

**Goldsmiths**  
UNIVERSITY OF LONDON

**REPORTS AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
31 JULY 2012**

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# Warden's Foreword

This has been a very busy and successful year at Goldsmiths and the sense of being part of something transformative and unique is as profound as ever.

The quality of our teaching experience, the prominence of our academic community, and our heritage of producing some of the best-known forces for change in modern British history continues to be an attractive offer for students at a time of great uncertainty in the sector. Our dexterity in recruitment served us well, and saw us comfortably recruit our target numbers against the strict student number controls set down by HEFCE.

Providing our students with the very best experience remains one of our key strategic priorities and underpins our wide-ranging and important work to improve our estate and infrastructure. We have invested significantly in student services such as the Library, which now opens 24 hours a day during term time, and the Careers Service which is now based in the heart of the campus. We have added the Institutes of Management and the centre for Creative and Social Technologies and the first ever Confucius Institute dedicated to Dance and Performance. Thanks to a generous donor, we brought together student facing services into a new student centre. We have many more ambitious plans for the campus, including the development of an art gallery – all of which is dependent on our ability to continue to recruit at this healthy level and the generosity of our supporters and alumni.

Off campus, our graduates continue to make their mark on the world around us; whether leading major businesses or starting new ones; running public sector organisations; serving in parliament, or providing the contemporary cultural leadership we are known for. Our students are not taught to be followers, but to be creative pioneers and leaders. Alumni Steve McQueen CBE released BAFTA and Golden Globe nominated movie 'Shame', Graham Coxon and Alex James of Blur played to thousands of fans in Hyde Park, Damien Hirst had a major show at the Tate Modern, and William Fox-Pitt was a key member of the team which won equestrian silver at the London Olympics. We are also proud to name teachers, social workers, police officers, community workers, and youth workers amongst our alumni – those who are at the front line of society's toughest issues.

We are immensely proud of our students – both present and former – and it is their individualism and creativity that makes this university such a special place to be.

Patrick Loughrey  
Warden

# Council and Committee Membership

## Council

Mr Christopher Jonas (*Chair to 31 August 2012*)  
Baroness Morris of Yardley (Estelle Morris) (*Chair from 1 September 2012*)  
Mr Patrick Loughrey (*Warden*) \*  
Professor Catherine Alexander (*to 31 August 2012*) \*  
Mr Mark Baillache (*to 30 November 2012*)  
Mr Richard Bolley (*to 31 August 2012*) \*  
Dr Philip Broadhead (*to 10 June 2012*) \*  
Dr Virginia Brooke  
Professor Mark d'Inverno (*to 31 August 2012*) \*  
Ms Althea Efunshile  
Dr Rupert Evenett  
Dr Andrea Gilroy (*11 June 2012 to 31 July 2012*) \*  
Mr James Grierson  
Mr James Haywood (*President of the Students' Union, 2011-12*)  
Dr Alison Henwood (*to 15 August 2012*)  
Mr Sebastian Hicks  
Mr Dan Lambert  
Mr Gerald Lidstone (*from 1 September 2012*) \*  
Mr Brian Lymbery  
Professor Simon McVeigh\*  
Mr Kenneth May (*to 31 August 2012*)  
Mr Dick Melly (*Clerk to the Goldsmiths' Company*)  
Ms Jackie Morgan (*from 1 September 2012*)  
Professor Richard Noble\*  
Mr Samson Osun (*President of the Students' Union, 2012-13*)  
Professor Jane Powell)\*  
Mr David Richards (*from 1 September 2012*)  
Ms Vivienne Rose (*from 1 September 2012*) \*  
Ms Cathy Runciman  
Ms Mary Stacey  
Dr Gareth Stanton\*  
Ms Colleen Toomey  
Dr Derval Tubridy (*from 1 September 2012*) \*  
Ms Jessica Wanamaker  
Mr Tom Williams (*to 31 August 2012*)  
Mr Philip Wright (*from 29 March 2012*)  
Dr Michael Young (*from 1 August 2012*) \*

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

\*Members of the College's staff

## Audit Committee

Dr Alison Henwood (*Chair to 16 August 2012*)  
Dr Rupert Evenett (*Chair from 1 October 2012*)  
Dr Virginia Brooke  
The Earl of Harrowby  
Mr Brian Lymbery  
Ms Cathy Runciman  
Mr Robert Russell  
Mr Frank Toop

## Senior Management Team

Mr Patrick Loughrey (*Warden*) (*Chair*)  
Professor Simon McVeigh (*Deputy Warden*)  
Professor Jane Powell (*Pro-Warden*)  
Dr Philip Broadhead (*Pro-Warden*) (*to 10 June 2012*)  
Dr Andrea Gilroy (*Interim Pro-Warden*) (*11 June 2012 to 31 July 2012*)  
Dr Michael Young (*Pro-Warden*)(*from 1 August 2012*)  
Mr Hugh Jones (*Registrar and Secretary*) (*to 31 March 2012*)  
Miss Catherine Swarbrick (*Interim Registrar and Secretary*) (*28 March 2012 to 31 July 2012*)  
Mrs Liz Bromley (*Registrar and Secretary*)(*from 1 August 2012*)  
Ms Sally Townsend (*Director of Finance*)

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# Operating and Financial Review

## Introduction

Goldsmiths, University of London 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, tolerance and diversity, 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.

We have been part of the University of London for over 100 years, and are ranked 9th in the UK for world-leading 4\* research (Research Assessment Exercise 2008). Our academic excellence is illustrated by our membership of the 1994 Group, which brings together a select number of research-focused universities. This year, we were ranked once again in the world's top 100 and UK's top 20 institutions for the Arts and Humanities and voted one of the top creative places to study by students.

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.

## Operating highlights

We are proud of our origins as a technical and recreative institute set up in 1891 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" and, as you will read in the Public Benefits section, we've shaped our access agreement around supporting the brightest and the best from Lewisham and the surrounding boroughs.

Goldsmiths alumni have, and continue to, change the world. Former students include Antony Gormley, Sam Taylor-Wood, Julian Clary, Mary Quant, Margaret Howell, Linton Kwesi Johnson, Bridget Riley, Tessa Jowell 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. Musicians Katy B and James Blake received Mercury Music Prize nominations not long after graduating, this year's shortlist included our tutors Sam Lee and his debut album and Dave Okumu, who produced Jessie Ware's debut album.

Our internationally-recognised Department of Media and Communications continues to shape industries across the globe and our academics have played a critical part in the ongoing debates about media reform and the Leveson Inquiry into Media ethics.

