



**Reports and
Financial Statements**
for the year ended
31 July 2010

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Council

Composition and Membership of the Council 2009-10

Changes in the Autumn of 2010 are also marked

Note: The members of Council as listed below are also the trustees of the College in relation to its status as an exempt charity.

Class 1	
Chair	Mr Christopher Jonas (to 2012)
Class 2	
Ex officio members, namely:	
The Warden	Professor Geoffrey Crossick (from 1 May 2005 to 31 July 2010) Mr Patrick Loughrey (from 19 April 2010)
the Pro-Wardens	Dr Philip Broadhead (to 2012) Professor Simon McVeigh (to 2013) Professor Jane Powell (to 2012)
the Clerk to the Goldsmiths' Company	Mr Dick Melly
the President of the Students' Union.	Mr Jesse Fajemisin (Ms Bindz Patel in 2010-11)
Class 3	
Elected members, namely:	
three members of the Academic Board	Professor Alan Downie (to 2011) Dr Richard Grayson (to 2010); succeeded by Professor Catherine Alexander (to 2013) Professor Mark d'Inverno (to 2012)
one member of the Senior Academic Staff	Dr Gareth Stanton (to 2010)
one member of the Non-Academic Staff, by that Staff in accordance with procedures prescribed by the Ordinances	Mr Richard Bolley (to 2012)
one student [Union Chair]	Ms Jennifer Clutten (to 10 February 2010); Mr Tom Williams (from 16 March 2010 until 1 July 2010 and for 2010-11)
Class 4	
14 persons, not being members of staff or students who shall be representative of educational, economic, social, cultural, charitable, community and other interests relevant to the work of the College	Mr Mark Baillache Mr Jack Barnes (to 31 October 2010 only) Dr Virginia Brooke Ms Althea Efunshile Mr Rupert Evenett Mr Brian Lymbery Mr Kenneth May Mrs Alyson McGarrigle (to 31 August 2010 only) Baroness Morris of Yardley Ms Mary Stacey Ms Colleen Toomey 3 vacancies in 2009-10 New members from 1 September 2010: Dr Alison Henwood Ms Cathy Runciman
Class 5	
at the discretion of the Council, one further person, who may or may not be a member of staff or a student.	vacancy

Membership

Members of Council are not remunerated for their services in this capacity, although they are entitled to claim reasonable expenses. However, nine of the members listed above were salaried members of staff of the College during their period of service.

Expenses were claimed by three Council members during the financial year 2009-10. These totalled £2000 (figure rounded to the nearest thousand pounds, as recommended by HEFCE), and related to travel and subsistence.

No third party transactions were declared by members of Council in 2009-10.

Composition and Membership of Audit Committee 2009-10

Changes in the Autumn of 2010 are also marked

Composition

Chair: an independent member of Council appointed by Council

Three members of Council appointed by Council

Two members appointed by Council

Up to two co-opted members

Secretary

Membership (*ex officio members in italics*)

Mr Jack Barnes (to 31 October 2010, when he was replaced by Dr Alison Henwood)

Dr Virginia Brooke
Ms Althea Efunshile (to 31 August 2010 only)
Mr Brian Lymbery

The Earl of Harrowby
Mr Frank Toop

Mr Robert Russell
Dr Alison Henwood (from 1 April 2010; moved to Chair place on 1 November 2010)

Miss Rosemary Harrison

Composition and Membership of the Senior Management Team 2009-10

There were no compositional or membership changes in the Autumn of 2010

Chair: Warden

Pro-Wardens

Registrar and Secretary

Director of Finance

Secretary

Professor Geoffrey Crossick (from 1 May 2005 to 31 July 2010)
Mr Patrick Loughrey (from 19 April 2010)

Professor Simon McVeigh (also Deputy Warden), Dr Philip Broadhead and Professor Jane Powell

Mr Hugh Jones

Ms Sally Townsend

Ms Reeva Charles

Auditors and Bankers

Auditors

Deloitte LLP
Chartered Accountants and Statutory Auditors
Birmingham, UK

Bankers

National Westminster Bank PLC
65 Peckham High Street
London, UK



Responsibilities of Council

Statement of Responsibilities of The Council

In accordance with the Charter and related Statutes, Council is responsible for the administration and management of the College's affairs, including ensuring an effective system of internal control, and is required to present audited Financial Statements for each financial year. Council is responsible for keeping proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the College and enable it to ensure that the Financial Statements are prepared in accordance with the Charter and Statutes, as well as with the *Statement of Recommended Practice: Accounting for Further and Higher Education* and other relevant accounting standards. In addition, within the terms and conditions of the Financial Memorandum agreed with HEFCE, the Council, through the Warden as its Designated Office Holder¹ (from 1 August 2010 Accountable Officer), is required to prepare Financial Statements for each financial year which give a true and fair view of the College's state of affairs, and of the surplus or deficit and cash flows for that year. In causing the Financial Statements to be prepared, the Council has to ensure that:

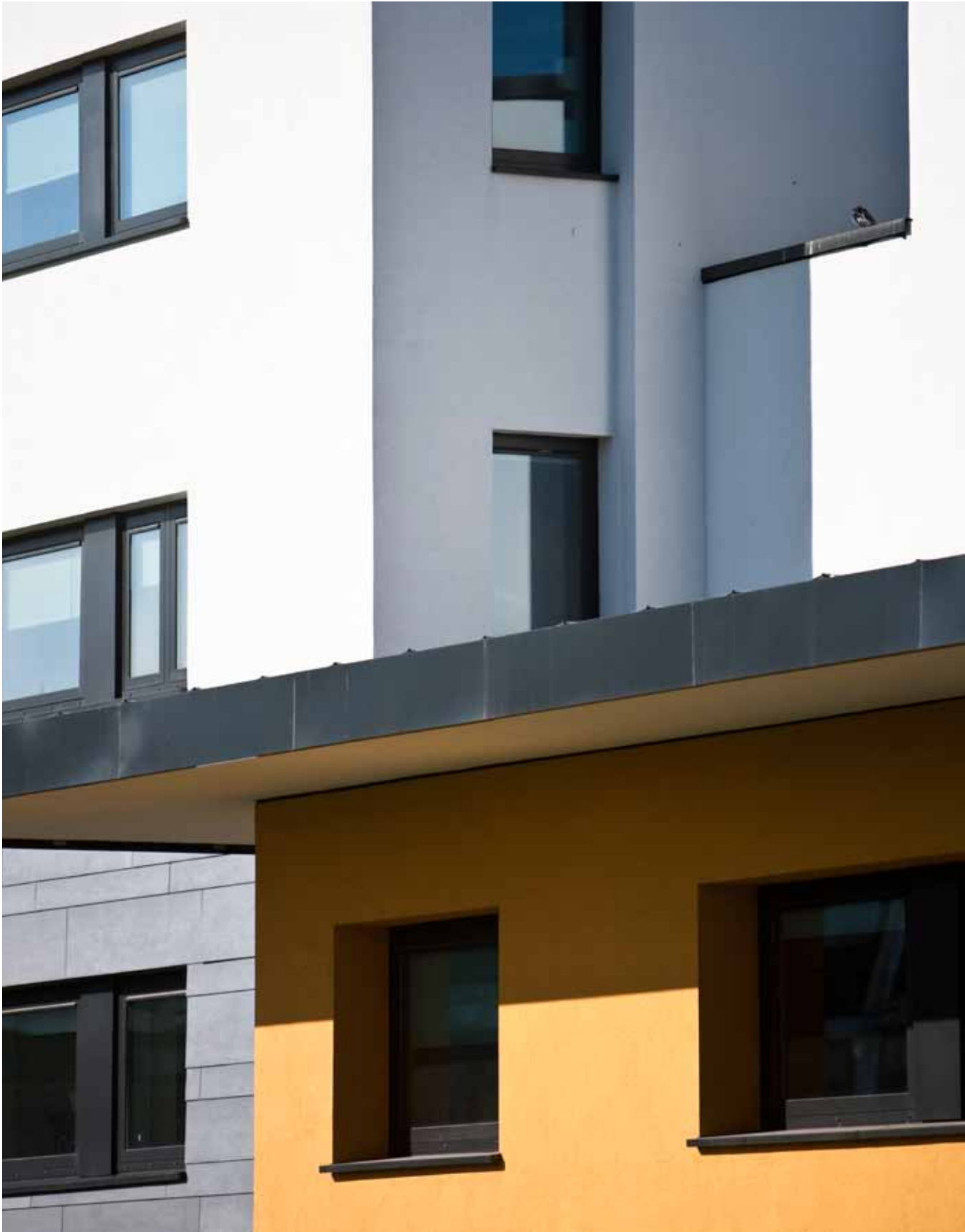
- suitable accounting policies are selected and applied consistently;
 - judgements and estimates are made that are reasonable and prudent;
 - applicable accounting standards have been followed;
- and
- Financial Statements are prepared on the going concern basis unless it is inappropriate to presume that the College will continue in operation.

Council is satisfied that it has adequate resources to continue in operation for the foreseeable future: for this reason the going concern basis continues to be adopted in the preparation of the Financial Statements. The Council has taken reasonable steps, including receipt of advice from its Finance and Resources Committee on the allocation of resources and general financial management, and from its Audit Committee which has a wide independent remit, to:

- ensure that funds from HEFCE are used only for the purposes for which they have been given and in accordance with the Financial Memorandum with HEFCE and any other conditions which that Funding Council may from time to time prescribe, and similarly with regard to funding agreements with the Training and Development Agency for Schools (which is responsible for the funding of Initial Teacher Education) and the Learning Skills Council from which the College receives a small grant for further education provision;
- ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources;
- safeguard the assets of the College and prevent and detect fraud;
- secure the economical, efficient and effective management of the College's resources and expenditure and the maintenance of appropriate processes for the management of risk.

¹In accordance with the Financial Memorandum, the College has to designate a principal Office Holder, acceptable to the Funding Council, who is required to:

- satisfy the College's Council that all conditions relating to the use of funds provided by the Funding Council are complied with;
- advise the College's Council if at any time any action or policy under consideration by it appears to the designated office holder to be incompatible with the terms of the Financial Memorandum. The designated Office Holder is required to inform the Chief Officer of the Funding Council in writing should the College's Council decide nevertheless to proceed. The Warden of the College, is its designated Office Holder, and as shown above Mr Patrick Loughrey took over this role from Professor Geoffrey Crossick in the Spring of 2010.



Report of the Warden

Scope of the Financial Statements

The financial statements comprise the results of Goldsmiths' College, also known by the brand name "Goldsmiths, University of London".

The College has one subsidiary company, Pure Goldsmiths Ltd, which did not trade in the current or previous financial years.

Introduction

Goldsmiths is a unique institution with a global reputation for its leading and challenging work in the arts, humanities, social sciences and computing. Everything we do is based on the highest academic standards of teaching and research. The College brings creative and unconventional approaches to all of its subjects, the freedom to experiment, to think differently, to be an individual.

Internationally renowned for a creative and innovative approach to teaching and research, Goldsmiths has nearly 9,000 students taking part in undergraduate, postgraduate, teacher training and return-to-study opportunities in subjects covering the arts, social sciences, humanities and computing. The College also provides distance learning and flexible learning through the University of London International programmes. It is a member of the 1994 Group of nineteen internationally-renowned research-intensive universities, and in the 2008 Research Assessment Exercise we were placed in the top 10 UK universities for the percentage of our research deemed to be 'world-leading'.

Goldsmiths strives to be at the cutting edge of teaching and research in all of its subjects and its unique academic approach comes from the interaction and co-operation of 15 academic departments, together with a number of smaller centres and units.

Operations

We at Goldsmiths are proud of our origins in 1891 as a technical and recreative institute set up to provide educational opportunities for the people of New Cross, and we remain committed to the local community and life-long learning. As Sir Steve Bullock, Mayor of Lewisham, has said, "Goldsmiths is knitted into the fabric of Lewisham".

Many of our former students have become leaders and innovators in their chosen fields: they include Antony Gormley, Sam Taylor-Wood, Julian Clary, Mary Quant, Linton Kwesi Johnson, Bridget Riley, Tessa Jowell, Graham Coxon and Malcolm McLaren. The success of our art alumni is well documented – six winners of the Turner Prize have studied here – but we make equally strong contributions to many other areas. Our internationally-recognised Department of Media and Communications; our Department of Sociology whose research places it top in the UK; our Department of Professional and Community Education which is a UK leader in professional development and consistently ranks top in student satisfaction surveys, and our Department of Computing whose striking work on the boundaries of computing and the creative and performing arts excites business and cultural organisations alike.

