

**ANNUAL REPORTS AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 JULY 2017**

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WARDEN'S FOREWORD

This time last year I wrote that we are living in a time of seemingly constant change. Some 12 months on, it could be argued the pace of transition is only increasing.

Ongoing uncertainty over Brexit and shifting political sands both at home and abroad are the foundations for this sense of flux.

But the academic year 2016-17 also saw notable shifts in the Higher Education landscape, with new legislation, metrics and increasing scrutiny ensuring that the sector has been in both the headlines and at the centre of much public debate.

When the Higher Education and Research Act entered law just before the dissolution of Parliament, former universities minister Lord Willetts called it the 'most important' legislation for Higher Education in a quarter of a century.

A key part of the legislation was the introduction of the Teaching Excellence Framework (TEF), a scheme to assess the quality of teaching in our universities.

We ranked Bronze, a result shared by many of our sister organisations in London. The outcome was disappointing but is not something we will hide from – and colleagues across campus are working hard to bring about our own change for the good.

In addition to this, there are fresh questions over how we can establish a truly sustainable and fair system to fund universities – a debate which will continue over the coming months and years.

But while the year contained some challenges it also saw true successes. Against probably the toughest recruitment conditions for years we have performed incredibly well – and we travel with optimism for the 2017-18 academic year.

The reason for this is that amid all this change, Goldsmiths is truly a beacon institution to which scholars are drawn.

Research by our academics sets agendas across the globe, our students are recognised for their dynamism and our alumni are known and honoured for being leading thinkers and doers.

Our world-leading status was recognised in the QS World University Rankings, which for the first time saw us placed in the top 400 universities globally. The QS subject tables have ranked our Department of Media and Communications the 8th best in the world.

We continue to provide academic innovation, with new undergraduate programmes in Mathematics beginning in the next academic year, and the development of Law ongoing.

In addition to all of this, we are proud to be part of our community. In August, the College joined with Lewisham Council to mark the 40th anniversary of the Battle of Lewisham, by unveiling a plaque in New Cross dedicated to the moment in 1977 when thousands gathered on our doorstep to unite against racism and fascism.

Next year brings us opportunity to share our campus with even more people, with the Goldsmiths Centre for Contemporary Art to be completed in 2017-18 in preparation for its opening in Autumn of 2018.

We recognise that this is a time of both opportunity and challenge, and that to successfully rise to both we must evolve and grow as an institution. I am confident that we have the knowledge, ambition and passion to do just that.

Patrick Loughrey
Warden

COUNCIL AND COMMITTEE MEMBERSHIP

Council

Baroness Morris of Yardley (*Chair*)
 Mr Nick Barron
 Mr Ian Borman
 Ms Althea Efunshile
 Ms Helen MacNamara
(from 1 September 2017)
 Ms Jackie Morgan
 Ms Lynn Percy
(from 1 September 2017)
 Dr Barry Quirk
 Sir David Reddaway
 Ms Sue Reece
 Ms Carol Rue
(from 1 September 2017)
 Mr David Richards
(to 31 December 2016)
 Ms Vanessa Sharp
 Ms Jessica Wanamaker
(to 31 August 2017)
 Mr Tom Wilson
 Mr Philip Wright *(to 31 August 2017)*
 Ms Theodora Zemek
 Dr Kate Devlin
 Dr Marlène Edwin
 Ms Grace See Wen-Ying
(to 31 August 2017)
 Mr Joseph Williams
(from 1 September 2017)
 Mr Daniel Nasr *(to 31 August 2017)*
 Ms Eva Crossan-Jory
(from 1 September 2017)
 Mr Patrick Loughrey
 Professor David Oswell
(from 1 January 2017)
 Professor Jane Powell
(to 31 December 2016)
 Professor Mark d'Inverno
 Professor Elisabeth Hill
 Professor Richard Noble
(to 31 August 2017)
 Professor Sean Cubitt
(to 31 August 2017)
 Mr Gerald Lidstone
 Professor Andy Bremner
(from 1 September 2017)
 Mr Conrad Heynes
(from 1 September 2017)

Audit and Risk Committee

Ms Sue Reece
(Chair from 1 September 2017)
 Mr Philip Wright
(Chair to 31 August 2017)
 Dr Barry Quirk
 Ms Jackie Morgan
 Ms Althea Efunshile
 Mr Steve Stanbury
 Mr Chris Miller
 Mr Aaron Porter
(from 1 September 2017)

Key Management Personnel

Mr Patrick Loughrey (*Warden*)
 Professor Jane Powell
(Deputy Warden to 31 December 2016)
 Professor Elisabeth Hill
(Deputy Warden from 1 January 2017)
 Professor Mark d'Inverno
(Pro-Warden)
 Professor David Oswell
(Pro-Warden from 1 January 2017)
 Mrs Helen Watson
(Registrar and Secretary from February 2017)
 Ms Clare MacLean
(Interim Registrar and Secretary to February 2017)
 Mr Ian Pleave
(Director of Finance)
 Mr Andy Lamb
(Director of Human Resources from May 2017)
 Ms Kath Clarke
(Director of Human Resources to May 2017)
 Ms Lynne Tucker
(Interim Chief Information Officer from March 2017)
 Mr David Swayne
(Chief Information Officer to March 2017)



GOLDSMITHS

A NOTE ON DEFINITIONS

The Higher Education sector has a tendency to lapse into acronyms and to use terms that are not necessarily familiar off-campus. With that in mind, here is a list of definitions of a number of key terms used throughout this document:

Council	Goldsmiths' overall governing body.
DELHE	Destinations of Leavers from Higher Education, a survey which collects information on what all leavers from Higher Education programmes are doing six months after qualifying from those programmes.
FRS 102	Financial Reporting Standard 102 is the UK accounting standard that Goldsmiths is obliged to follow, along with the Higher Education SORP (see below).
HEFCE	The Higher Education Funding Council for England. In the past, HEFCE was both our major source of funding as well as our regulator. Following the introduction of £9,000 tuition fees for Home and EU undergraduate students, HEFCE's role became more focused on regulation, although some forms of HEFCE block grant funding remain.
NSS	The National Student Survey, an annual exercise whereby final-year students contribute feedback on their Higher Education experience.
OFS	Office for Students, the sector's forthcoming new regulator.
QR funding	The HEFCE block grant funding for research activity, used to sustain a research base at Goldsmiths alongside grant income won through bids/applications to Research Councils and other funders.
REF	Research Excellence Framework, an exercise conducted in 2014 to assess the quality and impact of research activity across the Higher Education sector. The results of the REF were used to inform the allocation of QR funding (see above).
SMT	The Senior Management Team, which provides overall operational leadership to Goldsmiths.
SORP	Statement of Recommended Practice, which gives guidance on how to apply FRS 102 to the Higher Education sector.
STEM	A collective term used to describe Science, Technology, Engineering and Maths. Recognising the role that creativity plays in scientific advance, we are committed to the idea of STEAM subjects, where the 'A' stands for Arts.
TEF	Teaching Excellence Framework, a new government exercise that aims to recognise and reward excellent learning and teaching, and help inform student choice.
UKRI	UK Research and Innovation, a new body that will bring together the UK's existing research councils.

INTRODUCTION

The Strategic Report covers pages 5 to 30 inclusive.

This Strategic Report has been prepared under the narrative disclosure requirements of the Higher Education Statement of Recommended Practice (SORP). The financial results and position discussed within the Strategic Report have been presented in line with the accounting requirements of Financial Reporting Standard 102 (FRS 102).

The report gives an overview of how our unique and distinctive institution works. It explains the historical journey we have been on and how that rich history informs the Goldsmiths of today. We explain our strategic objectives and look at progress in achieving those objectives and where there is more work to be done. The report describes our operating structure and the key financial drivers that impact Goldsmiths (the so-called 'business model' of the College) and we address our financial performance in light of those drivers. And finally, we look to the future as we consider the external environment, and the opportunities and challenges posed by regulatory, economic, social and political change.

Goldsmiths is a strong and vibrant community of students and staff, dedicated to theoretical, creative and practical engagement with how humans experience, understand and interact with the world. From the beginning, Goldsmiths has celebrated difference.

THE GOLDSMITHS JOURNEY

The Goldsmiths story starts in 1891 when the Worshipful Company of Goldsmiths ('the Goldsmiths Company'), one of the principal City Livery Companies, opened a Technical and Recreative Institute at New Cross, on the site of the former Royal Naval College. The present day Goldsmiths College remains on the same New Cross site in south east London.

The original objective of the Institute was "the promotion of the individual skill, general knowledge, health and wellbeing of young men and women belonging to the industrial, working and poorer classes" with its focus on the communities of south east London. By 1896 the total number of enrolled students had topped 7,000.

New legislation passed in 1902 gave the then London County Council significant power over the control of education in London. Unwilling to compete against new institutions that would be funded by the ratepayer, the Goldsmiths Company decided, in 1904, to gift the Institute to the University of London. Goldsmiths College was born. The Goldsmiths Company provided ongoing financial support to the new College in its early years and in 2017 it remains a valued friend to the institution, with continuing representation on our governing body.

From 1904, the activities of the new Goldsmiths were built around a Teacher Training College and a School of Art. In the 1930s, they were joined by an Evening Department of Adult Education. From 1964, the Department of Adult Education began to teach University of London degree courses, starting with a part-time degree in sociology. Subjects that had been taught as part of teacher training turned into degree programmes in their own right, with degrees in psychology and music following shortly after.

All of these activities are recognisable in the modern Goldsmiths College. Teacher training remains the core activity of our present day Department of Educational Studies. The School of Art survives as our world-leading Department of Art. Together, they have been joined by 16 other departments as Goldsmiths' degree-level teaching and research activity have grown significantly over the past 50 years.

In 1988 Goldsmiths became a School of the University of London, and in 1990 we were granted our Royal Charter, becoming responsible for our own destiny under the auspices of our own governing body, Goldsmiths' Council. Since then, Goldsmiths has continued to forge its own distinctive identity, with creativity as a hallmark.

Annual Reports and Financial Statements 2017

Academic excellence and imaginative course content combine to make a place where creative minds can thrive and ideas are allowed to grow. Today, our degree programmes and research activities span the arts, humanities, social sciences, cultural studies, computing, business and management. Our academics cooperate across disciplines to create exciting new degree programmes and develop novel approaches to research issues. Our interdisciplinary ethos has helped us to become a national leader in many subject areas.

Goldsmiths alumni have changed, and continue to change, the world. Former students include Antony Gormley, Julian Opie, Malorie Blackman, Katy B, Tessa Jowell, Julian Clary, Mary Quant, Margaret Howell, Linton Kwesi Johnson, Steve McQueen, Gillian Wearing, Damien Hirst, Bridget Riley, the late Malcolm McLaren, and members of *Blur*. The success of our art alumni is well documented – seven winners of the Turner Prize have studied here – but we make equally strong contributions to contemporary music, literature and the other fields for which we are known.

GOLDSMITHS IN 2017

Building on this rich legacy is at the heart of our strategy, which is summarised below. In this part of the report, we look at our performance during the year through the lens of our strategic objectives.

Our strategy

Our mission is to offer a transformative experience, generating knowledge and stimulating self-discovery through creative, radical and intellectually rigorous thinking and practice.

Goldsmiths' values underpin this mission:

- Achieving academic excellence
- Radical and innovative thinking
- Respecting the individual
- Promoting access and diversity
- Supporting our students and staff
- Creating change, locally and globally

In light of the significant change which has impacted both Goldsmiths and the wider Higher Education sector, we are in the process of concluding a refresh of our strategy, having engaged our staff and students to help shape the future direction of Goldsmiths. Next year's Annual Report will review the College's performance within the context of the refreshed strategy.

Our current strategy has been built around four strategic pillars: Knowledge production; London and the World; Student experience; and Financial sustainability. These pillars have served as the starting point for discussions around our refreshed strategy. The progress made on achieving the goals of each pillar is tracked through a number of high level key performance indicators, together with a range of more detailed and specific indicators.

1. KNOWLEDGE PRODUCTION

Goldsmiths' hallmark is a theoretical, creative and practical engagement with how humans experience, understand and interact with the world.

Knowledge production is a collaborative process. It encompasses learning, teaching, practice, research, communication and application. It involves students at all levels, academic staff, the broader research community, society, industry, and government – all on a global scale. It is grounded on disciplinary expertise and generated through conversations between cognate and complementary subjects – past and present – the academy and the world in which it is situated.

Academic programmes

We have continued to grow the overall number of students registered on Goldsmiths' programmes, both on and off campus, through a combination of:

- expanding our portfolio of programmes in ways which both build on our academic and research expertise and respond to market demand;
- improving our recruitment procedures to achieve larger cohorts of high calibre students;
- enhancing support for students to improve their experience and increase retention;
- diversifying our delivery approaches via collaborative partnerships with other institutions across the world; and
- developing online distance provision through the oversight of Goldsmiths' Teaching and Learning Innovation Centre.

Following a period of focused effort, the 2017 recruitment cycle saw much of this work rewarded. In 2016-17 our on-campus numbers grew to 9,340, an increase of 9.5% on the previous year (8,525) in the context of an increasingly challenging and competitive market across the UK Higher Education sector.

The vast majority of new programmes recruiting a first cohort for the academic year 2017-18 have met or exceeded targets set for them. Furthermore, those programmes that recruited their first cohorts in 2016 have displayed additional growth for their second year entry.

Collectively, new programmes launched between 2014 and 2017 are now responsible for over 25% of all enrolments for the academic year 2017-18.

Encouraged by the success of new programmes, departments have continued to develop innovative, original and appealing programmes for entry in 2018. These will further extend our academic offering and attract a greater number of students to join us.

Professional services staff and academic departments are working collaboratively to identify opportunities and gaps in subject markets and to ensure the continuing relevance and suitability of our degree programmes. New academic developments are also being planned via alternative methods of delivery and locations, with agreement on strategic investment to support distance learning developments, apprenticeship developments and off campus delivery options. All developments are aligned with our strategic plan and Learning, Teaching and Assessment strategy.

Innovation in new academic programmes

New programmes launched in September 2016

BA Arts Management
BA Criminology
BA Economics
BSc Business Computing/Entrepreneurship
BSc Computing and Chinese
BSc Economics with Econometrics
MA Translation
MA World Theatres
MRes Filmmaking, Photography, Electronic Arts

New programmes launched in September 2017

BA Curating
BA Drama: Comedy
BA Drama: Performance, Politics, Society
BA History and Journalism
BA Religion
BSc Management with Economics
BSc Management with Marketing
BSc Marketing
MA Artists' Film and Moving Image
MA Design (Expanded Practice)
MA Events and Experience Management
MA Luxury Brand Management
MA Queer History
MA Race, Media and Social Justice
MSc/PGDip Cognitive Behavioural Therapy
MSc Independent Games and Playable Experience Design

*Annual Reports and Financial Statements 2017***New programmes approved
for launch in September 2018 and beyond**

BA Drama: Musical Theatre

BSc Data Science

BSc Mathematics and Economics

BSc Mathematics and Computing

LLB Law

MA Anthropology and Museum Practice
(with the Horniman Museum)

MA Migration and Mobility

MSc Computational Cognitive Neuroscience

MSc Psychology of the Arts,
Neuroaesthetics and Creativity

MSc Marketing and Technology

MSc User Experience Design



Research and enterprise

Goldsmiths is proud of its tradition of being a research-led institution. We are internationally renowned for our pioneering interdisciplinary research in the arts, humanities, social sciences, and computing. The 2014 Research Excellence Framework (REF) rated almost three-quarters of research at Goldsmiths as world leading (4*) or internationally excellent (3*). We are committed to making a real difference to society, culture and the economy through our research activity. As described in our Research and Enterprise strategy, launched in 2016, we are committed to knowledge creation and exchange, from curiosity-driven research and scholarship to work that applies our research to real-world issues. Maintaining our world-class research culture is vital to attracting and retaining leading thinkers and practitioners, to producing contemporary and exciting learning and teaching, and to engaging public debate.

We are committed to leading others through our pioneering knowledge and for economic, political, cultural, creative and societal good.

Our research is articulated and foregrounded through four research themes on:

- Social and Economic Justice
- Technologies, Worlds and Politics
- Minds, Bodies and Society
- Invention, Creativity and Experience

In a climate of uncertainty and change, our biggest concern is one of scale. How does a small institution meet global challenges? How might our research reach through the foliage of bigger players? We recognise the challenges of the world today and we are clearly aware of the challenges for Goldsmiths and the need to face them head-on.

One of our Key Performance Indicators (KPIs) for knowledge production is aggregate income received for research activity, including QR funding (the HEFCE block grant funding for research activity), research council funding and postgraduate research fees. These have shown the following trend:

	2012-13 £'000	2013-14 £'000	2014-15 £'000	2015-16 £'000	2016-17 £'000
QR funding	8,151	7,932	7,716	5,437	5,924
Research grants and contracts	4,953	5,942	5,686	5,227	4,603
Total research income as defined by HEFCE	13,104	13,874	13,402	10,664	10,527
Total income	90,111	97,180	102,564	103,969	114,786
<i>As a percentage of Total income</i>	14.5%	14.3%	13.1%	10.3%	9.2%
Postgraduate research students	2,432	2,637	2,317	2,253	1,973
Total research income as defined by Goldsmiths	15,536	16,511	15,719	12,917	12,500

HEFCE benchmarks institutions using 'Peer Groups' according to their level of research income, which is defined as funding council recurrent research grant (QR funding) plus income from research grants and contracts, as a percentage of total income. The highest is group A but this requires the institution to have a medical school, so the highest grouping available to Goldsmiths is Group B, which is for institutions that receive more than 15% of their total income from research. As the table above shows, Goldsmiths is currently part of Group C – institutions with between 5 and 15% of research income. Institutions with research income lower than 5% fall into Groups D-F.

Reversing the downward trend in research-based income is a key priority for our new Research and Enterprise strategy. The most pronounced reduction was the cut in QR grant funding following the results of the 2014 REF. While this cannot be reversed in the short term, investment in each of the four research themes identified above will be focused on: increasing the success rate in bids for new grants and contracts; and preparing for the REF 2021 exercise which is likely to determine any future changes to QR grant should it remain as a funding source.

Citizen Naturewatch

Citizen Naturewatch is developing new devices for capturing content about wildlife in the UK. A collaboration with Royal College of Art researchers, led by Goldsmiths' Interaction Research Studio (IRS), is designing the devices in partnership with the internationally renowned BBC Natural History team for use on their Springwatch series. The devices are designed so that viewers can make them at home, using readily available technologies and kits produced by the IRS. They will capture video and images, and potentially track the movement of wildlife. Already, a prototype DIY Underwater Camera has been shown as part of an exhibition called Water as part of London's Design Festival, with many visitors taking instructions for how to build their own.

Next, we plan a series of workshops in nature reserves, schools and maker spaces to test the designs and gather material. The idea is to use the results to generate a virtuous cycle with the BBC, so that viewers hearing about the project on Springwatch will build their own devices and post the results for show on the series, thereby developing still more interest. The project is funded by the EPSRC, and is seen as enhancing public engagement with making, as well as with nature. Look for us on Springwatch 2018!

