

# Reports and Financial Statements for the year ended 31 July 2007



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## Membership of the Council 2006-07

Chair of Council:	Mr Christopher Jonas (to 2009)
Deputy Chair of Council:	Vacancy
Warden of the College:	Professor Geoffrey Crossick
Pro-Wardens:	Professor Simon McVeigh (to 2009) Dr Philip Broadhead (to 2008) Professor Nirmala Rao (to 2009)
Clerk to the Goldsmiths' Company:	Mr Dick Melly
Students' Union President:	Ms Jennifer Huseman (to 2007)
Nominated by the University of London:	Professor Warwick Gould (to 2007 eot) Professor Robert Pinker (to 2007 eot)
Nominated by a local education or similar succeeding authority (to be selected by the Council) with responsibilities in South East London:	Ms Katy Donnelly (to 2007 eot)
Nominated by the Council of the London Borough of Lewisham or such succeeding body as shall exercise local jurisdiction in its place:	Mrs Alyson McGarrigle (to 2007)
Elected by Academic Board:	Dr Janet Hand (to 2008) Professor Carrie Paechter (to 2009) Mr Keith Potter (to 2007)
Elected by the Senior Academic Staff:	Vacancy
Elected by the Non-Academic Staff:	Mr Andrew Brett (to 2007)
Elected by the Students:	Mr Lewis Davies
Independent members co-opted by the Council:	Sir Keith Ajegbo (to 2009 eot) Mr Bob Annibale (to 2008 eot) Mr Mark Baillache (to 2009) Mr Jack Barnes (to 2009) Dr David Barrett (to 2008) Lady Goodhart (to 2009 eot) Mr Kenneth May (to 2009) Baroness Morris of Yardley (to 2008) Dame Janet Ritterman (to 2007 eot) Viscount Sandon (to 2009 eot)
At the discretion of the Council, one further person who may be a member of staff or a student:	Vacancy
Secretary:	Mr Ian Turner (to April 2007) Mr Hugh Jones (from April 2007)

Council may be attended by members of staff as observers. Two places at each meeting are reserved for the trades unions UCU and UNISON; a few other places are available for individual staff, in accordance with advance booking arrangements announced by the Secretariat.

The annotation 'eot' indicates that a member of Council completes their maximum term on Council at the date given.

## Membership of the Audit Committee 2006-07

Chair: an independent member of Council appointed by Council:

Dame Janet Ritterman (2006-07 only, given her retirement from Council on 31 August 2007)

Three members of Council appointed by Council, not being College officers or members of the Finance and Resources Committee:

Sir Keith Ajegbo (to 2009)  
Lady Goodhart (to 2007)  
Mr Jack Barnes (to 2008)

Two additional representatives appointed by Council:

Mr Alan Jinkinson (to 2008)  
Mr David Peake (to 2008)

In attendance:

Warden: Professor Geoffrey Crossick  
Registrar and Secretary: Mr Hugh Jones (from April 2007)  
Director of Resources and Planning: Mr Ian Turner (to April 2007)  
Director of Finance: Mr Barry Douglas

Secretary:

Head of Secretariat: Miss Rosemary Harrison

## Senior Management Team 2006-07

Chair: Warden:

Professor Geoffrey Crossick

Pro-Wardens:

Professor Simon McVeigh (to 2009)  
Dr Philip Broadhead (to 2008)  
Professor Nirmala Rao (to 2009)

Registrar and Secretary:

Mr Hugh Jones (from April 2007)

Director of Resources and Planning:

Mr Ian Turner (to April 2007)

Director of Finance:

Mr Barry Douglas

Secretary:

Administrator (Warden's Office): Ms Reeva Charles

## Auditors

Knox Cropper  
Chartered Accountants and Registered Auditors  
8/9 Well Court  
London  
EC4M 9DN

## Bankers

National Westminster Bank PLC  
65 Peckham High Street  
London  
SE15 5RZ

## Responsibilities of the Council

In accordance with the Charter and related Statutes, the Council of the College 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.

The 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, the Statement of Recommended Practice: Accounting for Further and Higher Education and other relevant accounting standards. In addition, within the terms and conditions of a Financial Memorandum agreed between the Higher Education Funding Council for England (HEFCE) and the Council of the College, the Council, through its designated Office Holder<sup>1</sup>, 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, subject to any material departures disclosed and explained in the Financial Statements;
- Financial Statements are prepared on the going concern basis unless it is inappropriate to presume that the College will continue in operation. The 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 the requirement in its Ordinances for the 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 over its affairs, 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 Teacher Development Agency (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.

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:

- clear definitions of the responsibilities of, and the authority delegated to, heads of academic and administrative departments, centres and units;
- 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 business risks and quarterly reviews of financial results involving variance reporting and updates of forecast out-turns;
- 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;
- comprehensive Financial Regulations detailing financial controls and procedures, approved by the Finance and Resources Committee and Council;
- a professional Internal Audit team whose annual programme is approved by the Audit Committee and endorsed by Council and whose Head provides the Audit Committee with a report on the internal audit activity within the College and an opinion on the adequacy and effectiveness of the College's system of internal control, including internal financial control.

Any system of internal financial control can, however, only provide reasonable, but not absolute, assurance against material misstatement or loss.

<sup>1</sup> In 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, Professor Geoffrey Crossick, is its designated Office Holder.

# Report of the Warden

## SCOPE OF THE FINANCIAL STATEMENTS

These Financial Statements cover the activities of the College for the year ended 31 July 2007. The College had one subsidiary company, The Constance Howard Foundation, a company limited by guarantee. This company did not trade and has now been dissolved.

## RESULTS FOR THE YEAR

The following table summarises the College's income and expenditure for the year ended 31 July 2007 in comparison with the previous year:

	2007 £'000	2006 Restated £'000
Income	64,405	56,656
Expenditure	64,170	57,787
Surplus/(deficit) on continuing operations after depreciation of assets at valuation	235	(1,131)
Difference between historical cost depreciation charge and actual depreciation charge calculated on revalued amount	790	790
<b>Historical cost surplus/(deficit)</b>	<b>1,025</b>	<b>(341)</b>

The historical cost surplus on continuing operations of £1,025k represents an increase of £1,366k on the previous year's deficit of £341k. The results for 2007, and the previous year comparatives, take account of the revised treatment of the Loring Hall lease. Resulting from this, depreciation and interest payable have increased by £416k and £654k respectively with other operating expenses reduced by the sum of these two amounts. The overall impact on the Income and Expenditure account is therefore neutral.