The academic success of Goldsmiths stems from a unique philosophy that is creative, radical and intellectually rigorous, linked to a student body whose breadth and diversity helps nourish the creativity of the institution.

True to our heritage, we continue to offer opportunities to many for whom a university education would otherwise be inaccessible. We offer foundation programmes leading to our Bachelor degrees in many subjects; we work in partnership with local schools and the Borough of Lewisham to raise aspirations; and we host the Open Book project, which works with individuals from offending and addiction backgrounds, encouraging them to take up education, and offering ongoing emotional and practical support throughout their studies. It has an outstanding record in placing ex-offenders in higher education: 74 students are currently registered on the project, 49 of them at Goldsmiths.

Goldsmiths has consistently performed strongly against government targets for participation from under-represented groups and low-participation neighbourhoods. Currently 40% of our home/EU undergraduate students come from households with incomes less than £25,000.

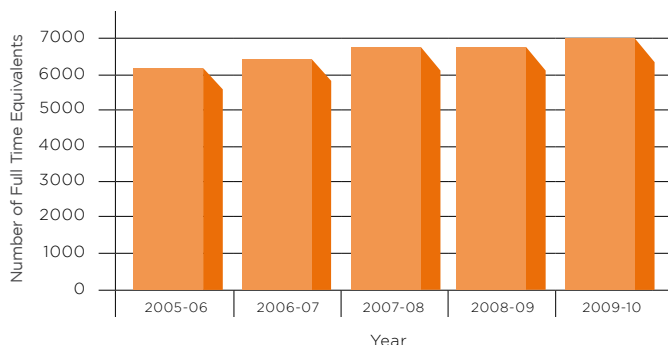
Staff and Students

Goldsmiths has around 5,000 full-time equivalent undergraduates and around 2,000 full-time equivalent postgraduates, 12% of them from outside the European Union. The College employs approximately 1,500 staff, including almost 400 professional academics. Our colleagues are award-winning, with accolades this year being won for teaching, professional services, publications and research. We aim to be at the forefront of accredited staff development, and a range of opportunities is open to all colleagues. New academic staff are encouraged to undertake an in-house programme to develop teaching skills and enhance the learning experience.

Goldsmiths offers a broad range of undergraduate, postgraduate and continuing and professional development courses. These range from the arts and humanities: art, design, drama, history, English and comparative literatures, media and communications, music, visual cultures; the social and behavioural sciences – anthropology, politics, sociology and psychology; professional and community education, including social work and psychotherapeutic studies; computing; and education, with interdisciplinary work across all areas. The unifying factors spanning this range of diverse subjects are a liberal and creative approach to teaching and learning, with the emphasis on freedom of thought and expression alongside high and rigorous standards, and a research-led teaching ethos.

Above all, through radical and intellectually rigorous thinking and practice, we aim to equip students with the necessary skills and knowledge for them to excel in whatever they decide to pursue after graduation.

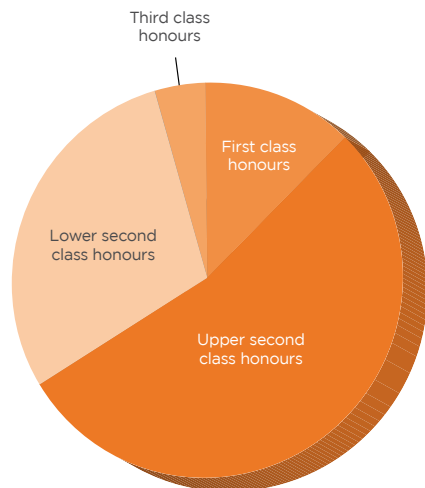
Goldsmiths Student FTE



Over the five year period, we have seen student numbers increase by 7%.

Overall academic performance is summarised in the following chart.

Undergraduate students successfully completing degree by classification 2009-10



Goldsmiths had some good results in the National Student Survey that was carried out at the beginning of 2010, as students in Design gave their department scores that rated it the best in the UK for overall student satisfaction and for teaching. The scores of students in both Social Work and Anthropology mean they placed their departments in the top three within their discipline in the UK. Goldsmiths as a whole increased its score in the NSS for satisfaction with teaching, where we now stand comfortably above the national benchmark figure.

We are keen to enhance the quality of the student experience and over the year have responded to issues raised both by students in their feedback to us and by Goldsmiths Students' Union. As part of this we created 24 hour access to the Library and IT facilities in the Rutherford Building during April and May. This proved a great success and during the extended opening times there were almost 17,000 student visits to the Library.

The refurbishment of teaching rooms across the College has continued and we are on target to complete the upgrading of all our main teaching spaces by September 2011.

This year saw the first students complete the Gold Award, which has been designed to recognize and reward activities above and beyond normal academic studies and which, by demonstrating initiative and personal development, will enhance the employability and skills of students at graduation.

We welcomed the first two students to have been awarded Goldsmiths Humanitarian Scholarships, which cover the costs of tuition and living expenses. These awards were designed to support students studying for masters degrees who come from areas where war and conflict otherwise impede their opportunities to study.

In 2009 Goldsmiths underwent the routine institutional audit process by the QAA and in November we were notified that the QAA had awarded confidence in our present and likely future management of the academic standard of awards and the quality of the learning opportunities available to students.

Research and Enterprise

During 2009-10 a newly integrated 'Research and Enterprise' strategy was developed to cover the period 2010-2014 during which the Research Excellence Framework - successor to the previous Research Assessment Exercises - will take place. The integration reflects the increasing operational synergies and overlaps between academically motivated research and our external engagement with other organisations and businesses via collaborative research, consultancy, and other forms of knowledge exchange. The new strategy articulates a set of interlinked objectives relevant to staff and postgraduate researchers across the college, and operationally supported in particular by activities within the Research Office, the Business Development Office (BDO) and the Graduate School. The staffing of the Research and Business Development Offices, which are separate but work closely together, was expanded with the addition of a jointly appointed Research and Knowledge Transfer Officer whose role is to develop our research engagements with external partners and hence, in due course, to increase and diversify our income streams.

A sustained focus on developing our enterprise, knowledge transfer and knowledge exchange activities during this period of economic and policy turbulence, supported by Higher Education Innovation Fund [HEIF] Round 4 funding, has been exemplified by a number of successful projects. These included financial and strategic support to the early development of the "East London Lines" project, an innovative news and placemaking initiative originating in Media and Communications: via a website which carries news and listings from stops on the new London Overground Line, it is building a sense of community and place. The BDO also worked with academic staff in the Design Department to develop a new and highly distinctive MA in Innovation and Practice, finding funding mechanisms and potential partners for the programme.

In 2010-11 Goldsmiths' HEIF allocation will be 16% higher than in 2009-10, increasing to £375,000; this will enable the BDO to continue its strategic development of external partnerships through collaborative research and consultancy. It is currently engaged in a detailed mapping and expansion of existing major national and international partnerships, and has made substantial progress in developing a shared research vision with Intel; significant steps have also been made towards consolidating and building on existing relationships with BT and the BBC.

The College is also one of the founding investors and lead participants in the University of London's new Centre for Creative Collaboration [C4CC] in King's Cross, a well-located venue providing collaborative design space for projects, meetings and events. Other partners include Royal Holloway and the Central School of Speech and Drama. To date Goldsmiths has

used the Centre for varied events including coding sprints, a show, and some 3D media testing; more is already planned for the upcoming year.

Academic staff across the college, working closely with staff in the Research Office and the Finance Department, have had considerable success in winning highly competitive major research awards from both UK research councils and prestigious international sources. Of particular note:

- In Anthropology and Sociology, a £1.1m Starting Grant from the European Research Council was awarded to Dr Sari Wastell working with Dr Kirsten Campbell. The 4-year project, 'Bosnian Bones and Spanish Ghosts – *Transitional Justice and the Legal Shaping of Memory after Two Modern Conflicts*' will investigate how the law helps to shape cultural memories of wartime atrocity
- In Psychology, Dr Andy Bremner won a £1m European Research Council Starting Grant entitled 'Human Embodied Multisensory Development (HEMSDEV)'. This 5-year project will study how infants and young children develop their perception and understanding of the sensory environment
- In Computing, Professor Geraint Wiggins received Engineering and Physical Sciences Research Council (EPSRC) funding of over £1million for two projects. One, 'Information and neural dynamics in the perception of musical structure', involves our Music and Psychology Departments in computer modelling of human musical behaviour; and the other, 'SerenA – Chance Encounters in the Space of Ideas' aims to enhance computer-human interactions
- In Media and Communications, Professor Nick Couldry and his team were awarded over £700K by the EPSRC and Arts and Humanities Research Council to collaborate in the Framework for Innovation and Research in MediaCityUK (FIRM). This ambitious 3-year project, with a total investment of £2.7m, is funded as part of the cross-council Digital Economy programme and is designed to connect the BBC and the Digital & Creative Industries sector to international academic and industry research specialists.

A vital element of the research success, productivity and sustainability of our academic departments lies in their thriving communities of doctoral research students. Overseen by the Graduate School, these postgraduates work closely with staff to drive distinctive projects and programmes and to disseminate this work through publications, conferences, and seminars. In 2010-11 Goldsmiths made a substantial investment in resourcing ten new fully-funded doctoral studentships, spread across eight academic departments. The competition for these awards was intense, with hundreds of international applications resulting in awards to exceptionally well-qualified students from the UK, the EU, and several other countries.

Student achievements

Amongst the many student achievements this year several are particularly encouraging in terms of employability and business partnership, including the following:

Goldsmiths student 'most likely to make a million'

Giulia Piu, a student in the Institute of Creative and Cultural Entrepreneurship (ICCE) at Goldsmiths has been awarded the accolade of 'most likely to make a million' at London's Startup Weekend. Giulia, who will graduate on the MA in Creative and Cultural Entrepreneurship in autumn 2010, received her award at the Startup event which recruits highly motivated developers, business managers and startup enthusiasts to build communities, companies and projects. The award was given to Giulia and her team partner Emma Obanye for their events website 'BuddyBounce' which is described as 'video speed networking'.

Students win Royal Television Society Award

A group of Goldsmiths Media and Communications students have been announced as winners of a Royal Television Society (RTS) Student Award in the Factual Category for the London region, for their film 'Thirty-Two'. 'Thirty-Two' is a documentary film on the aftermath of the massacre at Virginia Tech in Blacksburg, Virginia, USA, which happened in April 2007, killing 32 teachers and students. The film overcame stiff competition at this year's London region RTS student awards, which recognise the best audiovisual work created by full or part-time students as part of their course.

The students, Janet Weinstein, Otilie Dunk, Usman Hussain and Marie-Charlotte Tatepo-Ngonde were praised by the judges who said: "Thirty-two was a powerful entry about a shooting at an American campus. It presented good and impartial argument."

Design students take on project for Microsoft

Following on from a successful collaboration with broadband supplier Talk Talk last year, students in the Department of Design have undertaken a project for software giant Microsoft. The project saw students from the Pi-Studio Research Project – Prospecting and Innovation Research Unit – examine 'networks in crisis', that is, the potential function of design in addressing social, cultural, political, economic, environmental and communications concerns. A group of students going by the name 'Trojan Chickens' aimed to reveal the network between suppliers and consumers, ultimately aiming to empower both the producer and the supplier. Another student, Stacey Pitsillides, examined the network of family. Using 'audio-rituals', her project deconstructed the relationships of family members, questioning whether it is possible to form close relationships when mediated over huge geographical distances.

Films depicting the future of tourism premiered at Barcelona convention

Films created by Goldsmiths Media and Communications students were shown to hundreds of delegates at the launch of a new 'green' travel forum, Tourism 2023, at The Travel Convention in Barcelona. Some of the UK's biggest holiday companies collaborated to predict how travellers will take trips in the future as governments seek to protect tourist destinations and reduce carbon emissions. Among the visions mooted by the forum – which aims to create a sustainable industry by 2023 – are the concept of a theme park around Mount Everest and space travel for everyone, as appetites for ever more ambitious holidays take us into orbit. Goldsmiths students helped to animate the forum's potential scenarios with a series of short films.