TRANSFORM

TRANSFORM is a €150,000 European Research Council (ERC)-funded project headed by lawyer and sociologist Dr Kirsten Campbell. It develops and exploits the cutting-edge analytics and insights of the ground breaking €1.2 million ERC-funded Gender of Justice Project. Providing justice for conflict-related sexual violence has now become a highly visible global problem. The *TRANSFORM* project develops and prototypes, what Campbell refers to as, a 'Gender Justice Framework' to build better solutions for this complex problem.

The Gender Justice Framework provides an integrated package of guiding principles and tools for policy-makers and practitioners. These 'how to' guides and instruments map patterns of sexual violence and affected groups, assess the adequacy of criminal and social justice responses, and generate new justice strategies. The Gender Justice Framework has wide application for those working in the human rights, international criminal law, transitional justice, and peace building and security sectors in conflict-affected contexts.

Civil Society Futures

Civil Society Futures is an inquiry and research project, creating a space for a much needed conversation among those involved in all forms of civic action – from informal networks to large charities, Facebook groups to faith groups throughout England. The Inquiry runs from April 2017-April 2019. It is chaired by Julia Unwin, the former chief executive of the Joseph Rowntree Foundation, and is guided by an independent panel of people with perspectives ranging from theatre making in South Wales to technology investment in Gaza, from local government in the North of England to the world's alliance of civil society organisations.

This Inquiry is powered by a collaboration of four organisations: Citizens' UK; Goldsmiths; openDemocracy; and Forum for the Future. The Inquiry has been funded by the Baring Foundation, Esmée Fairbairn, Barrow Cadbury, Paul Hamlyn, Lloyds Bank Foundation, City Bridge Trust, Lankelly Chase and Calouste Gulbenkian Foundation. Research support has also been provided by the National Council for Voluntary Organisations. Through the conversations, workshops, and research, the team – which includes Professor Natalie Fenton (Media and Communications), Professor Adam Dinham (STaCS) and Thomas Greenwood (STaCS) – are investigating how to maximise the positive effects of civil society, including those of citizenship and civic engagement.

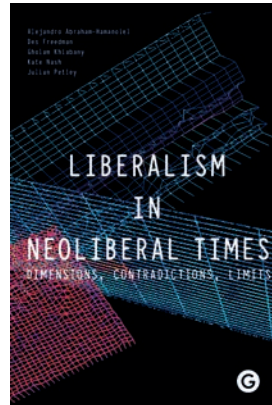
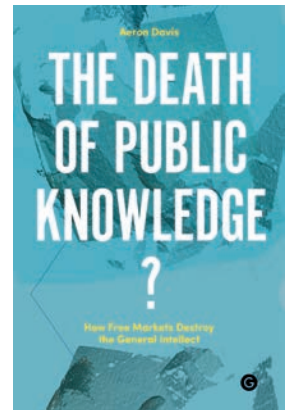
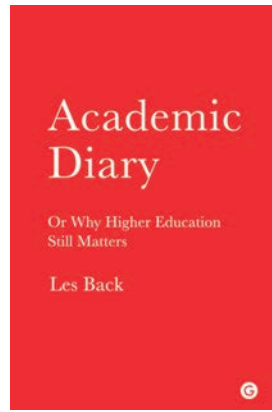
The BioBlox Serious Games Project (Scientific Visualisation)

BioBlox is a protein docking puzzle game developed by the Department of Computing's Mutators Research Group. It is in 3D for HTC Vive VR and PC web and in 2D for the Apple and Google Play App Stores. BioBlox uses gamification to enable the player to try and dock pairs of highly complex protein structures to help solve serious scientific research problems of relevance to medical research and drug design. BioBlox is also fun to play and players can compete online to get the best protein dock. BioBlox was developed under a three year Biotechnology and Biological Sciences Research Council (BBSRC) Grant in collaboration with Imperial College. BioBlox was shown recently at *New Scientist Live* at The ExCel Exhibition centre in London.

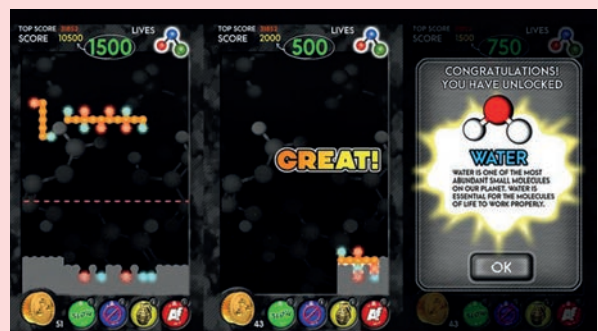
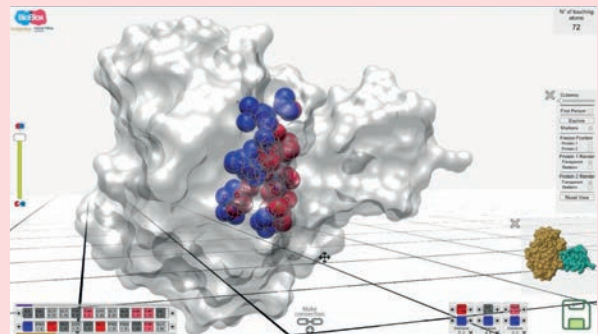
Other initiatives

We are home to many exciting initiatives that capture the essence of our unique institution and provide a platform for the best of Goldsmiths, including:

- **The Goldsmiths Press**, which seeks to revive and regenerate the traditions of academic publishing. Our aim is to create a new culture around academic knowledge practices. The first publication of the Press, Professor Les Back’s ‘Academic Diary’, was launched in 2016, receiving much critical praise. New titles for 2017 include ‘The Death of Public Knowledge?’, ‘Liberalism in Neoliberal Times’ and ‘Stuart Hall: Conversations, Projects and Legacies’.
- **The Goldsmiths Prize** continues to celebrate the qualities of creative daring associated with the College and to reward fiction that breaks the mould or extends the possibilities of the novel form. ‘Solar Bones’ by Mike McCormack was the winner for 2016.
- **NX Records**, a collaboration between Goldsmiths and Matthew Herbert’s Accidental Records, was set up to create a new model for the music industry, with a strong focus on talent from Goldsmiths and the wider south east London community.



Above: Citizen Naturewatch



Above and top: BioBlox scientific visualisation

2. LONDON AND THE WORLD

Goldsmiths is located in a truly global city. This diversity and internationalism is reflected across our campus and is integral to our ethos as an open, vibrant and outward-looking institution.

We have a long history of engagement within our local communities and are proud of our south east London roots. We recognise the benefits of collaborating and working in partnership with other institutions of shared ambitions and values and this drives our continued commitment to develop and nurture partnerships within our local communities, across the UK and globally.

A new Pro Warden International was appointed in 2017 and they have embarked on a process to review Goldsmiths' International Strategy in alignment with Goldsmiths' wider refreshed Strategic Plan. The International Strategy will shape and drive our global activities and confirm Goldsmiths' identity as a diverse, progressive, open, interdisciplinary institution that is anchored in the local community but global in its ethos, reach and impact.

A new Academic Services unit – International Development and Academic Partnerships – was established in 2017 to bring together Collaborative Provision, International Development and central support for Goldsmiths' International Programmes. This has enabled us to become more agile and responsive to shifting trends in higher education and transnational education, and to capitalise on opportunities to grow and strengthen our portfolio of academic partnerships.

The team has been working on the development of new transnational education initiatives that will enhance the student experience on campus and beyond, innovate programme delivery, diversify our income, and continue to extend Goldsmiths' global reach. Our first dual master's degree launched in September 2017 with Tomsk National State University – creating new opportunities for students to benefit from world-renowned expertise at two institutions.

During 2016-17, the Collaborative Provision team oversaw the institutional re-approval of the LASALLE, College of the Arts partnership in Singapore and the successful revalidation of 20 undergraduate and taught postgraduate programmes delivered at LASALLE. Goldsmiths' partnership with LASALLE continues to grow from strength to strength and there are now over 1,400 students enrolled at LASALLE on 20 programmes that lead to Goldsmiths' degree awards. The partnership has been renewed for a further five years and we have agreed strategic partnership priorities focusing on supporting the development of collaborative research activities, the student experience and quality enhancement.

The International Engagement Fund has continued to fund staff initiatives and has supported a range of activities including research grant bid development, as well as the

design and development of a joint virtual module to be taught and delivered to cohorts of postgraduate students at Goldsmiths and an international partner institution.

Our long-established partnership with the University of London International Academy (UoLIA) continues to mature and strengthen, with consideration now being given to opportunities that will expand our offer via distance learning. Each year, the Goldsmiths International Programmes in Computing and English attract hundreds of students from across the globe; studying independently or through affiliated teaching institutions. Along with UoLIA and our joint partner Coursera, Goldsmiths' Massive Open Online Courses (MOOCs) and specialisations continue to be enjoyed by thousands of students around the world.

Our innovative Open Book project has had an incredibly successful year in 2016-17, winning the Guardian Higher Education Award (Student Diversity and Widening Participation) and being shortlisted for the Times Higher Education Award. In addition, the Open Book Director, Joe Baden, was honoured with an OBE for Services to Higher Education. In 52 short weeks, operating throughout the year, Open Book has delivered more than 800 free drop-in classes across a breadth of subjects, ranging from Philosophy and Creative Writing through to Sign Language and the Global Politics of the Textile Industry. These classes have been delivered across an equally wide range of venues, including the University of the Arts London, at shopping and community centres, at drug and alcohol addiction agencies and at homeless shelters. Open Book students have exhibited both their art and creative writing at five different art shows and have written, performed and produced two successful theatre performances. Open Book has also launched a highly successful joint teaching venture between Goldsmiths student volunteers and prisoners at HMP Downview, HMP Wandsworth, and at a Young Offenders Institution.

We are currently building a new public Art Gallery: Goldsmiths Centre for Contemporary Art. This was funded by a major development campaign and generously supported through an auction of artworks donated by alumni. This landmark space, which gives new life to a Grade-II listed, derelict Victorian water tank on campus, will host a public programme of high profile exhibitions, residencies and projects by leading artists and curators. The Goldsmiths Centre for Contemporary Art, along with the Curzon Goldsmiths Cinema and the planned refurbishment of the George Wood Theatre, are part of our efforts to develop Goldsmiths as a welcoming, creative and cultural hub at the heart of the community in Lewisham.

We have seen strong growth in our catalogue of short courses offered, which highlights our commitment to provide new opportunities to engage more effectively with our local community. Goldsmiths has quickly established itself as an important provider of flexible, local education in south east London and one of our strategic priorities is to grow our Executive Education

offer (eg Continuing Professional Development programmes), including via online delivery options that will build on the infrastructure and content developed to support the short courses portfolio.

In 2017 we successfully bid for a place on the Local Government Association/HEFCE sponsored 'Leading Places' programme as partners with the London Borough of Lewisham. This programme will strengthen our collaboration with Lewisham Council and build on the strategic partnership formed in 2016. The aim of the programme is to encourage and support collaborative working with the objective of unlocking the benefits of local 'anchor' institutions working together on key, local issues. Our initial collaborative focus will be the Inclusive Economy in Lewisham. This takes forward important recommendations of the Lewisham Poverty Commission, which Dr Simon Griffiths from our Department of Politics and International Relations contributed to as an expert adviser.

In partnership with Lewisham Council, Love Music Hate Racism and the Albany, Goldsmiths led the 40th anniversary of the historic events that unfolded on the streets of New Cross and Lewisham. The Battle of Lewisham, as it became known, marked the first time a National Front march was prevented from reaching its destination and also saw the first deployment of riot shields by police on the UK mainland. Goldsmiths hosted a series of free events to mark the 40th anniversary, which included live music, talks, exhibitions, screenings, and history walks. The commemorations included the unveiling of a new Lewisham Maroon plaque on Clifton Rise to formally mark the importance of the event within the community.

Goldsmiths' new Knowledge Exchange Strategy was approved by HEFCE in March 2017, receiving positive feedback from the independent assessors on our approach to collaborating with external partners. The five-year plan sets out the College's target sectors for knowledge exchange which include

- The Creative, Digital and Information Technology sector (CDIT), particularly in relation to new applications of technologies and new business models for the Creative Economy, where creative computing, design and social science research capabilities combine to provide new perspectives in these fields. Our work in Computer Games and Virtual Reality (VR) is at the forefront of transforming the development of these technologies with partnerships that include games development and publishing companies, hardware producers such as Oculus, medical researchers and therapists. Our crowd-sourcing games developed through Biotechnology and Biological Sciences Research Council funded research are utilising VR processes originally developed to create organic art in order to engage the public in improving protein molecule docking.
- The Arts, Cultural and Heritage sectors provide us with rich opportunities for partnership, often initiated through activities such as student placements and internships (Barbican, British Council, Tate Modern, the Horniman Museum, National Theatre, the Royal Academy) and research and other grants (Age Exchange, London Tamil Centre, INIVA gallery, The Mill, Tate Britain and the Albany).
- The Public Sector and Third Sector/NGO/charity sector. We have extensive research and activist engagement working with NGOs such as Amnesty, Red Cross and Citizens UK across areas such as migration and human rights. For example, our researchers from our Centre for Research Architecture team in the Department of Visual Cultures are regularly invited to provide expert evidence at the European Court of Human Rights due to our work with countries and peoples affected by conflict.
- The Health and Community Sector. We recognise that many of our outcomes and impacts may have critical mass that pertain to this sector. We are a partner in the South East London Health Innovation Network which has led to our journalism and design students taking up internships across the NHS provision in the region.

3. STUDENT EXPERIENCE

Goldsmiths’ diverse student body is wide-ranging in terms of age, nationality, educational, occupational and social backgrounds. Goldsmiths aims to support all students effectively, regardless of background, to enable them to participate in knowledge production. This means equipping them with skills, knowledge and experience that will help them to make sense of the world and find the work they want in a fast-changing environment.

Goldsmiths monitors student feedback at institution-wide and academic department level and compares performance to competitor institutions through the National Student Survey, the UK Experience Survey, the Postgraduate Taught Experience Survey, the Postgraduate Research Experience Survey and the International Student Barometer. The College’s Academic Board reports to Goldsmiths’ Council on performance in these areas. Together with staff-student ratios, overall satisfaction in the NSS is one of the Key Performance Indicators monitored by Goldsmiths’ Council on an annual basis.

In common with many other London institutions, Goldsmiths has struggled to maintain student satisfaction levels. In 2017, overall satisfaction dropped three percentage points compared to the previous year. This is the lowest result for the College since 2010. A key strategic aim, therefore, is to return to the higher overall levels of satisfaction seen in 2014.

	2012-13	2013-14	2014-15	2015-16	2016-17
NSS institution score	88%	87%	83%	83%	80%

Goldsmiths’ Student Experience and Engagement Strategy 2015-18 provides direction and focus for the activities, projects and work programmes to ensure a high quality student experience at Goldsmiths. The strategy was created in 2014-15 through extensive consultation with the student body and was approved by the Goldsmiths’ Academic Board at its December 2015 meeting.

Key activities in 2016-17 included:

- the delivery of the “Supporting staff to support students” programme, designed to improve the support offered by personal and senior tutors to students;
- a focused programme to upgrade the wi-fi in all areas of the campus in order to allow students to engage with online resources regardless of location;

- the further upgrade of teaching rooms to ensure consistency of experience;
- further engagement with teaching staff to continue to increase the provision of reading list materials in digital form; and
- refreshing the student web pages: IT, Student Services and Enhancing Academic Skills.

In common with other institutions, overall NSS performance masks a broad range of reported experience at individual Department level, with some high performing departments alongside those facing greater challenges. As in previous years, all Departments will complete an NSS Action Plan in consultation with students, to be considered by Goldsmiths’ Learning and Teaching Enhancement Committee before the end of the 2017 calendar year. In addition, in 2017-18, strategy implementation will be supplemented by three work streams addressing key areas of the student experience: (i) employability; (ii) assessment and feedback; and (iii) organisation and management. The aim is to identify and implement a series of discrete projects which will have a deep impact on student experience.

Goldsmiths seeks to ensure that growth in student numbers is matched by appropriate academic teaching resource. This is reflected in staff student ratios which have remained broadly constant since 2014, despite considerable growth in student numbers:

	2012-13	2013-14	2014-15	2015-16	2016-17
Institution SSR	16.9	14.8	13.2	14.1	14.2

Beyond the observable short-term metrics, many students will reflect on their experience of Goldsmiths by reference to how it prepared them for the wider world. Arts and Humanities students often tread a path that doesn’t immediately take them into the traditional graduate careers favoured by standard measures of graduate outcomes. We believe that encouraging students to think differently, challenge and critique is an integral part of the Goldsmiths experience. This belief will continue to be encapsulated in Goldsmiths’ refreshed Strategic Plan, against which we will be operating from January 2018.

4. FINANCIAL SUSTAINABILITY

Financial sustainability enables Goldsmiths to exist as an autonomous, self-determining institution and fulfil the obligations of its Charter. Long-term financial security is essential for Goldsmiths to be able to enact its core purpose. By the same token, activities in support of excellence in knowledge production, the student experience and engagement with London and the world must be financially sustainable.

Over the last three years we have launched a number of change management initiatives under the umbrella of the Sustaining Goldsmiths programme. At its heart the programme has been about increasing a shared awareness of our internal and external operating context so that we can address our financial, strategic and operational challenges more effectively in order that we can sustain our distinctive culture, character and values.

The goals of the programme were set out at its beginning:

- Sustain Goldsmiths as an independent and self-determining research-intensive institution renowned for the quality of its teaching and cultural vibrancy.
- Generate sufficient surplus to be more resilient to the rapidly changing external environment and to invest in the student experience, academic quality and growth.
- Achieve this surplus by:
 - becoming more efficient and reducing cost;
 - growing existing income streams and promoting an entrepreneurial mind-set to identify and develop new streams;
 - establishing a shared financial awareness and accountability in the Goldsmiths staff community; and
 - being more agile in our planning, our structures and our use of resource.

The programme has to date played a critical role in creating greater awareness about the internal and external challenges facing Goldsmiths. It has provided the context and imperative for us to think about increasing efficiency, supporting strategic decision making, and diversifying income streams.

Specific strategic achievements include:

- New methods for collecting robust financial data and presenting it in ways that have led to increased general financial awareness throughout the Goldsmiths community. This has, for example, enabled a non-staff cost-reduction target to be set and a plan implemented.
- The launch of an integrated Planning and Budgeting process which includes setting out department strategic visions for teaching, research and knowledge exchange alongside agreed financial department contribution targets.
- Implementation of a school structure for the College to improve management and accountability.
- Supporting the delivery of a number of infrastructure projects including a more robust IT network and the refurbishment of three halls of residence in partnership with a third party student accommodation provider.
- Developing policies to provide more strategic support and reward for our academic staff.
- The academic programme growth and short courses delivery frameworks discussed above.

