. The arrangement has been accounted for as a joint arrangement that is not an entity in compliance with FRS9. The basis of apportionment of the income and expenditure is in proportion to the awards granted by each institution.

c Tangible Fixed Assets

Land and Buildings

Freehold land is stated at a clear site land value based upon a valuation report prepared by the Chartered Surveyors, Dunphys, as at 31 July 1993. Assumptions made in preparing the report include planning permission for development for a use prevailing in the vicinity of each site and no unusual costs in developing any of the sites. Given the specialist nature of the usage of the land, these assumptions give a best approximation of existing use land value.

Freehold Buildings inherited from the Local Authority on 1 April 1989 are stated in the accounts at depreciated replacement cost in accordance with the Royal Institute of Chartered Surveyors' Guidance notes concerning asset valuation. This value is based upon a valuation report prepared by the Chartered Surveyors, Dunphys, as at 31 July 1993. Under the transitional provisions of FRS15 the valuation has not been updated since this date.

All other buildings are shown in the accounts at cost less accumulated depreciation.

Other Tangible Fixed Assets

Other tangible fixed assets are stated at cost less accumulated depreciation.

The historical cost of land and buildings included in the balance sheet at valuation is not available and therefore cannot be disclosed.

NOTES TO THE ACCOUNTS
(continued)
Year ended 31 July 2014

d Depreciation

Land is held freehold and is not depreciated as it is considered to have an indefinite useful economic life.

Freehold buildings are depreciated on a straight line basis over the estimated remaining useful economic life of each asset. The useful economic lives of main buildings are fifty years. Minor works projects are deemed to have a useful economic life between five and fifteen years.

Plant, machinery and other equipment has a capitalisation threshold of £10,000 per individual item or group related items and is depreciated on a straight line basis as follows:

Major Plant	-	10 years
Fixtures & Fittings	-	6 years
Minor Plant	-	5 years
Vehicles	-	5 years
Educational Equipment	-	5 years
Computer Equipment	-	3-5 years

The Dorich art collection is not depreciated as it is considered that the carrying value of the asset will continue to be at least equal to the residual value of the asset.

e Investments

Other investments are shown at cost less any provision for impairment.

f Stocks

Stocks are stated at the lower of cost and net realisable value.

g Recognition of income

The recurrent grant from HEFCE, other funding council grants and the NHS contracts income represent the funding allocation that is attributable to the current financial year and is credited directly to the Income and Expenditure account.

Tuition fees represent student fees received and receivable, attributed to the current accounting period.

Income from Research Grants and Contracts is included to the extent of the expenditure incurred during the year, together with any related contributions towards overhead costs.

Income from other services rendered is included to the extent of completion of contract or services concerned and is measured at the fair value of the consideration receivable.

Income used to acquire tangible fixed assets is credited to deferred capital grants and released to the Income and Expenditure Account over the estimated useful lives of the relevant assets.

The University acts as an agent in collection and payment of training bursaries from the National College of Training and Leadership and of Access Funds from the HEFCE. Related payments received from the National College of Training and Leadership and the HEFCE and subsequent disbursements to students are excluded from the Income and Expenditure Account and are shown separately in Note 30 to the accounts.

NOTES TO THE ACCOUNTS
(continued)
Year ended 31 July 2014

h Taxation Status

The University is an exempt charity within the meaning of Schedule 2 of the Charities Act 2011 and as such is a charity within the meaning of Para 1 of Schedule 6 to the Finance Act 2010. Accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by Sections 478 – 488 of the Corporation Tax Act 2010 (CTA 2010) (formerly enacted Section 505 of the Income and Corporation Tax Act 1988 (ICTA)) or Section 256 of the Taxation of Chargeable Gains Act 1992 to the extent that such income or gains are applied to exclusively charitable purposes.

All subsidiary companies are liable to Corporation Tax and Value Added Tax in the same way as any other commercial organisation. The University's principal activities are exempt from Value Added Tax, but certain ancillary supplies and services are liable to Value Added Tax at various rates. Expenditure includes irrecoverable Value Added Tax charged by suppliers to the University.

i Operating Leases

Rental costs under operating leases are charged to expenditure in equal annual amounts over the period of the lease.

j Pension Costs

The University contributes to a number of defined benefit pension schemes and accounts for the costs in relation to these schemes in accordance with FRS17 (Retirement benefits).

Where the University is unable to identify its share of the underlying assets and liabilities in a defined benefit pension scheme on a reasonable and consistent basis, it accounts as if the scheme were a defined contribution scheme, so that the cost is equal to the total contributions payable in the year.

For other defined benefit schemes, the assets of each scheme are measured at fair value, and the liabilities are measured on an actuarial basis using the projected unit method and discounted at an appropriate rate of return. The University's share of the surplus or deficit of the scheme is recognised as an asset or liability on the balance sheet. The current service cost, being the actuarially determined present value of the pension benefits earned by employees in the current period, and the past service costs are included within staff costs. Interest Payable includes the net of the expected return on assets, being the actuarial forecast of total return on the assets of the scheme, and the interest costs being the notional interest cost arising from unwinding the discount on the scheme liabilities. All changes in the pension surplus or deficit due to changes in actuarial assumptions or differences between actuarial forecasts and the actual out-turn are reported in the statement of total recognised gains and losses.

k Finance Leases

Assets held under finance leases arising from lease and lease-back transactions are shown at cost and depreciated over their estimated useful lives.