Our Department of Sociology research places it top in the UK and has won additional grants totalling over £1m to research areas such as the 'super-rich', poverty in India and urban sensory experiences; our Department of Computing continues to build strong partnerships with industries, including M&C Saatchi, and boasts employment in relevant fields for all students within two months of graduation. Our Department of Music built on its successful showcase Pure Gold by taking its launch event to a packed audience at the Southbank. Goldsmiths' academic success 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



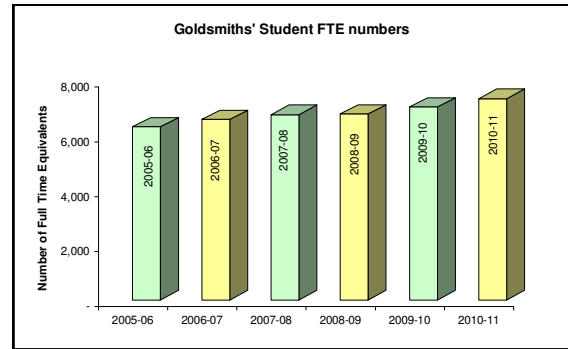
the institution, and the College is committed to attracting the most promising academic talent from a wide range of backgrounds. Further details on the specific actions that we are taking to build on this strong tradition are outlined in the Public Benefit Statement below.

Goldsmiths people played their part in the success of London 2012. Three representatives from staff and students took part in the 2012 Olympics torch relay, and we were one of only 30 UK institutions selected to do so. Five of the 12 official posters for the Olympic and Paralympic Games were commissioned from Goldsmiths alumni. Our Anthropology department produced impactful research into how socially inclusive design could encourage Muslim women's entry into sport.

Goldsmiths global reach was extended this year with a partnership with LASALLE College of the Arts in Singapore. A new Confucius Institute for Dance and Performance was launched on campus, the first in the world dedicated to Chinese dance and the arts which is funded in collaboration with the Beijing Dance Academy. The College also signed an agreement with Santander for £120,000 scholarship funding for students from Latin America.

**Students and staff**

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 academics. Our colleagues are award-winning, with accolades being won for teaching, professional services, publications, community events, social media and research. We aim to be at the forefront of accredited staff development and professional development opportunities are open to all colleagues. Alongside this, new academic staff are encouraged to undertake an in-house programme to develop teaching skills to enhance our students' learning experience.



Goldsmiths offers a 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; computing; and education, with interdisciplinary work across all areas. One significant development in 2011-12 was a review of professional and continuing education which led to the launch early in the new academic year of the Department of Social, Therapeutic and Community Studies, which will provide a new focus for the College's work with these professional groups. The unifying factors spanning these 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.

Goldsmiths is proud that our students graduate as confident, independent, passionate, engaged members of society who have a sense of possibility and optimism about the future. The College aims to equip our students with the necessary skills and knowledge for them to excel in whatever they decide to pursue after graduation. Employability remains a key strand of our offer to students, supported by experts from the Careers Service, Goldsmiths' Learning Enhancement Unit, the Students' Union and other specialist areas.

Over 1,400 students at Goldsmiths currently undertake some form of placement that is related to their studies. Recent placement organisations have included Google, the Barbican, Friends of the Earth and The Wall Street Journal. We have made a commitment to increase this number over the next two years and

have recruited a work placements manager to achieve this.

There has been real improvement in our National Student Survey results for 2011, especially those relating to students' satisfaction levels in general. The quality of our teaching – which has always been ranked highly – remains good. Overall, the College's score has increased from 4.0 to 4.1. This is considered a small but significant improvement and a promising indication that efforts to improve student satisfaction are beginning to work. A number of Departments have achieved significant success in increasing satisfaction levels, most notably Art, History, Sociology, Computing, Music and Psychology. Anthropology and Design also returned strong results.

Enhancing the quality of the student experience remains a key priority, evidenced by increased investment in the College's core estate and ongoing improvements to IT services and systems. The refurbishment of teaching rooms across the College has continued through a rolling programme for refurbishing and upgrading our main teaching spaces.

## Research and enterprise

There has been significant strategic investment in supporting research activity and the development of postgraduate research (PGR) students and research staff over the past year. In particular:

- The Research Office team has been enlarged and paid internships have been created, enabling dedicated support for our growing portfolio of international collaboration and funding applications and providing assistance for academic staff in developing and disseminating impact case studies.
- The College has fully funded five new doctoral studentships to match those awarded to Goldsmiths students via the ESRC doctoral training centre.
- Following a review of College systems and processes for supporting the career development of research staff, an action plan was created and implemented which led to the recent award of the European Commission HR Excellence in Research badge.

These investments are enabling implementation of various strategic

developments. In particular the Research and Enterprise Committee has overseen the establishment of three major initiatives:

- The Large Grants Strategy Group is chaired by Professor Burrows (Sociology) and involves a network of Goldsmiths academics who have themselves made or evaluated successful grant bids. The group has been constituted to (a) stimulate the development of high calibre applications, particularly those which benefit from interdisciplinarity; (b) provide internal critique, evaluation, and enhancement of applications; and (c) orchestrate complex bids for very large awards. It will both address pressing issues from Research Councils relating to demand management and enhance cross-departmental working and engagement.
- The Public Engagement Group, chaired by Professor French (Psychology), will develop, disseminate, and support a cross-College strategy to build on good practice in implementing the principles of the Concordat for Public Engagement with Research.
- The Impact Strategy Subgroup, chaired by Julie Taylor, Head of Enterprise, is taking oversight of a range of interconnecting mechanisms / policies / support systems relevant to maximizing the societal benefits of the College's research, and to share good practice across all academic departments.

There has also been a concerted focus on embedding the principles of the Concordat for the Career Development of Researchers. A Concordat Implementation Group oversaw the development of the action plan which culminated in the HR Excellence in Research award, and over the coming year will monitor progress and report to Research and Enterprise Committee.

The Enterprise Office is supported by the Higher Education Innovation Fund (HEIF). Goldsmiths' annual allocation for the period 2011-15 is £331,151. Although this is approximately 10% lower than in the previous HEIF round, the reduction is modest in comparison with those received by many other institutions with a similar disciplinary mix, and reflects our relatively strong

performance during the last three years. Thus the continuing investment recognises our achievements in developing strategic partnerships, supporting consultancy, and cultivating new research collaborations with external organisations. Recent partnerships have included:

- A strategic partnership with the BBC that secured a total of £1.2 million of funding through nine joint projects involving students and staff from five academic departments
- Goldsmiths' participation as a partner in a successful bid for a £4 million AHRC Knowledge Exchange Hub for the Creative Economy
- A range of consultancy projects in which industry partners in sectors such as design, marketing, social media, journalism, theatre and healthcare are working with academic researchers from departments including Computing, Cultural Studies, Design, Sociology and Psychology.

The continuing expansion of Goldsmiths' engagement in consultancy has been underpinned by the development and implementation, during 2011, of a new Consultancy Policy designed to incentivise and facilitate such activity in a flexible manner.

#### Research successes

Goldsmiths' researchers continue to be successful in bids to the UK research councils as well as winning funding from the European Research Council (ERC). The remit of the FP7 "Ideas" Programme is specifically to enable truly creative scholars to take risks by going beyond established frontiers of knowledge and crossing disciplinary boundaries.