Surplus as a percentage of revenue has historically been used as a key measure of sustainability. The introduction of FRS 102 in 2015-16 has adversely impacted, and created greater volatility in, reported surplus. We therefore have increasingly focused on operating cashflow as a key financial performance measure. Operating cash flow performance is presented below:

	2012-13 £'000	2013-14 £'000	2014-15 £'000	2015-16 £'000	2016-17 £'000
Net cash inflow from operating activities	Not restated for FRS102 presentation		4,813	4,256	10,929
As a percentage of turnover	Not restated for FRS102 presentation		4.7%	4.1%	9.5%

While working capital movements can cause volatility in this measure, the improvement reflects a better underlying financial performance in 2016-17. In particular, the amount of depreciation (which is not an operating cash flow) has increased, which benefits the reconciliation of financial surplus to operating cash inflows. In addition, the 2015-16 position was negatively impacted by payments in connection with Goldsmiths' 2015 voluntary severance scheme.

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The key tactical measures being taken to improve operating cash flow generation include:

- Ensuring we have a Home/EU: International student mix that is appropriate for a London institution with our range of subjects offered.
- Continuing our strategy of undergraduate and postgraduate tuition fee growth where possible, while acknowledging that the high growth rates seen over the past three years are not necessarily sustainable in future.
- Growing research grant income to benefit from economies of scale in light of investments which have been made in research administration infrastructure.
- Concluding our programme of estates and IT backlog capital expenditure such that a stable run rate level of capital expenditure and depreciation is achieved.
- Continuing to exercise non-staff cost restraint in order to ensure the benefits from the current non-staff cost reduction exercise are not reversed.
- Concluding our step-change investment in professional services headcount such that economies of scale will emerge from 2017-18 onwards.
- Diversifying income streams to improve the resilience of cash flows.



OUR OPERATING STRUCTURE

Goldsmiths' formal governance structures, including the roles of Council, Academic Board and their respective committees, are explained in detail in the Corporate Governance and Internal Control section on pages 36-39.

On a day-to-day operational basis, academic life is centred on 18 academic departments which are grouped into three Schools, each of which is led by one of the academic Pro-Wardens. The Schools operate as a vehicle for internal management, strategic planning and financial reporting and are not intended to play an outwardly visible role. The external face of Goldsmiths remains the individual academic departments, each with a unique presence and distinctive culture.

Professional Services are overseen by the Registrar and Secretary and the Director of Finance. The Registrar and Secretary is responsible for all student-facing services as well as governance, HR, and legal and marketing activities. The Director of Finance oversees Finance, Estates & Facilities, and IT & Information Services.

Our academic departments are as follows:

School	School of Arts and Humanities	School of Culture and Society	School of Professional Studies, Science and Technology
Head of School	Professor Elisabeth Hill	Professor David Oswell	Professor Mark d’Inverno
Departments	<ul style="list-style-type: none"> ▪ Art ▪ Confucius Institute ▪ Design ▪ English & Comparative Literature ▪ History ▪ Music ▪ Theatre & Performance 	<ul style="list-style-type: none"> ▪ Anthropology ▪ Media & Communications ▪ Politics & International Relations ▪ Sociology ▪ Visual Cultures 	<ul style="list-style-type: none"> ▪ Computing ▪ Educational Studies ▪ Institute for Creative and Cultural Entrepreneurship (ICCE) ▪ Institute of Management Studies (IMS) ▪ Psychology ▪ Social, Therapeutic and Community Studies (STaCS)

These departments are home to a diverse range of research centres. In addition, we have a number of central academic functions that support the development of the College’s teaching and research activities:

- Teaching and Learning Innovation Centre
- Graduate School
- Research & Enterprise
- International Development and Academic Partnerships

Students and staff are supported by the following Professional Services departments:

- Student Experience (including Student Services, Student Administration, Student Recruitment, Careers Service and Library)
- Development and Alumni Relations
- Executive & Governance Services
- Estates & Facilities
- Information Technology & Information Services (IT&IS)
- Strategic Planning & Projects
- Finance
- Human Resources
- Marketing & Communications

The Senior Management Team (‘SMT’) provides overall operational leadership to the College, while remaining accountable to Council and its various Committees. The SMT comprises:

- **Warden**
Patrick Loughrey
- **Deputy Warden; Pro-Warden for Learning, Teaching and Enhancement; and Head of the School of Arts and Humanities**
Professor Elisabeth Hill
- **Pro-Warden for Research & Enterprise and Head of the School of Culture and Society**
Professor David Oswell
- **Pro-Warden for International and Head of the School of Professional Studies, Science and Technology**
Professor Mark d’Inverno
- **Registrar and Secretary**
Helen Watson
- **Director of Finance**
Ian Pleace

OUR FINANCES AND RESOURCES

We are a charity and we recognise that our primary role is to fulfil our public benefit obligations which are described in more detail on pages 32-34. We do, however, seek to generate a moderate surplus and a positive net cash inflow from operating activities in order to:

- Build an investment fund to ensure the long-term survival of Goldsmiths.
- Create sufficient financial cushion to withstand financial shocks.
- Maintain compliance with the covenants attached to our external bank debt and comply with other regulatory requirements.

2016-17 Financial headlines

We present below a high-level overview of where Goldsmiths gets its income from and how that income is spent, together with a review of our financial performance in the 2016-17 financial year.

In summary, though, the 2016-17 financial headlines are as follows:

- Total income grew by 10.4% to £114.8 million, driven by a strong growth in tuition fee income as student numbers across all major categories increased.
- Total expenditure increased by 10.2% to £115.1 million as staff costs grew to keep pace with student number growth and the first full year impact of higher employers' National Insurance contributions were felt. Included within expenditure is a one-off payment of £0.6 million made to residents adversely affected by building works at the Surrey House and Raymont Hall student accommodation.
- The deficit before other gains and losses reduced to £271,000 (from a deficit of £430,000 in 2015-16).
- After taking into account the gain on disposal of fixed assets and the impact of taxation, the overall reported surplus is £236,000. This is lower than in 2015-16 as the prior year included a one-off gain of £2.3 million in respect of the transfer of three student residences to Campus Living Villages (CLV) under a long leasehold arrangement.

- As demonstrated in the table below, the underlying surplus position has improved slightly since 2015-16, although this performance is still well below the Higher Education sector average.

	2016-17 £'000	2015-16 £'000
Surplus as reported	236	2,025
<i>Less one-off gains (fixed asset disposals)</i>	(484)	(2,316)
<i>Add back one-off costs (Surrey House and Raymont Hall resident payments)</i>	560	-
Underlying surplus/(deficit)	312	(291)

Note: in the 2015-16 Annual Report and Financial Statements we adjusted for FRS 102 items in arriving at a measure of adjusted surplus. As noted in last year's financial statements, this is not a sustainable approach as the adjustments cannot be separately identified after 2015-16. The analysis above therefore adjusts for significant one-off items only.

- The net cash inflow from operating activities was £10.9 million (2015-16: £4.3 million). The improvement reflects favourable working capital movements, increased depreciation and amortisation charges within the financial surplus (which are non-cash items) and the absence of cash outflows incurred in 2015-16 in respect of the College's 2015 voluntary severance scheme.
- After taking into account: (i) a one-off second capital receipt of £2.6 million in respect of the transfer of student accommodation to CLV; (ii) the College's ongoing estates and IT capital expenditure programme; and (iii) the costs of servicing debt and finance leases, total cash balances (including cash held in deposit accounts) as at 31 July 2017 were £29.9 million, £4.7 million lower than at the same point in 2016.
- Net assets increased slightly from £85 million to £87.7 million given the surplus for the year and a favourable actuarial assumption movement on the LPFA pension scheme.

These headlines are explored in more detail in the following sections.

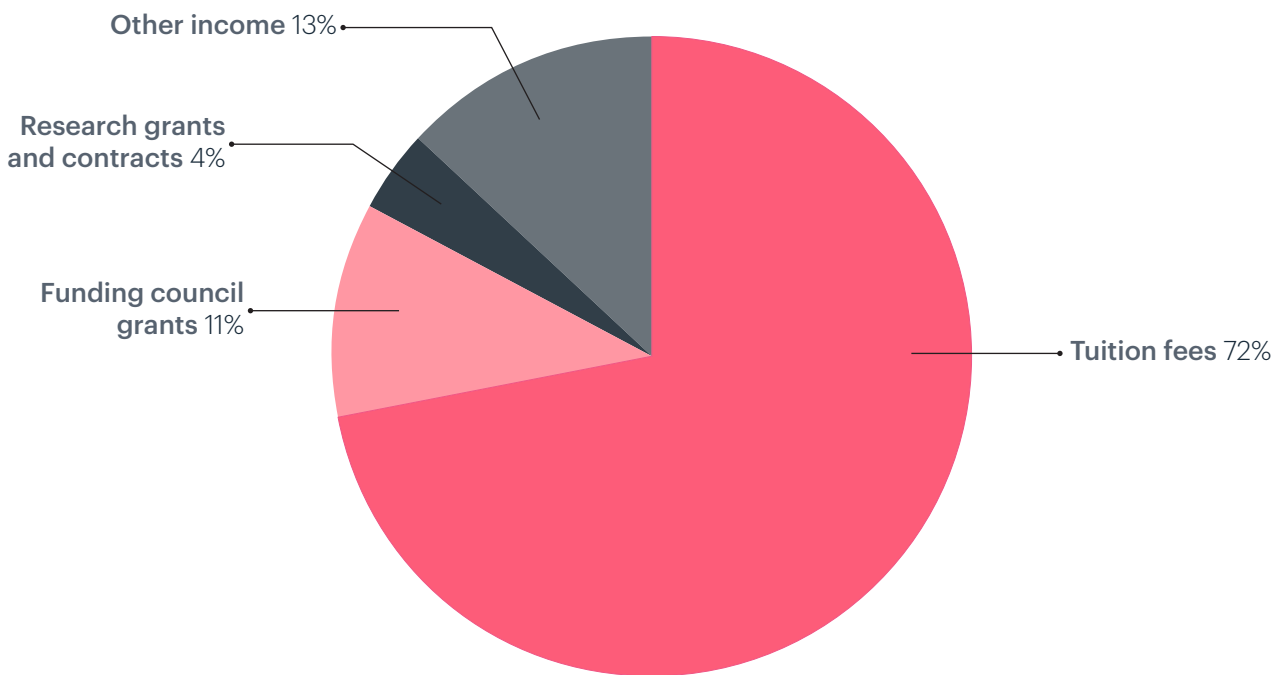
Revenue

In common with all UK universities, our funding structure has changed significantly over the past 10 years. In that time, our primary revenue source has shifted from government grants (which accounted for just over half of income in 2005-06) to student tuition fees (which accounted for 72% of income in 2016-17). This has had the effect of shifting our income from fairly stable sources to a far more market-driven (and therefore potentially volatile) revenue base where we are competing with other universities for student tuition fees.

Our main income sources are as follows:

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

2016-17 Sources of income



Revenue: Tuition fees

The vast majority of income (72%) is derived from tuition fees. Of this, over half is in respect of Home/EU undergraduate tuition fees. Since 2012, these fees have been fixed at £9,000 per annum. Accordingly, the only way to grow our largest single source of income in order to cover rising costs has been to increase student numbers, which have increased steadily from 4,000 in 2012-13 to 5,250 in 2016-17 in respect of Full-Time Equivalent Home/EU undergraduates.

In 2016-17 Goldsmiths achieved ‘meets expectation’ status to participate in the Teaching Excellence Framework (TEF 1) and, as such, has raised Home/EU undergraduate fees by £250 for the 2017-18 academic year. Goldsmiths achieved a Bronze rating in TEF 2. The rating is aimed at informing student decision-making, driving and rewarding teaching quality, and enabling inflationary fee increases linked to deemed quality. The key datasets are currently derived from the National Student Survey and Destinations of Leavers from Higher Education return that Goldsmiths is required to complete. Goldsmiths has a clear action plan in place for each of the measures within the framework given its Bronze award.

It was originally intended that from 2019-20 institutions with a Gold or Silver rating would be entitled to increase their fees beyond £9,250 by 100% of inflation, while institutions with a Bronze award would be entitled to increase fees by 50% of inflation. However, tuition fees are currently under review by the UK government.

Any institution that does not apply for a TEF rating will have to maintain fees at the £9,000 cap.

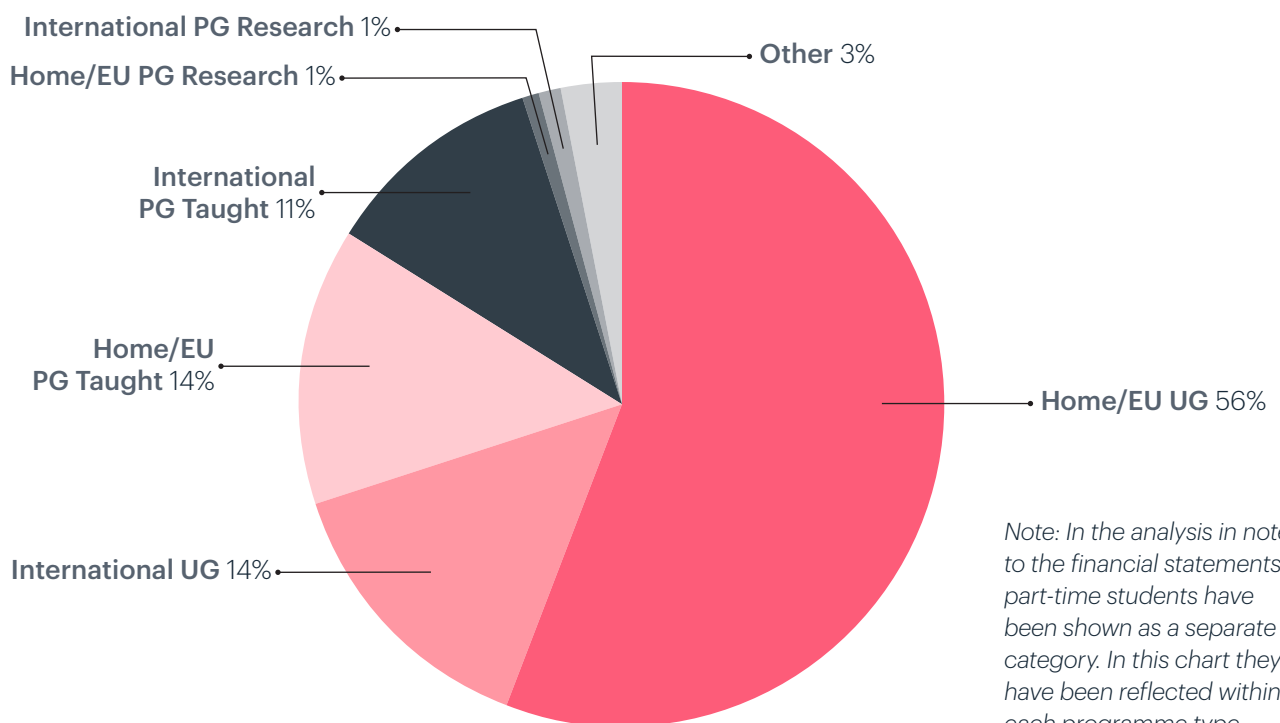
It is Goldsmiths policy to fix undergraduate fees for each student for the duration of their study.

Until 2015-16, Home/EU undergraduate student numbers were subject to a government cap, which limited our ability to recruit. The cap has now been removed, which has resulted in greater competition for students, presenting both risks and opportunities for the College.

Most other tuition fees are not regulated in the same way and are generally subject to annual inflationary increases. Postgraduate taught courses (such as MSc and MA degrees) accounted for 25% of tuition fee income in 2016-17. Recruitment to such programmes has been challenging in recent years, especially for Home/EU students.

One of the major differences between undergraduate and postgraduate taught programmes is the duration of study. Undergraduate recruitment typically results in three years of income while postgraduate taught courses largely result in only one year of income, even though recruitment costs for both types of student are similar. The continuation/retention rates for undergraduate students, which are lower than the sector average, are therefore a metric that is tracked closely by SMT.

2016-17 Tuition fees breakdown



Funding Council grants

Grant funding is still received from HEFCE in respect of some teaching and research activity and accounted for 11% of income in 2016-17. HEFCE research grant funding, also known as QR (Quality-Related) funding, was allocated to institutions in accordance with the results of the 2014 Research Excellence Framework (REF) exercise. Notwithstanding a generally strong performance in this exercise, with almost three-quarters of research at Goldsmiths rated world leading or internationally excellent, the overall level of QR funding was reduced, with the result that Goldsmiths' allocation fell from £7.7 million in 2014-15 to £5.5 million from 2015-16 onwards, although we have secured small incremental increases since then. A small amount of capital grant funding is still received from HEFCE, although this now constitutes less than 1% of income.

Research grants and contracts

In addition to the HEFCE block grant QR funding, Goldsmiths' academics also submit grant applications to the UK and European Research Councils, as well as other charitable and commercial bodies, in order to fund specific research projects. The funding environment is increasingly competitive, with government research priorities typically favouring the so-called STEM subjects (Science, Technology, Engineering and Maths) rather than the Arts, Humanities and Social Sciences areas in which Goldsmiths specialises. Just under half of our research grant income was won from European research councils and this revenue stream is now under threat following the UK's decision to leave the European Union.

Other income

Other income comprises primarily fees from student accommodation and catering activities. In addition, we receive small amounts of income in respect of conferences and other events hosted on our campus. Diversifying our other income sources is a priority for Goldsmiths.

Revenue performance in 2016-17

In 2016-17, revenue grew by 10.4% to £114.8 million, reflecting:

- A strong growth in tuition fee revenue, which increased by 11.9% to £82.9 million. This is our largest income stream and consequently explains most of the overall income growth. There was good tuition fee growth across all major categories, driven by investment in brand new programmes such as Economics and continued growth in recently launched areas such as Criminology.
- Increases in Funding Body grants. In 2015-16, HEFCE teaching grant income was depressed as a result of a fine incurred for having exceeded student number caps in an earlier financial year. The results have therefore benefited from the absence of this amount in 2016-17. HEFCE research (QR) income increased in the year due to amounts receivable in respect of postgraduate research students. Finally, an investment in a Computing laboratory attracted a one-off capital grant.
- Lower Research Council grant income in light of a number of major grants having concluded in the previous financial year. Our Research and Enterprise Strategy is focused on returning research grant income to its previous higher levels.

- A growth in other operating income, with student accommodation and catering revenue growing in line with higher student volumes. A one-off fee was also received in connection with the re-validation of the LASALLE arrangements.
- A slight decline in endowment and investment income, which is currently a small income stream for Goldsmiths. Cash balances were reduced given the ongoing capital expenditure programme and this led to lower interest income on those balances.

Although not presented in income (but instead shown as gains on disposal further down the Statement of Consolidated Income and Expenditure), the results benefited from a £484,000 gain in respect of the sale of a small residential property on the periphery of the estate. In 2015-16, a £2.3 million gain was recorded in respect of the buildings transferred to Campus Living Villages.