The finance charges are allocated over the period of the lease in proportion to the amount of capital outstanding.

l Endowment Assets

Assets donated to the University are included in the Income and Expenditure Account for the year at valuation, and subsequently transferred to specific reserves and released where appropriate in accordance with depreciation charged in the Income and Expenditure Account.

Income from expendable endowments, permanent restricted endowments and other restricted income is included in the Income and Expenditure Account for the year at valuation and released where appropriate in accordance with depreciation charged in the Income and Expenditure Account.

m Reserves Policy

Revaluation Reserve: Upon achieving corporate status under the 1998 Education Reform Act the original value of the inherited assets and liabilities was transferred to capital reserves. Revaluation of inherited land and buildings was carried out in July 1993. The revaluation reserve includes these elements. A transfer is made from the revaluation reserve to the income and expenditure reserve, for an amount equivalent to the difference between historical cost depreciation and the actual charge for the period.

NOTES TO THE ACCOUNTS
(continued)
Year ended 31 July 2014

2 FUNDING COUNCIL GRANTS

	2013/14 £000s	2012/13 £000s
Recurrent grant (including research element)	34,795	48,621
HEFCE specific grants	1,021	949
National College of Training and Leadership	978	1,744
SFA	650	678
Deferred capital grants released in year	2,213	2,891
	<u>39,657</u>	<u>54,883</u>

3 TUITION FEES AND EDUCATION CONTRACTS

	2013/14 £000s	2012/13 £000s
		Restated
Full-time UK and EU students	86,979	71,867
Part-time UK and EU students	5,746	6,010
Channel Island students	295	301
Overseas full-time students	27,463	24,183
Overseas part-time students	724	966
NHS teaching contracts	8,622	9,305
Short course fees	4,207	2,982
	<u>134,036</u>	<u>115,614</u>

The restatement was caused by 427k in income for short courses being moved from other income.

4 RESEARCH GRANTS AND CONTRACTS

	2013/14 £000s	2012/13 £000s
Research Councils	803	856
UK based charities	492	342
Other research grants and contracts	1,986	1,736
	<u>3,281</u>	<u>2,934</u>

NOTES TO THE ACCOUNTS
(continued)
Year ended 31 July 2014

5 OTHER INCOME

	2013/14 £000s	2012/13 £000s
		Restated
Residencies and catering	18,485	17,843
Income from UK public bodies	2,755	3,179
Income from EU based organisations	350	286
Income from University shops	181	174
Income from sports facilities	83	103
Course validation fees/teaching contracts	1,124	949
Nursery fees	189	144
Field trips	317	363
Graduation ceremonies	271	290
Sale of teaching materials	357	417
Release from deferred capital grant	-	14
Release from endowment reserve	16	-
Other income	3,632	4,383
	27,760	28,144

The restatement was caused by 427k in other income for short courses being moved from Tuition Fees.

6 ENDOWMENT AND INVESTMENT INCOME

	2013/14 £000s	2012/13 £000s
Interest receivable	729	1,110
	729	1,110

7 STAFF

	2013/14 £000s	2012/13 £000s
Staff Costs		
Wages and salaries	84,704	85,676
Social security costs	7,057	7,218
Other pension costs	13,417	13,403
	105,178	106,297

NOTES TO THE ACCOUNTS
(continued)
Year ended 31 July 2014

7 STAFF continued

Vice-Chancellor and Chief Executive

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

Vice Chancellor

Emoluments	206	197
Employer's contribution to pension fund	33	32
	239	229

Executive Managers

	2013/14 No.	2012/13 No.
£160,001 - £170,000	1	1
£130,001 - £140,000	1	1
£120,001 - £130,000	-	-
£110,001 - £120,000	5	5
£100,001 - £110,000	1	2

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

	2013/14 No.	2012/13 No.
Executive, senior and academic staff	888	927
Research, language and teaching assistants	48	45
General and professional staff	1,171	1,174
	2,107	2,146

The total sum of £788 was claimed as expenses by five members of the Board of Governors during 2013/14.

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 2014

8 OTHER OPERATING EXPENSES

	2013/14	2012/13
	£000s	£000s
Residencies, catering and conferences	16,829	14,670
Staff development	1,060	907
Recruitment costs	427	339
Other employee costs	2,075	1,705
Teaching materials	3,075	2,962
Academic equipment	1,618	1,478
Franchising costs	4,949	6,160
Student Bursaries	4,222	5,732
Other academic expenses	10,682	9,880
Overseas recruitment costs	1,253	1,160
Agency costs	1,827	1,556
Administrative Equipment	1,529	1,493
Utilities	2,178	2,083
Repairs and general maintenance	4,905	3,701
Other premises expenses	728	757
Grant to Kingston University Students' Union	721	707
Rent	990	1,340
Rates	518	515
Internal Auditors remuneration: audit services	218	203
External Auditors remuneration: audit services	73	64
Equipment hire	626	612
Other expenses	11,373	10,648
	71,875	68,672

Operating Lease Expenses included in the above are:

Land and buildings related	610	836
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9 INTEREST PAYABLE

	2013/14	2012/13
	£000s	£000s
On loans payable wholly or partly in more than 5 years	2,547	2,621
On finance leases	938	1,147
	3,485	3,768
On pension schemes	1,656	2,497
	5,141	6,265