Development activity

Donation income rose in 2009-10, albeit from a low base, and the Development and Alumni Office made a number of important advances to strengthen this income stream in the future. The Development and Alumni Office has now implemented the Raisers Edge database to manage better the College's relationships with its former students and other key stakeholders. Relationships with several potential major donors have been established and it is hoped that these will lead to significant support in the years to come. The College's first alumni telephone fundraising campaign was held in October 2009. This exceeded expectations, resulting in over £100,000 being pledged over five years. Significantly, one in three of alumni spoken to pledged a gift. Over time these and other initiatives are expected to lead to sustainable fundraising income for the College.

Financial Highlights

Summary Outturn statement 2009-10

	2009-10	2008-09	Change
	£'000	£'000	%
Income	78,746	75,149	4.8%
Staff	50,555	47,083	7.4%
Non Staff	28,117	26,134	7.6%
Expenditure	78,672	73,217	7.5%
Surplus	74	1,932	
Historical cost surplus	869	2,726	

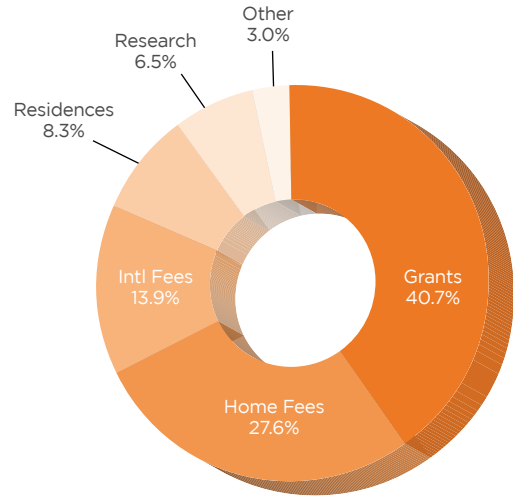
Surplus

The historic cost surplus has remained robust at £0.9m (from £2.7m in 2008-09). This includes a one-off charge of restructuring costs of £1.3m which resulted from a voluntary severance scheme launched in May 2010. The underlying historical cost surplus excluding the costs of severance would have been £2.1m in 2009-10 compared to £2.5m in 2008-09, giving an indication of the recurrent financial performance of the College. Despite the reduction in public funding, Goldsmiths has continued to improve on its reserve levels, boosting the College's ability to respond to future financial challenges. The surplus for 2009-10 confirms the improved resilience of the College. Goldsmiths will reinvest these surpluses in its infrastructure in order to continually improve the facilities for its students, staff and visitors to the campus.

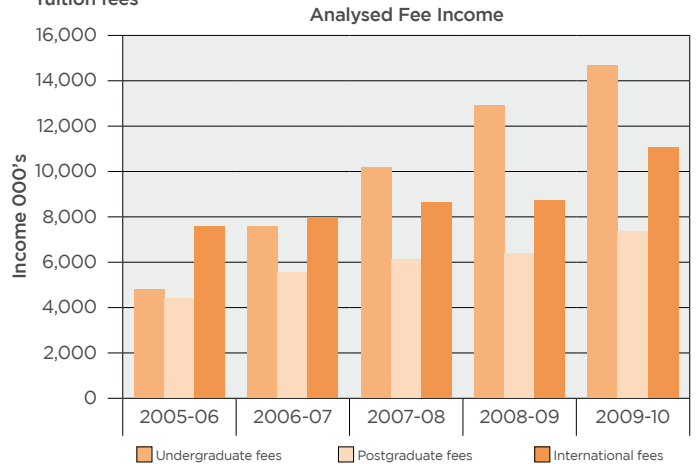
Income

Income in 2009-10 has increased by £3.6m [4.8%] over 2008-09. When excluding funding body grants, which were reduced by over 2% from the previous years cash levels, all other income has increased by almost 11%. This reflects a growth in international student numbers in particular. Goldsmiths income is made up as follows:

Income 2009-2010



Tuition fees

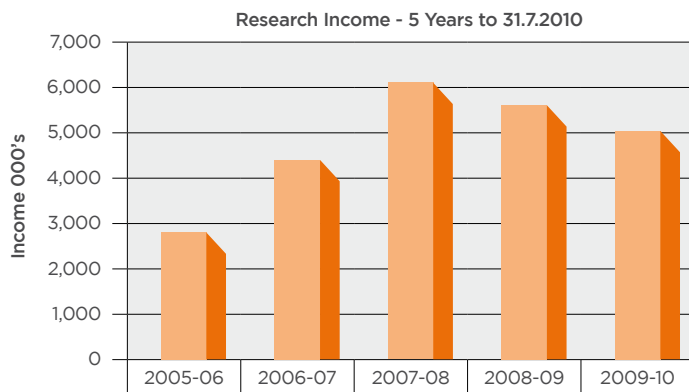


Total income from tuition fees have risen by 17% against the previous year to £33m in 2009-10 (2008-09 £28m). International fee income has also shown notable growth of 26% in the year.

Research

Goldsmiths faces particularly challenging conditions for research grant income, as a consequence of its subject mix. Research funding for science, technology and engineering, mathematics and medicine have been prioritised, which has effectively reduced funding available for arts, humanities and social sciences – the disciplines in which Goldsmiths specialises.

Details of our performance over the last five years are in the chart below.



Our research and enterprise strategy aims to grow our income from grants and contracts, and thus to reduce Goldsmiths' reliance on funding from HEFCE. After a steady increase between 2005-6 and 2007-8, from a low baseline, there has been a modest decline, reflecting increased competition for limited funding in our disciplinary areas. However, we have had considerable success in winning EU funding with several large and prestigious grants awarded over the last 1-2 years and several others due to commence during 2010-11. A number of actions have been put in place to promote the development of strong and effectively directed applications to funding bodies (e.g. research councils, EU) which make a significant contribution to the full economic costs of the research activity. Recent actions have included the setting of achievable and realistic application targets with each individual department, and a reconfiguration of the incentives for successful applications.

Expenditure

Total expenditure increased by 7.5%. Of this, staff costs rose by 7.4% to £51m and accounted for 64% of expenditure (2008-09, 64%). Other operating expenditure increased by 7.6%, which reflected increased interest costs as the College took out a loan to finance the construction of a New Academic Building and investment in infrastructure. This expenditure has been focused on improving the student experience as well as generating efficiencies in non-pay costs and processes. Staff costs include £1.3m (2009: £0.5m) in respect of payments to leavers, including the recent voluntary severance scheme. Savings will flow from this action in 2010/11 and future years, although some additional severance costs are also expected.

Balance Sheet Review

The College closed the year with net assets of £56m (after taking into account the pension liability of £15m), an increase of £9m from the position at 31 July 2009 of £47m. The year end cash position improved by £3.5m to £19m.

Capital expenditure

Goldsmiths invested £16m in buildings and equipment assets during 2009-10. The most significant item of capital expenditure is the new cutting-edge building which was completed in August 2010. This building has been constructed to house the Department of Media and Communications and the Institute for Creative and Cultural Entrepreneurship at Goldsmiths in addition to providing much needed facilities for the whole College and a prestigious venue for major events. It also houses a large lecture theatre, meeting spaces and a café with outside seating. The overall cost of the New Academic Building came in at £20m. This was funded by a combination of capital grant from HEFCE and bank loans.

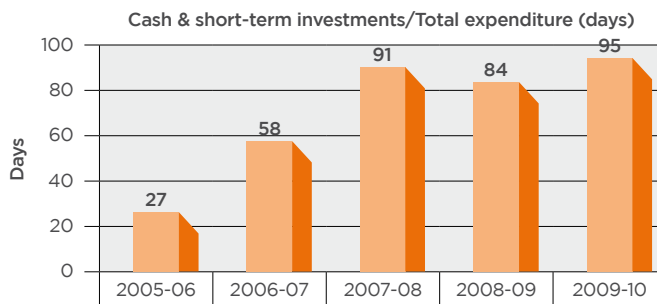
Endowments

Goldsmiths endowments are invested in bonds and in a pooled equity fund to earn income to contribute to academic posts etc. and to enable the capital value of the fund to grow over time. In 2009-10 the fund showed an increase in market value of investments of £56k. This increase almost completely counteracts the cumulative reductions of £59k generated in the previous two years.

Cash

After a low point in 2004-05, Goldsmiths' cash balances have remained healthy. Net cash flows from operating activities remained strong in the year at £7.7m (2009: £7.2m) and net debt increased to £3.1m (2009: £2.1m). External borrowings of £13.6m are 17% of income (2008-09 £8.8m, 12% of income). These borrowings consist of a 30 year loan from Lloyds TSB taken out in December 2006 at a fixed interest rate of 4.995% for the acquisition of the freeholds of Surrey House and Chesterman House. A further advance of £2.15 million was made in June 2009 to part finance the construction of the New Academic Building. The term of the loan is 28 years with interest chargeable at 0.2% above base rate. In addition, a 30 year loan from RBS of £10 million was taken out in December 2009 at a fixed interest rate of 5.75% to part finance the construction of the New Academic Building, £5 million of this loan was drawn down during 2009-10. These facilities have been provided unsecured subject to the College providing a negative pledge over all assets. Capital grant funding was also provided by HEFCE to support the construction of the New Academic Building.

The chart below shows the amount of cash held at the year end expressed in terms of number of days of expenditure.



Our Financial Strategy includes a target minimum cash balance of 40 days of expenditure and the table shows that it has been comfortably exceeded in the past four years.

Going concern

The College's academic activities together with the factors likely to affect its future developments, performance and position are set out here in the Warden's report. The financial position of the College, its cash flows, liquidity position, borrowing facilities and banking covenants are also described here and in more detail within the Notes to the Accounts. The College has significant resources including almost £20 million cash together with funding from HEFCE, research grants, contracts with customers across different geographical areas and a student base drawn from both the UK and internationally. As a consequence, the Council believes that the College is well placed to manage its risks successfully despite the uncertain economic outlook.

The Council considers that the College has adequate resources to continue in operation for the foreseeable future. For this reason, it continues to adopt the going concern basis in preparing the financial statements.

Pensions

A significant aspect of the Financial Statements is the amount included in the balance sheet in respect of the FRS 17 (Retirement Benefits) pension deficit of the London Pension Fund Authority (LPFA) pension scheme of which the University's administrative and support staff are members. The value of the deficit has reduced slightly, which reflects the effect on the calculation of the past service cost following the Government announcement about changing the pension increase index from RPI to CPI.

The reduction in the pension deficit plus the completion of the New Academic Building, funded by a combination of capital grants provided by HEFCE and borrowing, contributes to a healthy increase in net assets (after the pension liability) with net assets at 31 July 2010 of £56.4m (2009: £47.2m).

Risks and Uncertainties

The College's risk management process aims to help Council Members and staff to consider risk, its probability and impact and the controls in place for management and mitigation purposes in a consistent manner. The process also recognises that risk exposure varies with new activities, or changes to existing activities and therefore regular reviews are conducted. The risk management process has been overhauled and improved. Risks are routinely monitored and appropriate actions taken.

Overall for the year ended 31 July 2010, the work of the internal audit unit indicated that Goldsmiths has maintained generally adequately designed and effective arrangements for internal control and governance and economy efficiency and effectiveness. However it was only able to provide limited assurance for aspects of the payroll process, income and debt management processes, capital project management arrangements, risk management arrangements and strategic value for money arrangements. Limited assurance here means that whilst there is a generally sound system of control and the controls are generally being consistently applied, there are some significant weaknesses in control in a number of areas and/or evidence of significant non-compliance which are placing some system objectives at risk. The College takes these findings seriously and considers them to represent a risk to the operation of controls within the institution that demands prompt and effective action. Some of the necessary improvements have already been implemented as at November 2010. Planned actions are also underway to clear the remaining key areas where weaknesses in the system of controls were identified.

The current financial environment that the College is operating within means that the College has identified a number of financial risks resulting from the likely financial challenges. These include reductions in public funding, the need to work towards and deliver sustainable surpluses and

the need to establish and effectively maintain the long-term capital programme. The potential impact of these swift reductions needs to be addressed. The Higher Education sector, which has a relatively costly infrastructure, will not respond easily to changes in funding and market conditions. We need to have a financial position that enables us to invest, to maintain the quality of our work and to operate successfully in difficult times. Our financial strategy focuses on a number of key elements: increasing income and reducing overall and unit costs; improving the efficiency of our operation and developing a capital plan which enables us to invest in the estate without financially over-committing ourselves. A small number of high level strategic groups have been set up to develop actions that will enable the College to respond to these challenges.