Expenditure

Our expenditure comprises:

- Staff costs
- Non-staff operating costs
- Capital expenditure, which is reflected in our Statement of Comprehensive Income and Expenditure as depreciation and amortisation over the life of the assets acquired
- Interest costs

In 2016-17, our staff costs stood at 60% of total costs. This is in excess of the Higher Education sector average, reflecting the more staff-intensive nature of some of our teaching. Also, in order to operate, we need all of the administrative infrastructure of any other university, but as a smaller institution we are less able to generate the full economies of scale from that investment in administrative staff.

Of our staff cost base, 65% of spend relates to academic departments (including administrative staff in those departments) and 35% relates to central professional services departments. Staff pay levels are determined through nationally led negotiations between universities and trade unions. Pension fund provision is made through either the London Pension Fund Authority or the Universities Superannuation Scheme. The cash cost of these schemes has increased in recent years, reflecting the deficit position of both schemes. Staff costs are also impacted by employer's National Insurance contributions which, in light of

recent changes in legislation, had increased by c£1.4 million on an annualised basis by the end of 2016-17.

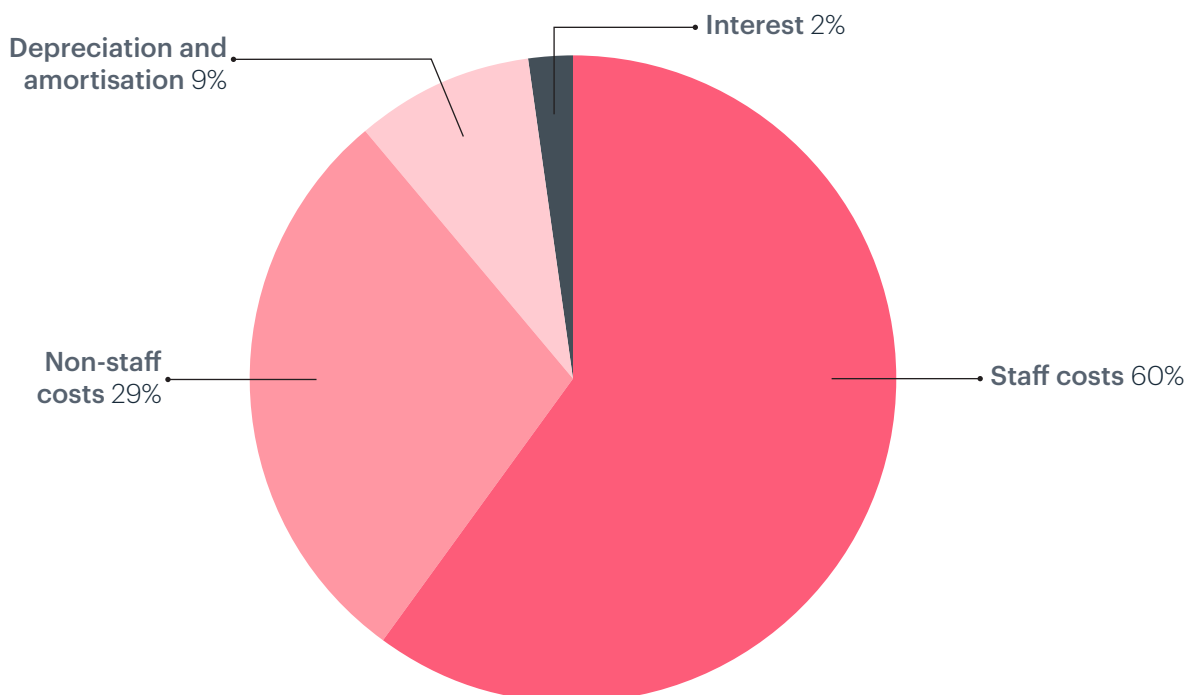
Our people

A narrow balance sheet focused view of our assets would ignore the massive contribution that our people make to Goldsmiths. They are the very essence of the institution – its uniqueness, its values and its vast intellectual capital. None of this can be readily measured in balance sheet terms, and nor should it be.

Goldsmiths employs 1,201 Full-Time Equivalent staff, including 608 academic FTEs. We are proud of the continuing recognition being won for teaching, professional services, publications, community events, social media and research. Professional development opportunities are open to all colleagues as we aim to be at the forefront of accredited staff development. Our Human Resources Learning and Development Team continue to work closely with academic and professional services colleagues to support ongoing academic and professional development opportunities within the institution.

We are working hard to ensure that Goldsmiths maintains an environment where our staff feel respected, safe and secure. For example, our aim is to embed Equality and Diversity across Goldsmiths and make it a part of everything that we do by working together collaboratively and proactively and we were delighted to launch our renewed Equality and Diversity strategy and plan in the previous financial year to proactively work towards this aim.

2016-17 Expenditure



Our non-pay operating costs cover all of the remaining costs of running a university including:

- Scholarships and bursaries
- Student accommodation rental costs on leased or nominated halls of residence
- Security, cleaning and maintenance costs
- Utilities, such as gas, electricity and water
- Business rates
- Block grant to Goldsmiths' Students' Union
- Library materials including hard copy publications and electronic subscriptions
- Catering
- Student placement fees in teaching and social work

We aim to ensure strong control of these costs through strong discipline over expenses, procurement compliance and supplier contract management.

Capital investment, depreciation and amortisation

In recent years we have increased the level of capital investment considerably. To give a sense of perspective, in the three years to 31 July 2009, our capital expenditure totalled £15 million at a time when £7.3 million of HEFCE capital grants were received. In the three years to 31 July 2017, we have spent £42.9 million on capital expenditure and have received just £2.5 million of HEFCE capital grant funding over the same timeframe.

The majority of our capital expenditure is on our estate, with an increasing focus on building a robust IT infrastructure that meets the needs of students and staff, most recently through the roll out of new audio visual equipment in all of our major teaching rooms. For both our estates and IT infrastructure, a significant amount of spend has been required to cover the backlog of issues arising from the previous low levels of investment.

Depreciation and amortisation charges arise as capital expenditure is charged to our Statement of Comprehensive Income and Expenditure evenly over the estimated useful economic lives of the assets acquired. Our depreciation and amortisation charges continue to rise, reflecting the underlying increases in capital expenditure. Estate assets often have a long life (for example, a new building is typically depreciated over 40 years), whereas IT assets invariably have a short life (for example, 3 years for hardware, 5 years for a strategic software system). As Goldsmiths increases expenditure on shorter-lived IT infrastructure, our depreciation and amortisation charges are expected to accelerate over the next couple of years before stabilising as the historical backlog is cleared.

By way of explanation, it should be noted that depreciation charges are recognised in respect of tangible fixed assets, and amortisation charges are recognised in respect of intangible fixed assets (principally computer software).

Our physical infrastructure

We own the freehold to the vast majority of our campus which gives us a significant degree of financial security.

Goldsmiths enjoys a unique campus environment and students tell us that they value the New Cross experience as being different from both more traditional city centre universities and out of town campuses. The location at New Cross does mean that we need to offer a broad range of facilities and particular effort has been put in recent years into adding additional catering outlets and social learning spaces. Enhancing the whole student experience is important to us, and investment has also been made in improving Wi-Fi across the campus and developing the core physical estate and ongoing improvements to IT services and systems.

*Annual Reports and Financial Statements 2017***Long-term liabilities and interest costs**

It is not always possible to fund activity directly out of the cash flows generated by our operations. In order to undertake major capital expenditure, Goldsmiths has in the past entered into external financing arrangements which are reflected on the College's balance sheet as long-term borrowings. These take the form of long-term loans with Royal Bank of Scotland and Lloyds, together with a finance lease in respect of our Loring Hall student accommodation. Together, these arrangements represent £21.7 million of borrowing. Data from HEFCE suggests that our gearing (external debt as a proportion of net assets) is currently below average for the higher education sector. The cost of servicing that debt is fairly high though, as the amounts borrowed are on standard repayment terms at rates of interest of between 5% and 6%.

We also incur interest costs in respect of our pension schemes, as the significant pension liabilities reflected on our balance sheet incur a notional interest charge as a result of a valuation technique known as discounting.

Our pension schemes

Goldsmiths employers are eligible to join either the London Pension Fund Authority ('LPFA') scheme or the Universities Superannuation Scheme ('USS'). Both are defined benefit pension schemes, although recent changes to USS have introduced a defined contribution element for higher earners. Given the current environment of low interest rates, the net deficit position of each scheme has continued to rise and they represent significant liabilities on Goldsmiths' own balance sheet.

Expenditure performance in 2016-17

In 2016-17, expenditure charged to the Statement of Comprehensive Income and Expenditure grew by 10.2% to £115.1 million, reflecting:

- A 10% increase in staff costs to £69.4 million as a result of: (i) new staff recruitment to address the higher student numbers and new programme development; (ii) ongoing investment in certain areas of professional services where institutional need has increased (eg IT); (iii) the first full year impact of higher employers' National Insurance contributions; and (iv) the 1.1% pay rise awarded to all staff following national negotiations.
- A 6.4% rise in non-staff costs to £33.6 million. Included in this amount is a one-off cost of £0.6 million that Goldsmiths paid to those students who were inconvenienced by building works at the Surrey House and Raymont Hall residences. In addition, a new student residence nominations agreement for the former Camberwell Town Hall premises came into effect which led to increased rental costs of £1.2 million (offset by rental income received). These two effects increased non-staff costs by £1.8 million. If they are adjusted for, the underlying like-for-like increase in non-staff costs was 1%, reflecting continued tight control of such expenditure.
- An increase in total depreciation and amortisation charges of 35% to £9.6 million, driven by the ongoing investment in the estate and, in particular, shorter-lived IT assets. For example, 2016-17 saw the first full year depreciation and amortisation impact of the significant investment in teaching room audio-visual resources.

- Slightly lower interest charges as the principal/capital element of bank loans is gradually repaid.

Cash flow and balance sheet**Cash flow**

In 2016-17, the net cash inflow from operating activities was £10.9 million (2015-16: £4.3 million). The improvement reflects:

- A stronger overall financial performance, with fewer non-cash provision releases contributing to surplus.
- Favourable working capital movements.
- Increased depreciation and amortisation charges. Depreciation and amortisation charges are not cash outflows (as the cash flows are recorded in the Cash Flow statement when the assets are acquired). As the proportion of non-cash items within operating expenditure increases, so the proportion of cash-based operating expenditure declines, improving the operating cash flow position for any given level of surplus.
- The absence of costs incurred in 2015-16 in respect of the College's 2015 voluntary severance scheme. The scheme resulted in cash outflows in 2015-16, but the related expense had been charged to the Statement of Comprehensive Income and Expenditure in 2014-15.

Total cash balances (including cash invested in deposit accounts) as at 31 July 2017 were £4.7 million lower than at the same point in 2016 as the College's capital expenditure and debt repayments exceeded the cash flows generated from operating activities.

Capital expenditure, which totalled £16.8 million in the year, included:

- The acquisition of a 125-year lease on premises in Batavia Road, New Cross and its subsequent fit-out as a new administration building (the Caroline Graveson Building) which will be home to 200 professional services staff.
- Goldsmiths Centre for Contemporary Art, a new gallery that makes use of part of the former Laurie Grove Baths including its Victorian water tanks. The Centre will open in Autumn 2018.
- The continued upgrade and refresh of the College's IT infrastructure.

The cash cost of servicing debt and finance leases was £3.2 million.

Offset against these non-operating cash outflows was a further £2.6 million capital receipt from Campus Living Villages in connection with the creation of 80 new beds at the Surrey House and Raymont Hall student residences which were transferred to CLV in 2015 on a 50-year operating leasehold arrangement.

Balance sheet

Net assets increased from £85 million as at 31 July 2016 to £87.7 million as at 31 July 2017, reflecting the surplus for the year and a favourable actuarial assumption movement on the LPFA pension scheme. The fixed asset balance increased by £7.2 million given ongoing capital expenditure. No new loans were taken out in the year. After continued repayment of debt principal, external loan and finance lease balances stood at £21.7 million at 31 July 2017 (2016: £23.6 million).

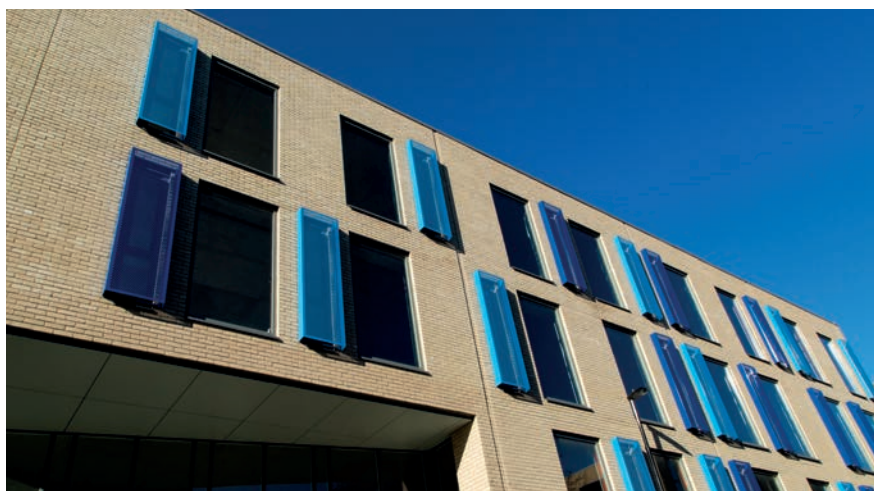
Budgeting and strategic planning

In order to achieve strong financial control, Goldsmiths has developed a contribution model for resource allocation whereby:

- A desired level of overall operating cash flow for the institution is set.
- Professional services budgets are set, reflecting an assessment of academic department needs, together with a central cost budget for items such as capital expenditure and interest.
- In light of the desired operating cash flow, professional services and central cost budgets, an overall contribution target is set for revenue-earning departments. Contribution is defined as revenue less the directly controllable costs of a department.

- The contribution targets are then allocated out to departments and form the basis of their strategic planning and budgeting exercises.
- Throughout, there is a degree of iteration and negotiation to ensure target setting is fair and reasonable and meets the overall financial objectives of the College.

Departments cannot therefore look at revenue and costs in isolation, but must manage both together if they are to achieve the required levels of contribution. Our goal is to have a flexible model whereby required contribution targets can be adjusted to encourage investment in academic growth.



The new **Caroline Graveson Building** will become home to 200 professional services staff who are currently dispersed across the Goldsmiths campus. While bringing these teams together in one place will do much to improve efficient and collaborative working in state of the art space, there will also be significant knock-on benefits as the space vacated is repurposed and reconfigured to better meet student needs. For example, the move has allowed us to create a brand new computing laboratory for students at the heart of campus, in space previously occupied by the Finance Department. New seminar and teaching rooms have been created and an enhanced centrally located space for our Careers Service will be opened shortly.

*Annual Reports and Financial Statements 2017***The external environment**

Goldsmiths faces a challenging external environment and both Council and SMT are attuned to the risks and opportunities that this environment presents. As in the past, Goldsmiths will continue to respond to these challenges positively drawing on the invaluable strengths of its people, its values and its uniqueness.

The UK's decision to leave the European Union and the related tightening of UK immigration policy (with uncertainty over any leniency for international students) together present a significant risk to Goldsmiths. The tightening of immigration policy may impact existing volumes of non-EU international students. It is not yet clear how it will impact EU students. Goldsmiths intends to do all it can to continue to attract high quality EU and non-EU students and to continue to make the case for the many benefits that international students bring to UK universities, the UK economy and UK society as a whole.

The potential for greater restrictions over international student numbers comes at a time when UK demographic change is such that the number of 18 year-olds able to enter higher education is falling and is unlikely to return to current levels in the near future. In addition, the government's proposed Higher Education legislation currently passing through Parliament makes provision for new market entrants to compete for students against existing universities. Alternative pathways such as apprenticeships are also growing in popularity.

Taking these three points together – international student restrictions, UK demographics and alternative options for study – a possible reduction in demand for places at Higher Education establishments

may coincide with an increase in the supply of such places.

These supply and demand effects may be felt particularly harshly in the Arts, Humanities and Social Sciences. Government policy favours science, technology, engineering and maths (the so-called STEM subjects) and those with a vocational bias, which has potential to impact demand, especially if it informs A-Level choices for students. At the same time, Humanities and Social Sciences are popular subjects with many universities as they require lower capital investment than many STEM subjects (which, for example, are often based in expensive laboratories) and can be taught with more economically viable student:staff ratios than subjects such as Art, Design and Performing Arts. STEM subjects also attract the majority of research funding.

In addition, the Teaching Excellence Framework discussed in the previous section of this Strategic Report creates further uncertainty over how students and potential applicants will respond to ratings of Gold, Silver and Bronze, especially in light of Goldsmiths' Bronze rating. Given the nature of the specific measures being assessed in the TEF, Goldsmiths scores less highly than many other institutions. The rating awarded does not, in the view of Goldsmiths, fairly represent the many strengths and positive aspects of academic life at Goldsmiths. It is currently unclear whether TEF outcomes will be used to drive broader government goals such as the proposed reduction in international student numbers. If so, the risk to Goldsmiths could be considerable. The ongoing link between TEF and fee setting remains under review. More broadly, great uncertainty remains over the future of tuition fees and, by extension, our primary source of funds.

Finally, the financial impacts of the above risks are compounded by the balance sheet exposure arising from pension provision. Both the USS and LPFA schemes are in deficit, and the obligation to fund these two defined benefit schemes remains a potentially onerous one.

There is no doubt that this environment is a difficult one for Goldsmiths. Each of the points discussed informs the College's institutional risk register, which is reviewed regularly by SMT and Council.

In response to these risks Goldsmiths is focusing on:

- Raising the profile of what Goldsmiths does. The strength of Goldsmiths lies in the uniqueness of its teaching and research. Our academics are not afraid to challenge established thinking. Our values and cultures are supportive of radical thinkers and we remain an attractive destination for academics and students. We will be positive and vocal about what we stand for as we respond to the evaluation frameworks that the government has been introducing for teaching and research.
- Conserving cash. £12 million of the capital receipt in connection with the transfer of some of our student accommodation to a third party provider will be held as a financial cushion to ensure liquidity. These funds had originally been earmarked for capital expenditure in 2016-17.
- Continuing to grow student numbers where possible. The College's view is that it should continue to pursue a positive growth-led strategy, although not at any cost. Goldsmiths has a strong track record of launching and growing new and innovative programmes,

most recently in economics which has enjoyed success through its taught programmes and through the Political Economy Research Centre which is based at the College.

- Maintaining strong control over costs. Where new programmes are introduced or student cohorts are increased significantly on existing programmes, Goldsmiths seeks to ensure that this growth is supported through sufficient and appropriate resources – it is accepted that incremental costs will be incurred. However, new programmes are expected to contribute to Goldsmiths' total surplus and operating cash flow and their costs are subject to close scrutiny. We have a strong focus on reducing the College's non-pay spend, introducing tighter discipline over expenses, procurement compliance and supplier contract management.
- Developing and implementing a programme of activity to address performance issues raised by the NSS and TEF, with a view to improving the grading achieved.
- Building strong partnerships with international institutions.
- Investing in alternative delivery methods such as online platforms and distance learning which are scalable without incurring expensive estate costs.
- Working with other institutions to further develop the idea of 'STEAM', whereby the roles of art, design and creativity as complementary disciplines to the STEM subjects are acknowledged. Scientific advance requires creative input, and Goldsmiths has a role to play in forging closer links with STEM-focused institutions.