The College's expenditure for the year increased by 11% whilst income increased by 13.7%. The major changes were:

### Income

- Tuition fee income increased overall by 26.4% to £20,974k (2006: £16,595k) mainly due to the introduction of variable fees. Home fee income showed an increase of 43.6% and the income from international fees an increase of 7.5%.
- Income from research grants and contracts has increased substantially by 61.2% to £4,492k (2006: £2,786k) due to a higher success rate in grant applications and additional funding from Research Councils following the introduction of Full Economic Costing.

### Expenditure

- Depreciation costs decreased by 2.6% to £3,585k (2006: £3,680k) due to a lower charge for equipment.
- Staff costs have increased by 11.8% to £39,828k (2006: £35,622k) and other operating expenses by 13.5% to £19,566k (2006: £17,240k). An accrual for the cost of the pay framework agreement is a significant contributor to the increase in staff costs and other operating costs are higher mainly as a result of the award of additional student bursaries following the introduction of variable tuition fees. The increase in research grant and contract income has also led to a corresponding rise in research staff costs as well as research related operating costs.

## CASH FLOW

Cash decreased in the year by £467k to £3,581k. Cash inflow from operations totalled £7,202k with a net outflow of £7,669k. The net outflow of cash was largely due to increased current asset investments (£6,110k) with the balance used for capital expenditure net of capital grants.



## CREDITOR PAYMENTS POLICY

It is the College's policy to pay its creditors within the timescale set out in the terms of payment of its suppliers.

## RESERVES

An actuarial valuation of the London Pension Fund Authority Pension Fund has shown that the College's share of the scheme's overall deficit at 31 July 2007 was £6,591k. This is a considerable improvement on last year's deficit of £9,339k resulting from a higher valuation of the Fund's assets.

## CAPITAL PROJECTS

Capital expenditure during the year totalled £2,025k of which £1,288k related to the purchase of freehold titles to Chesterman House and Surrey House. The balance of £737k is mainly made up of the final costs of the Media Building and the initial costs of the Whitehead Building Recladding project.

## FUTURE DEVELOPMENTS

Goldsmiths Strategy, although wide ranging, focuses in particular on how developments should take place in relation to growth, finance, the estate and partnerships with other organisations. The Strategy is underpinned by a distinctive Mission Statement and a summary of the values that define Goldsmiths.

The College's Strategy sets ambitious targets for growth. Whilst it acknowledges that there is increased competition for both home and international students, it concludes that there is a realistic prospect of meeting the student number targets that have been set because Goldsmiths has a strong national and international reputation, provides a significant number of popular high-quality academic programmes in areas of growing demand, and is continually looking to create new and innovative provision. Our approach, together with enhancement of recruitment staffing and other activities, provides a strong foundation from which to build further success in home and international recruitment.

Overall the Government's new system of variable tuition fees has not affected demand for our programmes and we anticipate that the continued growth of fee income will remedy some of the serious underfunding of higher education; we have benefited from this income in the current year and it will ramp up over the next two years. A significant proportion of the additional income will be spent on bursaries, because of Goldsmiths success in its widening participation work, and on other ways of addressing the needs of students from disadvantaged backgrounds. A further proportion of the fee income will fund the increase in the College's pay bill resulting from the Framework Agreement.

In addition to providing high-quality teaching, Goldsmiths is a major research institution and a member of the 1994 Group of research-intensive universities. There is a renewed emphasis within the College on the need to capitalise better on its research strengths by rapidly increasing research grant and contract income; the strengthening of the Research Office together with a refocused Business Development Office will support enhanced performance in this area. Improvements in levels of funding for grants from UK Research Councils as a result of the introduction of Full Economic Costing has meant and will continue to mean that funding from research grants and contracts will become a vital part of the Strategy to improve our financial performance in the medium to long term.

The College Strategy has an overall aim of generating surpluses in the long-term of at least the level recommended by HEFCE, ie 3% of turnover (or currently £1.9m per annum). The surpluses are necessary to generate reserves to fund investment required in the College's infrastructure as well as to protect the College in the face of an increasingly challenging future for higher education. The College's financial strategy contains a number of detailed proposals for moving towards achieving this objective. Key to its success will be our ability adequately to finance strategic initiatives whilst constraining costs.

The College is working to gain mutual benefits from existing links with institutions within the higher education sector and elsewhere; it will aim to develop new ones both within the UK and internationally. The College's teaching and research offers particular benefits to the creative industries, and enhanced engagements are planned with this sector. These will bring economic benefits within the region, provide opportunities for students and alumni and mark out Goldsmiths as a major international force in the creative industries. We also hope to make a significant contribution to the London 2012 Olympic



and Paralympic Games through our participation in the Cultural Olympiad. This programme will also celebrate the renaissance of East London made possible by the Olympic Games, and will provide us with opportunities in terms of providing research, volunteering, education and training.

The estate will benefit from three major developments over the next three years. Grants totalling £6.3m from the Science Research Investment Fund and HEFCE's project capital funding are enabling investment in the College's Whitehead Building. The HEFCE funding is also contributing to the replacement of temporary accommodation with a new building to house staff and students of our highly rated Department of Media and Communications. We are also in the early stages of planning the development of a modern residences block to complement existing student housing on campus and provide the opportunity for rationalisation of our residences provision. Active consideration of the wider options for maximising the benefits to be gained from the Estate will be considered during the scheduled Estates Master Planning exercise. The outcome of the Master Planning process is expected to lead to an imaginative revised strategy for the Estate.

Goldsmiths has ambitious plans in many areas – which include the creative industries, research activity and diverse student recruitment – and it will be seeking to exploit the opportunities for new buildings and refurbishment of the estate to deliver on these objectives.

Goldsmiths has embarked on a major exercise of modernising and streamlining its professional, administrative and support services. The establishment in the last year of the post of Registrar and Secretary to head a largely unified administration is an important step in that process, and the College is confident that it will secure the major benefits that will follow in terms of its efficiency, its systems and its service to students, staff and wider stakeholders.

#### DISABILITY STATEMENT

The College welcomes applications from students with learning difficulties and disabilities. We are committed to a policy which allows, as far as possible, for equality of opportunity and access to the higher and further education programmes which we provide. In support of this policy, the College is steadily updating its infrastructure using funds set aside in an earmarked capital programme totalling over £3m created following a comprehensive disability audit of its accommodation. The College has undertaken a considerable amount of work in relation to the Disability Discrimination Act 2000 and the Disabled Persons (Employment) Act 1994 and will continue its capital programme over the next few years to ensure that the majority of the campus and halls are accessible to all.