NOTES TO THE ACCOUNTS
(continued)
Year ended 31 July 2014

10 **FIXED ASSETS**

Tangible Assets
CONSOLIDATED

Cost or Valuation

Balance as at 1 August 2013

	Freehold Land £000s	Freehold Buildings £000s	Plant, Machinery, Equipment £000s	Assets Under Construction Total £000s	Total £000s
Valuation	32,874	37,875	-	-	70,749
Cost	-	181,578	39,829	400	221,807
Additions	-	2,803	12,247	1,809	16,859
Disposals	-	-	(53)	-	(53)
Balance as at 31 July 2014	32,874	222,256	52,023	2,209	309,362

Depreciation

Balance as at 1 August 2013

	-	74,215	34,811	-	109,026
Charge in year	-	7,548	4,217	-	11,765
Disposals	-	-	(53)	-	(53)
Balance as at 31 July 2014	-	81,763	38,975	-	120,738

Net Book Value

As at 31 July 2014

32,874	140,493	13,048	2,209	188,624
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As at 31 July 2013

32,874	145,238	5,018	400	183,530
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The depreciation charge has been funded by:

	2014	2013
Deferred capital grants released	1,825	2,048
Released from revaluation reserve	708	708
Financed from general reserve	9,232	8,139
	11,765	10,895

NOTES TO THE ACCOUNTS
(continued)
Year ended 31 July 2014

10 FIXED ASSETS (continued)
UNIVERSITY

Cost or Valuation

Balance as at 1 August 2013

Valuation

Cost

Additions

Disposals

Balance as at 31 July 2014

Freehold Land £000s	Freehold Buildings £000s	Plant, Machinery, Equipment £000s	Assets Under Construction Total £000s	Total £000s
32,874	37,875	-	-	70,749
-	175,245	38,839	-	214,084
-	2,803	12,247	1,809	16,859
-	0	(53)	-	(53)
32,874	215,923	51,033	1,809	301,639

Depreciation

Cost or Valuation

Charge in year

Disposals

Balance as at 31 July 2014

-	72,744	33,512	-	106,256
-	7,548	4,071	-	11,619
-	-	(53)	-	(53)
-	80,292	37,530	-	117,822

Net Book Value

As at 31 July 2014

32,874	135,631	13,503	1,809	183,817
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As at 31 July 2013

32,874	140,376	5,327	-	178,577
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The net book value of freehold buildings includes £7,902,000 (2013: £8,094,000) in respect of assets acquired under finance leases. The depreciation charge on these assets is £191,000 (2013: £191,000).

NOTES TO THE ACCOUNTS
(continued)
Year ended 31 July 2014

10 **FIXED ASSETS (continued)**

INVESTMENTS

CONSOLIDATED

At 1 August 2013 and 31 July 2014

Shares in Subsidiary Undertakings £000s	Other Investments £000s	Total £000s
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115

115

UNIVERSITY

At 1 August 2013 and 31 July 2014

6,117	115	6,232
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The investments consist of shares in the University's subsidiaries listed below, together with other unlisted investments.

Subsidiary

Percentage Main Business

Kingston University Enterprises Limited	100%	Trading and consultancy
Kingston University Campus Enterprises Limited	100%	Vacation letting
Kingston University Service Company Limited	100%	Management of residences and property services
Kingston University Innovations Limited	100%	Dormant
Kingston University Press Limited	100%	Dormant

NOTES TO THE ACCOUNTS
(continued)
Year ended 31 July 2014

11 ENDOWMENT ASSETS

CONSOLIDATED AND UNIVERSITY

Dorich House building and art collection:

Cost or Valuation

Balance as at 1 August 2013 and 31 July 2014

Freehold Buildings £000s	Art Collection £000s	Total £000s
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1,129	382	1,511
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Depreciation

Balance as at 1 August 2013 and 31 July 2014

Charge in year

Balance as at 31 July 2014

288	-	288
16	-	16
304	-	304

Net Book Value

Balance as at 31 July 2014

Balance as at 31 July 2013

825	382	1,207
841	382	1,223

Endowment Cash

Balance as at 31 July 2013

Movement during the year

Balance as at 31 July 2014

791
204
995

Total Endowment Asset

Balance as at 31 July 2014

Balance as at 31 July 2013

2,202
2,014

NOTES TO THE ACCOUNTS
(continued)
Year ended 31 July 2014

12 DEBTORS

Amounts falling due within one year:

	Consolidated 2013/14 £000s	University 2013/14 £000s	Consolidated 2012/13 £000s	University 2012/13 £000s
Trade debtors	8,539	8,396	7,647	7,421
Provision for doubtful debts	(4,477)	(4,477)	(3,531)	(3,529)
	4,062	3,919	4,116	3,892
Amounts owed by subsidiary undertakings	-	955	-	1,342
Accrued income	731	732	587	346
Other debtors	446	432	268	251
Prepayments	2,430	2,354	2,335	2,279
	7,669	8,392	7,306	8,110

Amounts falling due after more than one year:

Other debtors	2,987	2,987	2,675	2,675
	2,987	2,987	2,675	2,675
	10,656	11,379	9,981	10,785

13 CURRENT ASSET INVESTMENTS

Short term deposits	115,355	109,213	100,836	94,713
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**14 CREDITORS - AMOUNTS FALLING
DUE WITHIN ONE YEAR**