As a relatively small institution, we must make the best of our resources. The need to adequately maintain our infrastructure is highlighted as a key risk on our risk register. This means that we cannot afford to be inefficient or ineffective in how we support our academic activities. We are investing in information systems to ensure that we are able to operate smoothly and effectively, and to ensure that we have good and reliable management information. We have significantly improved the organisation and quality of the support departments and will continue with this process over the coming year.

The financial risks associated with staff costs and in particular the costs relating to Goldsmiths' two principal pension schemes (the LPFA and USS - University Superannuation Scheme) remain significant to the College. Both schemes are externally funded. The FRS17 deficit position for the LPFA of £14.6 million reflected in the accounts confirms these concerns. Employer contributions to USS were increased from 14% to 16% in October 2009. In October 2010 USS commenced a consultation on proposed changes to address these financial risks. The College monitors its position and ensures that financial plans make provision for future pension liabilities.

Outlook

Goldsmiths continues to provide research, research-led teaching, knowledge transfer and engagement with the local, national and international communities. It will be innovative and creative in its approach. The environment in which we operate has become increasingly competitive and challenging. The proposed cuts in public funding for higher education will significantly impact Goldsmiths. Despite this, we have plans in place to ensure that we will continue to provide high quality teaching and world class research.

The Government's proposed plans to reform higher education and student finance, based on the Browne Report, published in October 2010, and the comprehensive spending review, would result in significant changes to the Higher Education financial landscape. We are modelling these changes to assess the impact on the College's future income and projected outturns, and are implementing those plans already formulated to enhance the financial sustainability of Goldsmiths.

In common with other institutions, we are developing a wide ranging strategic response to the challenges that will be raised by proposed reductions in public funding for the sector.

Expenditure has also been subject to upward pressure, with the higher education sector being subject to inflation generally above RPI as well as the rising costs of pensions. Additionally the government policy of prioritising funding for Science, Technology, Engineering and Mathematics (STEM) subjects, has increased the strain on our finances.

We are currently revising our overall strategy in the context proposed changes to the Higher Education Sector and increasing competition. This strategy will continue to focus on increasing net income and will outline plans to diversify our income sources. We will continue our drive through efficiency measures to increase the value for money achieved by the College. We have also undertaken a number of changes to our administrative and operational structures to enable cost reductions to be realised and further rationalisation will be undertaken over the coming years. We remain confident that the strategic and operational measures that we are taking will ensure that we can respond to the challenges and generate the surpluses necessary for Goldsmiths' future sustainability and success.

Conclusion

Goldsmiths aims to diversify its activities. The College will continue to invest in its staff and facilities to ensure improved overall financial and academic performance in the medium-term whilst maintaining the essential characteristics that make Goldsmiths a leading and very distinctive UK higher education institution.

The College relies heavily upon all of its staff to realise its objectives, and I would like to take this opportunity to record my thanks to them all for their support and endeavour over the past year. Special thanks are due to our independent members of Council, whose advice and support have been invaluable during this period of change.

Pat Loughrey
Warden

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.”

Strategic aims have been developed by the College, mindful of our responsibility to ensure that the College acts for the benefit of the public. They include:

- “To ensure a high-quality learning experience through a commitment to excellence and innovation in learning and teaching, an up-to-date and stimulating learning environment, a reflective and well-designed curriculum which reflects the aspirations of students and the needs of society, and support for teaching quality.”
- “To provide an appropriate framework of academic, social and personal support in order to ensure that students at all levels and from all backgrounds value the experience of studying at the College and are able to achieve their potential.”
- “To foster an environment committed to and supportive of diversity, the free exchange of ideas, tolerance and equal opportunities, and to work to raise aspirations and widen access to higher education in general and to the College in particular.”
- “To develop effective interactions between the College's research and teaching activities and business, especially the creative and cultural industries and the public sector, and to contribute to the economic, social and cultural well-being of local communities.”

In reflecting on its new responsibilities under the Charities Act 2006, Audit Committee and Council have had regard to the Charity Commission's guidance concerning the need for charities to demonstrate that they operate for the public benefit. They have 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.

Learning Experience and Widening Participation

The principal benefits to the public (and beneficiaries) arising from the College's activities in teaching, which are described in the Warden's Report, are the students of the College. 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).

The College takes seriously its commitment to Widening Participation initiatives. Goldsmiths is located 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. From its inception in 1891 as a 'Technical and Recreative Institute' for working men and women to the present day, Goldsmiths has valued 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.

The Department of Professional and Continuing Education (PACE) offers a range of programmes aimed at non-traditional learners with limited educational qualifications wishing to work at undergraduate level, with interdisciplinary work across all areas as well as qualifying programmes in social work, community and youth work, counselling and the arts therapies.

The Recruitment Section co-ordinates and delivers a range of information and awareness-raising activities for state schools and colleges across London. The aim is to provide impartial advice and guidance on progression to higher education to ensure that young people choose the right course for their individual needs and have the information and skills to make a successful application. Student “Ambassadors” from Goldsmiths also visit local schools: they are trained to work on a range of outreach activities such as taster days and summer schools. Increasingly they also undertake placements in local schools and colleges, providing subject specific classroom support in a range of subjects. The full range of Widening participation is detailed in the College's Widening Participation Strategic Assessment, which also concludes with a detailed list of the target social groups for the College's outreach and retention activities.

Bursaries and Scholarships

Goldsmiths is committed to offering a range of financial support schemes to its undergraduate and postgraduate students. In 2009-10, Goldsmiths spent almost £2.5 million on centrally-administered bursaries, grants and scholarships:

- £1.9 million on bursaries for students from low-income backgrounds
- £240k on discretionary grants for hardship
- £200k on general fee waivers
- £130k on a range of central scholarship schemes

Almost £100k was spent specifically on scholarships and fee waivers to International postgraduate students, to whom we continue to strengthen our commitment. Our short-term goal is to double the level of our scholarship provision to International postgraduate students by 2011-12, with a long-term aim of increasing financial support to all postgraduate students generally to address growing demand in this area

Research Activities

The 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.

Commitment to Community

Staff and students are encouraged to participate in community engagement activities such as public lectures, volunteering, and service on public committees (eg Governing Bodies of schools and colleges) which meet the College's strategic aims as well as benefiting the public. In addition many student placements are of direct benefit to community centres, schools, hospitals, charities and arts organisations.

There are also other opportunities for a wide range of age-groups within the local community to benefit from what the College has to offer, without enrolling for degree programmes or intending to do so elsewhere. An example is the annual "Big Draw" event, which won the Trailblazer Award at the Drawing Inspiration Awards. Families from the local area and further afield take part in creative activities in the Great Hall, with an attendance of 700 last year.

In terms of longer-term strategy for community relations, the Estates Masterplan currently under development prioritises the maximisation of opportunities for links with the local community, and both External Relations Committee and Estates Committee held discussions with a specific focus on this during the summer of 2010. The College's Director of Estates, together with senior staff, is working closely with representatives of the Local Authority on an ongoing basis in the development of the Masterplan. At the same time, the Director of Marketing, Recruitment and Communications has a long-term involvement in the Lewisham Strategic Partnership.

Environment and Sustainability

We have now appointed a new Energy & Environmental Manager who has a wide ranging remit, with improving the energy efficiency of the campus and making environmental improvements as his over-arching aims. To this end, one of his first tasks has been to update the Carbon Trust's Carbon Management Plan to bring it into line with the requirements from HEFCE to reduce carbon emissions.

The new Carbon Management Plan has set an ambitious, but achievable target of reducing Goldsmiths carbon emissions by 50% by 2020 against the 2005 baseline - which is an improvement on the target set by HEFCE. This will be from a combination of improving the energy efficiency of the buildings and installation of low/zero carbon energy generation systems. The previous trial of thermostatic radiator valves (TRVs) in one building has proved successful, so this is being rolled out across all campus buildings. We have also installed loft insulation to all our former residential houses - which along with the TRVs will help to reduce the energy use by these 40 or so buildings.

The New Academic Building has achieved a BREEAM rating of Excellent, but there are still yet more things we can do to this building to make it even more environmentally friendly, such as installation of solar panels for electricity and hot water generation.

Ethical Investment

The College has an Ethical Investments Policy which precludes investment in companies whose activities are inconsistent with the above objectives or contrary to the interests of its community of stakeholders.



Corporate Governance

Statement of Corporate Governance and Internal Control

Context and responsibilities

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 the College (listed above), are also the trustees of the exempt charity.

The College's Students' Union is an Unincorporated Association shortly to become a registered charity, and for which the College has supervisory responsibilities defined by Section 22 of the Education Act (1994).

In May 2010 the Privy Council vested degree-awarding powers in the College with effect from 1 September 2010. This followed a rigorous analysis of procedures and practice, including those relating to corporate governance, by the Quality Assurance Agency (QAA) over a long period. The QAA carried out a concurrent Audit, the report of which has been considered by Council.

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 (see above). It does this in accordance with the responsibilities assigned to the Governing Body in the College's Statutes and the Financial Memorandum with HEFCE, and taking into account good practice guidance published for universities and for the public sector generally.

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 ongoing 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 2010 and up to the date of approval of the Financial Statements, and accords with HEFCE guidance.

The key elements of the College's system of internal financial 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;
- regular reviews of key performance indicators and risks and at least three times per year reviews of financial results involving variance; 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 the Council;
- Financial Regulations, approved by the Finance and Resources Committee and 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, Audit Committee or 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.

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

- The receipt of Audit Committee Minutes, detailing the Committee's oversight of internal control procedures, including receipt of regular reports from the Head of Internal Audit;
- the receipt of reports from managers concerning progress on key projects;
- continuing initiatives to develop a more robust approach to the management of risk and value for money;
- oversight by Audit Committee of issues related to data quality;
- a system of key performance indicators periodically reviewed by Council;
- a published register of interests covering both members of Council and appropriate senior staff.

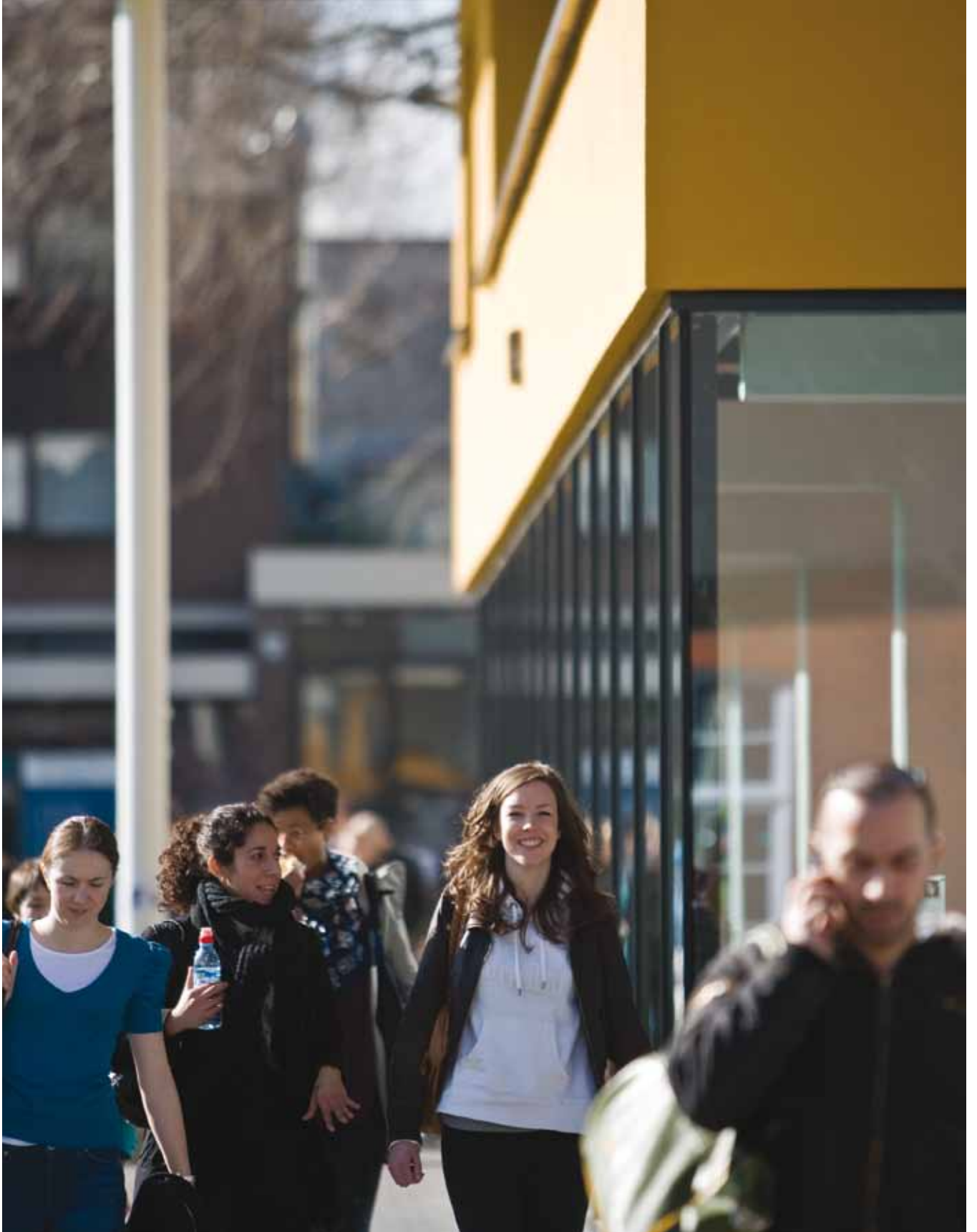
Council's ongoing review of the effectiveness of the system of internal control is informed by the internal audit unit, which operates to standards defined in the HEFCE Audit Code of Practice and which has been reviewed for effectiveness by the HEFCE Audit Service. The annual internal audit programme is approved by Council on the recommendation of Audit 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 the College's system of internal control, with recommendations for improvement. It should be noted that Internal Audit reports are informed by the knowledge and expertise the Internal Auditors gain from their work in other institutions.