#### CONCLUSION

The College aims to grow its activities over the medium term. The estates developments planned, including the construction of the new buildings, are expected to support the realisation of our goal to increase student numbers, to diversify income streams and improve underlying financial performance. An important element in this improvement in performance will be close attention to our cost base. The College's latest financial forecast shows deficits in the early years reflecting, in part, the substantial increases in costs associated with staff pay and pensions. However, the College's Senior Management Team, guided by the College Strategy, will put in place measures that should significantly improve overall financial performance in the medium term whilst maintaining the essential characteristics that make Goldsmiths a leading UK higher education institution.

The College relies heavily upon all its staff to realise strategic 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.

Professor Geoffrey Crossick  
Warden

October 2007

## Corporate Governance

Council, the Governing Body of Goldsmiths College, has responsibility for maintaining a sound system of internal control that supports the achievement of policies, aims and objectives, whilst safeguarding the public and other funds and assets for which it is responsible, in accordance with the responsibilities assigned to the Governing Body in the College's Statutes and the Financial Memorandum with HEFCE.

The system of internal control is designed to manage rather than eliminate the risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control 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 2007 and up to the date of approval of the Financial Statements, and accords with HEFCE guidance.

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

- Meetings at least three times per year to consider the plans and strategic direction of the institution.<sup>1</sup>
- The receipt of periodic reports from the Chair of the Audit Committee concerning internal control, and requests for reports from managers on the steps being taken to manage risks, including progress reports on key projects.
- The Audit Committee has taken on the formal responsibility for providing the oversight of risk issues.
- The Audit Committee receives reports from the Head of Internal Audit which include their independent opinion on the adequacy and effectiveness of the Institution's system of internal control, together with recommendations for improvement.
- A regular programme of facilitated workshops, under the direction of a member of the College's Senior Management Team, is held to identify and keep up to date the record of risks facing the organisation.
- A programme of risk awareness training is under way.
- A system of key performance and risk indicators has been developed.
- A robust risk prioritisation methodology based on risk ranking and cost-benefit analysis has been established.
- An organisation-wide risk register is now maintained.
- Reports are received from budget holders, department heads and project managers on internal control activities.

Our 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 internal auditors submit regular reports which include 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 these reports are informed by the knowledge and expertise the internal auditors gain from the audit of other institutions.

Our review of 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.

<sup>1</sup> During its December 2006 review of compliance with the CUC Code of Practice, Council gave explicit consideration to the CUC Code recommendation (clause 4) to hold four meetings a year. It concluded that in the light of the size and overall pattern of business of the College, the current convention of holding three meetings a year was normally sufficient.

# Independent Auditors' Report to the Council of Goldsmiths College

We have audited the Financial Statements of Goldsmiths College for the year ended 31 July 2007 which comprise the Income and Expenditure Account, the Note of Historical Cost Surpluses and Deficits, the Statement of Total Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement and the related notes. These Financial Statements have been prepared under the historical cost convention (as modified by the revaluation of certain fixed assets) and in accordance with the accounting policies set out therein.

This report is made solely to the Council's members, as a body, in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education. Our audit work has been undertaken so that we might state to the Council's members those matters which we are required to state to them in an auditors' report and for no other purposes. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Council and the Council's members as a body, for our audit work, for this report or for the opinion we have formed.

## RESPECTIVE RESPONSIBILITIES OF THE COUNCIL AND AUDITORS

As described in the statement of the Council's responsibilities, the Council is responsible for the preparation of the Financial Statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 legislation. We also report to you whether in our opinion monies expended out of funds from whatever source administered by the College for specific purposes were properly applied for those purposes and where relevant managed in accordance with appropriate legislation and whether monies expended out of funds provided by the Higher Education Funding Council for England and the Learning and Skills Council and the Teacher Development Agency were applied in accordance with the Financial Memorandum, and any other terms and conditions attached to them.

We also report to you if, in our opinion, the Report of the Warden is not consistent with the Financial Statements, if the College has not kept proper accounting records, if the accounting records do not agree with the Financial Statements or if we have not received all the information and explanations we require for our audit.

We also, at the request of Council, review whether the Corporate Governance statement reflects the College's compliance with the relevant provisions of the Combined Code specified for our review by Council and we report if it does not.

We read the other information contained in the Warden's Report and consider the implications for our report if we become aware of any apparent misstatements.

## 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 Council 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 that 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:

- (i) the Financial Statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the College's affairs as at 31 July 2007 and of the surplus of income in relation to expenditure and cash flows for the year then ended and have been properly prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education;
- (ii) in all material respects, income from the Higher Education Funding Council for England, the Learning and Skills Council, and the Teacher Development Agency, and grants and income for specific purposes and from other restricted funds administered by the College, have been applied for the purposes for which they were received;
- (iii) in all material respects, income has been applied in accordance with the College's Charter and Statutes and, where appropriate, with the Financial Memorandum (dated 1 August 2006) with the Higher Education Funding Council for England and funding agreements with the Learning and Skills Council, and the Teacher Development Agency.

Knox Cropper  
Chartered Accountants  
and Registered Auditors

8/9 Well Court  
London, EC4M 9DN

30 November 2007

## Income and Expenditure Account for the year ended 31 July 2007

	Note	2007 £'000	2006 Restated £'000
<b>INCOME</b>			
Funding Council grants	2	30,828	30,023
Academic fees and support grants	3	20,974	16,595
Research grants and contracts	4	4,492	2,786
Other operating income	5	7,565	6,898
Endowment income and interest receivable	6	546	354
<b>Total Income</b>		<b>64,405</b>	<b>56,656</b>
<b>EXPENDITURE</b>			
Staff costs	7	39,828	35,622
Other operating expenses	9	19,566	17,240
Depreciation	12	3,585	3,680
Interest payable	10	1,191	1,245
<b>Total Expenditure</b>		<b>64,170</b>	<b>57,787</b>
<b>Surplus/(deficit) on continuing operations after depreciation of tangible fixed assets at valuation and before taxation</b>		<b>235</b>	<b>(1,131)</b>
Taxation	11	-	-
<b>Surplus/(deficit) on continuing operations after depreciation of assets at valuation and taxation</b>		<b>235</b>	<b>(1,131)</b>
Transfer (to)/from accumulated income within specific endowments		(12)	2
<b>Surplus/(deficit) for the year retained within general reserves</b>		<b>223</b>	<b>(1,129)</b>