	Consolidated 2013/14 £000s	University 2013/14 £000s	Consolidated 2012/13 £000s	University 2012/13 £000s
Amounts owed to subsidiary undertakings	-	367	-	246
Obligations under finance leases	891	891	785	785
Term loan facility	1,930	1,930	1,794	1,794
Trade creditors	8,342	8,086	5,774	5,547
Other creditors including tax and social security	11,680	11,505	10,570	10,429
Student deposits	604	604	580	580
Accruals	6,882	6,534	6,663	6,065
Tuition fees in advance	2,115	2,115	1,856	1,856
Deferred income	4,386	4,386	3,894	3,894
Deferred credit on revenue grants	2,744	2,743	2,348	2,348
	39,574	39,160	34,264	33,544

NOTES TO THE ACCOUNTS
(continued)
Year ended 31 July 2014

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

	Consolidated 2013/14 £000s	University 2013/14 £000s	Consolidated 2012/13 £000s	University 2012/13 £000s
Obligations under finance leases	7,470	7,470	8,361	8,361
Term loan facilities	34,784	34,784	36,639	36,639
Deferred income	2,793	2,786	2,902	2,902
Other loans	673	673	673	673
	<u>45,720</u>	<u>45,713</u>	<u>48,575</u>	<u>48,575</u>

Term Loans

	Consolidated 2013/14 £000s	University 2013/14 £000s	Consolidated 2012/13 £000s	University 2012/13 £000s
			restated	restated
Balance at 1 August	38,510	38,510	40,183	40,183
Capital repayments	(1,797)	(1,797)	(1,673)	(1,673)
Total loans outstanding at 31 July	<u>36,713</u>	<u>36,713</u>	<u>38,510</u>	<u>38,510</u>

Obligations Term Loans

	Consolidated 2013/14 £000s	University 2013/14 £000s	Consolidated 2012/13 £000s	University 2012/13 £000s
			restated	restated
Obligations under loans fall due as follows:				
Within one year	1,930	1,930	1,796	1,796
In the second to fifth years inclusive	9,200	9,200	8,585	8,585
In over five years	25,583	25,583	28,129	28,129
	<u>36,713</u>	<u>36,713</u>	<u>38,510</u>	<u>38,510</u>

The prior year has been restated to reflect an income accrual of 76k.

NOTES TO THE ACCOUNTS
(continued)
Year ended 31 July 2014

Obligations under Finance Leases

Consolidated	University	Consolidated	University
2013/14	2013/14	2012/13	2012/13
£000s	£000s	£000s	£000s

Obligations under finance leases fall due as follows:

Within one year	1,853	1,853	1,792	1,792
In the second to fifth years inclusive	8,063	8,063	7,798	7,798
In over five years	3,818	3,818	5,936	5,936
	13,734	13,734	15,526	15,526
Less finance charges allocated to future periods	(5,373)	(5,373)	(6,380)	(6,380)
	8,361	8,361	9,146	9,146

Analysis of terms of repayment and rates of interest

For loans and leases falling due after more than five years

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 (secured-Penrhyn Rd property fixed charge)	£17m term loan	20/12/2005	30/09/2020	4.84%
Barclays (secured-Penrhyn Rd property fixed charge)	£35m term loan	31/07/2008	31/07/2031	5.35%

NOTES TO THE ACCOUNTS
(continued)
Year ended 31 July 2014

16 PENSION LIABILITY

The pension liability has been measured in accordance with the requirements of FRS17 and relates to the Local Government Superannuation Scheme (LGSS) and the London Pensions Fund Authority (LPFA).

Further information is given in note 28.

	LGSS 2014	LPFA 2014	Total 2014	Total 2013
CONSOLIDATED				
Opening balance	(65,998)	(5,050)	(71,048)	(85,474)
<u>Movement in year:</u>				
Current service cost	(7,411)	(158)	(7,569)	(6,778)
Contributions	7,460	397	7,857	7,045
Other finance cost	(1,489)	(166)	(1,655)	(2,495)
Actuarial gain / (loss) recognised in	(8,118)	(472)	(8,590)	16,654
Statement of total recognised gains and losses				
Closing balances	(75,556)	(5,449)	(81,005)	(71,048)

UNIVERSITY

Opening balance	(65,998)	-	(65,998)	(81,598)
<u>Movement in year:</u>				
Current service cost	(7,411)	-	(7,411)	(6,605)
Contributions	7,460	-	7,460	6,662
Gain/ Loss on curtailments/ settlements	-	-	-	1,903
Other finance cost	(1,489)	-	(1,489)	(2,376)
Actuarial gain / (loss) recognised in	(8,118)	-	(8,118)	16,016
Statement of total recognised gains and losses				
Closing balances	(75,556)	-	(75,556)	(65,998)

NOTES TO THE ACCOUNTS
(continued)
Year ended 31 July 2014

17 DEFERRED CAPITAL GRANTS

	Consolidated 2013/14 £000s	University 2013/14 £000s	Consolidated 2012/13 £000s	University 2012/13 £000s
Balance at 1 August	14,294	14,294	16,600	16,600
Movements:				
Grants received	1,313	1,313	699	699
Release to income and expenditure account				
- Funding Council Grants	(2,213)	(2,213)	(2,909)	(2,909)
Release to income and expenditure account				
- Other income	-	-	(14)	(14)
Transfer to creditor within one year	-	-	(82)	(82)
Balance at 31 July	13,394	13,394	14,294	14,294
Amount to be released within one year	(1,858)	(1,858)	(1,661)	(1,661)
Amount to be released after more than one year	11,536	11,536	12,633	12,633