Goldsmiths has been awarded a further three ERC Early Career grants this year, establishing the College as a significant force in innovative interdisciplinary research. These awards were to:

- Dr Campbell in the Department of Sociology: (€1.2m) for a project entitled 'The Gender of Justice'
- Dr Shah in the Department of Anthropology: €1.5m for a project on 'The Underbelly of the Indian Boom: Adivasis and Dalits'
- Dr Gabrys in the Department of Design: €1.5m for a project entitled

'Citizen Sensing and Environmental Practice: Assessing Participatory Engagements with Environments through Sensor Technologies'.

#### Research Councils UK Funding

Among a number of successful awards from UK funders, a notable success was a successful bid by Professor Burrows in the Department of Sociology for an award of £600,000 from the Economic and Social Research Council, for a project, in collaboration with colleagues at the University of York and King's College London, on "'Life in the 'Alpha Territory': London's "Super-Rich" Neighbourhood". Examples of numerous smaller RCUK awards include:

- 'What Calculations and Strategies Drive Young Migrants? An Investigation of the Traffic Between London, Hong Kong and Beijing', ESRC Bilateral (Hong Kong) award
- 'Bullying, Cyberbullying, and Pupil Safety and Well-Being', ESRC
- 'Design Patterns for Inclusive Collaboration', EPSRC
- 'Nuclear Culture: a curatorial exploration of the conceptual and cultural challenges of dismantling nuclear submarines', AHRC

#### REF2014 Preparation

The Research Excellence Framework (REF) is intended to provide a basis for assessing the quality of research across the whole higher education sector in the UK. Goldsmiths' Code of Practice for the Selection of Staff for REF2014 was submitted to HEFCE in April 2012 and approved in July 2012. REF Dry Run meetings have been conducted across all potential submissions this summer and initial decisions on selection of research activity to be included in the REF will be made in October / November 2012.

An Impact Case Study working group (reporting to our Research and Enterprise Committee) has identified potentially strong case studies for all submissions and is providing practical support and advisory input to the development of effective narratives. This work is progressing well, and has highlighted a diverse range of very positive and engaging work across all our departments and disciplines. The group is keen that these stories are disseminated in a variety of ways internally and externally, and as well as

showcasing them via relevant web pages, it is in the process of organising a 'Goldsmiths - Making a Difference' whole-day event in February 2013. This will be open to all our staff, members of Council, and external partners, and will also have a limited external guest list of interested stakeholders including representatives from Research Councils, HEFCE, and the University of London.

## Financial highlights

### Overview

The historic cost surplus was £2.5m in 2011-12 (down from £2.7m in 2010-11), a reduction of £0.2m in the year. The surplus on continuing operations continues to be strong. Goldsmiths will reinvest these surpluses in its infrastructure in order to continually improve the facilities provided for its students, staff and visitors to campus.

### Summary Outturn Statement 2011-12

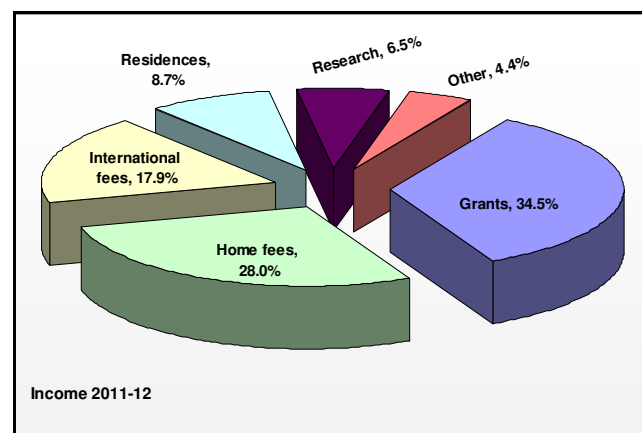
Financial Highlights			
	2011-12	2010-11	Change
	£'000	£'000	%
<b>Income</b>	<b>82,902</b>	<b>81,324</b>	1.9%
Staff	50,010	50,686	(1.3%)
Non Staff	31,168	28,712	8.6%
<b>Expenditure</b>	<b>81,178</b>	<b>79,398</b>	2.2%
Surplus on continuing operations	1,724	1,926	
<b>Historical cost surplus</b>	<b>2,519</b>	<b>2,720</b>	
% of Income	3.0%	3.3%	

### Income

Income in 2011-12 has increased by £1.6m to £82.9m, an overall increase of 1.9% from 2010-11. Following the trend in recent years, there has been increased income from tuition fees – predominantly reflecting growth in international student fee income – and a continuation of the increase in income generated from the College's residences, catering and conference facilities. Goldsmiths is seeking to increase its income by the provision of conferencing and related services to third parties, which are not funding body dependant, and this revenue increased to £1.1m in 2011-12 (2010-11: £1.0m). In line with the transition to the new fees regime and changes to funding across the sector, funding body grants recognised in the accounts fell by £3.1m in the year (a reduction of 9.8%). Research continues to perform strongly with an increase in income generated from research grants

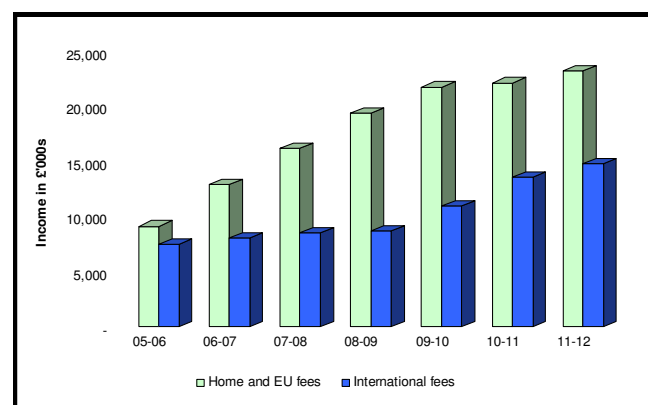
and contracts of £0.8m, or 19.4% in the year.

Goldsmiths' income was made up as follows in the last year:



### Tuition fees

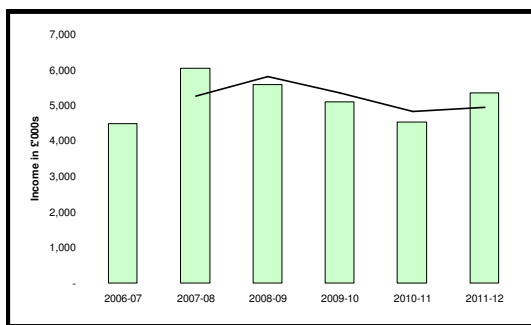
Total income from tuition fees and support grants has risen by 6.7% against the previous year to £38m in 2011-12 (2010-11: £35.7m). International fee income has shown growth in the year of 9%.



### 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, effectively reducing the 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 to thereby reduce Goldsmiths' reliance on funding from HEFCE. After a steady increase between 2005-06 and 2007-08, from what was a low baseline, there was a modest decline which has now been reversed and 2011-12 saw an increased income to £5.4m (2010-11: £4.5m). As noted above in the Operating Review, the improvement reflects considerable success in winning funding from the European Research Council (ERC) with a further three grants awarded during the year, establishing the College as a significant force in interdisciplinary research. An analysis of the "pipeline" for research grants indicates that 2012-13 research grant income will be in excess of that earned in both 2011-12 and 2010-11 on the basis of research grants awarded to date, thus stabilising and enhancing the College's research activity.