### NOTE OF HISTORICAL COST SURPLUSES AND DEFICITS for the year ended 31 July 2007

	Note	2007 £'000	2006 £'000
<b>Surplus/(deficit) on continuing operations after depreciation of assets at valuation and taxation</b>		<b>235</b>	<b>(1,131)</b>
Difference between historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	21	790	790
<b>Historical cost surplus/(deficit) for the period after taxation</b>		<b>1,025</b>	<b>(341)</b>

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 2007

	Note	2007	2006
		£'000	£'000
Surplus/(deficit) on continuing operations after depreciation of assets at valuation and tax		235	(1,131)
Appreciation of endowment asset investments	19	6	25
New endowment funds	19	21	4
Endowment funds reclassified	19	(11)	(76)
Actuarial gain/(loss) recognised in pension scheme	31	3,111	(213)
<b>Total recognised gains/(losses) relating to the year</b>		<b>3,362</b>	<b>(1,391)</b>
<b>Reconciliation</b>			
Opening reserves and endowments		30,357	31,748
Total recognised gains/(losses) for the year		3,362	(1,391)
<b>Closing reserves and endowments</b>		<b>33,719</b>	<b>30,357</b>

## Balance Sheet as at 31 July 2007

	Note	2007 £'000	2006 Restated £'000
<b>Fixed Assets</b>			
Tangible assets	12	69,579	71,139
Investments	13	28	28
		<b>69,607</b>	<b>71,167</b>
<b>Endowment Asset Investments</b>			
	14	<b>1,298</b>	<b>1,270</b>
<b>Current Assets</b>			
Stock		82	106
Debtors	15	4,144	3,392
Investments		6,110	-
Cash at bank and in hand		3,581	4,048
		<b>13,917</b>	<b>7,546</b>
Less: Creditors - amounts falling due within one year	16	(13,384)	(9,128)
<b>Net current assets/(liabilities)</b>		<b>533</b>	<b>(1,582)</b>
<b>Total assets less current liabilities</b>			
Less: Creditors - amounts falling due after more than one year	17	(14,217)	(13,507)
<b>Total net assets excluding pension liability</b>		<b>57,221</b>	<b>57,348</b>
Net pension liability	31	(6,591)	(9,339)
<b>TOTAL NET ASSETS INCLUDING PENSION LIABILITY</b>		<b>50,630</b>	<b>48,009</b>
<b>Represented by:</b>			
<b>Deferred capital grants</b>	18	<b>16,911</b>	<b>17,652</b>
<b>Endowments - specific</b>	19	<b>1,298</b>	<b>1,270</b>
<b>Reserves</b>			
Income and expenditure account excluding pension liability		12,611	11,235
Pension liability		(6,591)	(9,339)
Income and expenditure account including pension liability	20	6,020	1,896
Revaluation reserve	21	26,401	27,191
<b>TOTAL FUNDS</b>		<b>50,630</b>	<b>48,009</b>

Signed and approved on behalf of Council by:

Mr Mark Baillache  
Member of Council and Chair of Finance and Resources Committee  
Date: 29 November 2007

Professor Geoffrey Crossick  
Warden



## Cash Flow Statement for the year ended 31 July 2007

	Note	2007 £'000	2006 Restated £'000
Net cash inflow from operating activities	25	7,202	2,955
Returns on investments and servicing of finance	26	(645)	(891)
Tax paid		-	-
Capital expenditure and financial investment	27	(1,634)	(6,617)
Management of liquid resources	28	(6,132)	74
Financing	29	742	6,568
<b>(Decrease)/increase in cash in the period</b>		<b>(467)</b>	<b>2,089</b>
<b>RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT</b>			
Decrease/(increase) in cash in the period		(467)	2,089
Increase in liquid funds		6,132	(74)
Decrease in loans		(742)	(6,568)
<b>Change in net debt</b>		<b>4,923</b>	<b>(4,553)</b>
Opening net debt at 1 August		(9,625)	(5,072)
<b>Closing net debt at 31 July</b>		<b>(4,702)</b>	<b>(9,625)</b>

# Notes to the Accounts

## for the year ended 31 July 2007

### 1. PRINCIPAL ACCOUNTING POLICIES

#### **BASIS OF PREPARATION**

The Financial Statements have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education and in accordance with applicable Accounting Standards. They conform to guidance published by the Higher Education Funding Council for England.

#### **BASIS OF ACCOUNTING**

The Financial Statements have been prepared under the historical cost convention modified by the revaluation of certain fixed assets.

#### **CONSOLIDATION**

In accordance with FRS 2, the Financial Statements do not contain those of the Goldsmiths Students' Union as, whilst the College is obliged to monitor expenditure and budgets within codes of practice, it does not exert control or have dominant influence over policy decisions which do not conflict with those codes. The expenditure shown in the Income and Expenditure Account of the College relates to the College's contribution to Union activities.

#### **RECOGNITION OF INCOME**

Income from sponsored research grants, contracts and other services rendered is recognised to the extent of direct expenditure incurred during the year plus any related contributions towards overhead costs.

All income from short-term deposits and endowments is credited to the Income and Expenditure Account in the period in which it is earned. Income from specific endowments not expended in accordance with the restrictions of the endowment is transferred from the Income and Expenditure Account to specific endowments.

Recurrent grants from the Funding Councils are recognised in the period in which they are receivable.

Non-recurrent grants from Funding Councils or other bodies received in respect of the acquisition or construction of fixed assets are treated as deferred capital grants and amortised in line with depreciation over the life of the assets.

#### **FOREIGN CURRENCY TRANSLATION**

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the dates of the transactions.

#### **MAINTENANCE OF PREMISES**

Expenditure on routine corrective maintenance is charged to the Income and Expenditure Account as incurred.

## Notes to the Accounts for the year ended 31 July 2007

### TANGIBLE FIXED ASSETS

In keeping with 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. Additions since revaluation are stated at cost.

Buildings purchased under leasing arrangements that transfer substantially all the risks and rewards of ownership to the College have been capitalised. The capital element of future rental obligations is included in creditors. The interest element of the rental obligations is charged to the Income and Expenditure Account on a systematic basis over the life of the lease. Assets held under finance leases are depreciated on the same basis as similar assets according to categories shown below.

All plant and equipment below an initial cost of £7,500 per individual item or group of related items have been written off against the funds provided for their purchase. Plant and equipment costing £7,500 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.