18 RESTRICTED ENDOWMENTS

EXPENDABLE

	Philip Russell Scholarship £000s	Other £000s	Total £000s
Balance at 1 August	35	756	791
Transfer to income and expenditure account	-	-	-
Income received	5	199	204
Balance at 31 July	40	955	995

PERMANENT

	Dorich House £000s	Total £000s
Balance at 1 August	1,223	1,223
Transfer to income and expenditure account	(16)	(16)
Balance at 31 July	1,207	1,207

19 REVALUATION RESERVE

	Consolidated 2013/14 £000s	University 2013/14 £000s	Consolidated 2012/13 £000s	University 2012/13 £000s
Balance at 1 August	53,092	53,092	53,800	53,800
<u>Transfer to General Reserve:</u>				
Difference between historical cost depreciation and actual charge for the period calculated on re-valued amount	(708)	(708)	(708)	(708)
Balance at 31 July	52,384	52,384	53,092	53,092

NOTES TO THE ACCOUNTS
(continued)
Year ended 31 July 2014

20 MOVEMENT ON GENERAL RESERVE

	Consolidated 2013/14 £000s	University 2013/14 £000s	Consolidated 2012/13 £000s	University 2012/13 £000s
Income and expenditure account reserve at 1 August	157,497	152,567	144,448	139,375
Surplus retained for the year	11,488	11,561	10,541	12,496
Transfer from/(to) pension reserve	1,679	1,752	1,800	(12)
Transfer from revaluation reserve	708	708	708	708
	<u>171,372</u>	<u>166,588</u>	<u>157,497</u>	<u>152,567</u>

21 NET CASH INFLOW FROM OPERATING ACTIVITIES

	2013/14 £000s	2012/13 £000s
Surplus before tax	11,488	10,541
Interest payable	5,141	6,265
Interest receivable	(729)	(1,110)
Release of capital grant	(2,213)	(2,923)
Depreciation	11,781	10,911
(Increase)/decrease in stocks	114	(45)
(Increase)/decrease in debtors	(273)	575
(Increase)/decrease in creditors	3,916	97
Pension costs less contributions payable	(288)	(267)
Transfer of research grant to deferred credit	2,743	2,348
Release of revenue grant	(2,348)	(2,319)
	<u>29,333</u>	<u>24,073</u>

22 RETURNS ON INVESTMENTS AND SERVICING OF FINANCE

	2013/14 £000s	2012/13 £000s
Interest receivable	837	1,476
Interest paid	(2,547)	(2,623)
Finance lease charges paid	(939)	(1,147)
	<u>(2,649)</u>	<u>(2,294)</u>

NOTES TO THE ACCOUNTS
(continued)
Year ended 31 July 2014

23 CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT

	2013/14 £000s	2012/13 £000s
Purchase of tangible fixed assets	(16,428)	(8,275)
Deferred capital grant received	1,313	761
	<u>(15,115)</u>	<u>(7,514)</u>

24 FINANCING

	2013/14 £000s	2012/13 £000s
Loan repayments	(1,720)	(1,673)
Capital element on finance leases	(785)	(585)
	<u>(2,505)</u>	<u>(2,258)</u>

**25 ANALYSIS OF CHANGES IN
NET FUNDS**

	At 1 August 2013 £000s	Cash flows £000s	Other Non Cash Changes £000s	At 31 July 2014 £000s
Cash at bank and in hand	12,934	(5,455)	0	7,479
Current Asset Investments	100,836	14,519	0	115,355
Cash in endowment assets	792	204	0	996
Debt due within one year	(1,793)	1,720	(1,856)	(1,929)
Debt due after one year	(37,312)	0	1,856	(35,456)
Finance leases due within one year	(784)	785	(891)	(890)
Finance leases due after one year	(8,361)	0	891	(7,470)
	<u>66,312</u>	<u>11,773</u>	<u>0</u>	<u>78,085</u>

**26 ANALYSIS OF CHANGES IN FINANCING
DURING THE YEAR**

	Finance Leases £000s	Loans £000s	Total £000s
Balance at 1 August 2013	9,146	39,106	48,252
Capital Repayments	(785)	(1,720)	(2,505)
Balance at 31 July 2014	<u>8,361</u>	<u>37,386</u>	<u>45,747</u>

NOTES TO THE ACCOUNTS
(continued)
Year ended 31 July 2014

27 OPERATING LEASE COMMITMENTS

At 31 July 2014 the Group was committed to making the following payments during the next year in respect of operating leases:

Leases which expire:

Within one year

In the second to fifth years inclusive

In more than five years

2013/14 Land and Buildings £000s	2012/13 Land and Buildings £000s
168	361
370	403
72	72
610	836

28 PRIVATE FINANCE TRANSACTIONS

The University has one PFI scheme which is for the Clayhill Halls of Residence.

£000s

Estimated capital value of scheme

21,861

Project agreement date:

23/5/02

Completion of building project and commencement of

unitary charge:

1/12/03

Contract end date:

30/11/38

A unitary charge is payable for a period of 35 years from the completion of the building project on 1st December 2003. The annual charge for 2013/14 was £2,930,798. Estimated annual payments in the future are not expected to be materially different.