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 auditors in their management letter and other reports.

Council conducts quinquennial reviews of its own effectiveness, the most recent of which was conducted in 2008-09.

Governance system enhancements achieved during 2009-10

The Council and Audit Committee have given considerable attention to a strengthened approach to Risk in 2009-10: the new Risk Management Sub-Committee was in its first year of operation, a revised Risk Management Policy was approved by Council in March 2010, and a new approach to the maintenance and review of the Strategic Risk Register is being developed. There have also been various specific initiatives directed at the mitigation of information risk, including the approval by Council during the year of a Records Management Policy, the Strategic Aims of a future more detailed Records Management Strategy, together with a Corporate Framework for the Management of Data Quality which addresses specifically to those areas of information risk which impact on the accuracy of quantitative data returns to funding bodies. As regards quantitative data in particular, the focus on more formal procedures for the quality assurance of external data returns is expected to have important gains in the improvement of management information, which will support the College in reaching the difficult decisions faced in a period of declining resources.



Work on reviewing the current suite of key performance indicators (KPIs) and institution of a stakeholder management plan, recommended by the Effectiveness Review of Council in 2008-09, were initially deferred pending the recent arrival of a new Warden and will now be considered in the light of a fundamental review of strategy and appraisal of the College's academic offering. An Effectiveness Review of Academic Board will also be undertaken, after this strategic review, to enable action to be informed by any wider changes that may result from that. This review of Academic Board will take into account the implications of the Summer 2009 revisions to the Financial Memorandum for Council's oversight of academic quality and standards and the acquisition of degree-awarding powers by the College from 1 September 2010.

Processes for assessing Value for Money (economy, efficiency and effectiveness) have been reactivated and strengthened during 2009-10 through the work of the Value for Money Group (from 2010-11 the Value for Money Sub-Committee). Audit Committee, which approved a revised Value for Money Policy during 2009-10, is evolving a more effective and regular system for receiving reports on value for money matters. This will be supported by a new Procurement Strategy which is about to be put into effect.

Internal Audit work in 2009-10 and the College's response

Overall for the year ended 31 July 2010, the work of the internal audit unit indicated that Goldsmiths has maintained generally adequately designed and effective arrangements for internal control and governance and economy efficiency and effectiveness. However it was only able to provide limited assurance for aspects of the payroll process, income and debt management processes, capital project management arrangements, risk management arrangements and strategic value for money arrangements. Limited assurance here means that whilst there is a generally sound system of control and the controls are generally being consistently applied, there are some significant weaknesses in control in a number of areas and/or evidence of significant non-compliance which are placing some system objectives at risk.

As at November 2010 a programme of improvements for payroll processes and income and debt management processes is already underway with targets which will continue to be monitored by Audit Committee. Council and Audit Committee have also recognised the need for improvements in project management, revealed by the experience of specific projects during the year, notably the challenges presented by the management of a particularly large building project recently completed. These improvements will be monitored directly by both bodies.

The improvements achieved to date by the ongoing developmental programmes in risk management and value for money (see above) are recognised by the internal auditors in their 2009-10 Annual Report. Their comments on the need for further development will be taken into account in the further stages of development in these areas during 2010-11, which will be overseen by Audit Committee.

CUC Governance Code of Practice

Council considers that the governance arrangements of the College are currently compliant with the CUC Governance Code of Practice, although as the precepts of the Code are very broadly defined, there will always be room for debate as to the mode and necessary extent of their implementation (for example in relation to KPIs, where enhancement is intended as indicated above). The only specific deviation from the CUC Code at Goldsmiths lies in Council's response to the duty of its Chair, under precept 7, to ensure that Council is well-connected with its stakeholders. In response to a recommendation from the Panel which undertook the 2008-09 Effectiveness Review of Council, Council has agreed that this responsibility should rest with Council as a whole, and the operation of the planned future stakeholder management plan will be governed by this view.

Going Concern

After making appropriate enquiries, the Council has a reasonable expectation that the College has adequate resources to continue in operation for the foreseeable future. For this reason, it continues to adopt the going concern basis in preparing the financial statements



Independent Auditors' Report

Independent auditors' report to the Council of Goldsmiths' College

We have audited the financial statements of Goldsmiths' College for the year ended 31 July 2010 which comprise the income and expenditure account, the statement of total recognised gains and losses, the note of historical cost surpluses and deficits, the balance sheet, the cash flow statement and the related notes 1 to 37. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the governing body in accordance with the financial memorandum dated June 2008. 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 auditors' 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 Council as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the College's Council and auditors

The governing body's responsibilities for preparing the Annual Report and the financial statements in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education and other applicable law and United Kingdom accounting standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of the governing body's responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education. We also report whether income from funding councils, grants and income for specific purposes and from other restricted funds administered by the College have been properly applied only for the purposes for which they were received. In addition, we report to you whether, in all material respects, income has been applied in accordance with the College's statutes and, where appropriate, with the financial memorandum with the Higher Education Funding Council for England, the Training and Development Agency for Schools and the Learning and Skills Council.

We also report if, in our opinion, the information given in the Report of the Warden is not consistent with the financial statements, if the College has not kept adequate accounting records, or if we have not received all the information and explanations we require for our audit.

We read the other information contained in the Annual Report as described in the contents section and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any further information outside the Annual Report.

We are not required to consider whether the statement of internal control (included as part of the Corporate Governance Statement) covers all risks and controls, or to form an opinion on the effectiveness of the College's corporate governance procedures or its risk and control procedures.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board and the Audit Code of Practice issued by the Higher Education Funding Council for England. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the governing body in the preparation of the financial statements and of whether the accounting policies are appropriate to the College's circumstances, consistently applied and adequately disclosed.

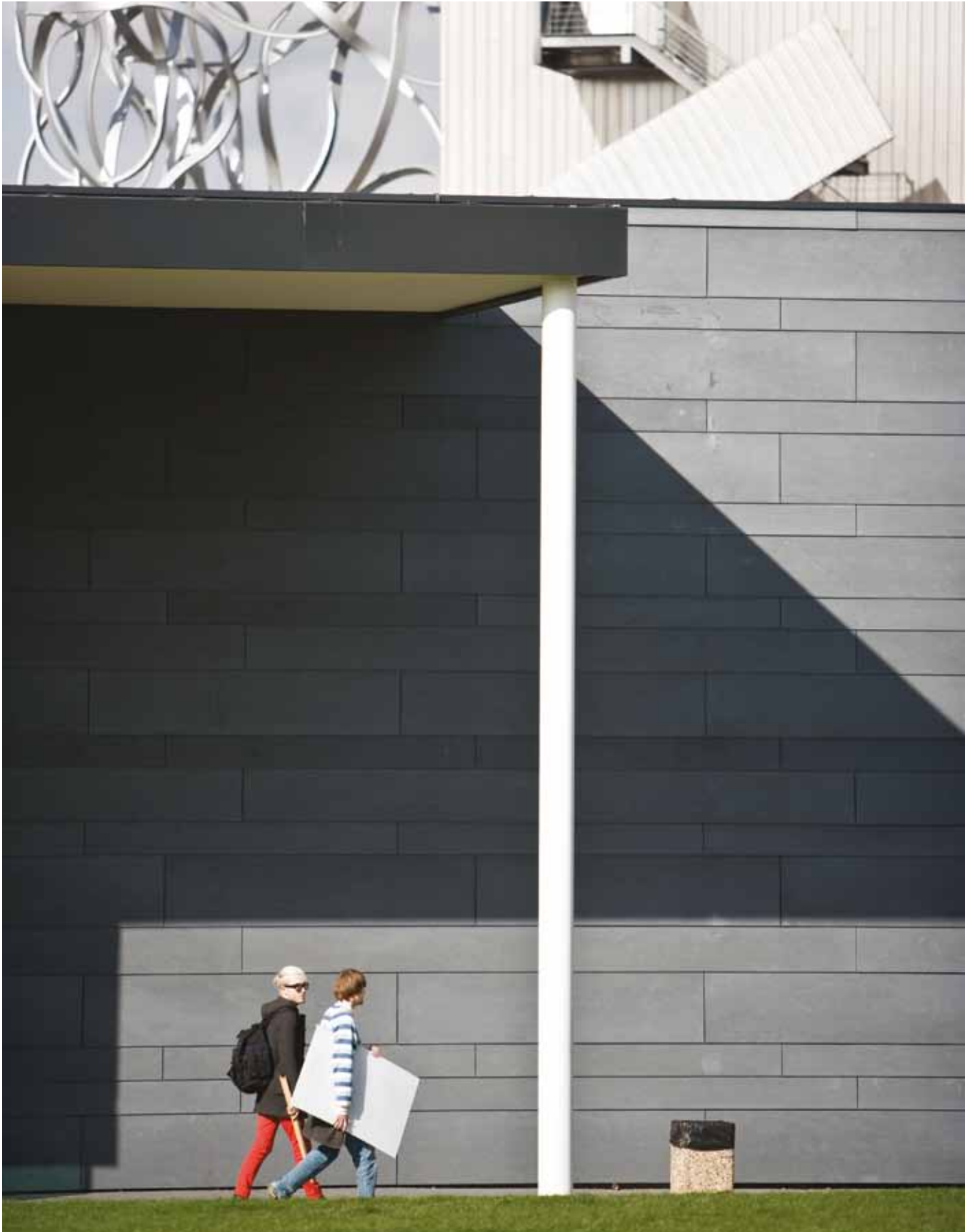
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of affairs of the College as at 31 July 2010 and of the surplus of the College for the year then ended;
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and the Statement of Recommended Practice: Accounting for Further and Higher Education;
- in all material respects, income from the funding council, the Training and Development Agency for Schools and the Learning and Skills Council, grants and income for specific purposes and from other restricted funds administered by the College during the year ended 31 July 2010 have been applied for the purposes for which they were received; and
- in all material respects, income during the year ended 31 July 2010 has been applied in accordance with the College's statutes and, where appropriate, with the financial memorandum, with the funding council, the funding agreement with the Training and Development Agency for Schools and the funding agreement with the Learning and Skills Council.