LOOKING FORWARD

Financial outlook

While accounting volatility caused by FRS 102 will continue to have a significant impact on our reported financial results and position in 2018, the primary 'real world' drivers of our financial performance will continue to be:

- Continued student number growth, especially at undergraduate level, with initial signs that international postgraduate growth has improved.
- Further increases in staff costs.
- Savings achieved from tighter non-staff cost control.
- Tight control over capital expenditure.

As a result, our financial performance will remain under pressure but with a slight underlying improvement expected in 2017-18. However, financial performance will remain well below Higher Education sector norms. This emphasises the need for continued focus on achieving a sustainable level of surplus and operating cash flow. The fundamental financial position of Goldsmiths, however, remains strong given the capital receipts received from CLV and, compared to the wider Higher Education sector, our relatively low level of external debt gearing.

Looking beyond the 2017-18 financial year, it is likely that the rate of student recruitment growth will decline. While Goldsmiths will continue to pursue new programme development opportunities, efforts to manage our staff headcount and overall cost base will accelerate. For example, we plan to freeze staff headcount growth in non-student facing professional

services departments given the significant investments made in this area in recent years. We will continue to focus on reducing non-staff cost spend as we focus on efficiencies.

Going concern statement

Goldsmiths' activities, together with the factors likely to affect its future development, performance and position are set out in the commentary above. The financial position of Goldsmiths, its cash flows, liquidity position and borrowing facilities are described in the Financial Highlights above and the cash flow statement on page 51.

Goldsmiths adopts a cautious approach to financial risk management. Funds are placed in low risk deposit accounts. While this limits the amount of financial return available, it does not expose these essential funds to undue risk.

Our external borrowings and finance leases are well established and no new debt has been taken on in the year. Our banking covenants were renegotiated in 2016 to reflect and, to the extent possible, neutralise the impact of FRS 102. We continue to meet our scheduled repayments and remain compliant with the revised covenants that attach to the external debt. Our forecasts show that this will continue to be the case. In making these statements, Council has considered forecasts that cover a period in excess of one year from the date of signing the financial statements.

We believe that Goldsmiths is well placed to manage its business risks successfully, despite the current uncertain economic outlook and the funding pressures facing the higher education sector. Council has a reasonable expectation that Goldsmiths has adequate resources to continue in operational existence for the foreseeable

future, such that the going concern basis of accounting continues to be adopted in preparing these annual financial statements.

Conclusion

Throughout this Strategic Report, we have highlighted the challenges and opportunities that face Goldsmiths. 2017-18 will be dominated by the government's new Higher Education legislation and detailed consideration of emerging pronouncements on Brexit and immigration policy.

As discussed in the report, we will soon launch our refreshed strategy, which will be highly attuned to the external environment.

Student recruitment in 2017-18 has been encouraging. Stretching targets were set for departments and although not all of these have necessarily been met, we have experienced good growth in student numbers.

The coming year, like its predecessor, is unlikely to be plain sailing financially and we plan to conserve cash through a tight control of all expenditure. We remain confident that the fundamental strengths of Goldsmiths, articulated in this report, will be to our great advantage as we weather impending storms.

Baroness Morris of Yardley
Chair of Council



PUBLIC BENEFIT STATEMENT

The objects (aims) of the charity Goldsmiths' College, as set out in its Statutes, are:

- to advance knowledge, wisdom and understanding by teaching, study, public service and research; and
- to make available to the public the results of such research.

In reflecting on its responsibilities under the Charities Act 2011, Council continues to have due regard to the Charity Commission's guidance concerning the need for charities to demonstrate that they operate for the public benefit. Council has also noted the requirement that, where benefit is to a section of the public, the opportunity to benefit must not be unreasonably restricted by geographical or other restrictions or by ability to pay any fees charged.

Achieving public benefit: our strategy

Goldsmiths' approach is integrated with our Strategic Aims, grouped under the four strategic 'pillars' described in the earlier 'Goldsmiths in 2017' section:

- Knowledge production
- Student experience
- London and the world
- Financial sustainability

The first and third of these encompass a broadening and deepening of our external interactions which will unlock new opportunities for us to provide future public benefit.

Education, access, opportunity and experience

The principal benefits to the public (and beneficiaries) arise from the College's activities in teaching, research and knowledge production and include the students of Goldsmiths. Other beneficiaries include those who later benefit indirectly from the skills which they acquire, such as pupils of those who qualify as teachers (an area in which Goldsmiths has a particularly long history of distinguished public service).

Providing opportunity and access to all those who might benefit from studying at Goldsmiths is core to our mission.

Our location in Lewisham, south east London, a vibrant and improving area with a strong local authority, but still one of the most deprived boroughs in the country with a low rate of youth progression onto higher education, is important to us. From its establishment up to the present day, Goldsmiths has nurtured its links with the local community developing a tradition of access, diversity and community engagement in our research, teaching and outreach activity. We do this in an overall context of simultaneous local, national and international recruitment across all academic departments, producing a richly diverse internal community to the benefit of all students and staff. Among the initiatives that focus on the local community are our "Realising opportunity" scheme, and Lewisham-focused scholarships.

Goldsmiths offers a range of short courses and undergraduate and postgraduate degrees, and students from non-traditional educational backgrounds are welcomed. In addition a portfolio of professional services courses is offered, particularly by our Department of

Social, Therapeutic and Community Studies. The Teachers' Centre within our Department of Educational Studies provides continuing professional development support for primary and secondary level teachers, which both supports teachers' CPD and enables us to build relationships with schools in the south-east of England and London.

Goldsmiths undertakes outreach work with local schools and colleges through its student recruitment team in order to encourage participation from all those with potential to benefit from higher education. Our close links with schools and colleges in Lewisham and other local boroughs are at the foundation of this work and activities are often developed in conjunction with teachers and lecturers to meet the needs of their students. We work with schoolchildren of all ages, raising aspirations at all levels as well as running taster days and summer schools to give students who may be considering entering higher education the chance to experience what it might be like to study particular subjects at university, and they also provide the opportunity to speak to university lecturers and undergraduates about their experience at Goldsmiths. The Open Book project works with those from offending and addiction backgrounds to encourage them to take up education, offering them on-going emotional and practical support throughout their course. The project has enabled more than 60 adults from socially excluded groups to find places on undergraduate courses at Goldsmiths and other institutions. Over 300 students have registered with the project.

Commitment to community

Goldsmiths' commitment to the local community is embedded in the operations of the College as outlined in the sections above.

In addition to this, staff and students are encouraged to participate in community engagement activities such as public lectures, volunteering, and service on public committees (for example governing bodies of schools and further education colleges) which meet the Goldsmiths' strategic aims as well as benefiting the public. Many student placements are of direct benefit to community centres, schools, hospitals, charities and arts organisations. The Library provides access to printed materials to any member of the public needing the collections for their private research purposes.

Local schools use College Green for their sports days, and the Great Hall for concerts and other events, benefiting many hundreds of local children and further cementing our links with the local community. We work closely with CEN8 an innovative charity on outreach with students mentoring and supporting secondary school students. Goldsmiths' Teachers' Centre works with school ambassadors to encourage closer links.

Research activities

Goldsmiths' Research Office is, independently of the Charter commitment quoted above, already required to take action on making research results public as a condition of funding from the main sources of grants. It can thus readily provide detailed evidence of reporting obligations and how they have been fulfilled in respect of particular grants.

The College is mindful of the need to ensure proper separation of research activities for the public benefit, which describes most of the research carried out at Goldsmiths, from consultancy for private clients, or where there may be private benefit permitted for staff (within the framework of Goldsmiths' Consultancy Policy). The Enterprise

Office, which nurtures our links with business and social enterprises, and the Research Office work closely together under a unified management line. All research applications and consultancy tenders now go through the same office. This ensures that there are clear decision points in the processes to make sure that projects are correctly directed through either the research or the consultancy process. Examples of our research activities are presented in the earlier 'Goldsmiths in 2017' section.

The appropriate separate accounting arrangements for these different categories of research are further ensured through a vetting process undertaken within the Finance Department before an application is made for a research grant.

Environment and sustainability

Ongoing investment in improving our physical environment and supporting environmental sustainability has continued this year. Within our Estates and Facilities Department, the Energy and Environmental Manager has a wide-ranging remit relating to making environmental improvements.

We have adopted RE:FIT energy conservation measures (underpinned by a financial guarantee of financial savings) which will allow us to reduce our carbon emissions across the campus.

Ethical investment

Goldsmiths views an ethical investment policy as an important part of our strategic planning. As part of its review of the Treasury Management Policy, Council approved in summer 2014 an updated Ethical Investment Policy which has been embedded into broader Treasury Management. The Policy precludes investment

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in companies whose activities are inconsistent with the objectives of its Charter. We will not invest in companies whose activities could be seen to endanger individuals, its community of stakeholders or other groups. We achieve this by placing our long-term investments for our endowment with CCLA, a fund manager specialising in supporting not for profit and public sector organisations. This is one way in which Goldsmiths helps to avoid any detriment or harm resulting from its activities.





CORPORATE GOVERNANCE AND INTERNAL CONTROL

Institutional context

Goldsmiths' College (also known as "Goldsmiths, University of London") is a corporate body established by Royal Charter, and an exempt charity. It operates under a Financial Memorandum with the Higher Education Funding Council for England (HEFCE), which under the provisions of the Charities Act 2006 has since 1 June 2010 also been its Principal Regulator. The members of Council, the governing body of Goldsmiths, are also the trustees of the exempt charity. Goldsmiths has no linked ('paragraph w') charities. Goldsmiths obtained its own degree awarding powers in 2010. At this time it exercises these powers only in furtherance of its collaborative provision partnership with the LASALLE College of the Arts, Singapore.

Goldsmiths' Students' Union is a registered charity, for which the College has supervisory responsibilities defined by Section 22 of the Education Act (1994). Two members of the Students' Union sit on Council. In December 2003 Council approved and published a statement of protocols relating to the role of Students' Union members, in recognition of the uncertainties and tensions which could arise from their dual roles as officers and as trustees of the institution.

Responsibilities of Council

In accordance with the Charter and related Statutes, Council is responsible for oversight of Goldsmiths' affairs, including ensuring an effective system of internal control (detailed below).

The Primary Responsibilities (reserved powers) of Council are currently as follows:

- to ensure high standards of corporate governance to include integrity, objectivity, openness and transparency
- to ensure that an appropriate framework exists to manage

the quality of learning and teaching and to maintain academic standards

- to be generally responsible for the welfare of students and staff
- to approve the Strategic Plan, and Key Performance Indicators to be used to monitor the performance of Goldsmiths as a whole
- to monitor Goldsmiths' delivery against the Strategic Plan and Key Performance Indicators
- to approve the annual budget
- to ensure that funds provided by HEFCE are used in accordance with the Financial Memorandum, and that the conditions of funding of any other funding bodies, including the National Centre for Teaching and Leadership (NTCL) are similarly met
- to ensure that Goldsmiths complies appropriately with other regulatory documents from HEFCE which are for the time being in force
- to approve borrowing or loans above an agreed value
- to approve contractual commitments over an agreed value and authorise Goldsmiths' signatories
- to approve the Financial Statements and accompanying reports, including the Corporate Governance Statement
- to approve the appointment of Goldsmiths' bankers, and internal and external auditors
- to approve policies and strategies designed to ensure good financial and risk management, and to monitor Goldsmiths' arrangements for risk management in ways which Council shall from time to time determine

- to approve the Articles of Governance of Goldsmiths' Students' Union, the Memorandum of Understanding between Goldsmiths and the Union, and procedures designed to ensure that the College complies with its legal responsibilities in relation to the Union's conduct of its affairs
- to approve Goldsmiths' Health and Safety Policy and Procedures and to monitor their implementation
- to approve the sale, purchase and lease of College land over an agreed value and/ or an agreed period of time
- to approve building projects over an agreed value and monitor their progress
- to be the employing authority for all staff in the institution, approve employment policies and strategies to ensure compliance with employment legislation and guidance and to monitor their implementation
- when relevant, to approve recommendations made by a properly constituted Redundancy Committee to make academic and academic-related staff redundancies
- to approve procedures for handling internal grievances and for managing conflicts of interest
- to appoint the Warden, the Registrar and Secretary and the Director of Finance, and to approve recommendations for the appointment of Pro-Wardens, including the Deputy Warden
- to appoint the Secretary to Council
- to ensure compliance with all legislation affecting the College
- to act as appropriate in relation to the role of Council as trustees, and to ensure that Goldsmiths

complies with charity law, and with the requirements of HEFCE in its role as Principal Regulator

- to agree proposed changes to the College's Statutes, Ordinances, General Regulations and Financial Regulations
- to approve the establishment and termination of Goldsmiths' companies, or the institution's acquisition of a legal interest in a jointly owned company (or voluntary termination of such interest), and to ensure that appropriate arrangements are in place to monitor Goldsmiths' existing interests in companies
- to establish processes to evaluate the performance and effectiveness of Council itself.

The financial responsibilities of Council referred to in the Statement of Primary Responsibilities and in the Statutes, as well as the conditions of public funding to which the College is subject, mean that Council is responsible for keeping proper accounting records, enabling the financial position of Goldsmiths to be determined with reasonable accuracy at any time, and adherence to the Statement of Recommended Practice: Accounting for Further and Higher Education and other relevant accounting standards in the preparation of the financial statements.

Council conducts reviews of its own effectiveness not less than once every four years. The most recent Review was carried out during the 2015-16 academic year. A broad effectiveness review of Goldsmiths' committees and governance structure, including terms of reference and membership of committees was last carried out during the 2014-15 academic year. The next review of the College's committee and governance structure will be carried out no later than 2019-20.

The establishment of the Executive and Governance Services directorate within Professional Services has

allowed more focused governance support to be provided.

Committees of Council and Academic Board

Council is responsible for determining the structure of its committee system as well as the terms of reference, composition and membership of each of the committees which report to it. The exception to this is Academic Board, whose composition and broad institutional status are established by Statute. Council regularly receives reports from Academic Board.

Academic Board

Under the Charter of Goldsmiths, Academic Board is "responsible for the academic work of Goldsmiths in teaching, examining and research". Council has a statutory responsibility to consult Academic Board, which consists mainly of heads of academic departments and elected representatives of those departments, when making decisions on academic matters. Academic Board has its own section of the committee structure reporting to it and, although Council is responsible for determining the overall design of the committee system and the Standing Orders for committees, Academic Board has autonomy in matters relating specifically to the terms of reference and compositions (constitutions) of its own committees. The most senior committees of Academic Board are the Academic Development Committee, the Learning, Teaching and Enhancement Committee, and the Research and Enterprise Committee. Academic Board regularly reports to Council in support of the latter body's recently enhanced responsibilities for academic governance.

Finance and Resources Committee

The Committee, among other important functions, recommends the annual budget for approval by Council each summer term and conducts termly reviews of the Management Accounts. It consists of independent members

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of Council (one of whom is Chair) as well as the Warden and the President of the Students' Union.

Audit and Risk Committee

The Audit and Risk Committee has terms of reference based on the Model Terms of Reference in the CUC Handbook for Members of Audit Committees in Higher Education Institutions. Its primary responsibility is to provide Council with assurances and advice which enables Council to approve all elements of the Annual Accountability Return (including the Financial Statements), taking account of comments from the Finance and Resources Committee.

The Committee has particular responsibility to consider the Financial Statements before submission to Council. The Audit and Risk Committee also ensures that suitable arrangements are in place to promote economy, efficiency and effectiveness as well as keeping under review the effectiveness of risk management, control and governance arrangements.

Other committees

The Human Resources and Equalities Committee, the Estates and Infrastructure Committee and the External Relations Committee all have responsibilities in specific strategic areas on which they report routinely to Council and where necessity demands. The Nominations Committee makes recommendations to Council on the appointment of independent members to Council and to its committees, generally to enable the effective conduct of business while pursuing equality and diversity. The Remuneration Committee has delegated power to determine the salaries of senior staff but reports to Council annually on the general principles on which it operates.

An assurance review of Goldsmiths' governance arrangements was conducted by HEFCE on 14 December 2010. No major weaknesses were identified by the report, which Council received at its Summer Term 2011 meeting.

CUC Governance Code of Practice

Goldsmiths adopts the CUC Higher Education Code of Governance and considers it appropriate to apply each of the primary elements and the supporting 'must' statements. During 2015-16, exercises were carried out internally and by an external consultant to measure compliance against the Code. An action plan to increase application of the Code was implemented by 31 December 2015.

Internal control

Council has responsibility for maintaining a sound system of internal control which supports the achievement of its strategic aims, whilst safeguarding the public and other funds and assets for which it is responsible, and ensuring that it fully justifies its status as an exempt charity by demonstrating that it operates for the public benefit. It does this in accordance with the responsibilities assigned to Council in Goldsmiths' Statutes and the Financial Memorandum with HEFCE, and taking into account good practice guidance published for universities and for the public sector generally. It has published its own Statement of Primary Responsibilities which are also set out in full above.

The system of internal control is designed to manage rather than eliminate the risk of failure to achieve strategic aims; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system is based on an on-going process designed to identify 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 for the year ended 31 July 2017 and up to the date of approval of the Financial Statements. It accords with HEFCE guidance.

The key elements of Goldsmiths' system of internal control, which is designed to discharge the responsibilities set out above, include the following:

- a comprehensive medium and short-term planning process, supplemented by detailed annual income, expenditure, capital and cash flow budgets
- periodic reviews of key performance indicators, and consideration of actual indicators annually
- continuous review of risk exposure by Senior Management Team through its active management of the Risk Register
- regular reporting of the Risk Register to the Audit and Risk Committee
- consideration of major initiatives involving financial or reputational risk, whether academic or non-academic (eg large-scale new collaborative provision) by the Strategic Project Board, the Senior Management Team, appropriate committees of Council and Council
- at least three times per year, review of the Management Accounts by the Finance and Resources Committee
- reporting and updates of forecast out-turns
- clear definitions of the responsibilities of, and the authority delegated to, Heads of Departments and Directors of Academic Areas
- clearly defined and formalised requirements for approval and control of expenditure, with investment decisions involving capital or revenue expenditure being subject to formal detailed appraisal and review according to approved levels set by Council
- Financial Regulations, together with a table of Financial Limits for committees and designated officers of the College, approved by Council, supported by more detailed financial controls and procedures published by the Finance Department and by

specialist policy documents (eg on fraud and whistleblowing) approved by Council, the Audit and Risk Committee or the Finance and Resources Committee as appropriate

- a Conflicts of Interests Policy which deals with the declaration and handling of all types of conflict, including related party transactions (and which enables the publication of a Register of Interests)
- the maintenance of Fraud and Litigation Registers, examined by the Audit and Risk Committee at all meetings
- consideration by Council of the Quality Report concerning the continuous improvement of the student experience and student outcomes on an annual basis
- reports on the outcomes of major external audits of academic quality.