29 PENSIONS

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):

TPS: contributions paid

USS: contributions paid

LGPS: FRS 17 charge

Total pension cost

2014 £000s	2013 £000s
5,198	5,231
655	478
7,564	7,694
13,417	13,403

Local Government Pension Scheme (LGPS)

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 2014.

Reconciliation of present value of plan liabilities

At the beginning of the year

Current service cost

Interest cost

Actuarial losses

Benefits paid

Past service costs

Contributions by members

Gains on curtailments and settlements

At the end of the year

2013/14 £000s	2012/13 £000s
199,226	187,691
7,172	6,325
9,325	7,746
12,129	2,003
(5,534)	(5,079)
239	280
2,063	1,943
1,683	(1,683)
226,303	199,226

NOTES TO THE ACCOUNTS
(continued)
Year ended 31 July 2014

29 PENSIONS (continued)

Reconciliation of present value of plan liabilities

	2013/14 £000s	2012/13 £000s
	226,303	199,226
Schemes wholly or partly funded	226,303	199,226

Reconciliation of fair value of plan assets

	2013/14 £000s	2012/13 £000s
At the beginning of the year	133,228	106,093
Expected rate of return on plan assets	13,529	23,609
Actuarial gains/(losses)		
Contribution by group	9,523	8,605
Benefits paid	(5,533)	(5,079)
At the end of the year	150,747	133,228

Reconciliation to balance sheet

	2013/14 £000s	2012/13 £000s
Present value of funded obligations	(226,303)	(199,226)
Fair value of plan assets	150,747	133,228
Plan deficit	(75,556)	(65,998)
Related deferred tax asset	-	-
Net liability	(75,556)	(65,998)

NOTES TO THE ACCOUNTS
(continued)
Year ended 31 July 2014

29 **PENSIONS** (continued)

The amounts recognised in profit and loss are as follows:

Included in Other Operating expenses:

	2013/14 £000s	2012/13 £000s
Current service cost	7,172	6,325
Past service cost	239	280
Gains on curtailments and settlements	-	(1,903)
<i>Included in Interest payable:</i>		
Interest cost	9,325	7,746
Expected return on plan assets	(7,836)	(5,370)
	8,900	7,078

Analysis of amount recognised in statement of total recognised gains and losses

	2013/14 £000s	2012/13 £000s
Actual return less expected return on pension plan assets	5,693	19,513
Experience gains and losses arising on the scheme liabilities	(3,160)	(3,497)
Changes in assumptions underlying the present value of the scheme liabilities	(8,969)	-
Actuarial (losses)/gains recognised in the statement of total recognised gains and losses	(6,436)	16,016

Basis used to determine the overall expected rate of return of assets:

Overall expected rate of return on plan assets is based upon historical returns of investment performance adjusted to reflect expectations of future long-term returns by asset class.

Actual return on plan assets

	2013/14 £000s	2012/13 £000s
Actual return on plan assets	13,529	23,609

NOTES TO THE ACCOUNTS
(continued)
Year ended 31 July 2014

29 **PENSIONS** (continued)

Principal actuarial assumptions used at the balance sheet date

	2013/14	2012/13
	%	%
Discount rates	4.0	4.6
Expected rate of return on plan assets	6.1	5.8
Future salary increases	4.5	5.1
Future pension increases	2.7	2.8
RPI inflation	1.6*	2.8*

* current inflation rate as average Bank of England inflation rate now used

Five year history

	2014 £000s	2013 £000s	2012 £000s	2011 £000s	2010 £000s
Present value of the plan liabilities	(226,303)	(199,226)	(187,691)	(161,460)	(144,210)
Fair value of the plan assets	150,747	133,228	106,093	100,700	85,500
Deficit on the pension plans	(75,556)	(65,998)	(81,598)	(60,760)	(58,710)
<i>Experience adjustments arising on:</i>					
Plan liabilities	(3,160)	15	(1,558)	290	1,240
Plan assets	5,693	19,513	(4,930)	4,360	7,510

The group's best estimate of the contributions expected to be paid in the year beginning 1 August 2014 is £7.4m.

The approximate split of the scheme assets and assumed rates of return adopted by the Employer for the purpose of FRS17 is shown below:

	Long-term expected rate of return at 31 July 2014 (% pa)	Asset split at 31 July 2014(%)	Long-term expected rate of return at 31 July 2013 (% pa)	Asset split at 31 July 2013 (%)
Equities	6.5	80.0%	6.3	78.0%
Property	4.7	4.0%	4.6	4.0%
Bonds	4.1	13.0%	4.3	13.0%
Cash/other	3.6	3.0%	3.4	5.0%
Total		100%		100%

NOTES TO THE ACCOUNTS
(continued)
Year ended 31 July 2014

29 **PENSIONS** (continued)

London Pension Fund Authority (LPFA) Pension Scheme

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 2014.