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:

Freehold land	Nil
Freehold buildings (long-term)	2.5% per annum
Freehold buildings (short-term and refurbishments)	10% per annum
Leaseholds	over the terms of the leases
Plant and equipment (library stacks)	10% per annum
Administrative computer systems	20% per annum
Other plant and equipment	33.33% per annum

Works of art and other valuable artefacts are not capitalised.

### STOCKS

Stocks are stated at the lower of cost and net realisable value. Stocks held by departments are written off as purchased as being of immaterial value.

### 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.

# Notes to the Accounts

## for the year ended 31 July 2007

### PENSIONS

The two pension schemes in which the College participates are the Universities Superannuation Scheme (USS) for academic and academically-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.

### 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.

## Notes to the Accounts for the year ended 31 July 2007

	2007	2006
	£'000	£'000
<b>2. FUNDING COUNCIL GRANTS</b>		
<b>Recurrent grants</b>		
Higher Education Funding Council		
Teaching	16,046	14,845
Research	8,236	7,877
Teacher Development Agency	3,554	3,949
Learning and Skills Council	210	212
<b>Total Recurrent grants</b>	<b>28,046</b>	<b>26,883</b>
<b>Specific grants</b>		
Higher Education Funding Council	863	1,145
Teacher Development Agency	805	732
Learning and Skills Council	4	17
<b>Total Recurrent and Specific grants</b>	<b>29,718</b>	<b>28,777</b>
<b>Deferred capital grants released in year</b>		
Buildings (Note 18)	735	679
Equipment (Note 18)	375	567
	<b>30,828</b>	<b>30,023</b>
<b>3. ACADEMIC FEES AND SUPPORT GRANTS</b>		
Full-time students charged home fees	10,956	7,170
Students charged international fees	8,019	7,458
Part-time student fees	1,628	1,592
Short course fees	329	303
Research training support grants	42	72
	<b>20,974</b>	<b>16,595</b>
Fees funded through the United States Family Education Loan Programme amounted to £635k and represented 3.34% of total full-time fees		
<b>4. RESEARCH GRANTS AND CONTRACTS</b>		
Research Councils	2,515	1,450
UK-based charities	551	358
Other grants and contracts	1,426	978
	<b>4,492</b>	<b>2,786</b>

## Notes to the Accounts for the year ended 31 July 2007

	2007	2006
	£'000	£'000
<b>5. OTHER OPERATING INCOME</b>		
Residences, catering and conferences	5,366	5,195
Other services rendered	1,031	675
Other income	1,168	1,028
	<b>7,565</b>	<b>6,898</b>
<b>6. ENDOWMENT INCOME AND INTEREST RECEIVABLE</b>		
Specific endowments (Note 19)	52	62
Other interest receivable	494	292
	<b>546</b>	<b>354</b>
<b>7. STAFF COSTS</b>		
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	453	432
Administrative	142	147
Technical	63	59
Clerical	191	184
Other	61	69
	<b>910</b>	<b>891</b>
	£'000	£'000
Salaries and wages	32,905	29,210
Social security costs	2,631	2,465
Other pension costs (Note 31)	3,969	3,653
Restructuring costs	323	294
	<b>39,828</b>	<b>35,622</b>
Academic departments	24,089	21,998
Academic services	2,691	2,415
Research grants and contracts	2,525	1,575
Residences, catering and conferences	621	584
Premises	2,069	1,851
Administration	6,591	6,066
General educational	469	433
Other services rendered	450	406
Other	323	294
	<b>39,828</b>	<b>35,622</b>

## Notes to the Accounts for the year ended 31 July 2007

	2007 £'000	2006 Restated £'000
<b>8. REMUNERATION OF DIRECTORS AND HIGHER PAID EMPLOYEES</b>		
The emoluments of the Warden's post were:		
Remuneration	158	144
USS pension contributions (paid at the same rates as for other academic staff)	22	17
Taxable benefit in kind (fiscal year basis)	-	-
	<b>180</b>	<b>161</b>
Remuneration of other higher paid staff, excluding employer's pension contributions, fall in the following bands:		
£70,000-£79,999	7	3
£80,000-£89,999	2	2
£90,000-£99,999	1	-
<b>9. OTHER OPERATING EXPENSES</b>		
Academic departments	3,456	3,367
Academic services	1,245	1,217
Research grants and contracts	870	630
Residences, catering and conferences	3,159	2,960
Premises	4,916	4,407
Administration	3,323	3,242
General educational	2,157	1,291
Other services rendered	440	126
<b>Total</b>	<b>19,566</b>	<b>17,240</b>
Other operating expenses include:		
Auditors' remuneration (external audit)	39	37
Auditors' remuneration (internal audit)	80	66
<b>10. INTEREST PAYABLE</b>		
Loans not wholly repayable within five years	280	109
Finance leases	805	1,008
Net interest on LPFA pension scheme liabilities	106	128
	<b>1,191</b>	<b>1,245</b>

### 11. TAXATION

The charitable status of the College and the application of the Inland Revenue guidelines to its other quasi-commercial activities do not render the College liable to Corporation Tax. Accordingly no provision has been made for taxation.



# Notes to the Accounts

## for the year ended 31 July 2007

### 12. TANGIBLE ASSETS

	Land & Buildings		Equipment	Total	
	Freehold	Financed Leasehold		Assets in course of construction	
	£'000	£'000	£'000	£'000	£'000
<b>Valuation/cost</b>					
At 1 August 2006					
Valuation	44,350	-	-	-	44,350
Cost restated (note 22)	29,901	16,188	7,845	2,746	56,680
Additions at cost	1,888	-	137	-	2,025
Transfers	7,722	(5,784)	267	(2,205)	-
<b>At 31 July 2007</b>					
<b>Valuation</b>	<b>44,350</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>44,350</b>
<b>Cost</b>	<b>39,511</b>	<b>10,404</b>	<b>8,249</b>	<b>541</b>	<b>58,705</b>
<b>Depreciation</b>					
At 1 August 2006 (restated note 22)	18,200	4,737	6,954	-	29,891
Charge for year	2,561	416	608	-	3,585
Transfers	992	(992)	-	-	-
<b>At 31 July 2007</b>	<b>21,753</b>	<b>4,161</b>	<b>7,562</b>	<b>-</b>	<b>33,476</b>
<b>Net book value</b>					
<b>At 31 July 2007</b>	<b>62,108</b>	<b>6,243</b>	<b>687</b>	<b>541</b>	<b>69,579</b>
<b>At 1 August 2006</b>	<b>56,051</b>	<b>11,451</b>	<b>891</b>	<b>2,746</b>	<b>71,139</b>

During the course of the year freehold titles to Chesterman House and Surrey House, which had previously been held under lease, were acquired for £859k and £429k respectively. These transactions are reflected above as a component of Transfers with the additional consideration paid for the grant of the freeholds being disclosed as a component of Freehold Additions at cost.