**Expenditure**

Total expenditure increased by £1.8m (2.2%) in the year. Savings have begun to flow from the voluntary severance scheme completed in 2011 and from continued emphasis on review of the cost base which it is anticipated will assist in controlling staff costs over the coming years. Other operating expenditure has increased by £2.4m or 8.6% in the year to £31.2m, with the most significant change being related to increased depreciation charges driven by capital investment in the estate.

**Balance Sheet review**

The College closed the year with net assets of £55.9m (after taking into account the pension liability of £18.4m), a net decrease of £4.1m from the position at 31 July 2011 of £59.9m. Excluding movements on the pension liability, there was an increase in net assets of £1.6m.

The year end cash and current asset investments position was £28.6m (2010-11: £27.4m).

**Capital expenditure**

Goldsmiths invested £5.2m in buildings and equipment assets during 2011-12 (2010-11: £5.0m). The College is committed to an extended programme of investment totalling £6.7m in 2012-13.

The key items of estates capital spend in the year were refurbishment of shared teaching spaces in the Richard Hoggart Building, significantly improving the quality of accommodation provision on campus, upgrades to the Music Wing facilities and improvements to accommodation for Psychology.

**Endowments**

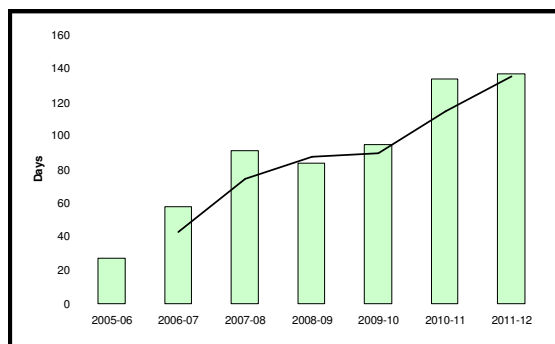
Goldsmiths' endowments are invested in bonds, a pooled equity fund and cash deposits to generate income to contribute to academic posts and other areas of expenditure, and to enhance the capital value of the fund over time. In 2011-12 the fund showed a change in market value of investments of £57k (2010-11: £39k). The value of endowment assets on the balance sheet has increased by a net £122k to £2.4m in the year (2010-11: £2.3m).

**Cash and investments**

Goldsmiths' cash and current asset balances have improved slightly during 2011-12, with a balance at year end of £28.6m (2010-11: £27.4m). The long term loan commitments have reduced by £0.6m in the year to £17.1m (2010-11: £17.7m). External borrowing at year end was 20.7% of income (2010-11: 21.6%). The loans include a loan from Lloyds TSB to fund the acquisition of halls of residences freeholds and further borrowing from both Lloyds and Royal Bank of Scotland to fund the construction of the New Academic Building. These facilities are provided unsecured subject to the College providing a negative pledge over all assets.

The chart below shows the amount of cash and cash equivalents held at the year end expressed in terms of number of days of expenditure. Our Financial Strategy included a target minimum cash balance of 40 days of expenditure and the table shows that it has been comfortably exceeded in the past five

years. This compares well with performance on liquidity across the sector.



### Going concern

The College's academic activities together with the factors likely to affect its future developments, performance and position are set out above in the operating sections of this 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 £28 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 Pensions Fund Authority (LPFA) pension scheme of which the University's administrative and support staff are members. The deficit has increased by £5.8m in the year to £18.4m (2010-11: £12.6m), which reflects a change in the actuarial value of the scheme assets as measured at 31 July 2012 by the LPFA scheme's actuaries. Academic staff are members of the Universities Superannuation Scheme

(USS). As member institutions of the USS are unable to identify their potential share of the underlying assets and liabilities of the USS scheme on a consistent and reasonable basis, the FRS 17 accounting standard requires that the scheme is accounted for as a defined contribution scheme. This means that the College does not include any scheme surplus or deficit in the balance sheet for USS.

### Risks and uncertainties

The College's approach to risk management aims to help Council Members and staff to consider risk, its probability and impact and to ensure that the controls in place for management and mitigation purposes operate 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. Further improvements are underway to ensure that risk is considered and risk management is embedded in decision-making across the College. Significant risks are routinely monitored, particularly at Senior Management Team meetings, and appropriate actions taken.

The changing funding regime has made management of financial risks arising from current and future challenges a priority this year. This has included the potential impact of changes in the structure of funding for higher education, the need to continue our work on delivering sustainable surpluses, and the requirement to maintain the College's long-term capital investment programme. We have made progress against our aim to have a sustainable 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: diversifying and increasing income; continuously improving the efficiency of our operations; and developing a capital plan which enables us to invest in the estate without financially over-committing the College. The potential impact of expected reductions in funding from both HEFCE and the Teaching Agency in advance of changes to fee levels were addressed during the year.

As I reported last year, 2011-12 appeared to be the first of a number of

“transition years” that will make it more challenging for the College to respond to changes in the higher education sector.

As a relatively small institution, we must continue to match our ambitions with our relatively restricted resources. The need to continue to adequately maintain our infrastructure and in particular our physical estate is highlighted as a key risk on our risk register. Significant reductions in capital funding from HEFCE, coupled with the challenging nature of our estate which includes a number of listed buildings which are more costly to maintain, means that this risk remains significant for the College. We have a strong capital investment plan, albeit one that we are likely to need to fund from current cash reserves, at least in the short term. The College’s objective to continue to improve student experience and knowledge production means that we must be both efficient and effective in the way we support our academic activities. 2011-12 also saw a significant increase in our investment in information systems to ensure that we are able to operate smoothly and effectively, and to provide good and reliable management information. We continue to improve the organisation and quality of support departments, and with a number of senior management changes underway we expect to make further progress on this over the coming year.

## Public benefit statement

### Public benefit

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

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

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

### Achieving public benefit: our strategy

In 2010-11 the College began an extended process of redevelopment of its Strategic Plan, and Council at its meeting on 28 March 2012 approved new Strategic Aims, grouped under four strategic “pillars” as follows:

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

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

### 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 establishment up to the present day, the College has nurtured its links with the local community developing a tradition of access, diversity and community engagement in our research, teaching and outreach activity. We do this in an overall context of simultaneous local, national and international recruitment across all academic departments, producing a richly diverse internal community to the benefit of all students.

The College offers a range of short courses and undergraduate and postgraduate degrees, and students from non-traditional educational backgrounds are welcomed. In addition, our research centre is committed to developing lifelong learning and community engagement, and provides innovative

programmes of study in community and youth work.

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

Commitment to Community

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

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

We also run innovative events for younger members of the local community and further afield who are invited to take part in our annual Big Draw campaign which comprises a wide range of drawing and storytelling activities led by our PGCE Art and Design and PGCE English

students. Design and delivery of the Big Draw event is now a fundamental element of these courses and attracts around 500 children and their family each year. In addition, local schools use the College Green for their sports days, and the Great Hall for concerts and other events, benefiting many hundreds of local children and further cementing our links with the local community.