Deloitte LLP
Chartered Accountants and Statutory Auditors
Birmingham
1 December 2010



Income and Expenditure Account for the Year Ended 31 July 2010

	Note	2010	2009
		£'000	£'000
INCOME			
Funding body grants	2	32,026	32,906
Tuition fees and support grants	3	32,721	28,040
Research grants and contracts	4	5,109	5,582
Other operating income	5	8,659	7,987
Endowment and investment income	6	231	634
Total Income		78,746	75,149
EXPENDITURE			
Staff costs	7	50,555	47,083
Other operating expenses	9	22,001	20,318
Depreciation of tangible fixed assets	12	4,051	3,952
Interest and other finance costs	10	2,065	1,864
Total Expenditure		78,672	73,217
Surplus on continuing operations after depreciation of tangible fixed assets at valuation and before taxation		74	1,932
Taxation	11	-	-
Surplus after depreciation of tangible fixed assets at valuation and taxation		74	1,932
Transfer (to)/from accumulated income within specific endowments		(58)	(12)
Surplus for the year retained within general reserves		16	1,920
NOTE OF HISTORICAL COST SURPLUSES AND DEFICITS for the year ended 31 July 2010			
	Note	2010	2009
		£'000	£'000
Surplus on continuing operations after depreciation of tangible fixed assets at valuation and taxation		74	1,932
Difference between historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	22	795	794
Historical cost surplus for the period after taxation		869	2,726

None of the College's major activities were acquired or discontinued during the above financial years

Statement of Total Recognised Gains and Losses for the year ended 31 July 2010

	Note	2010	2009
		£'000	£'000
Surplus on continuing operations after depreciation of tangible fixed assets at valuation and tax		74	1,932
Appreciation/(depreciation) of endowment asset investments	20	56	(13)
New endowment funds	20	127	188
Actuarial gain/(loss) recognised in pension scheme	31	1,127	(6,202)
Total recognised gains/(losses) relating to the year		1,384	(4,095)
Reconciliation			
Opening reserves and endowments		26,214	30,309
Total recognised (losses)/gains for the year		1,384	(4,095)
Opening reserves and endowments		27,598	26,214

Balance Sheet as at 31 July 2010

	Note	2010	2009
		£'000	£'000
Fixed Assets			
Tangible assets	12	87,262	75,003
Investments	13	28	28
		87,290	75,031
Endowment Assets	14	2,218	1,978
Current Assets			
Stock		-	34
Debtors	15	5,114	4,430
Cash at bank and in hand		19,469	15,993
		24,583	20,457
Less: Creditors - amounts falling due within one year	16	(16,083)	(14,900)
Net current assets		8,500	5,557
Total assets less current liabilities		98,008	82,566
Less: Creditors - amounts falling due after more than one year	17	(23,193)	(18,835)
Less: Provisions for liabilities	18	(3,896)	(1,381)
Total net assets excluding pension liability		70,919	62,350
Net pension liability	31	(14,629)	(15,104)
TOTAL NET ASSETS INCLUDING PENSION LIABILITY		56,290	47,246
Represented by:			
Deferred capital grants	19	28,692	21,032
Endowments			
Expendable	20	307	230
Permanent	20	1,911	1,748
		2,218	1,978
Reserves			
Income and expenditure account excluding pension reserve		15,986	14,522
Pension reserve		(14,629)	(15,104)
Income and expenditure account including pension reserve	21	1,357	(582)
Revaluation reserve	22	24,023	24,818
		25,380	24,236
TOTAL FUNDS		56,290	47,246

Signed and approved on behalf of Council by:

Mr Mark Baillache
Chair of Finance and Resources Committee
1 December 2010

Patrick Loughrey
Warden

Cash Flow Statement for the year ended 31 July 2010

	Note	2010	2009
		£'000	£'000
Net cash inflow from operating activities	25	7,594	7,154
Returns on investments and servicing of finance	26	(1,112)	(754)
Capital expenditure and financial investment	27	(7,421)	(6,646)
Management of liquid resources	28	-	8,467
Financing	29	4,599	211
Increase in cash in the period		3,660	8,432
Reconciliation of net cash flow to movement in net debt			
Increase in cash in the period		3,660	8,432
(Decrease)/Increase in liquid resources		-	(8,467)
Increase in loans		(4,599)	(211)
Change in net debt		(939)	(246)
Opening net debt at 1 August		(2,120)	(1,874)
Closing net debt at 31 July	30	(3,059)	(2,120)

Notes to the Accounts for the year ended 31 July 2010

1. Principal Accounting Policies

Basis of Preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2007, and in accordance with applicable accounting standards. The financial statements are prepared in accordance with the historical cost convention modified by the revaluation of certain fixed assets.

Going Concern

These financial statements have been produced on a going concern basis as described in more detail in the Warden's report and in the Statement of Corporate Governance and Internal Control.

Basis of Consolidation

The Financial Statements do not include those of the Students' Union because the College does not control these activities. The College's subsidiary, Pure Goldsmiths Limited, has not yet begun to trade and so no consolidation is required.

Income Recognition

Funding council block grants are accounted for in the period to which they relate.

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

Recurrent income from grants, contracts and other services rendered are accounted for on an accruals basis and included to the extent of the completion of the contract or service concerned; any payments received in advance of such performance are recognised on the balance sheet as liabilities.

Non-recurrent grants received in respect of the acquisition or construction of fixed assets are treated as deferred capital grants. Such grants are credited to deferred capital grants, and an annual transfer is made to the income and expenditure account over the useful economic life of the asset at the same rate as the depreciation charge on the asset for which the grant was awarded. Income from the sale of goods or services is credited to the income and expenditure account when the goods or services are supplied to the external customers or the terms of the contract have been satisfied.

Increases or decreases in value arising on the revaluation or disposal of endowment assets i.e. the appreciation or depreciation of endowment assets, are added to or subtracted from the funds concerned and accounted for through the balance sheet by debiting or crediting the endowment asset and are reported in the statement of total recognised gains and losses.

Donations with restrictions are recognised when relevant conditions have been met; in many cases recognition is directly related to expenditure incurred on specific purposes. Donations which are to be retained for the benefit of the College are recognised in the statement of total recognised gains and losses and in endowments; other donations are recognised by inclusion as other income in the income and expenditure account.

Endowment and investment income is credited to the income and expenditure account on a receivable basis. Income from restricted endowments not expended in accordance with the restrictions of the endowment, is transferred from the income and expenditure account to restricted endowments. Any realised gains or losses from dealing in the related assets are retained within the endowment in the balance sheet.

Any increase in value arising on the revaluation of fixed asset investments is carried as a credit to the revaluation reserve, via the statement of total recognised gains and losses; a diminution in value is charged to the income and expenditure account as a debit, to the extent that it is not covered by a previous revaluation surplus.

Agency Arrangements

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

Leases and Hire Purchase Contracts

Costs in respect of operating leases are charged on a straight-line basis over the lease term. Finance leases, which substantially transfer all the benefits and risks of ownership of an asset to the College, are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital elements of the leasing commitments are shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied in order to reduce outstanding obligations and the interest element is charged to the income and expenditure account in proportion to the reducing capital element outstanding. Assets held under finance leases are depreciated over the lease term.

Taxation

The College is an educational charity incorporated under a Royal Charter granted on 1 January 1990. It is an exempt charity within the meaning of Schedule 2 of the Charities Act 1993 and as such is a charity within the meaning of Section 506(1) of the Income and Corporation Taxes Act 1988 (ICTA 1988). Accordingly, the College is potentially exempt from taxation in respect of income or gains received within categories covered by Section 505 of 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. The College receives no similar exemption in respect of Value Added Tax.

In regard to income from research and consultancy and from non-student lettings and associated income, the College has applied the Inland Revenue 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.

Repairs and Maintenance

Expenditure to ensure that a tangible fixed asset maintains its previously recognised standard of performance is recognised in the income and expenditure account in the period it is incurred. The College has a planned maintenance programme, which is reviewed on an annual basis.

Investments

Fixed Asset Investments and Endowment Asset Investments are shown at market value where known. Endowment and restricted funds held on temporary deposit or on short-term money market form part of the liquid funds. These funds are shown as capital contributed plus net accumulated interest.

Tangible Fixed Assets

In accordance with the transitional arrangements of FRS 15, all land and buildings existing at 31 July 1993 and revalued at 31 July 1994 by Frank Durrant Westmore and Reeves, Chartered Surveyors, will be retained at those values as cost. Properties used for educational and hostel purposes have been valued on the Depreciated Replacement Cost basis and residential properties on the basis of Open Market Value For Existing Use. Subsequent additions since 1994 are stated at cost.

All plant and equipment below an initial cost of £15,000 per individual item or group of related items have been expensed in the year of acquisition. Plant and equipment costing £15,000 and over are capitalised and written off over their useful lives as indicated in the depreciation table below.

Where fixed assets are acquired with the aid of specific grants, they are capitalised and depreciated according to the categories in which they fall. The related grants are treated as deferred capital grants and released to income over their expected useful lives. Fixed assets in the course of construction are not depreciated until their year of completion.

Any works of art and other valuable artefacts purchased by the College which are of material value are capitalised at cost. The College has no heritage assets.

Notes to the Accounts for the year ended 31 July 2010

Depreciation is provided on cost or valuation on a straight-line basis so as to write off the assets over their estimated useful lives. The rates of depreciation used are as follows:

Land and Buildings	Per Annum	Other Assets	Per Annum
Freehold			
Land	NIL	Library stacks	10%
Buildings (long-term)	2.5%	Administrative computer systems	20%
Buildings (short-term refurbishments)	10%	Other plant and equipment	33.33%
Buildings (long-term refurbishments)	5%	Art works and artefacts	NIL
Leasehold	4%		
Asset held under finance lease			

Cash Flows and Liquid Resources

Cash flows comprise increases or decreases in cash. Cash includes cash in hand, cash at bank, and deposits repayable on demand. Deposits are repayable on demand if they are available within 24 hours without penalty. No other investments, however liquid, are included as cash. Liquid resources comprise assets held as readily disposable store of value. They include term deposits, government securities and loan stock held as part of the College's treasury management activities.

Foreign Currency Translations

Assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the end of the financial year, with all resulting exchange differences being taken to the income and expenditure account in the period in which they arise.

Accounting for Charitable Donations

Unrestricted donations

Charitable donations are recognised in the accounts when the charitable donation has been received or if, before receipt, there is sufficient evidence to provide the necessary certainty that the donation will be received and the value of the incoming resources can be measured with sufficient reliability.

Endowment funds

Where charitable donations are to be retained for the benefit of the College as specified by the Donors, these are accounted for as endowments. There are three main types:

1. Unrestricted permanent endowments - the donor has specified that the fund is to be permanently invested to generate an income stream for the general benefit of the College.
2. Restricted expendable endowments - the donor has specified a particular objective other than the purchase or construction of tangible fixed assets, and the College can convert the donated sum into income.
3. 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.

Pensions

The two pension schemes in which the College participates are the Universities Superannuation Scheme (USS) for academic and academic-related staff and the London Pension Fund Authority (LPFA) for other administrative, technical, clerical and manual staff. Both schemes are defined benefit schemes which are externally funded and contracted out of the State Second Pension (S2P).

The liabilities 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. In the intervening years actuaries review the progress of the schemes. Pension costs are assessed in accordance with advice of the actuaries, based on the latest actuarial valuations of the schemes.

The College accounts for pension scheme costs in accordance with FRS 17 'Retirement Benefits'. Under FRS 17 the net pension fund asset or liability for the LPFA scheme is disclosed on the Balance Sheet and the movement on the scheme's net assets/liabilities in the year is reflected partly through the Income and Expenditure Account (to the extent they relate to current service costs and the expected return on scheme assets less interest charges on scheme liabilities) and partly through the Statement of Total Recognised Gains and Losses (to the extent they relate to changes in the actuarial assumptions).

The College is unable to identify its share of the underlying assets and liabilities in the USS scheme on a consistent and reasonable basis and therefore as required by FRS 17 'Retirement Benefits', accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the Income and Expenditure account represents the contributions payable to the scheme in respect of the accounting period.

The annual employers' pension contributions borne by the College are included in salary costs charged to the various heads of expenditure. Further details of the schemes are given in Note 31 to the Accounts.

Costs relating to premature retirement, restructuring and unfunded pensions are treated as additional salary costs.