2007  
£'000

2006  
£'000

### 13. INVESTMENTS

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.

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## Notes to the Accounts for the year ended 31 July 2007

	2007 £'000	2006 Restated £'000
<b>14. ENDOWMENT ASSET INVESTMENTS</b>		
Balance at 1 August 2006	1,270	1,319
Additions	33	2
Reclassified funds	(11)	(76)
Appreciation in market value	6	25
<b>Balance at 31 July 2007</b>	<b>1,298</b>	<b>1,270</b>
Represented by:		
Equities	919	913
Bank balances	379	357
	<b>1,298</b>	<b>1,270</b>
<b>15. DEBTORS</b>		
Amounts falling due within one year		
Student debts	1,110	1,015
Other debts	1,717	784
Prepayments and accrued income	1,291	1,593
	<b>4,118</b>	<b>3,392</b>
Other debts - amounts falling due after more than one year	26	-
	<b>4,144</b>	<b>3,392</b>
<b>16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>		
Mortgages and unsecured loans	139	45
Obligations under finance leases (Note 23)	416	478
Trade creditors	4,318	3,557
Social security and other taxation payable	934	842
Accruals and deferred income	7,577	4,206
	<b>13,384</b>	<b>9,128</b>
<b>17. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</b>		
Mortgage secured on residential property	8,391	1,721
Others (Note 23)	5,826	11,786
	<b>14,217</b>	<b>13,507</b>

A 25 year mortgage taken out in March 1996 is held by Capital Bank plc (part of the Bank of Scotland) on Raymont Hall. The average rate of interest paid in the year was 6.64%.

A 30 year mortgage taken out in December 2006 is held by Lloyds TSB on Surrey House and Chesterman House. The interest rate is fixed at 4.995%

## Notes to the Accounts for the year ended 31 July 2007

	2007	2006
	£'000	£'000
<b>18. DEFERRED CAPITAL GRANTS FROM HEFCE AND ITS PREDECESSORS</b>		
<b>At 1 August:</b>		
Buildings	16,887	12,987
Equipment	765	254
<b>Total</b>	<b>17,652</b>	<b>13,241</b>
<b>Cash received:</b>		
Buildings	119	4,579
Equipment	250	1,078
<b>Total</b>	<b>369</b>	<b>5,657</b>
<b>Released to Income and Expenditure</b>		
Buildings depreciation (note 2)	735	679
Equipment depreciation (note 2)	375	567
<b>Total</b>	<b>1,110</b>	<b>1,246</b>
<b>At 31 July:</b>		
Buildings	16,271	16,887
Equipment	640	765
<b>Total</b>	<b>16,911</b>	<b>17,652</b>
<b>19. ENDOWMENTS AND SPECIFIC FUNDS</b>		
<b>At 1 August</b>		
Income for year (note 6)	1,270	1,319
Expenditure	52	62
	(40)	(64)
New funds	21	4
Reclassified funds	(11)	(76)
Increase in market value of investments	6	25
<b>At 31 July</b>	<b>1,298</b>	<b>1,270</b>
<b>Representing:</b>		
Chairs and lectureships funds	1,138	1,126
Prize and memorial funds	160	144
	<b>1,298</b>	<b>1,270</b>
<b>20. INCOME AND EXPENDITURE ACCOUNT</b>		
<b>Balance at 1 August</b>		
Releases from revaluation reserve (note 21)	1,896	2,448
Surplus/(deficit) after depreciation of assets at valuation and tax	790	790
Actuarial gain/(loss) on LPFA pension scheme	223	(1,129)
	3,111	(213)
<b>At 31 July</b>	<b>6,020</b>	<b>1,896</b>

## Notes to the Accounts for the year ended 31 July 2007

	2007	2006
	£'000	£'000
<b>21. REVALUATION RESERVE</b>		
Land and buildings at 1 August	27,191	27,981
Contributions to depreciation (note 20)	(790)	(790)
<b>At 31 July</b>	<b>26,401</b>	<b>27,191</b>

### 22. PRIOR YEAR ADJUSTMENT

One of the College's property's, Loring Hall, was acquired under a 25 year lease in the year ended 31st July 1998 for nil premium. The terms of the lease, however, explicitly grant the College the right to acquire the freehold at a peppercorn on the termination of the lease in the year ended 31st July 2022. This lease has in the past been accounted for as an operating lease with rentals payable being charged to the Income and Expenditure Account as they fall due. A reappraisal of this accounting treatment undertaken during the current year has concluded that this lease would be better accounted for as a finance lease. Accordingly, the opening balance on leasehold properties has been restated to bring on to the Balance Sheet the net book value of the property at the 31st July 2006 with its net book value at that time being the amount that would have been disclosed had the lease been treated as a finance lease throughout. Similarly, creditors falling due within and outside one year at the 31st July 2006 have also been adjusted to show the future capital obligations due under this finance lease. For the purposes of this adjustment, finance costs arising under this lease have been calculated and written off on a straight line basis which means that, as the property is depreciated over the life of the lease, the annual depreciation and annual finance charge in aggregate equals the annual rentals under the lease. As such this adjustment has no impact on either the result for the preceding year or the level of reserves at 31st July 2006, although depreciation costs and interest payable have increased by £416k and £617k respectively whilst other operating expenses have fallen by precisely the sum of these two (£1,033k).

In addition, during the year ended 31st July 2005, some temporary buildings, which had been fully depreciated, were demolished and written out of the accounts. However, the land element of this property (valued at £63k) was also written off in error and incorrectly treated as being fully depreciated. The land value and equivalent depreciation has been brought back into account this year by restatement of the opening balances. This adjustment has no effect on the Income and Expenditure Account or net book value of fixed assets.