### **Research Activities**

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

The College is mindful of the need to ensure proper separation of research activities for the public benefit, which describes most of the research carried out at Goldsmiths, from consultancy for private clients, or where there may be private benefit permitted for staff (within the framework of the College's new Consultancy Policy). The Enterprise Office, which nurtures our links with business and social enterprises, and the Research Office have recently been brought under a unified management line. All research applications and consultancy tenders will now go through the same office. The head of the unified office is ensuring that there are clear decision points in the processes to make sure that projects are correctly directed through either the research or the consultancy process.

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

### **Environment and Sustainability**

The Energy and Environmental Manager has a wide-ranging remit relating to making environmental improvements, including improvements in the energy efficiency of the campus.

Goldsmiths recently installed photovoltaic panels on the roof of the Richard Hoggart



Building and the New Academic Building. These will reduce carbon emissions by approximately 2% across the whole campus. The College has also managed to get our biomass boiler fully operational in the New Academic Building. This too will help to reduce carbon emissions by using a low carbon, renewable energy source. Our carbon emissions have continued to fall, and we saw a reduction of approximately 10% in the past two years. This was helped by: installing loft insulation and thermostatic radiator valves in about fifty houses owned by the College; setting a new Space Temperature Policy which states that no areas will be actively heated to a temperature above 20 degrees C; increased accuracy of utility bills by installing additional Automatic Meter Reading (AMR) technology; taking part in the Student Switch-Off campaign (an inter-halls of residence energy saving behaviour change initiative); and a rolling programme of improving the teaching spaces in the Richard Hoggart Building, which has included new energy efficient lighting, controls and overhauling the windows.

#### **Ethical Investment**

The College has an Ethical Investment Policy which precludes investment in companies whose activities are inconsistent with the objectives of its Charter (see above). The College will not invest in companies whose activities could be seen to endanger individuals, its community of stakeholders or other groups. This is one way in which the College helps to avoid any detriment or harm resulting from its activities.

## Looking forward

#### **Outlook**

Goldsmiths continues to provide research, research-led teaching, knowledge transfer and engagement with local, national and international communities. Our approach retains the ambitions of innovation, creativity and intellectual rigour. Although the environment in which we operate has become increasingly competitive and challenging, Goldsmiths' reputation remains strong as can be seen in the continued growth in the number of international students as well as the development of our partnership with

LaSALLE. The changes in funding for higher education will of course impact Goldsmiths, but we are confident that we will continue to thrive in these new conditions. We have robust plans in place to ensure that we will continue to provide high quality teaching, world-class research and a rewarding place to study and work.

While our expenditure has also been subject to upward pressure, the College has successfully undertaken action to control costs and the Goldsmiths 2015 programme has provided a framework and an impetus to undertake reviews of the services that we are currently providing. We will continue our drive through the coming year to improve the value for money achieved by the College in a way that aims to ensure a responsive, effective and stimulating working environment for all students and staff.

The new Strategic Plan for Goldsmiths will direct everything the College intends to achieve over the next five years reflecting both external influencing factors and drivers, and the characteristics that as an educational institution and a charity we aim to embody. Key to the success of the plan will be the engagement of everyone across Goldsmiths. This plan sets out how the College will respond to and flourish in the context of the changed funding for higher education and increased competition. From a financial perspective, the strategy continues to focus on increasing net income and outlines plans to diversify our income sources, building on and expanding our academic offering, brand and expertise.

We remain confident that the strategic and operational measures that we are taking will ensure we are in a position to respond to the challenges, and generate the surpluses necessary, for Goldsmiths to invest in its infrastructure, academic practice and the student experience.

#### **Conclusion**

Goldsmiths continues to invest in its staff, facilities and estate to ensure sustained improvements in its overall academic and financial performance while maintaining the essential characteristics that make Goldsmiths a leading and highly distinctive UK higher education institution.

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

Patrick Loughrey  
Warden

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# Corporate Governance and Internal Control

## Institutional Context

Goldsmiths' College (also known as "Goldsmiths, University of London") is a corporate body established by Royal Charter, and an exempt charity. It operates under a Financial Memorandum with the Higher Education Funding Council for England (HEFCE), which under the provisions of the Charities Act 2006 has since 1 June 2010 also been its Principal Regulator. The members of Council, the governing body of the College (listed at the beginning of this report), are also the trustees of the exempt charity. The College has had its own degree-awarding powers since 2010 but does not currently use them (although it has plans to do so in future in the context of a recently-established partnership with LASALLE College of the Arts, Singapore). The College has no linked ("paragraph w") charities.

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

## Responsibilities of Council

In accordance with the Charter and related Statutes, Council is responsible for oversight of the College's affairs, including ensuring an effective system of internal control (detailed below). The Primary Responsibilities (reserved powers) of Council were approved by Council in December 2003, minor amendments being introduced

subsequently, and are currently as follows:

- to ensure high standards of corporate governance to include integrity, objectivity, openness and transparency;
- to approve the Strategic Plan, and Key Performance Indicators to be used to monitor the performance of the College as a whole;
- to monitor the College's delivery against the Strategic Plan and Key Performance Indicators;
- to approve the College's Annual Report
- to receive copies of annual planning submissions to the Higher Education Funding Council for England;
- to approve the annual budget;
- to ensure that funds provided by the Higher Education Funding Council for England (HEFCE) are used in accordance with the Financial Memorandum, and that the conditions of funding of any other funding bodies, including the Teaching Agency (TA) and the Skills Funding Agency (SFA) are similarly met;
- to ensure that the College complies appropriately with other regulatory documents from the Higher Education Funding Council for England which are for the time being in force;
- to approve borrowing or loans above an agreed value;
- to approve contractual commitments over an agreed value and authorise College signatories;
- to approve the Financial Statements and accompanying reports, including the Corporate Governance Statement;
- to approve the appointment of the College's bankers, and internal and external auditors;
- to approve policies and strategies designed to ensure good financial and risk management, and to monitor the College's arrangements for risk management in ways which Council shall from time to time determine;

- to approve the Articles of Governance of the Goldsmiths Students' Union, the Memorandum of Understanding between the College and the Union, and procedures designed to ensure that the College complies with its legal responsibilities in relation to the Union 's conduct of its affairs
- to approve the College's Health and Safety Policy and Procedures and to monitor their implementation;
- to approve the sale, purchase and lease of College land over an agreed value and/or an agreed period of time;
- to approve building projects over an agreed value and monitor their progress;
- to approve employment policies and strategies to ensure compliance with employment legislation and guidance and to monitor their implementation;
- to approve recommendations made by a properly-constituted Redundancy Committee to make academic and academic-related staff redundancies;
- to approve procedures for handling internal grievances and for managing conflicts of interest;
- to appoint the Warden, the Registrar and Secretary and the Director of Finance, and to approve recommendations for the appointment of Pro-Wardens, including the Deputy Warden;
- to appoint the Secretary to Council;
- to ensure compliance with all legislation affecting the College;
- to act as appropriate in relation to the role of Council as trustees, and to ensure that the College complies with charity law, and with the requirements of HEFCE in its role as Principal Regulator;
- to agree proposed changes to the College's Statutes, Ordinances, General Regulations and Financial Regulations.
- The financial responsibilities of Council referred to in the Statement of Primary Responsibilities and in the Statutes, as well as the conditions of public funding to which the College is subject, mean that Council is responsible for keeping proper accounting records, enabling the financial position of the College to be determined with reasonable accuracy at any time, and adherence to the Statement of Recommended Practice: Accounting for Further and Higher Education and other relevant

accounting standards in the preparation of the Financial Statements.