During the year an investigation was concluded in respect of an historical controls matter regarding the College's payroll function which HEFCE was alerted to in 2016 and for which the final report has now been submitted to HEFCE. There are no other significant internal control issues for which investigations have been concluded to report for 2016-17 or up to November 2017, as defined by HEFCE guidance.

Council has responsibility for reviewing the effectiveness of the system of internal control and has established the following processes:

- receipt of Audit and Risk Committee Minutes, detailing the Committee's oversight of internal control procedures, including receipt of regular reports from the Head of Internal Audit
- continuing initiatives to develop a more robust approach to the management of risk and value for money

- oversight by Audit and Risk Committee of issues related to data quality
- receipt of Annual Reports from its most senior committees
- establishment of a Strategic Programme Board and the Strategic Projects Office to oversee programmes and projects that could potentially significantly impact on Goldsmiths as an institution
- the receipt of reports from managers concerning progress on key projects (or alternatively receipt of assurances from other designated committees that such reports are being received by those Committees on Council's behalf).

Council's ongoing review of the effectiveness of the system of internal control is informed by Internal Audit, which operates to standards defined in the HEFCE Audit Code of Practice and which has been reviewed for effectiveness by the HEFCE Audit Service. The annual internal audit programme is approved by Council on the recommendation of Audit and Risk Committee. The Committee receives regular progress reports, including at the end of each year the Head of Internal Audit's independent opinion on the adequacy and effectiveness of Goldsmiths' system of internal control, with recommendations for improvement.

In their annual report for the year ended 31 July 2017 the College's then Internal Auditors, Kingston City Group, gave satisfactory assurance on its arrangements for risk management, control and governance, economy, efficiency and effectiveness, with the exception of its reviews of certain embedded IT systems controls, where they provided limited assurance. Management have provided detailed responses to Internal Audit's reports on these areas with agreed actions to address

the areas of limited assurance which are being implemented in 2016-17. As with all internal audit recommendations, these will be monitored during the year by Senior Management Team and reported back to Audit and Risk Committee.

During 2016-17, the Audit and Risk Committee conducted a tender exercise to market test the provision of internal audit services. Effective from 1 August 2017, KPMG have been appointed as the College's internal audit provider.

The effectiveness of the system of internal control is also informed by the work of the executive managers within the institution who have responsibility for the development and maintenance of the internal control framework, and by comments made by the external auditor in their management letter and other reports.

Baroness Morris of Yardley
Chair of Council

INDEPENDENT AUDITOR'S REPORT TO THE COUNCIL OF GOLDSMITHS' COLLEGE

Report on the audit of the financial statements

Opinion

In our opinion the financial statements:

- give a true and fair view of the state of the Goldsmiths' College affairs as at 31 July 2017 and of income and expenditure, gains and losses and changes in reserves and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Statement of Recommended Practice: Accounting for Further and Higher Education.

We have audited the financial statements of Goldsmiths' College (the "College") which comprise:

- the Statement of Comprehensive Income and Expenditure;
- the balance sheet;
- the statement of changes in reserves;
- the cash flow statement;
- the statement of accounting policies; and
- the related *notes 1 to 26*.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom

Generally Accepted Accounting Practice) and the Statement of Recommended Practice: Accounting for Further and Higher Education.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs(UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the College in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

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

We have nothing to report in respect of these matters.

Other information

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

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

We have nothing to report in respect of these matters.

Responsibilities of the governing body

As explained more fully in the governing body's responsibilities statement, the governing body is responsible for the preparation of the financial statements that give a true and fair view, and for such internal control as the governing body determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the governing body is responsible for assessing the College's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the governing body either intends to liquidate the College or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Use of our report

This report is made solely to the governing body in accordance with the charter and statutes of the College section 124B of the Education Reform Act 1988 and the memorandum of assurance and accountability effective August 2017.

Our audit work has been undertaken so that we might state to the governing body those matters we are required to state to it 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 board of governors as a body, for our audit work, for this report, or for the opinions we have formed.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Higher Education Funding Council for England Audit Code of Practice (HEFCE)

In our opinion, in all material respects:

- funds from HEFCE and the National College for Teaching and Leadership administered by the College for specific purposes during the year ended 31 July 2017 have been applied to those purposes and managed in accordance with relevant legislation;
- funds provided by HEFCE have been applied in accordance with the memorandum of assurance and accountability and any other terms and conditions attached to them during the year ended 31 July 2017; and
- the requirements of HEFCE's accounts direction have been met.

Craig Wisdom
(Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
St Albans
23 November 2017

ACCOUNTING POLICIES

1 General information

Goldsmiths' College is an educational charity incorporated under a Royal Charter (England and Wales) granted on 1 January 1990. It is also known by the brand name 'Goldsmiths, University of London'.

Goldsmiths' College's registered address is New Cross, London SE14 6NW

2 Statement of compliance

The financial statements of Goldsmiths' College have been prepared in compliance with United Kingdom Accounting Standards including Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland (FRS 102)' and with the Statement of Recommended Practice: Accounting for Further and Higher Education.

3 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

a) Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2015 and in accordance with Financial Reporting Standards (FRS102). Goldsmiths is a public benefit entity and therefore has applied the relevant public benefit requirements of FRS 102. The financial statements are prepared in accordance with the historical cost convention modified by the revaluation of certain non-current assets.

b) Basis of consolidation

Goldsmiths has two subsidiaries, Pure Goldsmiths Limited and Goldsmiths Accommodation Services Limited, which have not been consolidated on the grounds that their results are immaterial to the purpose of presenting a true and fair view.

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

c) Income recognition

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

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

Investment income on non-endowment investments is credited to the Statement of Comprehensive Income and Expenditure on a receivable basis.

Funds that Goldsmiths receives and disburses as paying agent on behalf of a funding body are excluded from income and expenditure where the College is exposed to minimal risk or enjoys minimal economic benefit related to the transaction.

Revenue and capital grants including funding council and government research grants are recognised as income when Goldsmiths is entitled to the income and performance related conditions have been met. Income received in advance of performance related conditions being met is deferred on the balance sheet and released to income as the conditions are met.

Donations and endowments are recognised as income when Goldsmiths is entitled to the income and performance related conditions have been met. Income received in advance of performance related conditions being met is deferred on the balance sheet and released to income as the conditions are met. Income from donations and endowments with donor imposed restrictions is retained within the restricted reserve until such time that it is utilised in line with such restrictions at which point the income is released to general reserves through a reserve transfer.

Investment income and gains or losses on endowment investments are recorded in income in the year in which they arise, and as either restricted or unrestricted income according to the terms or other restrictions applicable to the endowment.

d) Short-term employment benefits

Short-term employment benefits such as salaries and compensated absences are recognised as an expense in the year in which the employees render service to Goldsmiths. Any unused benefits are accrued and measured as the additional amount expected to be paid as a result of the unused entitlement.

e) Finance leases

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

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

f) Operating leases

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

g) Taxation

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

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

In regard to income from research and consultancy and from non-student lettings and associated income, Goldsmiths has applied HM Revenue and Customs guidelines and has considered that the level of activity in each of those areas does not constitute a trade and so will not give rise to a charge to tax. Accordingly, no provision has been made in the Accounts for taxation.

h) Accounting for Retirement Benefits

The two pension schemes in which Goldsmiths participates are the Universities Superannuation Scheme (USS) for academic, academic-related and certain senior staff, and the London Pensions Fund Authority (LPFA) for other administrative, technical, clerical and manual staff. Both schemes are defined benefit schemes which are externally funded. Each fund is valued every three years by professionally qualified independent actuaries.

USS: Defined Benefit Scheme accounted for on a Defined Contribution basis

The assets of the scheme are held in a separate trustee-administered fund. Because of the mutual nature of the scheme, its assets are not hypothecated to individual institutions and a scheme-wide contribution rate is set. Goldsmiths 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 Section 28 of FRS 102 'Employee benefits',

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accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the Statement of Comprehensive Income and Expenditure represents the contributions payable to the scheme in respect of the accounting period. Since Goldsmiths has entered into an agreement (the Recovery Plan) that determines how each employer within the scheme will fund the overall deficit, it recognises a liability for the contributions payable that arise from the agreement to the extent that they relate to the deficit and the resulting expense is recorded.

USS: Defined Contribution component

A Defined Contribution plan is a post-employment benefit plan under which the employer pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to Defined Contribution pension plans are recognised as an expense in the Statement of Comprehensive Income and Expenditure in the periods during which services are rendered by employees.

In previous years, Goldsmiths had no Defined Contribution plan. However, from 1 October 2016, USS introduced a Defined Contribution section to its scheme. Staff earning up to a threshold of £55,000 remain entirely within the Defined Benefit section, but for those earning more than that, their pension contribution for salary above the threshold is paid into the Defined Contribution section.

LPFA: Defined Benefit plan

Defined Benefit plans (such as USS for salaries up to £55,000 and LPFA) are post-employment benefit plans other than Defined Contribution plans. Under Defined Benefit plans, the employer's obligation is to provide the agreed benefits to current and former employees, and actuarial risk (that benefits will cost more or less than expected) and investment risk (that returns on assets set aside to fund the benefits will differ from expectations) are borne, in substance, by the employer. Goldsmiths recognises a liability for its obligations under the LPFA Defined Benefit plan net of plan assets. This net Defined Benefit liability is measured as the estimated amount of benefit that employees have earned in return for their service in the current and prior periods, discounted to determine its present value, less the fair value (at bid price) of plan assets. The calculation is performed by a qualified actuary using the projected unit credit method. Where the calculation results in a net asset, recognition of the asset is limited to the extent to which Goldsmiths is able to recover the surplus either through reduced contributions in the future or through refunds from the plan.

i) Intangible fixed assets

Computer software that is not an integral part of associated hardware is classified as an intangible fixed asset and is amortised over periods of up to five years.

j) Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Certain items of fixed assets that had been revalued to fair value on or prior to the date of transition to the 2015 FE HE SORP, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

Where parts of a fixed asset have different useful lives, they are accounted for as separate items of fixed assets. Depreciation is calculated from the month that the asset comes into use. Depreciation methods, useful lives and residual values are reviewed at the date of preparation of each Balance Sheet.

Land

Land in use at 31 July 2014 was revalued to fair value by Gerald Eve, Chartered Surveyors, as at the date of transition to the FRS 102 and 2015 SORP, and is measured on the basis of deemed cost, being the revalued amount as at the date of the revaluation. Subsequent additions to Land are valued at cost.

Freehold land is not depreciated as it is considered to have an indefinite useful life.

Buildings

All buildings existing at 31 July 1993 which were revalued at 31 July 1994 by Frank Durrant Westmore and Reeves, Chartered Surveyors, have been retained at those values as deemed cost. Subsequent additions since 1994 are stated at cost.

Costs incurred in relation to buildings after initial purchase or construction, are capitalised to the extent that they increase the expected future benefits to Goldsmiths.

Freehold and leasehold buildings are depreciated on a straight line basis over their expected useful lives as follows:

Freehold buildings – new build or acquisition	40 years
Freehold buildings – long-term refurbishments	20 years
Freehold buildings – short-term refurbishments	10 years
Leasehold building improvements	remaining period of lease
Leasehold assets held under finance lease	25 years (Loring Hall)

Equipment

Equipment, including computers and software, costing less than £10,000 per individual or group of related items is recognised as expenditure. All other equipment is capitalised.

Capitalised equipment, including software that is an integral part of associated hardware, is stated at cost and depreciated over its expected useful life as follows:

Desktop computer hardware	3 years
Other plant and equipment	5 years

Other assets

Any works of art and other valuable artefacts purchased by Goldsmiths which are of material value are capitalised at cost. Goldsmiths has no heritage assets on its balance sheet.

Borrowing costs

Borrowing costs which are directly attributable to the acquisition, construction or production of an asset are capitalised as part of the cost of that asset. Other borrowing costs are recognised as expenditure in the period in which they are incurred.

k) Investments

With the exception of endowment investments, non-current asset investments are held on the Balance Sheet at amortised cost less impairment.

Endowment investments and current asset investments are held at fair value with movements recognised in the Statement of Comprehensive Income and Expenditure.

l) Cash and cash equivalents

Cash includes cash in hand, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are in practice available within 24 hours without penalty.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value.

m) Foreign currency

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the Statement of Comprehensive Income and Expenditure.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

n) Provisions, contingent liabilities and contingent assets

Provisions are recognised in the financial statements when:

- (a) there is a present obligation (legal or constructive) as a result of a past event;
- (b) it is probable that an outflow of economic benefits will be required to settle the obligation; and
- (c) a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

A contingent liability arises from a past event that gives Goldsmiths a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within its control. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

A contingent asset arises where an event has taken place that gives Goldsmiths a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within its control.

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Contingent assets and liabilities are not recognised in the Balance Sheet but are disclosed in the notes.

o) Reserves

Reserves are classified as restricted or unrestricted.

Restricted endowment reserves include balances which, through endowment to Goldsmiths, are held as a restricted fund.

There are two types of endowment identified within restricted reserves:

1. Restricted expendable endowments – the donor has specified a particular objective other than the purchase or construction of tangible fixed assets, and Goldsmiths has the power to use the capital.
2. Restricted permanent endowments – the donor has specified that the fund is to be permanently invested to generate an income stream to be applied to a particular objective.

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

p) Financial instruments

Basic financial instruments comprise cash, demand and fixed-term deposits, loans receivable and payable and bonds. Such instruments are recognised at the transaction price and held at amortised cost using the effective interest rate method or cost. They are subject to an annual impairment review.

Investments in non-convertible preference shares and non-puttable ordinary and preference shares are measured at fair value where publicly traded or their value can otherwise be reliably measured, otherwise they are carried at cost less impairment.

Complex financial instruments include options, rights, warrants, futures and forward contracts and interest rate swaps that can be settled in cash or by exchanging other financial instruments, hedging instruments and asset-back securities. Complex financial instruments are recognised initially and held at fair value with changes in fair value taken directly to the Statement of Comprehensive Income and Expenditure. Goldsmiths has no complex financial instruments.

q) Service concession arrangements

Goldsmiths has one service concession arrangement where service delivery has commenced.

On 21 September 2015, Goldsmiths entered into a 50-year contract with a third-party provider, Campus Living Villages (CLV), for the provision and maintenance of Surrey House, Chesterman Hall and Raymont Hall student residences. The halls were brought into use for the purposes of this arrangement in October 2015 and the contract will finish on 20 September 2065.

At the end of the concession period, Goldsmiths will retain beneficial ownership of the halls of residence. Under the arrangement, CLV bears the credit risk and Goldsmiths' exposure is limited to the term of its nominations agreement with the provider over all of the available rooms. Nominations currently run to the 2018-19 academic year and are renewable on an annual basis thereafter. The College has assessed the risk to it of payments for void periods and concluded that any such payment would not be material. Accordingly, no asset and liability has been recognised in the balance sheet.

r) Critical accounting judgements**Disposal of Student Residences**

In September 2015 Goldsmiths transferred three student residences (Surrey House, Chesterman Hall and Raymont Hall) to Campus Living Villages (CLV). Goldsmiths retains the freehold interest in these residences and has granted a 50-year lease to CLV. In return for the grant of the lease, Goldsmiths received a £20.3 million capital sum.

The land remains an asset on Goldsmiths' balance sheet as it has an indefinite useful economic life. The 50-year lease of land is regarded as an operating lease to CLV and, based on the fair value of the land, £10.3 million of the capital receipt is treated as consideration for the granting of the operating lease. This element of the capital receipt is recorded as deferred income in the Balance Sheet and will be released to the Statement of Comprehensive Income and Expenditure in equal instalments over the life of the lease.

The buildings were treated as a disposal as their useful economic life was shorter than the 50-year lease granted to CLV. As such the substantial risks and rewards of ownership over their remaining useful economic life were transferred to CLV. The balance of the capital receipt (£10.0 million) was accounted for as disposal proceeds. Given that the buildings were held on the Balance Sheet at a carrying value of £7.7 million, the gain on disposal was therefore £2.3 million and this was recognised in the year ended 31 July 2016.

Pensions

The liability for the contributions in respect of the past service deficit of the USS Defined Benefit scheme will be covered by the recovery plan agreed following the March 2014 valuation. The assumptions used in calculating the accounting entries for the USS and LPFA pension schemes are described in *note 24*.

s) Key sources of estimation uncertainty

Bad Debt Provision

Student and other receivables (*note 14*) are shown after deduction of a provision of £3.3 million, following a review of the recoverability of balances outstanding at the year end.

Annual Leave Accrual

Accruals and deferred income (*note 17*) includes an accrual of £3.3 million for untaken annual leave allowances on 31 July 2017, which has been extrapolated from a representative sample of staff annual leave records. The movement of the accrual in the year is shown in staff costs (*note 6*).

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**Statement of comprehensive
income and expenditure**

Year ended 31 July 2017

Income	Note	2017 £'000	2016 £'000
Tuition fees and education contracts	1	82,861	74,016
Funding body grants	2	12,391	10,771
Research grants and contracts	3	4,603	5,227
Other income	4	14,600	13,555
Endowment and investment income	5	331	400
Total income		114,786	103,969
Expenditure			
Staff costs	6	69,385	63,068
Other operating expenses		33,609	31,559
Amortisation of intangible fixed assets	11	1,435	-
Depreciation	12	8,202	7,128
Interest and other finance costs	7	2,426	2,644
Total expenditure	9	115,057	104,399
Deficit before other gains and losses		(271)	(430)
Gain on disposal of fixed assets	8	484	2,316
Gain on investments	20	86	139
Surplus before taxation		299	2,025
Taxation	3, 10	(63)	-
Surplus for the year		236	2,025
Actuarial gain/(loss) in respect of pension schemes	24	2,422	(8,223)
Total comprehensive income for the year		2,658	(6,198)
Represented by:			
Endowment comprehensive income for the year		159	203
Unrestricted comprehensive income for the year		2,499	(6,401)
		2,658	(6,198)

All items of income and expenditure relate to continuing activities.

Statement of changes in reserves

	Income and expenditure reserves			Total
	Restricted: endowment	Unrestricted	Revaluation reserve	
	£'000	£'000	£'000	
Balance at 1 August 2015	2,900	26,498	61,809	91,207
Total comprehensive income for the year	203	(6,401)	-	(6,198)
Other comprehensive income	-	6	-	6
Transfers between revaluation and income and expenditure reserve	-	2,395	(2,395)	-
Total movement in reserves	203	(4,000)	(2,395)	(6,192)
Balance at 1 August 2016	3,103	22,498	59,414	85,015
Total comprehensive income for the year	159	2,499	-	2,658
Transfers between revaluation and income and expenditure reserve	-	770	(770)	-
Total movement in reserves	159	3,269	(770)	2,658
Balance at 31 July 2017	3,262	25,767	58,644	87,673

The transfers between revaluation and income and expenditure reserve include:

- The difference between the historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount was £695,000 (2016: £697,000).
- The release from the revaluation reserve to the income and expenditure reserve for related to the disposal of buildings was £75,000 (2016: £1,698,000).