The effect in the corresponding accounts can be summarised as follows:-

	As previously reported	Adjustment Recognition of Finance Lease	As Restated
	£'000	£'000	£'000
<b>Income and Expenditure Account</b>			
Other Operating Expenses	18,273	(1,033)	17,240
Depreciation	3,264	416	3,680
Interest Payable	628	617	1,245
		-	
<b>Balance Sheet</b>			
Fixed Assets	64,481	6,658	71,139
Creditors - falling due within one year	(8,712)	(416)	(9,128)
Creditors - falling due after more than one year	(7,265)	(6,242)	(13,507)
		-	

## Notes to the Accounts for the year ended 31 July 2007

	2007 £'000	2006 Restated £'000
<b>23. LEASE OBLIGATIONS</b>		
Obligations under finance leases fall due as follows:		
Between two and five years	1,665	2,004
Over five years	4,161	9,782
<b>Total over one year (note 17)</b>	<b>5,826</b>	<b>11,786</b>
Within one year (note 16)	416	478
<b>Total</b>	<b>6,242</b>	<b>12,264</b>
During the course of the year, finance leases in respect of Chesterman House and Surrey House were replaced by a loan from Lloyds TSB (see note 17).		
<b>Operating lease commitments for the forthcoming financial year are as follows:</b>		
<b>Land and Buildings</b>		
On leases expiring within one year	-	-
On leases expiring within two and five years	84	84
On leases expiring after five years	506	485
<b>Total</b>	<b>590</b>	<b>569</b>
<b>24. CAPITAL COMMITMENTS</b>		
Commitments contracted as at 31 July	4,177	500
Authorised but not contracted as at 31 July (To be partially funded by HEFCE capital grant of £7.3m)	12,807	12,263
	<b>16,984</b>	<b>12,763</b>
<b>25. RECONCILIATION OF OPERATING SURPLUS TO NET CASH FROM OPERATIONS</b>		
Surplus/(deficit) for the year	223	(1,129)
FRS17 Pension adjustment	363	516
Depreciation	3,585	3,680
Contribution to depreciation from capital grants	(1,110)	(1,246)
Investment income	(546)	(354)
Loan interest paid	1,191	1,245
Decrease in stock	24	13
(Increase)/decrease in debtors	(752)	38
Increase in creditors	4,224	192
<b>Net cash inflow from operations</b>	<b>7,202</b>	<b>2,955</b>

## Notes to the Accounts for the year ended 31 July 2007

	2007 £'000	2006 Restated £'000
<b>26. RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>		
Income from endowments and specific funds (note 6)	52	62
Income from short-term investments (note 6)	494	292
Interest paid (note 10)	(1,191)	(1,245)
	<b>(645)</b>	<b>(891)</b>
<b>27. CAPITAL EXPENDITURE AND FINANCIAL INVESTMENTS</b>		
Payments to acquire tangible fixed assets (note 12)	(2,025)	(12,199)
Deferred capital grants received (note 18)	369	5,657
Endowment and specific fund additions and income (note 19)	22	(75)
	<b>(1,634)</b>	<b>(6,617)</b>
<b>28. MANAGEMENT OF LIQUID RESOURCES</b>		
Endowment asset movements	(22)	74
Current asset investments	(6,110)	-
	<b>(6,132)</b>	<b>74</b>
<b>29. FINANCING</b>		
New loan and existing loan redemptions	6,764	(38)
Capital element of finance lease repayments	(6,022)	6,606
	<b>742</b>	<b>6,568</b>

	At 1 August 2006 Restated £'000	Cash Flow £'000	Other Changes £'000	At 31 July 2007 £'000
<b>30. ANALYSIS OF CHANGES IN NET DEBT</b>				
Cash at bank and in hand	4,048	(467)	-	3,581
Current asset investments	-	6,110	-	6,110
Endowment asset investment	357	22	-	379
Debts due within one year	(523)	522	(554)	(555)
Debts due after more than one year	(13,507)	(1,264)	554	(14,217)
	<b>(9,625)</b>	<b>4,923</b>	<b>-</b>	<b>(4,702)</b>

# Notes to the Accounts

## for the year ended 31 July 2007

### 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.

#### University Superannuation Scheme

The College participates in the Universities Superannuation Scheme (USS), a defined benefits scheme which is externally funded and 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 Ltd. 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 management committee. Under the scheme trust deed and rules, the employer contribution rate is determined by the trustee, acting on actuarial advice.

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

The latest actuarial valuation of the scheme was at 31 March 2005. The valuation was carried out using the projected unit method. The assumptions which have the most significant effect on the result of the valuation are those relating to the rate of return on investments (i.e. the valuation rate of interest), the rates of increase in salary and pensions and the assumed rates of mortality. In relation to the past service liabilities the financial assumptions were derived from market yields prevailing at the valuation date. It was assumed that the valuation rate of interest would be 4.5% per annum, salary increases would be 3.9% per annum (plus an additional allowance for increases in salaries due to age and promotion and a further amount of £800m of liabilities to reflect recent experience) and pensions would increase by 2.9% per annum. In relation to the future service liabilities it was assumed that the valuation rate of interest would be 6.2% per annum, including an additional investment return assumption of 1.7% per annum, salary increases would be 3.9% per annum (also plus an allowance for increases in salaries due to age and promotion) and pensions would increase by 2.9% per annum.

Standard mortality tables were used as follows:

Pre-retirement mortality	PA92 rated down 3 years
Post-retirement mortality	PA92 (c=2020) for all retired and non-retired members

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 19.8 years and females 22.8 years.

At the valuation date, the value of the assets of the scheme was £21,740 million and the value of the past service liabilities was £28,308 million indicating a deficit of £6,568 million. The assets therefore were sufficient to cover 77% 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. Using the Minimum Funding Requirement prescribed assumptions introduced by the Pensions Act 1995, the scheme was 126% funded at that date; and under the Pension Protection Fund regulations introduced by the Pensions Act 2004 it was 110% funded; on a buy-out basis (i.e. assuming the Scheme had discontinued on the valuation date) the assets would have been approximately 74% of the amount necessary to secure all the USS benefits with an insurance company; and using the FRS 17 formula as if



## Notes to the Accounts for the year ended 31 July 2007

### 31. PENSION SCHEMES (Continued)

USS was a single employer scheme, the actuary estimated that the funding level would have been approximately 90%.

Since 31 March 2005 the financial security of the scheme has improved and the actuary has estimated that the funding level has increased from 77% at 31 March 2005 to 91% at 31 March 2007. This improvement in the scheme's financial security is due primarily to the investment return on the scheme's assets since 31 March 2005 being higher than allowed for in the funding assumptions. On the FRS17 basis, the actuary estimated that the funding level at 31 March 2007 was above 109% and on a buy-out basis was approximately 84%.

The institution contribution rate required for future service benefits alone at the date of the valuation was 14.3% of pensionable salaries but the trustee company, on the advice of the actuary, decided to maintain the College contribution rate at 14% of pensionable salaries.