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

## Committees of Council

Council is responsible for determining the Committee structures which report to it directly, except for Academic Board, the composition and broad institutional status of which is defined by Statute.

### Academic Board

Council has a statutory responsibility to consult Academic Board, which consists mainly of Heads of academic departments and elected representatives of these departments, in making decisions on academic matters. Academic Board has its own section of the committee structure reporting to it and, although Council is responsible for the determining the overall design of the committee system and the Standing Orders for committees, Academic Board has autonomy in matters relating specifically to the terms of reference and compositions (constitutions) of its own committees. The most senior committees of Academic Board are Academic Development Committee, Learning and Teaching Quality Committee and Research and Enterprise Committee, and the Annual Reports of these committees are received by Council as well as Academic Board.

### Finance and Resources Committee

The Committee, among other important functions, recommends the annual budget of the College for approval by Council each Summer term and conducts termly reviews of the Management Accounts. It consists of independent members of Council (one of whom is Chair), the Warden and the President of the Students' Union.

### **Audit Committee**

The Audit Committee has terms of reference based on the Model Terms of Reference in the CUC Handbook for Members of Audit Committees in Higher Education Institutions, published as HEFCE 2008/06. Its primary responsibility is to provide Council with assurances and advice which enables Council to approve the Financial Statements (please see further under Internal Control below). Since Autumn 2011, the draft Financial Statements have also been considered by Finance and Resources Committee, which meets before Audit Committee, in order to provide advice to Audit Committee as necessary.

### **Other Committees**

Human Resources Committee, Estates Committee and External Relations Committee all have responsibilities in specific strategic areas on which they report to Council both on a regular annual basis and as the need arises. Nominations Committee makes recommendations to Council on the appointment of independent members to Council and to its committees. Remuneration Committee has delegated power to determine the salaries of senior staff but reports to Council annually on the general principles on which it operates.

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

### **CUC Governance Code of Practice**

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 key performance indicators, where the need for a continuous process of review and enhancement is clear). 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.

### **Internal Control**

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

The system of internal control is designed to manage rather than eliminate the risk of failure to achieve strategic aims; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system is based on an 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 2012 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 control, which is designed to discharge the responsibilities set out above, include the following:

- a comprehensive medium and short-term planning process, supplemented by detailed annual income, expenditure, capital and cash flow budgets;
- periodic reviews of key performance indicators, and consideration of actual indicators annually;
- continuous review of risk exposure by the Risk Management Sub-Committee, chaired by the Registrar and Secretary, operating within a

Risk Management Policy and Methodology approved by Council in March 2010 (under review for proposed change with effect from Spring 2013);

- reporting by the Risk Management Sub-Committee to the Senior Management Team (its parent body), with changes proposed for 2012-13 to improve reporting and accountability for risk management;
- consideration of major initiatives involving financial or reputational risk, whether academic or non-academic (eg large-scale new collaborative provision);
- at least three times per year reviews of Management Accounts by Finance and Resources Committee;
- reporting and updates of forecast out-turns;
- clear definitions of the responsibilities of, and the authority delegated to, Heads of Departments and Directors of Academic Areas
- clearly-defined and formalised requirements for approval and control of expenditure, with investment decisions involving capital or revenue expenditure being subject to formal detailed appraisal and review according to approved levels set by the Council;
- Financial Regulations, together with a table of Financial Authority Limits for committees, approved by Council, supported by more detailed financial controls and procedures published by the Finance Department and by specialist policy documents (eg on fraud and whistleblowing) approved by Council, 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 (and which enables the publication of a Register of Interests);
- reports on the outcomes of major external audits of academic quality.

Internal Audit has noted that there was limited assurance in 2011-12 around risk management arrangements within the College but these concerns are being addressed by management through new arrangements for 2012-13. There are no other significant internal control issues to report for 2011-12 or up to November 2012, as defined by HEFCE guidance.

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

- receipt of Audit Committee Minutes, detailing the Committee's oversight of internal control procedures, including receipt of regular reports from the Head of Internal Audit;
- continuing initiatives to develop a more robust approach to the management of risk and value for money, for which formally-constituted sub-committees have been established;
- oversight by Audit Committee of issues related to data quality;
- receipt of Annual Reports from its most senior committees;
- the receipt of reports from managers concerning progress on key projects (or alternatively receipt of assurances from other designated committees that such reports are being received by those Committees on Council's behalf.

Council's ongoing review of the effectiveness of the system of internal control is informed by 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.

# Independent Auditors' Report to the Council of Goldsmiths' College

We have audited the financial statements of Goldsmiths' College for the year ended 31 July 2012 which comprise the Income and Expenditure Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement and the related notes 1 to 35. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and the Statement of Recommended Practice: Accounting for Further and Higher Education.

This report is made solely to the governing body in accordance with the financial memorandum effective August 2010. Our audit work has been undertaken so that we might state to the Council of Goldsmiths' College (as governing body) those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Council as a body, for our audit work, for this report, or for the opinions we have formed.

## **Respective responsibilities of the governing body and auditor**

As explained more fully in the Council's Responsibilities Statement within the Corporate Governance and Internal Control statement above, the Council is responsible for the preparation of the financial statements that give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

## **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the College's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the governing body; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the College's affairs as at 31 July 2012 and of its surplus for the year then ended; and
- 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.



**Opinion on other matters prescribed by the Higher Education Funding Council for England Audit Code of Practice**

In our opinion:

- in all material respects, income from the funding council and the Teaching Agency (formerly the Training and Development Agency for Schools), grants and income for specific purposes and from other restricted funds administered by the College during the year ended 31 July 2012 have been applied for the purposes for which they were received; and
- in all material respects, income during the year ended 31 July 2012 has been applied in accordance with the College's statutes and, where appropriate, with the financial memorandum with the funding council and the funding agreement with the Teaching Agency (formerly the Training and Development Agency for Schools).

**Matter on which we are required to report by exception**

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

- the Statement of Internal Control (included as part of the Corporate Governance Statement) is inconsistent with our knowledge of the College.