Provisions

Provisions are recognised in the financial statements when the College has a present obligation (legal or constructive) as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Notes to the Accounts for the year ended 31 July 2010

	Note	2010	2009
		£'000	£'000
2. FUNDING BODY GRANTS			
Recurrent grants			
Higher Education Funding Council		25,951	26,695
Training and Development Agency for Schools		3,361	3,362
Learning and Skills Council and successor agencies		196	198
Specific grants			
Higher Education Funding Council		1,048	1,157
Training and Development Agency for Schools		258	194
Learning and Skills Council and successor agencies		-	-
Deferred capital grants released in year			
Buildings	19	1,019	1,010
Equipment	19	193	290
		32,026	32,906
3. TUITION FEES AND SUPPORT GRANTS			
Full-time Home and EU student fees		18,876	16,969
International student fees		10,970	8,714
Part-time student fees		2,091	1,846
Short course fees		622	349
Research training support grants		162	162
		32,721	28,040
Fees funded through the United States Family Education Loan Programme amounted to £848k (2009 £821k) and represented 2.85% (2009 3.21%) of total full-time fees.			
4. RESEARCH GRANTS AND CONTRACTS			
Research Councils		2,211	2,643
UK-based charities		654	785
Other grants and contracts		2,244	2,154
		5,109	5,582

Notes to the Accounts for the year ended 31 July 2010

	Note	2010	2009
		£'000	£'000
5. OTHER OPERATING INCOME			
Residences, catering and conferences		6,549	5,787
Other services rendered		747	802
Other income		1,363	1,398
		8,659	7,987
6. ENDOWMENT AND INVESTMENT INCOME			
Income from expendable endowments	20	73	11
Income from permanent endowments	20	41	59
Other interest receivable		117	564
		231	634
7. STAFF COSTS			
The average weekly number of persons (including senior post-holders) employed by the College during the period, expressed as full-time equivalents, was:			
		Number	Number
Teaching and research		433	454
Administrative		352	353
Other		116	117
		901	924
		£'000	£'000
Salaries and wages		40,737	38,334
Social security costs		3,286	3,447
Other pension costs	31	5,268	4,768
Restructuring costs		1,264	534
		50,555	47,083
Academic departments		30,269	28,495
Academic services		3,087	2,924
Research grants and contracts		2,697	2,990
Residences, catering and conferences		640	688
Premises		2,537	2,454
Administration		8,834	8,085
General educational		1,018	699
Other services rendered		445	527
Other		1,028	221
		50,555	47,083

Notes to the Accounts for the year ended 31 July 2010

Note	2010	2009
	£'000	£'000
8. REMUNERATION OF DIRECTORS AND HIGHER PAID EMPLOYEES		
The emoluments of the Warden's post were:		
<u>Outgoing Warden</u>		
Remuneration	240	212
USS pension contributions (paid at the same rates as for other academic staff)	34	30
<u>Incoming Warden</u>		
Remuneration	65	0
USS pension contributions (paid at the same rates as for other academic staff)	8	0
	347	242
During 2009-10 the College recruited a new Warden and there was an overlap with the previous Warden.		
	Number	Number
Remuneration of other higher paid staff, excluding employer's pension contributions, fall in the following band:		
£100,000-£109,999	-	1
£110,000-£119,999	1	-
9. OTHER OPERATING EXPENSES		
	£'000	£'000
Academic departments	3,163	3,019
Academic services	1,579	1,564
Research grants and contracts	993	1,276
Residences, catering and conferences	3,572	3,043
Premises	4,163	4,498
Administration	4,754	3,606
General educational	3,680	3,204
Other services rendered	97	108
Total	22,001	20,318
Other operating expenses include:		
External auditors' remuneration in respect of the audit of the Financial Statements	50	47
External auditors' remuneration in respect of other audit services	4	7
External auditors' remuneration in respect of non-audit services (tax)	-	26
Internal auditors' remuneration in respect of audit services	74	79
Operating leases (property)	622	612
Council expenses	2	4
10. INTEREST AND OTHER FINANCE COSTS		
Loans not wholly repayable within five years	384	413
Finance leases	959	975
Net interest on LPFA pension scheme liabilities	31	476
	2,065	1,864

Notes to the Accounts for the year ended 31 July 2010

11. TAXATION

The College 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 Act (ICTA) 1988. Accordingly, the College 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.

12. TANGIBLE ASSETS

	Land & Buildings		Fixtures Fittings & Equipment	Art Works	Assets in course of construction	Total
	Freehold	Assets held under finance leases				
	£'000	£'000	£'000	£'000	£'000	£'000
Valuation/cost						
At 1 August 2009						
Valuation	44,350	-	-	-	-	44,350
Cost	44,442	10,404	6,328	-	6,685	67,859
Additions at cost	624	-	509	25	15,468	16,626
Transfers	545	-	-	-	(545)	-
Writedowns	-	-	-	-	(316)	(316)
At 31 July 2010						
Valuation	44,350	-	-	-	-	44,350
Cost	45,611	10,404	6,837	25	21,292	84,169
Total	89,961	10,404	6,837	25	21,292	128,519
Depreciation						
At 1 August 2009	26,533	4,994	5,679	-	-	37,206
Charge for year	3,027	416	608	-	-	4,051
At 31 July 2010	29,560	5,410	6,287	-	-	41,257
Net book value						
At 31 July 2010	60,401	4,994	550	25	21,292	87,262
At 1 August 2009	62,259	5,410	649	-	6,685	75,003

A valuation of the College's land and buildings was made in 1994 and details of the method of valuation with the name and qualifications of the valuer are given in Accounting Policies (Note 1 to the Accounts). The historic cost of the properties valued in 1994 is £7,587k.

13. INVESTMENTS

	2010	2009
	£'000	£'000
Investments are shown at cost and represent 27,782 ordinary shares, fully paid, in CVCP Properties plc and 240 £1 shares in i2 Media Ltd.	28	28

The College has one subsidiary company, Pure Goldsmiths Ltd. This company was dormant at 31 July and at that date had no issued share capital.

Notes to the Accounts for the year ended 31 July 2010

	Note	2010	2009
		£'000	£'000
14. ENDOWMENT ASSET INVESTMENTS			
Balance at 1 August		1,978	1,791
Additions		184	200
Appreciation/(Depreciation) in market value		56	(13)
Balance at 31 July		2,218	1,978
Represented by:			
UK Equities		917	861
Cash balances		1,301	1,117
USS pension contributions (paid at the same rates as for other academic staff)			
		2,218	1,978
15. DEBTORS			
Amounts falling due within one year			
Student debtors		1,414	1,031
Other debtors		1,755	1,462
Prepayments and accrued income		1,945	1,893
		5,114	4,386
Other debtors - amounts falling due after more than one year		-	44
		5,114	4,430
16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR			
Mortgages and unsecured loans		347	168
Obligations under finance leases	23	288	227
Trade creditors		5,553	6,105
Social security and other taxation payable		1,106	1,110
Accruals and deferred income		8,789	7,290
		16,083	14,900
17. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR			
Unsecured loans and mortgage secured on residential property		13,264	8,611
Obligations under finance leases	23	9,929	10,224
		23,193	18,835

A 30 year loan from Lloyds TSB plc was taken out in December 2006 at a fixed interest rate of 4.995% for the acquisition of the freeholds of Surrey House and Chesterman House. A further advance of £2.15 million was made in June 2009 to part finance the construction of the New Academic Building. The term of the loan is 28 years with interest chargeable at 0.2% above base rate.

A 30 year loan from RBS of £10 million was taken out in December 2009 at a fixed interest rate of 5.75% to part finance the construction of the New Academic Building, £5 million of this loan was drawn down during 2009-10

These facilities have been provided unsecured subject to the College providing a negative pledge over all assets.

Notes to the Accounts for the year ended 31 July 2010

	Note	2010	2009
		£'000	£'000
18. PROVISIONS FOR LIABILITIES			
At 1 August		1,381	699
Utilised in year		(101)	(97)
Charged to the Income and Expenditure Account		2,616	779
At 31 July		3,896	1,381
A large proportion of the provision is for the cost of transferring hourly paid staff to fractional posts and for probable claims under the new pay framework agreement, with the remainder covering payments due under the College's voluntary severance scheme and for unrelated redundancy costs arising from efficiency improvements. We expect the majority of the expenditure to be incurred in the next year.			
19. DEFERRED CAPITAL GRANTS FROM FUNDING COUNCILS			
At 1 August			
Buildings		20,839	21,537
Equipment		193	483
Total		21,032	22,020
Cash received			
Buildings		9,021	312
Equipment		-	-
Total		9,021	312
Released to Income and Expenditure Account			
Buildings depreciation	2	1,019	1,010
Equipment depreciation	2	193	290
Total		1,212	1,300
Reclassified to Creditors			
Buildings		149	-
Equipment		-	-
Total		149	-
At 31 July			
Buildings		28,692	20,839
Equipment		-	193
Total		28,692	21,032

Notes to the Accounts for the year ended 31 July 2010

	Note	Restricted Expendable £'000	Restricted Permanent £'000	2010 Restricted Total £'000	2009 Restricted Total £'000
20. ENDOWMENTS					
At 1 August					
Capital		223	1,657	1,880	1,741
Accumulated income		7	91	98	50
		230	1,748	1,978	1,791
Income for year	6	73	41	114	70
Expenditure		(18)	(39)	(57)	(58)
New funds		22	105	127	188
Increase/(Decrease) in market value of investments		-	56	56	(13)
At 31 July		307	1,911	2,218	1,978
Represented by					
Capital				2,052	1,880
Accumulated income				166	98
				2,218	1,978
21. INCOME AND EXPENDITURE ACCOUNT					
Balance at 1 August					
Releases from revaluation reserve	22			795	794
Surplus after depreciation of assets at valuation and tax				16	1,920
Actuarial gain/(loss) on LPFA pension scheme	31			1,127	(6,202)
As at 31 July				1,356	(582)
22. REVALUATION RESERVE					
Land and buildings at 1 August					
Contributions to depreciation	21			(795)	(794)
As at 31 July				24,023	24,818

Notes to the Accounts for the year ended 31 July 2010

	Note	2010	2009
		£'000	£'000
23. LEASE OBLIGATIONS			
Obligations under finance leases fall due as follows:			
Between two and five years		1,924	1,599
Over five years		8,005	8,625
Total over one year	17	9,929	10,224
Within one year	16	288	227
Total		10,217	10,451
Operating lease commitments for the forthcoming financial year are as follows:			
Land and Buildings - leases expiring after 5 years		648	627
		648	627
24. CAPITAL COMMITMENTS			
Commitments contracted as at 31 July		3,110	125
Authorised but not contracted as at 31 July (To be partially funded by HEFCE capital grant of £9.1m)		1,232	19,676
		4,342	19,801
25. RECONCILIATION OF OPERATING SURPLUS TO NET CASH FROM OPERATIONS			
Surplus for the year		16	1,920
Pension costs less contributions payable		652	177
Depreciation		4,051	3,952
Contribution to depreciation from capital grants		(1,212)	(1,300)
Adjustment to assets in the course of construction		316	-
Investment income		(231)	(634)
Loan interest paid		1,343	1,388
Decrease in stock		34	2
Decrease/(increase) in debtors		(684)	761
Increase in creditors		794	206
Increase in provisions		2,515	682
Net cash inflow from operations		7,594	7,154

Notes to the Accounts for the year ended 31 July 2010

	Note	2010	2009	
		£'000	£'000	
26. RETURNS ON INVESTMENTS AND SERVICING OF FINANCE				
Income from endowments and specific funds	6	114	70	
Other interest receivable	6	117	564	
Interest paid	10	(1,343)	(1,388)	
		(1,112)	(754)	
27. CAPITAL EXPENDITURE AND FINANCIAL INVESTMENTS				
Payments to acquire tangible fixed assets		(16,626)	(7,158)	
Deferred capital grants received	19	9,021	312	
Endowment and specific fund additions and income		184	200	
		(7,421)	(6,646)	
28. MANAGEMENT OF LIQUID RESOURCES				
Payments from/(to) short term deposits		-	8,467	
		-	8,467	
29. FINANCING				
New loan and existing loan redemptions		4,825	382	
Capital element of finance lease capital		(226)	(171)	
		4,599	211	
30. ANALYSIS OF CHANGES IN NET DEBT				
	At 1 August 2009 £'000	Cash Flow £'000	Other Changes £'000	At 31 July 2010 £'000
Cash at bank and in hand				
Endowment Asset Investment	1,117	184	-	1,301
Other	15,993	3,476	-	19,469
Current Asset Investments	-	-	-	-
Debts due within one year	(395)	395	(635)	(635)
Debts due after more than one year	(18,835)	(4,994)	635	(23,194)
	(2,120)	(939)	-	(3,059)

Notes to the Accounts for the year ended 31 July 2010

31. PENSION SCHEMES

The two principal pension schemes for the College's staff are the Universities Superannuation Scheme (USS) and the London Pension Fund Authority (LPFA). 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 College participates in the Universities Superannuation Scheme (USS), a defined benefit scheme which is contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate fund administered by the trustee, Universities Superannuation Scheme Limited. At 31 March 2010, USS had over 135,000 active members and the College had 682 active members participating in the scheme.