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Balance sheet

as at 31 July 2017

Non-current assets	Note	2017 £'000	2016 £'000
Intangible fixed assets	11	6,862	-
Tangible fixed assets	12	142,247	142,037
Investments	13	2,381	2,245
		151,490	144,282
Current assets			
Trade and other receivables	14	9,200	9,461
Investments – cash deposits	15	-	20,439
Cash and cash equivalents	16	29,939	14,157
		39,139	44,057
Creditors – amounts falling due within one year	17	(25,537)	(23,839)
Net current assets		13,602	20,218
Total assets less current liabilities		165,092	164,500
Creditors – amounts falling due after more than one year	18	(32,179)	(33,297)
Provisions			
Pension	24	(44,157)	(45,014)
Other provisions	19	(1,083)	(1,174)
Total net assets		87,673	85,015
Represented by:			
Restricted reserves			
Income and expenditure reserve – endowments	20	3,262	3,103
Unrestricted reserves			
Income and expenditure reserve – unrestricted		25,767	22,498
Revaluation reserve		58,644	59,414
Total reserves		87,673	85,015

The financial statements were approved by the Council on 23 November 2017 and signed on its behalf by

Baroness Morris of Yardley
Chair of Council

Patrick Loughrey
Warden

Cash flow statement

Year ended 31 July 2017

Cash flow from operating activities	Note	2017 £'000	2016 £'000
Surplus for the year		236	2,025
Adjustment for non-cash items			
Amortisation of intangible fixed assets	11	1,435	-
Depreciation	12	8,202	7,128
Gain on investments	20	(86)	(139)
Decrease/(increase) in debtors	14	261	(210)
Decrease in creditors	17, 18	(96)	(2,790)
Increase in pension provision	24	566	1,418
Decrease in other provisions	19	(91)	(2,407)
		10,191	3,000
Adjustment for investing or financing activities			
Investment income	5	(202)	(341)
Interest payable	7	2,426	2,644
Endowment income	20	(129)	(59)
Gain on disposal of fixed assets	8	(484)	(2,316)
Capital grant income		(1,109)	(697)
		502	(769)
Net cash inflow from operating activities		10,929	4,256
Cash flows from investing activities			
Proceeds from sales of fixed assets	8	3,187	20,300
Capital grant receipts		970	1,163
Withdrawal of deposits	15	20,439	-
Investment income	5	202	341
Payments made to acquire intangible fixed assets	11	(2,664)	-
Payments made to acquire tangible fixed assets	12	(14,125)	(15,510)
New non-current asset investments	13	(49)	(917)
New deposits	15	-	(15,437)
		7,960	(10,060)
Cash flows from financing activities			
Interest paid	7	(753)	(778)
Interest element of finance lease	7	(675)	(716)
Endowment cash received	20	129	64
Repayments of amounts borrowed		(974)	(941)
Capital element of finance lease		(834)	(718)
		(3,107)	(3,089)
(Decrease)/increase in cash and cash equivalents in the year		15,782	(8,893)
Cash and cash equivalents at beginning of year		14,157	23,050
Cash and cash equivalents at end of year		29,939	14,157

NOTES TO THE FINANCIAL STATEMENTS

1. Tuition fees and education contracts

	2017 £'000	2016 £'000
Home/EU undergraduates: full-time	46,104	41,537
Home/EU postgraduates: full-time	9,310	7,648
Home/EU students: part-time	3,244	2,977
International students	23,215	20,572
Non-credit bearing courses and other fees	988	1,282
	82,861	74,016

2. Funding body grants

	2017 £'000	2016 £'000
Recurrent grants		
Higher Education Funding Council teaching grant	4,833	3,834
Higher Education Funding Council research grant	5,924	5,437
Specific grants		
Higher Education Funding Council other grants	525	803
Higher Education Funding Council capital grant	1,109	697
	12,391	10,771

3. Research grants and contracts

	2017 £'000	2016 £'000
Research councils – UK	1,230	1,709
Research councils – EU	1,806	2,333
Research charities – UK	397	533
Research charities – EU	287	90
Research charities – Non-EU	97	59
Industry and commerce	456	370
Research and development expenditure tax credit	292	-
Other	38	133
	4,603	5,227

The Research and Development Expenditure Tax Credit is a government incentive to undertake research into science and technology. The claim relates to the period from 1 August 2013 to 31 July 2015 and the amount above, less a deduction of corporation tax of £63,000, was received in full in the year ended 31 July 2017. This incentive is no longer available to universities for expenditure after 31 July 2015.

4. Other income

	2017 £'000	2016 £'000
Residences, catering and conferences	9,556	8,270
Other services rendered	2,521	2,520
Other income	2,523	2,765
	14,600	13,555

5. Endowment and investment income

	2017 £'000	2016 £'000
Investment income on endowments	89	70
New endowments	129	59
Other investment income	113	271
	331	400

6. Staff costs

	Underlying Expenditure	FRS102 Annual Leave Accrual	FRS102 USS Pension Provision	Other Exceptional items	2017
	£'000	£'000	£'000	£'000	£'000
Salaries and wages	54,067	207	-	-	54,274
Social security costs	5,323	20	-	-	5,343
Movement on USS provision	-	-	(388)	-	(388)
Other pension costs	9,755	33	-	-	9,788
Restructuring costs	368	-	-	-	368
	69,513	260	(388)	-	69,385
	Underlying Expenditure	FRS102 Annual Leave Accrual	FRS102 USS Pension Provision	Other Exceptional items	2016
	£'000	£'000	£'000	£'000	£'000
Salaries and wages	51,086	154	-	(450)	50,790
Social security costs	4,251	13	-	-	4,264
Movement on USS provision	-	-	1,059	-	1,059
Other pension costs	7,668	20	-	(610)	7,078
Restructuring costs	-	-	-	(123)	(123)
	63,005	187	1,059	(1,183)	63,068

Significant FRS102 adjustments and other exceptional items have been presented separately in the above table as additional information.

In 2016-17 such items related to:

- (i) A £260,000 increase in the accrual for untaken staff annual leave at the year end.
- (ii) A £388,000 reduction in the USS provision as a result of revised assumptions.

Restructuring costs of £368,000 are not considered to be exceptional.

In 2015-16 such items related to:

- (i) A £187,000 increase in the accrual for untaken staff annual leave at the year-end.
- (ii) A £450,000 release of the HERA assimilation provision, which has now been released in its entirety.
- (iii) A £1,059,000 increase in the USS provision.
- (iv) Release of a surplus £610,000 accrual for additional LPFA pension costs.
- (v) A net release of £123,000 of the 2015 staff voluntary severance scheme and restructuring provision that had been unutilised once all payments had been concluded. This release is disclosed as exceptional as the original provision was charged as an exceptional item.

Emoluments of the Warden

	2017 £'000	2016 £'000
Salary entitlement	257	255
One-off honorarium	-	10
Pension contribution to USS	46	43
	303	308
Amount deferred in 2016 (honorarium)	10	(10)
Amounts waived:		
Salary element	(22)	(21)
USS contribution element	(4)	(4)
	287	273

At its autumn 2015 meeting, the Remuneration Committee concluded that the Warden's remuneration should increase to £255,000 for the 2015-16 financial year and awarded a one-off honorarium of £10,000 to mark the end of his first term in office. The Warden indicated his wish to waive the salary increase (with the exception of the 1% pay rise awarded to all staff), and to defer receipt of the honorarium until the increase in tuition fee revenue was confirmed. The honorarium was subsequently paid to the Warden in 2016-17 and the amounts of salary waived were paid into the Student Hardship Fund in October 2016.

For the 2016-17 financial year, the Warden has again expressed his wish to waive the 2015-16 pay increase proposed by the Remuneration Committee and the amounts of salary waived have been paid into the Student Hardship Fund in the 2017-18 financial year.

*Annual Reports and Financial Statements 2017***Higher paid staff**

Remuneration of other higher paid staff, excluding employer's pension contributions and payments of compensation for loss of office, falls in the following bands:

	2017 number	2016 number
£100,000-£109,999	2	1
£110,000-£119,999	2	2
£120,000-£129,999	-	-
£140,000-£149,999	-	-
£150,000-£159,999	-	1

Compensation for loss of office payable to senior post-holders	2017 £'000	2016 £'000
Compensation payable recorded within staff costs	126	-

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College. Those staff members defined as key management personnel are listed on page 2. Staff costs includes compensation paid to key management personnel as follows:

	2017 £'000	2016 £'000
Key management personnel compensation	894	974

Staff numbers

	2017 number	2016 number
Average staff numbers by major category:		
Teaching and research	608	590
Administrative and other	593	566
	1,201	1,156

7. Interest and other finance costs

	2017 £'000	2016 £'000
Loan interest	752	778
Finance lease interest	675	716
Net charge on pension schemes	999	1,150
	2,426	2,644

8. Gain on Disposal of Fixed Assets

The gain on disposal of fixed assets in the year ended 31 July 2016 related to the transfer of three student residences (Surrey House, Chesterman Hall and Raymont Hall) to Campus Living Villages in September 2016. Goldsmiths retains the freehold interest in these residences and has granted a 50-year lease to CLV. In return for the grant of the lease, Goldsmiths received a £20.3 million capital sum.

The land remains an asset on Goldsmiths balance sheet as it has an indefinite useful economic life. The 50-year lease of land is regarded as an operating lease to CLV and, based on the fair value of the land, £10.3 million of the capital receipt was treated as consideration for the granting of the operating lease. This element of the capital receipt is recorded as deferred income in the balance sheet and is released to the Statement of Comprehensive Income and Expenditure in equal instalments over the life of the lease. The buildings were treated as a disposal as their useful economic life was shorter than the 50-year lease granted to CLV. As such the substantial risks and rewards of ownership over their remaining useful economic life have been transferred to CLV. The balance of the capital receipt (£10.0 million) was accounted for as disposal proceeds. Given that the buildings were held on our balance sheet at a carrying value of £7.7 million, the gain on disposal was therefore £2.3 million.

At the time of that transaction it was anticipated that there may be a Phase 2 to the project whereby, subject to planning permission, an additional 80 new build rooms would be created. CLV received the planning permission and secured the required funding to be able to pursue the Phase 2 construction and a further capital receipt of £2.6 million was paid to Goldsmiths in December 2016. This amount has been treated as further consideration for the granting of the operating lease over the land. Accordingly, there was no gain recognised and the resultant cash receipt has been deferred and is being recognised evenly over the remaining life of the lease.

For the year ending 31 July 2016 £0.2 million of the consideration in respect of the operating lease was recorded within other operating income. The balance of £10.1 million was shown within creditors, with £0.2 million shown in creditors falling due within one year and £9.9 million shown within creditors falling due after more than one year.

For the year ending 31 July 2017, and following the additional receipt of £2.6 million, £258,000 is recorded within other operating income. The balance of consideration deferred of £12.4 million is shown within creditors, with £0.3 million shown in creditors falling due within one year and £12.2 million shown within creditors falling due after more than one year.

The gain on disposal of fixed assets in 2017 related to the sale of a small residential property on the periphery of the main campus.

9. Analysis of Total Expenditure by Activity

	2017 £'000	2016 £'000
Academic departments' expenditure	42,209	39,019
Central academic services	16,482	13,165
Staff and student facilities	6,115	4,983
Student bursaries and scholarships	1,838	2,400
Other administration and central services	16,530	13,862
Premises	17,291	15,175
Residences, catering and conferences	9,209	8,623
Research grants and contracts	3,562	4,163
Pension provisions movements	1,565	2,568
Other expenses	256	441
Total	115,057	104,399
Other operating expenses include:		
External auditors' remuneration in respect of audit of financial statements	53	52
External auditors' remuneration in respect of other audit services	6	6
Operating lease rentals (land and buildings)	5,244	4,011

10. Taxation

Goldsmiths is an exempt charity under schedule 2 to the Charities Act 1993 and as such is a charity within the meaning of section 506(1) of the Income and Corporation Taxes Acts (ICTA) 1988. Accordingly, it is potentially exempt from taxation in respect of income or capital gains received within categories covered by section 505 of the ICTA 1988 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.

A charge was made in the year ended 31 July 2017 in relation to a Research and Development Expenditure credit claim made during the year (see note 3). The 2017 charge was for £63,000 (2016: £nil).

11. Intangible fixed assets

	Software installed £'000	Software under commissioning £'000	Total £'000
Gross Book Value			
At 1 August 2016	-	-	-
Transfer from tangible fixed assets	5,924	2,327	8,251
Additions in year	1,724	940	2,664
Transfer assets on commissioning	1,661	(1,661)	-
At 31 July 2017	9,309	1,606	10,915
Amortisation			
At 1 August 2016	-	-	-
Transfer from tangible fixed assets	2,618	-	2,618
Charge for year	1,435	-	1,435
At 31 July 2017	4,053	-	4,053
Net Book Value			
At 1 August 2016	-	-	-
At 31 July 2017	5,256	1,606	6,862

The figures above are in relation to the acquisition and installation costs of software that is not an integral part of associated hardware. In the year to 31 July 2016 this type of asset was disclosed under tangible fixed assets. However, given that such assets are more material in value given recent upgrades to our IT infrastructure, they are now separately identified as intangible fixed assets and a transfer adjustment has therefore been made.

12. Tangible fixed assets

	Land and buildings			Fixtures, Fittings and Equipment	Assets in the course of construction	Total
	Freehold	Assets held under finance leases	Other Leasehold land and buildings			
	£'000	£'000	£'000	£'000	£'000	£'000
Gross Book Value						
At 1 August 2016	172,341	10,404	2,311	17,409	6,079	208,544
Transfer to intangible fixed assets	-	-	-	(5,924)	(2,327)	(8,251)
Additions in year	2,164	259	4,376	2,138	5,188	14,125
Transfers from/(to) assets under construction	1,125	170	-	1,289	(2,584)	-
Disposals	(113)	-	-	-	-	(113)
At 31 July 2017	175,517	10,833	6,687	14,912	6,356	214,305
Depreciation						
At 1 August 2016	47,950	7,907	541	10,109	-	66,507
Transfer to intangible fixed assets	-	-	-	(2,618)	-	(2,618)
Charge for year	6,219	464	187	1,332	-	8,202
Disposals	(33)	-	-	-	-	(33)
At 31 July 2017	54,136	8,371	728	8,823	-	72,058
Net Book Value						
At 1 August 2016	124,391	2,497	1,770	7,300	6,079	142,037
At 31 July 2017	121,381	2,462	5,959	6,089	6,356	142,247

The figures above exclude the acquisition and installation costs of software that is not an integral part of associated hardware. In the year to 31 July 2016 this type of asset had been disclosed under tangible fixed assets and the adjustment is shown above as a transfer to intangible fixed assets (see *note 11*).

A valuation of Goldsmiths' land and buildings was carried out in 1994 and details of the method of valuation with the name and qualifications of the valuer are given in the Accounting Policies. The historical cost of the properties valued in 1994 is £6.381 million.

A valuation of Goldsmiths' land was carried out in 2014 and details of the method of valuation with the name and qualifications of the valuer are given in the Accounting Policies. The historical cost of the land valued in 2014 was £6.213 million and the revalued amount was £48.160 million.

Included in Fixtures, Fittings and Equipment are indefinite life assets of £23,000.

13. Non-current asset investments

	Endowments £'000	Other investments £'000	Total £'000
At 1 August 2016	2,217	28	2,245
Additions	50	-	50
Gain in market value	86	-	86
At 31 July 2017	2,353	28	2,381

Endowment investments represent permanent endowment funds that are invested with Goldsmiths' fund managers, CCLA, in pooled equity and fixed interest investments.

Other non-current asset investments are shown at cost and represent 240 £1 shares in i2 Media Ltd. and 27,782 ordinary shares, fully paid, in CVCP Properties plc. CVCP Properties plc is an unquoted company and the shares are stated at cost. In Council's opinion, the market value of the investment is not materially different from the cost at the balance sheet date. A 25% interest in Museifi Limited, a spin-out from the Department of Computing, is carried at £nil.

Goldsmiths has two 100%-owned subsidiary companies:

- **Pure Goldsmiths Ltd.** This company was dormant at 31 July 2017.
- **Goldsmiths Accommodation Services Limited.** This company was set up alongside the transaction with Campus Living Villages (CLV) to provide marketing services to CLV for the halls of residences that are leased to them, for a charge equal to 2% of the total student accommodation fees received by CLV. The company began trading in September 2015 and revenue for the year ended 31 July 2017 was £51,000. The company has taken its entitlement to exemption from audit under Section 477 of the Companies Act 2006 relating to small companies.

14. Trade and other receivables

	2017 £'000	2016 £'000
Amounts falling due within one year:		
Research grants receivables	3,139	2,328
Student receivables	1,654	2,176
Other receivables	1,140	1,455
Prepayments and accrued income	3,267	3,502
	9,200	9,461

The overall bad debt charge for the year ended 31 July 2017 was £0.6 million (2016: £0.1 million). The 2016 comparative figure included a release in bad debt provision of £0.2 million.

15. Current investments

	2017 £'000	2016 £'000
Short-term deposits	-	20,439
	-	20,439

The short-term deposit at 31 July 2016 was held in a 95-day notice account with Lloyds TSB and related to the cash receipt of £20.3 million received on 22 September 2015 as consideration for the granting of a leasehold interest to CLV as described in note 8. It included interest earned subsequently. Notice was given on 23 August 2016. All of our deposits as of 31 July 2017 were repayable on demand within 24 hours without penalty and are therefore disclosed as cash and cash equivalents.

16. Cash and cash equivalents

	2017 £'000	2016 £'000
Bank balances related to unrestricted funds	29,030	13,271
Bank balances related to endowment funds	909	886
	29,939	14,157

17. Creditors: amounts falling due within one year

	2017 £'000	2016 £'000
Unsecured loans	768	973
Obligations under finance lease	962	834
Trade payables	778	1,015
Deferred capital grants	2,169	613
Social security and other taxation payable	1,550	1,509
Accruals and deferred income	16,681	15,988
Other creditors	2,629	2,907
	25,537	23,839

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

Deferred income:		
Receipts in advance – tuition and hall fees	4,037	3,219
Research grants and contracts	3,225	2,643
Other deferred income	2,144	1,549
Amounts due to Funding Councils	399	554
Deferred capital grants	2,169	613
	11,974	8,578

18. Creditors: amounts falling due after more than one year

	2017 £'000	2016 £'000
Unsecured loans	14,325	15,094
Obligations under finance lease (note 22)	5,690	6,652
Capital grants	-	1,695
Deferred income	12,164	9,856
	32,179	33,297
Analysis of unsecured loans:		
Due within one year (note 17)	768	973
Due between one and two years	586	768
Due between two and five years	1,828	1,794
Due in five years or more	11,911	12,532
Due after more than one year	14,325	15,094
Total unsecured loans	15,093	16,067

Included in unsecured loans are the following:

Lender	Year of inception	Original amount £'000	Original terms years	Term remaining years	Interest rate %	Total outstanding £'000
Lloyds TSB (fixed rate)	2006	6,850	30	19	4.980	5,652
Lloyds TSB (variable – base rate plus 0.2%)	2009	2,150	28	19	0.045	1,577
Royal Bank of Scotland (fixed rate)	2010	10,000	30	22	5.750	7,672
Salix Finance (interest free)	2014	5,000	5	1	0.000	192
						15,093

The loan facilities have been provided unsecured subject to Goldsmiths providing a negative pledge over all assets.