Reconciliation of present value of plan liabilities

	2013/14 £000s	2012/13 £000s
At the beginning of the year	11,523	8,107
Current service cost	158	173
Interest cost	513	369
Actuarial losses	45	1,293
Benefits paid	(432)	(322)
Loss on curtailments and settlements	-	1,903
At the end of the year	11,807	11,523

Reconciliation of present value of plan liabilities

	2013/14 £000s	2012/13 £000s
Schemes wholly or partly funded	11,807	8,107
	11,807	8,107

Reconciliation of fair value of plan assets

	2013/14 £000s	2012/13 £000s
At the beginning of the year	6,473	4,231
Expected rate of return on plan assets	347	250
Actuarial gains/(losses)	(427)	1,931
Contribution by group	443	433
Benefits paid	(478)	(372)
At the end of the year	6,358	6,473

NOTES TO THE ACCOUNTS
(continued)
Year ended 31 July 2014

29 **PENSIONS** (continued)

Reconciliation to balance sheet

	2013/14 £000s	2012/13 £000s
Present value of funded obligations	(11,807)	(11,523)
Fair value of plan assets	6,358	6,473
	<hr/>	
Plan deficit	(5,449)	(5,050)
Related deferred tax asset	-	-
	<hr/>	
Net liability	(5,449)	(5,050)
	<hr/>	

The amounts recognised in profit and loss are as follows:

Included in other operating expenses:

	2013/14 £000s	2012/13 £000s
Current service cost	158	173
Loss on curtailments and settlements	-	1,903

Included in interest payable:

	2013/14 £000s	2012/13 £000s
Interest cost	513	369
Expected return on plan assets	(347)	(250)
	324	2,195
	<hr/>	

Analysis of amount recognised in statement of total recognised gains and losses

	2013/14 £000s	2012/13 £000s
Actual return less expected return on pension plan assets	(240)	657
Experience gains and losses arising on the scheme liabilities	880	-
Changes in assumptions underlying the present value of the scheme liabilities	(1,112)	(19)
	<hr/>	
Actuarial (losses)/gains recognised in the statement of total recognised gains and losses	(472)	638
	<hr/>	

NOTES TO THE ACCOUNTS
(continued)
Year ended 31 July 2014

29 PENSIONS (continued)

Cumulative amount of losses recognised in the statement of total recognised gains and losses

2013/14 £000s	2012/13 £000s
(2,808)	(2,336)
(2,808)	(2,336)

Basis used to determine the overall expected rate of return of assets

Overall expected rate of return on plan assets is based upon historical returns of investment performance adjusted to reflect expectations of future long-term returns by asset class.

Actual return on plan assets

2013/14 £000s	2012/13 £000s
107	907

Principal actuarial assumptions used at the balance sheet date

	2013/14 %	2012/13 %
Discount rates	4.1	4.5
Expected rate of return on plan assets	5.8	5.4
Future salary increases	4.3	4.1
Future pension increases	2.6	2.4

Five year history

	2014 £000s	2013 £000s	2012 £000s	2011 £000s	2010 £000s
Present value of the plan liabilities	(11,807)	(11,523)	(8,107)	(6,316)	(5,733)
Fair value of the plan assets	6,358	6,473	4,231	3,566	2,905
Deficit on the pension plans	(5,449)	(5,050)	(3,876)	(2,750)	(2,828)
Experience adjustments arising on:					
Plan assets	(427)	657	115	116	79
Plan liabilities	1,067	-	(587)	-	-

The group's best estimate of the contributions expected to be paid in the year beginning on 1 August 2014 is £487,000.

Estimated asset allocation as at 31 July

	2014		2013	
	£000s	%	£000s	%
Equities	2,804	44	Restated 3,042	Restated 47
Target Return Portfolio	1,825	29	1,877	29
Alternative Assets	846	13	1,489	23
Cash	883	14	65	1
Other Bonds	-	-	-	-
	6,358	100	6,473	100

The prior year was restated to agree to the actuarial report.

NOTES TO THE ACCOUNTS
(continued)
Year ended 31 July 2014

28. PENSIONS (continued)

Teachers' Pension Scheme

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). All are defined benefit schemes. The total pension cost for the year ended 31 July 2014 was £2,042,823 (2013: £1,749,325), this included an amount of £42,888 (2013: £41,851) being notional interest in respect of enhanced pension entitlements for staff who have taken early retirement. The calculation of the cost of early retirement provisions charged to the Income and Expenditure account in the year of retirement is based on the total capital cost of providing enhanced pensions with allowance for future investment returns at 3.5% in excess of price inflation.

Under the definitions set out in Financial Reporting Standard 17 - Retirement benefits, 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. As a result, contributions to this scheme are accounted for as if the scheme was a defined contribution scheme.

The University has set out below the information available on the Scheme and the implications for the University in terms of the anticipated contribution rates.

The employers' contribution rates for the University's academic staff were 14.1% of pensionable salaries from 1 August 2013 to 31 July 2014.

The Teachers' Pension Scheme is a statutory, contributory, unfunded, defined benefit scheme. The regulations under which the TPS operates are the Teachers' Pensions Regulations 1997, as amended. Contributions are credited to the Exchequer on a "pay as you go" basis under arrangements governed by the Superannuation Act 1972. A notional asset value is ascribed to the Scheme for the purposes of determining contribution rates.

The last valuation of the TPS related to the period 1 April 2004 to 31 March 2012. The Government Actuary's report of June 2014 revealed that the total liabilities of the Scheme (pensions currently in payment and the estimated cost of future benefits) amounted to £191.5 billion. The value of the assets (estimated future contributions together with the proceeds from the notional investments held at the valuation date) was £176.6 billion. The assumed real rate of return is 3% in excess of prices and 1.25% in excess of earnings. The rate of real earnings growth is assumed to be 2.75%. The assumed gross rate of return is 5.06%.

The next formal actuarial valuation is due as at 31 March 2016.