The appointment of directors to the board of the trustee is determined by the company's Articles of Association. Four of the directors are appointed by Universities UK; three are appointed by the University and College Union, of whom at least one must be a USS pensioner member; one is appointed by the Higher Education Funding Councils; and a minimum of two and a maximum of four are co-opted directors appointed by the board. Under the scheme trust deed and rules, the employer contribution rate is determined by the trustee, acting on actuarial advice.

Because of the mutual nature of the scheme, the scheme's assets are not hypothecated to individual institutions and a scheme-wide contribution rate is set. The College is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17 "Retirement benefits", accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period.

The latest triennial actuarial valuation of the scheme was at 31 March 2008. This was the first valuation for USS under the new 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. The actuary also carried out a review of the funding level each year between triennial valuations and details of his estimate of the funding level at 31 March 2010 are also included in this note.

The triennial valuation was carried out using the projected unit method. The assumptions which have the most significant effect on the result of the valuation are those relating to the rate of return on investments (i.e. the valuation rate of interest), the rates of increase in salary and pensions and the assumed rates of mortality. The financial assumptions were derived from market yields prevailing at the valuation date. An "inflation risk premium" adjustment was also included by deducting 0.3% from the market-implied inflation on account of the historically high level of inflation implied by government bonds (particularly when compared to the Bank of England's target of 2% for CPI which corresponds broadly to 2.75% for RPI per annum).

To calculate the technical provisions, it was assumed that the valuation rate of interest would be 6.4% per annum (which includes an additional assumed investment return over gilts of 2% per annum), salary increases would be 4.3% per annum (plus an additional allowance for increases in salaries due to age and promotion reflecting historic Scheme experience, with a further cautionary reserve on top for past service liabilities) and pensions would increase by 3.3% per annum.

Standard mortality tables were used as follows:

Male members' mortality	PA92 MC YoB tables - rated down 1 year
Female members' mortality	PA92 MC YoB tables - No age rating

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

Males (females) currently aged 65	22.8 (24.8) years
Males (females) currently aged 45	24.0 (25.9) years

At the valuation date, the value of the assets of the scheme was £28,842.6 million and the value of the scheme's technical provisions was £28,135.3 million indicating a surplus of £707.3 million. The assets therefore were sufficient to cover 103% of the benefits which had accrued to members after allowing for expected future increases in earnings.

The actuary also valued the scheme on a number of other bases as at the valuation date. On the scheme's historic gilts basis, using a valuation rate of interest in respect of past service liabilities of 4.4% per annum (the expected return on gilts) the funding level was approximately 71%. Under the Pension Protection Fund regulations introduced by the Pensions Act 2004 the Scheme was 107% funded; on a buy-out basis (i.e. assuming the Scheme had discontinued on the valuation date) the assets would have been approximately 79% of the amount necessary to secure all the USS benefits with an insurance company; and using the FRS 17 formula as if USS was a single employer scheme; using a AA bond discount rate of 6.5% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2008 was 104%.

The technical provisions relate essentially to the past service liabilities and funding levels, but it is also necessary to assess the ongoing cost of newly accruing benefits. The cost of future accrual was calculated using the same assumptions as those used to calculate the technical provisions except that the valuation rate of interest assumed asset outperformance over gilts of 1.7% per annum (compared to 2% per annum for the technical provisions) giving a discount rate of 6.1% per annum; also the allowance for promotional salary increase was not as high. There is currently uncertainty in the sector regarding pay growth. Analysis has shown very variable levels of growth over and above general pay increases in recent years, and the salary growth assumption built into the cost of future accrual is based on more stable, historic, salary experience. However, when calculating the past service liabilities of the scheme, a cautionary reserve has been included, in addition, on account of the variability mentioned above.

The scheme-wide contribution rate required for future service benefits alone at the date of the valuation was 16% of pensionable salaries and the trustee company, on the advice of the actuary, increased the College contribution rate to 16% of pensionable salaries from 1 October 2009.

Since 31 March 2008 global investment markets have continued to fluctuate and at 31 March 2010 the actuary has estimated that the funding level under the new scheme specific funding regime had fallen from 103% to 91% (a deficit of £3,065 million). Compared to the previous 12 months, the funding level has improved from 74% (as at 31 March 2009) to 91%. This estimate is based on the funding level at 31 March 2008, adjusted to reflect the fund's actual investment performance over the two years and changes in market conditions (market conditions affect both the valuation rate of interest and also the inflation assumption which in turn impacts on the salary and pension increase assumptions).

On the FRS17 basis, using a AA bond discount rate of 5.6% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2010 was 80%. An estimate of the funding level measured on a buy-out basis at that date was approximately 57%.

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

Notes to the Accounts for the year ended 31 July 2010

Assumption	Change in assumption	Impact on scheme liabilities
Valuation rate of interest	Increase/decrease by 0.5%	Decrease/increase by £2.2 billion
Rate of pension increases	Increase/decrease by 0.5%	Increase/decrease by £1.5 billion
Rate of salary growth	Increase/decrease by 0.5%	Increase/decrease by £0.7 billion
Rate of mortality	More prudent assumption (move to long cohort future improvements from the medium cohort adopted at the valuation)	Increase by £1.6 billion

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

The trustee believes that over the long-term equity investment and investment in selected alternative asset classes will provide superior returns to other investment classes. The management structure and targets set are designed to give the fund a major exposure to equities through portfolios that are diversified both geographically and by sector. The trustee recognises that it would be theoretically possible to select investments producing income flows broadly similar to the estimated liability cash flows. However, in order to meet the long-term funding objective within a level of contributions that it considers the employers would be willing to make, the trustee needs to take on a degree of investment risk relative to the liabilities. This taking of investment risk seeks to target a greater return than the matching assets would provide whilst maintaining a prudent approach to meeting the fund's liabilities. Before deciding what degree of investment risk to take relative to the liabilities, the trustee receives advice from its internal investment team, its investment consultant and the scheme actuary, and considers the views of the employers. The strong positive cash flow of the scheme means that it is not necessary to realise investments to meet liabilities. The trustee believes that this, together with the ongoing flow of new entrants into the scheme and the strength of covenant of the employers enables it to take a long-term view of its investments. Short-term volatility of returns can be tolerated and need not feed through directly to the contribution rate although the trustee is mindful of the desirability of keeping the funding level on the scheme's technical provisions close to or above 100% thereby minimizing the risk of the introduction of deficit contributions. The actuary has confirmed that the scheme's cash flow is like to remain positive for the next ten years or more.

The next formal triennial actuarial valuation is due as at 31 March 2011. The contribution rate will be reviewed as part of each valuation and may be reviewed more frequently.

The total pension cost for the College was £4,081k (2009: £3,679k). This includes £507k (2009: £459k) outstanding contributions at the balance sheet date. The contribution rate payable by the College in the year to 31 July 2010 was 16% of pensionable salaries.

London Pension Fund Authority Pension Fund

The London Pension Fund Superannuation 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 2007, with the next formal valuation due as at 31 March 2010. In accordance with Financial Reporting Standard ('FRS') 17, the actuarial valuation at 31 July 2009 has been reviewed and updated as at 31 July 2010 based upon the annual financial assumptions shown below:

Notes to the Accounts for the year ended 31 July 2010

31. PENSION SCHEMES (continued)

The assumed life expectations from age 65 are:

	Males	Females
Retiring today	19.6 years	22.5 years
Retiring in 20 years	20.7 years	23.6 years

	2010	2009
RPI increases	3.2%	3.6%
CPI increases	2.7%	-
Salary increases	4.7%	5.1%
Pension increases	2.7%	3.6%
Discount rate	5.4%	6.0%

The employer's pension fund assets and expected rate of return as at 31 July are as follows:

	Expected rate of return:		Fair value as at:	
	2010 % per annum	2009 % per annum	2010 £'000	2009 £'000
Equities	7.3%	7.5%	15,714	13,503
Target return portfolio	4.5%	6.2%	2,733	2,039
Alternative assets	6.3%	6.7%	3,416	2,910
Cash	3.0%	3.0%	455	1,346
Other bonds	5.4%	-	455	-
Total expected return (weighted average)	6.7%	6.9%	Total 22,773	19,798

The following results were measured in accordance with the requirements of FRS17, based on the assumptions summarised above:

	Present value of defined benefit obligation		Fair value of scheme assets		Net liability recognised in the balance sheet	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Opening	(34,902)	(29,006)	19,798	20,281	(15,104)	(8,725)
Current service cost	(1,218)	(1,089)	-	-	(1,218)	(1,089)
Interest cost	(2,120)	(1,962)	-	-	(2,120)	(1,962)
Contributions by members	(444)	(471)	444	471	-	-
Actuarial gain/(loss)	(1,460)	(3,385)	625	(2,817)	(835)	(6,202)
Past service cost from move to CPI	1,962	-	-	-	1,962	-
Impact of settlements and curtailments	-	-	-	-	-	-
Contributions by employer	-	-	1,288	1,388	1,288	1,388
Contributions - unfunded benefits	(24)	(24)	24	24	-	-
Expected return on assets	-	-	1,398	1,486	1,398	1,486
Estimated unfunded benefits paid	24	24	(24)	(24)	-	-
Estimated benefits paid	780	1,011	(780)	(1,011)	-	-
Closing defined benefit obligation	(37,402)	(34,902)	22,773	19,798	(14,629)	(15,104)

Notes to the Accounts for the year ended 31 July 2010

	2010	2009			
	£'000	£'000			
31. PENSION SCHEMES (continued)					
Analysis of the amount charged to staff costs within the operating surplus					
Current service cost	1,218	1,089			
Past service cost	-	-			
Curtailments and settlements	-	-			
Total operating charge	1,218	1,08			
Analysis of the amount that is charged to interest payable					
Expected return on pension scheme assets	1,398	1,486			
Interest on pension scheme liabilities	(2,120)	(1,962)			
Net charge	(722)	(476)			
Amount recognised in Statement of Total Recognised Gains and Losses (STRGL)					
	2010	2009	2008	2007	2006
	£'000	£'000	£'000	£'000	£'000
Cumulative actuarial gains/(losses) at 1 August	(5,636)	566	2,547	(564)	(351)
Actuarial (losses)/gains recognised in STRGL	1,127	(6,202)	(1,981)	3,111	(213)
Cumulative actuarial (losses)/gains at 31 July	(4,509)	(5,636)	566	2,547	(564)

The College's contribution for non-academic staff as a percentage of pensionable salaries was 19.8% from April 2008. The pension charge for the year to 31 July 2010 was £1,218k, (2009: £1,089k).

Notes to the Accounts for the year ended 31 July 2010

	2010	2009
	£'000	£'000
32. HARDSHIP FUNDS		
Balance at 1 August	16	33
HEFCE grant received	193	206
Interest earned	-	3
Disbursed to students and administration	(183)	(226)
Underspent at 31 July	26	16
33. TDA TRAINING BURSARIES		
Balance at 1 August	78	186
Grant received	3,065	2,797
Payments to trainees	(3,143)	(2,905)
(Over)/Underspent at 31 July	-	78
34. TDA SECONDARY SHORTAGE SUBJECT SCHEME		
Balance at 1 August	-	3
Grant repaid	-	(3)
Payments to trainees	-	-
Underspent at 31 July	-	-
Funding body grants shown in notes 32-34 are available solely for students, the College acts only as a paying agent. The grants and related disbursements are therefore excluded from the Income and Expenditure Account. The balance at 31 July is included in Creditors.		
35. TDA MINORITY ETHNIC RECRUITMENT		
Balance at 1 August	12	18
Grant received	12	13
Grant clawed back	(12)	-
Expenditure	(15)	(19)
(Over)/Underspent at 31 July	(3)	12
36. STUDENT ASSOCIATES SCHEME		
Balance at 1 August	57	68
Grant received	84	70
Expenditure	(107)	(81)
Underspent at 31 July	34	57
37. RELATED PARTY TRANSACTIONS		
Due to the nature of the College's operations and the composition of the Council (being drawn from local public and private sector organisations) it is possible that transactions take place with organisations in which a member of Council or a member of staff may have an interest. There are no transactions of which the College is aware but any such transactions that may arise would be conducted at arm's length and in accordance with the College's Conflicts of Interest Policy.		