The finance lease relates to Loring Hall, a student residence on the New Cross campus.

Capital grants are donations towards the building of the Goldsmiths Centre for Contemporary Art, which is not due to be completed until June 2018.

Deferred income relates to operating lease payments received in advance for the granting of a 50-year leasehold interest to CLV, as described in note 8.

19. Provisions for liabilities

	Movements in year				As at 31 July 2017
	As at 1 August 2016	Released	Added	Utilised	
	£'000	£'000	£'000	£'000	£'000
Staff restructuring	212	(44)	70	(112)	126
Other	962	(318)	502	(189)	957
	1,174	(362)	572	(301)	1,083

As at 31 July 2017, the provisions held principally reflect:

Staff restructuring

Costs associated with various departmental restructuring initiatives that are expected to be completed during the 2017-18 financial year.

Other provisions

Other provisions relate to a number of individually immaterial liabilities including unfunded pension costs, and appeals and complaints. The timeframe for utilisation varies by individual item.

20. Endowment reserves

	Restricted Permanent Endowments	Restricted Expendable Endowments	2017 Total	2016 Total
	£'000	£'000	£'000	£'000
Balance at 1 August 2016				
Capital	2,180	541	2,721	2,581
Accumulated income	314	68	382	319
	2,494	609	3,103	2,900
New endowments	-	129	129	59
Investment income	84	4	88	70
Expenditure	(39)	(105)	(144)	(65)
Increase in market value of investments	86	-	86	139
	2,625	637	3,262	3,103
Balance at 31 July 2017				
Represented by:				
Capital	2,316	563	2,879	2,721
Accumulated income	309	74	383	382
Total	2,625	637	3,262	3,103
Analysis by type of purpose:				
Lectureships			1,613	1,548
Scholarships and bursaries			215	256
Research support			17	175
Prize funds			68	65
General			1,349	1,059
			3,262	3,103
Analysis by asset:				
Non-current asset investments			2,353	2,217
Cash and cash equivalents			909	886
			3,262	3,103

21. Capital and other commitments

Provision has not been made for the following capital commitments at 31 July 2017:

	2017 £'000	2016 £'000
Capital commitments contracted as at 31 July 2017	4,454	3,031
	4,454	3,031

22. Lease obligations

Total undiscounted rentals payable under operating and finance leases for land and buildings are as follows:

	31 July 2017			31 July 2016		
	Operating leases	Finance lease	Total	Operating leases	Finance lease	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Payable during the year	5,244	1,509	6,753	4,011	1,434	5,445
Future minimum lease payments due:						
Not later than 1 year	4,642	1,562	6,204	4,278	1,509	5,787
Later than 1 year and not later than 5 years	9,271	6,812	16,083	4,343	6,582	10,925
Later than 5 years	8,013	300	8,313	39	2,092	2,131
Total lease payments due	21,926	8,674	30,600	8,660	10,183	18,843

23. Events after the Reporting Period

No material events have occurred after the end of the reporting period.

24. Pension schemes

	2017 LPFA	2017 USS	2017 Total	2016 Total
	£'000	£'000	£'000	£'000
Opening balance as at 1 August	31,719	13,295	45,014	34,223
Amounts charged to staff costs:				
LPFA current service cost	2,870	-	2,870	2,089
Net movement on USS provision (excluding interest charges)	-	(388)	(388)	1,059
	2,870	(388)	2,482	3,148
Amounts charged to interest	768	231	999	1,150
Actuarial loss/(gain)	(2,422)	-	(2,422)	8,223
Other movements (principally LPFA employer contributions)	(1,916)	-	(1,916)	(1,730)
Closing balance as at 31 July	31,019	13,138	44,157	45,014

Note that the amounts charged to staff costs for USS in the above table are in respect of the agreed deficit reduction plan only. In all other respects, the scheme is accounted for on a Defined Contribution basis with no provision recorded.

The two principal pension schemes for Goldsmiths' staff are the Universities Superannuation Scheme (USS) for academic, academic-related and other senior staff and the London Pensions Fund Authority (LPFA) Local Government Pension Scheme (LGPS) for all other staff. The assets of the schemes are held in separate trustee-administered funds. The schemes are defined benefit schemes which are externally funded and are valued every three years by actuaries using the projected unit method, the rates of contribution payable being determined by the trustees on the advice of the actuaries.

Universities Superannuation Scheme

The total released to the Statement of Comprehensive Income and Expenditure is £0.157 million (in 2016 there was a charge of £1.415 million) as shown in *notes 6 and 7*. There was neither a prepayment nor an accrual at the end of the financial year in respect of these contributions.

The latest available full actuarial valuation of the scheme was at 31 March 2014 ('the valuation date'), which was carried out using the projected unit method. The valuation as at 31 March 2017 is under way. Since Goldsmiths cannot identify its share of scheme assets and liabilities, the following disclosures reflect those relevant for the scheme as a whole.

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

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

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

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

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

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

	2017	2016
Males currently aged 65 (years)	24.4	24.3
Females currently aged 65 (years)	26.6	26.5
Males currently aged 45 (years)	26.5	26.4
Females currently aged 45 (years)	29.0	28.8
	2017	2016
Scheme assets	£60.0bn	£49.8bn
Total scheme liabilities	£77.5bn	£58.3bn
FRS102 total scheme deficit	£17.5bn	£8.5bn
FRS102 total funding level	77%	85%

Whilst Goldsmiths cannot identify its share of scheme assets and liabilities it has, as part of the Scheme's Deficit Recovery Plan as initially agreed in 2015 and then as updated in 2016, been able to identify its share of the shortfall in the total Scheme and has created an accounting provision.

This provision is reviewed and updated annually. The key determinants of changes in the Provision in addition to current actual cost are:

1. **High quality Corporate Bond discount rate:** Goldsmiths has obtained advice from a firm of actuaries and having considered this as being reasonable incorporated the relevant rates in its own calculations.
2. **Future staff and pay growth:** The assumptions used here are aligned with Goldsmiths HESA regulatory returns and also with its own the Strategic plan.

The total year end provision is expected to reverse over the remaining period of the Plan up to and including 2031 and offset the agreed additional annual charges which will be reflected as part of Staff Costs. This is however contingent on future changes in the Discount rate and also future changes to staff numbers and pay rates, in addition to any changes relating to the deficit on the Scheme nationally.

The table below summarises the movements on the USS Provision since its first creation in 2014. The expense for the year ending 31 July 2015 reflects the change in the initial agreement whereby the total deficit on the scheme nationally and consequently Goldsmiths' exposure increased. The 2016 expense mainly reflected the lower discount rates experienced in that year which increased future costs. The 2017 reduction in expense reflects a reversal of provision, with the discount rate stabilising in the year.

	2017 £'000	2016 £'000	2015 £'000	2014 £'000
Opening balance	13,295	11,880	6,404	-
Net charge to staff costs after deducting contributions	(388)	1,059	5,324	6,404
Charge to interest	231	356	152	-
Closing balance	13,138	13,295	11,880	6,404

*Annual Reports and Financial Statements 2017***London Pensions Fund Authority Local Government Pensions Scheme**

The London Pensions Fund Authority (LPFA) administered Local Government Pensions Scheme is valued every three years by a professionally qualified independent actuary using the projected unit credit method, the rate of contribution payable being determined by the actuary. The latest formal valuation of the fund was at 31 March 2016.

In order to assess the Employer liabilities at 31 July 2017, the 31 March 2016 funding valuation liabilities have been rolled forward using financial assumptions that comply with FRS102.

Life expectancy assumptions are:

	2017	2016
Males retiring today	20.9	21.5
Females retiring today	24.2	24.9
Males retiring in 20 years	23.3	24.0
Females retiring in 20 years	26.4	27.3

Financial assumptions are:

	2017	2016
Discount rate	2.7%	2.5%
Pension increase	2.7%	2.1%
Salary increase	4.2%	3.9%

Assets

The return on the Fund (on a bid-to-bid value basis) for the year to 31 July 2017 is estimated to have been 15%. (2016: 5%) The actual return on fund assets over the year may be different,

The estimated asset allocation for Goldsmiths College at 31 July 2017 is as follows:

Asset breakdown	2017		2016	
	£'000	%	£'000	%
Equities	25,205	61	17,560	51
LDI/Cash flow matching	-	-	2,983	9
Target Return Portfolio	8,528	21	8,299	24
Infrastructure	1,853	5	2,411	7
Commodities	-	-	182	1
Property	2,678	6	1,276	4
Cash	2,850	7	1,420	4
Total	41,114	100	34,131	100

History of experience gains and losses

	31 July 2017 £'000	31 July 2016 £'000	31 July 2015 £'000
Difference between actual and expected return on assets (amount by which actual less than expected)	4,383	523	94
% of assets at end of year	10.7%	1.5%	0.3%
Experience gains/(losses) on fund liabilities	890	(3)	(5)
% of liabilities at end of year	-1.2%	0.0%	0.0%

The following results were measured in accordance with the requirements of FRS102

Statement of actuarial gains and losses

	Present value of defined benefit obligation		Fair value of scheme assets		Net liability recognised in the balance sheet	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Opening as at 1 August	(65,850)	(54,569)	34,131	32,226	(31,719)	(22,343)
Current service cost	(2,870)	(2,089)	-	-	(2,870)	(2,089)
Past service costs, including curtailments	-	(50)	-	-	-	(50)
Interest on assets	-	-	865	1,197	865	1,197
Interest on liabilities	(1,633)	(1,991)	-	-	(1,633)	(1,991)
Return on fund assets in excess of interest	-	-	4,383	523	4,383	523
Experience gain/(loss) on defined benefit obligations	890	(3)	-	-	890	(3)
Changes in financial assumptions	(4,608)	(8,743)	-	-	(4,608)	(8,743)
Changes in demographic assumptions	936	-	-	-	936	-
Other actuarial gains	-	-	821	-	821	-
Estimated unfunded benefits paid	25	25	-	-	25	25
Contributions by members	(568)	(512)	568	512	-	-
Contributions by employer	-	-	1,960	1,828	1,960	1,828
Estimated benefits paid	1,545	2,082	(1,570)	(2,107)	(25)	(25)
Administration costs	-	-	(44)	(48)	(44)	(48)
Closing defined benefit obligation as at 31 July	(72,133)	(65,850)	41,114	34,131	(31,019)	(31,719)

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	31 July 2017 £'000	31 July 2016 £'000
Analysis of the amount shown in the balance sheet		
Scheme assets	41,114	34,131
Scheme liabilities	(72,133)	(65,850)
Deficit in the scheme – net liability recorded within pension provisions	(31,019)	(31,719)
	2017 £'000	2016 £'000
Analysis of the amount charged to staff costs		
Current service costs	2,870	2,089
Curtailments and settlements	-	50
Total operating charge	2,870	2,139
Analysis of amount charged to interest payable		
Expected return on pension scheme assets (gain)	(865)	(1,197)
Interest on pension scheme liabilities	1,633	1,991
Net charge to interest and other finance costs	768	794
Total charge to expenditure	3,638	2,933
Analysis of actuarial gain/(loss) in respect of pension schemes		
Return on fund assets in excess of interest	4,383	523
Experience gain/(loss) on liabilities	890	(3)
Loss on liabilities	(4,608)	(8,743)
Changes in demographic assumptions	936	-
Other actuarial gains	821	-
Actuarial gain/(loss) in respect of pension scheme	2,422	(8,223)
	2018 £'000	
Projected pension expense for the following year		
Service cost	3,253	
Administration	53	
Net interest on liability/(asset)	811	
Net charge	4,117	

25. Related-party transactions

Goldsmiths' Council members are the trustees for charitable law purposes. Due to the nature of Goldsmiths' operations and the compositions of the Council being drawn from local public and private sector organisations, it is inevitable that transactions will take place with organisations in which a member of the Council may have an interest. Excluding transactions with the parties disclosed below, there are no transactions of which Goldsmiths is aware, but any such transactions involving organisations in which a member of Council may have an interest, including those identified below, are conducted at arm's length and in accordance with Goldsmiths' Financial Regulations and usual procurement procedures.

The President of Goldsmiths' Students' Union is a trustee of both Goldsmiths' College and Goldsmiths Students' Union. In 2016-17 Goldsmiths provided the Students' Union with a grant and support totalling £931,000. It also provided postage and telephony services and some small items of equipment at cost. In addition, Goldsmiths provided accommodation, payroll and pensions administration services (until March 2017) and use of the IT network to the Students' Union free of charge, at an estimated cost of £0.5 million.

Council member Dr Barry Quirk was the Chief Executive of Lewisham Council during the 2016-17 financial year. In 2016-17 Goldsmiths paid £763,000 to Lewisham Council for business rates and other local services.

Audit and Risk Committee member Mr Chris Miller was Executive Director EMEA Channels at Dell Software Group. In 2016-17 Goldsmiths paid Dell £445,000 for IT equipment and services.

Members of Council (who are trustees of the exempt charity) do not receive any remuneration. The total expenses paid to or on behalf of Council members was £76 (2016: £1,207). This represents travel and subsistence expenses incurred in attending Council, Committee meetings and Charity events in their official capacity.

The wholly-owned subsidiary, Pure Goldsmiths Limited, was dormant at 31 July 2017 and there have been no transactions with this subsidiary in the year to 31 July 2017.

Goldsmiths holds a 24% interest in i2 Media Limited, a media research and consultancy organisation that is a spin-out from its Department of Psychology. During the year, payments of £181,138 were receivable from i2 Media in respect of rental income and other fees, of which £159,251 was paid during 2016-17 and £21,887 was outstanding as at 31 July 2017. In addition a dividend of £5,720 was receivable from i2 Media during the year, which was also outstanding.

Goldsmiths also holds a 25% interest in Museifi Limited, a media software provider that is a spin-out from the Department of Computing. No payments were receivable from Museifi in the year ended 31 July 2017.

Included within the financial statements is £51,247 of income from the wholly-owned subsidiary, Goldsmiths Accommodation Services Limited. There was no related expenditure, and the annual profit from the subsidiary is gifted to Goldsmiths under a deed of covenant. The subsidiary had creditors on 31 July 2017 of £51,247 and it had no debtors.

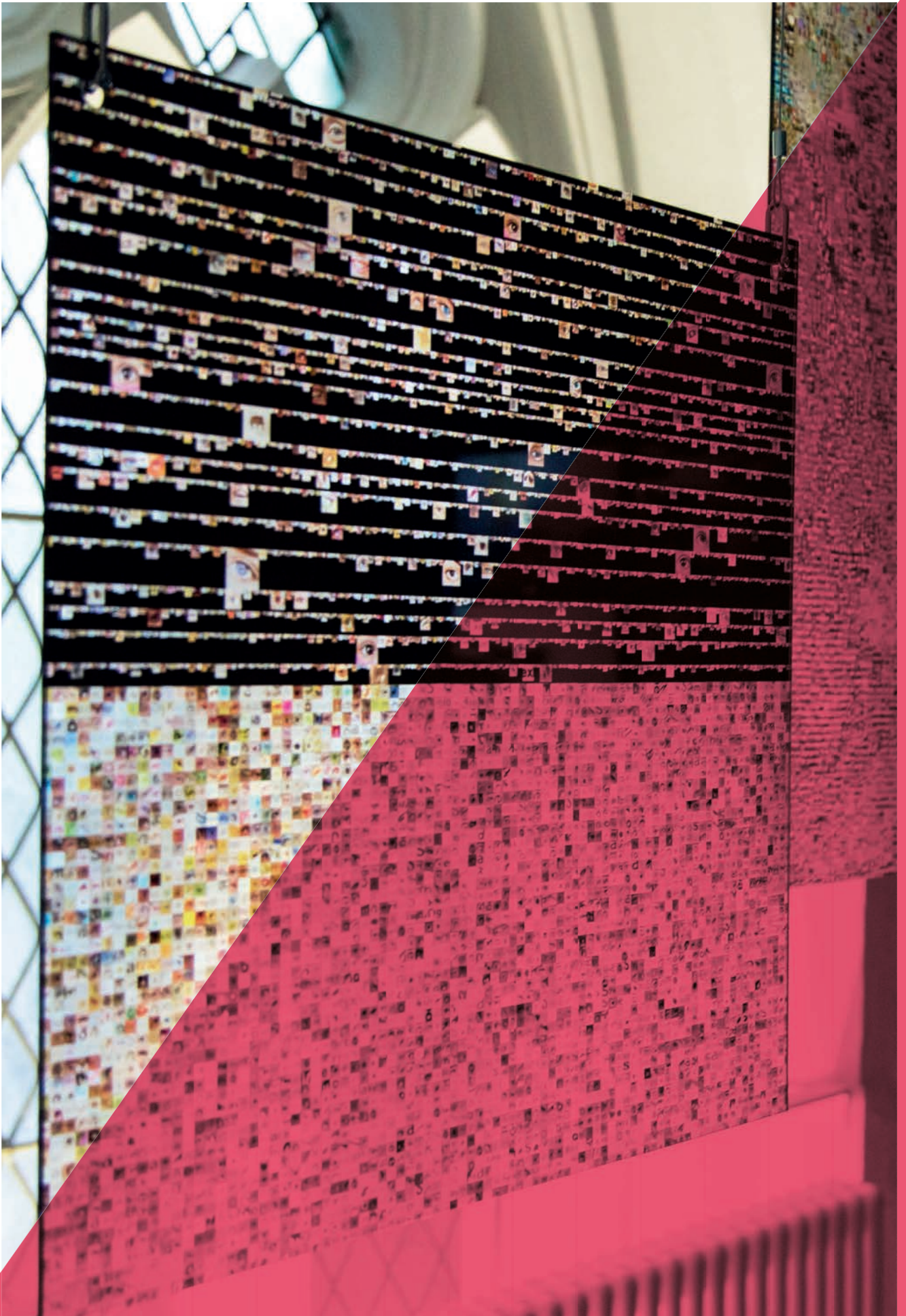
Goldsmiths has no connected charitable institutions.

26. Access Funds from Funding Bodies

	2017 £'000	2016 £'000
(a) Access to Learning Fund		
Balance at 1 August 2016	-	34
Grant received from HEFCE	-	-
Interest earned	-	-
Disbursed to students and administration	-	(34)
Balance at 31 July 2017	-	-
(b) NCTL Teacher Training Bursaries		
Balance at 1 August 2016	(16)	(45)
Grant received from NCTL	2,300	1,769
Disbursed to trainees	(2,158)	(1,740)
Balance at 31 July 2017	126	(16)

Funding body access grants are available solely for students, Goldsmiths acting only as a paying agent. The grants and related disbursements are therefore excluded from the Statement of Comprehensive Income and Expenditure.







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