Surpluses or deficits which arise at future valuations may impact on the College's future contribution commitment. The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

<b>Assumption</b>	<b>Change in assumption</b>	<b>Impact on scheme liabilities</b>
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 £1.7 billion
Rate of salary growth	Increase/decrease by 0.5%	Increase/decrease by 0.5 billion
Rate of mortality	More prudent assumption (Mortality used at last actuarial valuation, rated down by a further year)	Increase by 0.8 billion

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

The 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 bias towards equities through portfolios that are diversified both geographically and by sector. The trustee recognises that it would be 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 has agreed 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 to take investment risk relative to the liabilities, the trustee receives advice from 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. 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 2008. The contribution rate will be reviewed as part of each valuation.

The total pension cost for the College was £2,913k (2006: £2,675k). This includes £375k (2006: £341k) outstanding contributions at the balance sheet date. The contribution rate payable by the College was 14% of pensionable salaries

# Notes to the Accounts for the year ended 31 July 2007

## 31. PENSION SCHEMES (Continued)

### London Pension Fund Superannuation Scheme

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 for the purpose of setting employer's actual contributions was at 31 March 2004.

In accordance with Financial Reporting Standard ('FRS') 17, the actuarial valuation at 31 July 2005 has been reviewed and updated as at 31 July 2007 based upon the following annual financial assumptions:

	2007 Percentage per annum	2006 Percentage per annum
Price increases	3.3%	3.1%
Salary increases	4.8%	4.6%
Pension increases	3.3%	3.1%
Discount rate	5.8%	5.1%

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

	Expected rate of return at:		Fair value as at:	
	2007 Percentage per annum	2006 Percentage per annum	2007 £'000	2006 £'000
Equities	7.9%	7.6%	1,449,200	1,225,500
Target return portfolio	6.6%	6.3%	515,100	386,500
Alternative assets	7.0%	6.7%	314,700	238,800
Cash	5.1%	4.8%	75,300	157,800
<b>Total</b>	<b>7.4%</b>	<b>7.0%</b>	<b>2,354,300</b>	<b>2,008,600</b>

On the basis of the actuary's calculation the asset share in respect of the College as at 31 July 2007 was 0.94% (2006 0.97%) made up as follows:

<b>Estimated asset share</b>	<b>22,151</b>	<b>19,453</b>
Present value of scheme liabilities	(28,431)	(28,478)
Present value of unfunded liabilities	(311)	(314)
Total value of liabilities	<b>(28,742)</b>	<b>(28,792)</b>
<b>Net Pension Liability</b>	<b>(6,591)</b>	<b>(9,339)</b>

The College's contribution for non-academic staff as a percentage of pensionable salaries was 13.7% from April 2006 and 18.1% from April 2007. The pension charge for the year to 31 July 2007 was £1,056k (£2006: £978k).

## Notes to the Accounts for the year ended 31 July 2007

	2007	2006
	£'000	£'000
<b>31. PENSION SCHEMES (continued)</b>		
<b>Analysis of the amount charged to the Income and Expenditure Account</b>		
Service cost	1,056	978
Past service costs	-	-
Curtailments and settlements	19	-
<b>Total operating charge</b>	<b>1,075</b>	<b>978</b>
<b>Analysis of the net return on pension scheme assets</b>		
Expected return on pension scheme assets	1,378	1,182
Interest on pension scheme liabilities	(1,484)	(1,310)
<b>Net return</b>	<b>(106)</b>	<b>(128)</b>
<b>Analysis of amount recognised in statement of total recognised gains and losses (STRGL)</b>		
Actual return less expected return on pension scheme assets	972	791
Experience gains and losses arising on the scheme liabilities	(11)	(8)
Changes in assumptions underlying the present value of the scheme liabilities	2,150	(996)
<b>Actuarial gain/(loss) in pension plan recognised in STRGL</b>	<b>3,111</b>	<b>(213)</b>
<b>Movement in deficit during the year</b>		
Deficit at the beginning of the year	(9,339)	(8,610)
Current service cost	(1,056)	(978)
Contributions in respect of unfunded benefits	24	23
Impact of settlement and curtailments	(19)	0
Employer contributions net of benefits paid	794	567
Net return on assets	(106)	(128)
Actuarial gain/(loss)	3,111	(213)
<b>Deficit at 31 July</b>	<b>(6,591)</b>	<b>(9,339)</b>
<b>History of experience gains and losses</b>		
Difference between the expected and actual return on assets	972	791
Value of assets	22,151	19,453
<i>Percentage of assets</i>	<i>4.4%</i>	<i>4.1%</i>
Experience gains/(losses) on liabilities	(11)	(8)
Present value of liabilities	28,742	28,792
<i>Percentage of the present value of liabilities</i>	<i>0.0%</i>	<i>0.0%</i>
Actuarial gains/(losses) recognised in STRGL	3,111	(213)
Present value of liabilities	28,742	28,792
<i>Percentage of the present value of liabilities</i>	<i>10.8%</i>	<i>(0.7%)</i>

## Notes to the Accounts for the year ended 31 July 2007

	2007	2006
	£'000	£'000
<b>32. HARDSHIP FUNDS</b>		
Balance at 1 August	64	22
Funding Council grants	308	437
Interest earned	6	5
Disbursed to students and administration	(340)	(400)
<b>Underspent at 31 July</b>	<b>38</b>	<b>64</b>
<b>33. TDA TRAINING BURSARIES</b>		
Balance at 1 August	286	361
Grant received	3,452	2,895
Payments to trainees	(3,323)	(2,970)
<b>Underspent at 31 July</b>	<b>415</b>	<b>286</b>
<b>34. TDA SECONDARY SHORTAGE SUBJECT SCHEME</b>		
Balance at 1 August	7	10
Grant received	53	103
Payments to trainees	(60)	(106)
<b>Underspent at 31 July</b>	<b>-</b>	<b>7</b>
<p>Funding Council 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.</p>		
<b>35. TDA MINORITY ETHNIC RECRUITMENT</b>		
Balance at 1 August	7	9
Grant received	35	28
Underspend recovered	(7)	-
Expenditure	(18)	(30)
<b>Underspent at 31 July</b>	<b>17</b>	<b>7</b>
<b>36. STUDENT ASSOCIATE SCHEME</b>		
Balance at 1 August	-	-
Grant received	87	-
Expenditure	(33)	-
<b>Underspent at 31 July</b>	<b>54</b>	<b>-</b>

### 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 inevitable that transactions will take place with organisations in which a member of the Council may have an interest. All transactions involving organisations in which a member of the Council may have an interest are conducted at arm's length and in accordance with the College's financial regulations and normal procurement procedures.

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