Universities Superannuation Scheme

The institution participates in the Universities Superannuation Scheme (USS), a defined benefit scheme which is contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate trustee-administered fund. Because of the mutual nature of the scheme, the scheme's assets are not linked to individual institutions and a scheme-wide contribution rate is set. The institution is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17 "Retirement benefits", accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period.

The latest actuarial valuation of the scheme was at 31 March 2011, although the scheme actuary has updated some of the information to 31 March 2013. The valuation was carried out using the projected unit method. The assumptions which have the most significant effect on the result of the valuation are those relating to the rate of return on investments (i.e. the valuation rate of interest), the rates of increase in salary and pensions and the assumed rates of mortality. The financial assumptions were derived from market yields prevailing at the valuation date. An "inflation risk premium" adjustment was also included by deducting 0.8% (2011: 0.3%) from the market-implied inflation.

To calculate the technical provisions, it was assumed that the valuation rate of interest would be 4.8% (2011: 6.1%) per annum, salary increases would be 4.3% (2011: 4.4%) per annum (plus an additional allowance for increases in salaries due to age and promotion reflecting historic Scheme experience, with a further cautionary reserve on top for past service liabilities) and pensions would increase by 2.5% per annum (2011: 3.4% per annum for the 3 years following the valuation then 2.6% per annum thereafter).

NOTES TO THE ACCOUNTS
(continued)
Year ended 31 July 2014

Standard mortality tables were used (for 2013 and 2011) as follows:

Male members' mortality	S1NA (Light) year of birth tables – No age rating
Female members' mortality	S1NA (Light) year of birth tables – rated down 1 year

Use of these mortality tables reasonably reflects the actual USS experience but also provides an element of conservatism to allow for further improvements in mortality rates. The assumed life expectations on retirement at age 65 are:

Males (females) currently aged 65	23.7 years
Males (females) currently aged 45	25.5 years

At the valuation date, the value of the assets of the scheme was £38.6billion (2011:£32.4billion) and the value of the schemes' technical provisions was £50.1billion (2011:£35.3billion) indicating a shortfall of £11.5billion (2011:£2.9billion). The assets therefore were sufficient to cover 77% (2011:92%) of the benefits which had accrued to members after allowing for expected future increases in earnings.

The actuary also valued the scheme on a historic gilts basis, using a valuation rate of interest in respect of past service liabilities of 3.1% per annum (2011:4.4%) (the expected return on gilts). On this basis the funding level was approximately 55% (2011:68%).

Surpluses or deficits which arise at future valuation may impact on the institution's future contribution commitment. A deficit may require additional funding in the form of higher contribution requirements, where a surplus could, perhaps, be used to similarly reduce contribution requirements. The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

Assumption	Change in assumption	Impact on scheme liabilities
Rate of investment return	Increase/decrease by 0.25%	Decrease/increase by £1.6 billion
Rate of salary growth	Increase/decrease by 0.25%	Increase/decrease by £0.6 billion
Rate of mortality	Members live one year longer than assumed	Increase by £0.8 billion

USS is a "last man standing" scheme so that in the event of the insolvency of any of the participating employers in USS, the amount of any pension funding shortfall (which cannot otherwise be recovered) in respect of that employer will be spread across the remaining participant employers and reflected in the next actuarial valuation of the scheme.

The next formal triennial actuarial valuation is due as at 31 March 2014. The contribution rate will be reviewed as part of each valuation and may be reviewed more frequently.

At 31 March 2014, USS had over 154,000 active members and the group had 82 active members participating in the scheme. The total pension cost for the group was £645 (2013: £573). The contribution rate payable by the group was 16%.

NOTES TO THE ACCOUNTS
(continued)
Year ended 31 July 2014

30 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.

	Access Funds	Life Long Learning	Graduate Teachers & Student Bursaries	NSP Funds
	(HEFCE)	(HEFCE)	(NCTL)	
	£	£	£	£
Balance as at 1 August 2013	(52,569)	12,967	1,442,721	-
Funds received	569,759	-	1,181,107	2,192,000
Disbursement of funds	(525,653)	(12,967)	(1,683,438)	(2,192,000)
Balance as at 31st July 2014	(8,463)	-	940,390	-

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

31 RELATED PARTY TRANSACTIONS

In the course of normal operations, related party transactions entered into by the University have been contracted on an arm's length basis during the year, in accordance with the University's financial regulations and procurement policy.

The University has taken advantage of the exemption which is conferred by the Financial Reporting Standard (FRS) 8 - related Party disclosures that allows it not to disclose transactions with wholly owned group undertakings.

Transactions relating to franchised arrangements with South Thames College amounted to payments of £275k (2012/13: £271k), an organisation in which the principal Ms Sue Rimmer was a member of the Kingston University Governing Body from November 2009 to 10 July 2014.

Grants were paid to Kingston University Students Union amounting to £706k (2012/13: £706k), an organisation in which the president, Ms Denza Gonsalves, is a member of Kingston University Governing Body.

Transactions relating to franchised arrangements with St. Georges Hospital Medical School, an organisation in which the Principal, Professor Peter Kopelman is a member of the Kingston University Governing Body amounted to payments of £473k (2012/13 £440k).

32 CAPITAL COMMITMENTS - CONSOLIDATED & UNIVERSITY

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

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

2013/14	2012/13
£000s	£000s
4,969	8,315
5,481	-
10,450	8,315