**Deloitte LLP**

Chartered Accountants and Statutory Auditor  
St Albans  
29 November 2012

# Income and Expenditure account

for the year ended 31 July 2012

	Note	2012	2011
		£'000	£'000
<b>INCOME</b>			
Funding body grants	2	28,458	31,588
Tuition fees and support grants	3	38,063	35,676
Research grants and contracts	4	5,419	4,538
Other operating income	5	10,680	9,334
Endowment and investment income	6	282	188
<b>Total Income</b>		<b>82,902</b>	<b>81,324</b>
<b>EXPENDITURE</b>			
Staff costs	7	50,010	50,686
Other operating expenses	9	23,886	22,022
Depreciation of tangible fixed assets	12	5,036	4,543
Interest and other finance costs	10	2,246	2,147
<b>Total Expenditure</b>		<b>81,178</b>	<b>79,398</b>
<b>Surplus on continuing operations after depreciation of tangible fixed assets at valuation and before taxation</b>		<b>1,724</b>	<b>1,926</b>
Taxation	11	0	0
<b>Surplus after depreciation of tangible fixed assets</b>		<b>1,724</b>	<b>1,926</b>
Transfer (to)/from accumulated income within specific endowments		15	33
<b>Surplus for the year retained within general reserves</b>		<b>1,739</b>	<b>1,959</b>
<b>NOTE OF HISTORICAL COST SURPLUSES AND DEFICITS for the year ended 31 July 2012</b>			
	Note	2012	2011
		£'000	£'000
<b>Surplus on continuing operations after depreciation of tangible fixed assets at valuation and taxation</b>		<b>1,724</b>	<b>1,926</b>
Difference between historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	22	794	794
<b>Historical cost surplus for the period after taxation</b>		<b>2,518</b>	<b>2,720</b>
None of the College's major activities were acquired or discontinued during the above financial years			

The notes on pages 28 to 46 form part of the financial statements

# Statement of Total Recognised Gains and Losses

for the year ended 31 July 2012

	Note	2012	2011
		£'000	£'000
Surplus on continuing operations after depreciation of tangible fixed assets at valuation and tax		1,724	1,926
Appreciation of endowment asset investments	20	58	39
New endowment funds	20	79	116
Actuarial (loss) / gain recognised in pension scheme	30	(5,311)	2,519
<b>Total recognised (losses) / gains relating to the year</b>		<b>(3,450)</b>	<b>4,600</b>
<b>Reconciliation</b>			
Opening reserves and endowments		32,198	27,598
Total recognised (losses) / gains for the year		(3,450)	4,600
<b>Closing reserves and endowments</b>		<b>28,748</b>	<b>32,198</b>

*The notes on pages 28 to 46 form part of the financial statements*

# Balance Sheet at 31 July 2012

	Note	2012	2011
		£'000	£'000
<b>Fixed Assets</b>			
Tangible assets	12	87,944	87,780
Investments	13	28	28
		<b>87,972</b>	<b>87,808</b>
<b>Endowment Assets</b>	<b>14</b>	<b>2,462</b>	<b>2,340</b>
<b>Current Assets</b>			
Debtors	15	6,286	5,760
Investments - cash deposits	13	11,100	13,000
Cash at bank and in hand	29	16,131	14,427
		<b>33,517</b>	<b>33,187</b>
Less: Creditors - amounts falling due within one year	16	(15,691)	(17,334)
<b>Net current assets</b>		<b>17,826</b>	<b>15,853</b>
<b>Total assets less current liabilities</b>		<b>108,260</b>	<b>106,001</b>
Less: Creditors - amounts falling due after more than one year	17	(26,456)	(27,217)
Less: Provisions for liabilities	18	(7,564)	(6,173)
<b>Total net assets excluding pension liability</b>		<b>74,240</b>	<b>72,611</b>
Net pension liability	30	(18,367)	(12,641)
<b>TOTAL NET ASSETS INCLUDING PENSION LIABILITY</b>		<b>55,873</b>	<b>59,970</b>
<b>Represented by:</b>			
<b>Deferred capital grants</b>	<b>19</b>	<b>27,125</b>	<b>27,772</b>
<b>Endowments</b>			
Expendable	20	362	334
Permanent	20	2,100	2,006
		<b>2,462</b>	<b>2,340</b>
<b>Reserves</b>			
Income and expenditure account excluding pension reserve		22,218	19,270
Pension reserve		(18,367)	(12,641)
<b>Income and expenditure account including pension re:</b>	<b>21</b>	<b>3,851</b>	<b>6,629</b>
Revaluation reserve	22	22,435	23,229
		<b>26,286</b>	<b>29,858</b>
<b>TOTAL FUNDS</b>		<b>55,873</b>	<b>59,970</b>

The financial statements on pages 24 to 46 were approved by the Council on 29 November 2012 and signed on its behalf by:

**Estelle Morris**

Baroness Morris of Yardley  
Chair of Council

**Pat Loughrey**

Patrick Loughrey  
Warden

# Cash Flow Statement

for the year ended 31 July 2012

	Note	2012	2011
		£'000	£'000
Net cash inflow from operating activities	25	6,505	9,880
Returns on investments and servicing of finance	26	(1,522)	(1,525)
Capital expenditure and financial investment	27	(4,438)	(4,586)
Management of liquid resources	29	1,900	(3,499)
Financing	28	(677)	4,272
<b>Change in cash in the period</b>		<b>1,768</b>	<b>4,542</b>
<b>Reconciliation of net cash flow to movement in net funds</b>			
Change in cash in the period		1,768	4,542
Movement in current asset investments		(1,900)	3,499
Reduction / (increase) in loans	28	677	(4,272)
<b>Change in net funds</b>		<b>545</b>	<b>3,769</b>
Opening net funds / (debt) at 1 August		710	(3,059)
<b>Closing net funds at 31 July</b>	29	<b>1,255</b>	<b>710</b>

*The notes on pages 28 to 46 form part of the financial statements*

# Notes to the Accounts

## 1. Principal accounting policies

### 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.

### 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.

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:

<b>Land and Buildings</b>	<b>Per Annum</b>
Freehold Land	NIL
Buildings (long-term)	2.5%
Buildings (long-term refurbishments)	5%
Buildings (short-term refurbishments)	10%
Leasehold Asset held under finance lease	4%

<b>Other Assets</b>	<b>Per Annum</b>
Library stacks	10%
Administrative computer systems	20%
Other plant and equipment	33.33%
Art works and artefacts	NIL

**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 current asset

investments held as readily disposable stores of value. They include government securities and loan stock held as part of the College's treasury management activities. Short-term deposits are treated as liquid resources and classified as current asset investments provided that they are readily convertible into known amounts of cash at or close to their carrying amounts and that their maturity date is within 12 months of the year end.

**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 Pensions 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 30 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.

## 2. Funding body grants

	<b>2012</b>	<b>2011</b>
	<b>£'000</b>	<b>£'000</b>
<b>Recurrent grants</b>		
Higher Education Funding Council for England	23,235	25,180
Teaching Agency	2,879	3,447
Learning and Skills Council	0	179
<b>Specific grants</b>		
Higher Education Funding Council for England	936	1,252
Teaching Agency	64	218
<b>Deferred capital grants released in year</b>		
Buildings (note 19)	1,332	1,300
Equipment (note 19)	12	12
	<b>28,458</b>	<b>31,588</b>
<p>The Teaching Agency took over responsibility for teacher training activities in April 2012 from the Training and Development Agency for Schools (TDA).</p>		

## 3. Tuition fees and support grants

Full-time Home and EU student fees	20,156	19,237
International student fees	14,764	13,551
Part-time student fees	2,516	2,212
Short course fees	583	518
Research training support grants	44	158
	<b>38,063</b>	<b>35,676</b>
<p>Fees funded through the United States Family Education Loan Programme amounted to £771k (2011 £889k) and represented 2.21% (2011 2.72%) of total full-time fees.</p>		

#### 4. Research grants and contracts

	<b>2012</b>	<b>2011</b>
	<b>£'000</b>	<b>£'000</b>
Research Councils	2,127	1,880
UK-based charities	376	326
Other grants and contracts	2,916	2,332
	<b>5,419</b>	<b>4,538</b>

#### 5. Other operating income

Residences, catering and conferences	7,207	7,028
Other services rendered	1,916	815
Other income	1,557	1,491
	<b>10,680</b>	<b>9,334</b>

#### 6. Endowment and investment income

Income from expendable endowments (note 20)	3	1
Income from permanent endowments (note 20)	41	40
Other interest receivable	238	147
	<b>282</b>	<b>188</b>

## 7. Staff costs

	<b>2012</b>	<b>2011</b>
The average weekly number of persons (including senior post-holders) employed by the College during the period, expressed as full-time equivalents, was:		
	<b>Number</b>	<b>Number</b>
Teaching and research	411	456
Administrative	330	334
Other	131	112
	<u><b>872</b></u>	<u><b>902</b></u>
	<b>£'000</b>	<b>£'000</b>
Salaries and wages	41,047	41,552
Social security costs	3,179	3,145
Other pension costs (note 30)	5,315	5,510
Restructuring costs	469	479
	<u><b>50,010</b></u>	<u><b>50,686</b></u>
Academic departments	30,792	31,366
Academic services	3,579	3,340
Research grants and contracts	2,947	2,694
Residences, catering and conferences	761	723
Premises	1,957	2,376
Administration	7,950	7,784
General educational	1,346	1,110
Other services rendered	485	509
Other	193	784
	<u><b>50,010</b></u>	<u><b>50,686</b></u>

## 8. Senior staff remuneration

The emoluments of the Warden's post were:		
Remuneration	206	206
USS pension contributions (paid at the same rates as for other academic staff)	33	33
	<u><b>239</b></u>	<u><b>239</b></u>
Remuneration of other higher paid staff, excluding employer's pension contributions, fall in the following bands:		
	<b>Number</b>	<b>Number</b>
£100,000-£109,999	-	-
£110,000-£119,999	-	1

## 9. Other operating expenses

NOTES TO THE ACCOUNTS for the year ended 31 July 2012		
9. OTHER OPERATING EXPENSES		
	2012	2011
	£'000	£'000
Academic departments	2,990	3,371
Academic services	1,875	1,923
Research grants and contracts	1,167	870
Residences, catering and conferences	4,122	3,492
Premises	5,901	4,280
Administration	3,476	4,074
General educational	3,955	3,801
Other services rendered	400	211
<b>Total</b>	<b>23,886</b>	<b>22,022</b>
Other operating expenses include:		
External auditors' remuneration in respect of the audit of the Financial Statements	53	52
External auditors' remuneration in respect of other audit services	6	30
Internal auditors' remuneration in respect of audit services	99	67
Operating leases (property)	684	660
Council expenses	6	4

## 10. Interest and other finance costs

Loans not wholly repayable within five years	890	775
Finance leases	914	939
Net interest on LPFA pension scheme liabilities (note 30)	442	433
	<b>2,246</b>	<b>2,147</b>

## 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 Freehold	Buildings Assets held under finance leases	Fixtures Fittings & Equipment	Art Works	Assets in course of construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Valuation/cost</b>						
At 1 August 2011						
Valuation	44,350		7,537	23	1,482	44,350
Cost	68,242	11,884	7,537	23	1,482	89,168
Additions	3,308	-	894	-	998	5,200
Transfers	1,206	-	78	-	(1,284)	-
Disposals	-	-	-	-	-	-
<b>At 31 July 2012</b>						
Valuation	44,350		8,509	23	1,196	44,350
Cost	72,755	11,884	8,509	23	1,196	94,367
<b>Total</b>	<b>117,105</b>	<b>11,884</b>	<b>8,509</b>	<b>23</b>	<b>1,196</b>	<b>138,717</b>
<b>Depreciation</b>						
At 1 August 2011	33,216	5,874	6,647	-	-	45,737
Charge for year	3,772	539	725	-	-	5,036
Disposals	-	-	-	-	-	-
<b>At 31 July 2012</b>	<b>36,988</b>	<b>6,413</b>	<b>7,372</b>	<b>-</b>	<b>-</b>	<b>50,773</b>
<b>Net book value</b>						
At 31 July 2012	80,117	5,471	1,137	23	1,196	87,944
At 1 August 2011	79,375	6,010	890	23	1,482	87,780

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 £7.587m.

## 13. Investments

<b>(i) Fixed Asset Investments</b>	2012	2011
	£'000	£'000
	28	28
<p>Fixed asset 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.</p> <p>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.</p>		
<b>(ii) Current Asset Investments</b>		
Cash deposits maturing within one year	11,100	13,000
<p>The College has considered the classification under FRS 1 of short term deposits not immediately available and has therefore disclosed short term deposits totalling £11.1m (2011: £13.0m) formerly shown under Cash in hand and at bank.</p>		

## 14. Endowment asset investments

	<b>2012</b>	<b>2011</b>
	<b>£'000</b>	<b>£'000</b>
Balance at 1 August	2,340	2,218
Additions	63	83
Appreciation in market value	59	39
Balance at 31 July	<b>2,462</b>	<b>2,340</b>
Represented by:		
UK Equities	1,014	956
Cash balances	1,448	1,384
Total	<b>2,462</b>	<b>2,340</b>

## 15. Debtors

Amounts falling due within one year		
Student debtors	1,550	1,321
Other debtors	2,500	2,833
Prepayments and accrued income	2,236	1,606
	<b>6,286</b>	<b>5,760</b>

## 16. Creditors: amounts falling due within one year

Mortgages and unsecured loans	533	526
Obligations under finance leases (note 23)	434	357
Trade creditors	4,125	4,096
Social security and other taxation payable	1,064	1,092
Accruals and deferred income	9,535	11,263
	<b>15,691</b>	<b>17,334</b>

## 17. Creditors: amounts falling due after more than one year

Unsecured loans	17,119	17,652
Obligations under finance leases (note 23)	9,337	9,565
	<b>26,456</b>	<b>27,217</b>
<p>A 30 year loan from Lloyds TSB plc was taken out in December 2006. 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.</p> <p>A 30 year loan from RBS of £10 million was taken out in December 2009 to part finance the construction of the New Academic Building, £5 million of this loan was drawn down during 2009-10 and a further £5 million was drawn down during 2010-11.</p> <p>These facilities have been provided unsecured subject to the College providing a negative pledge over all assets.</p>		

## 18. Provisions for liabilities

	<b>2012</b>	<b>2011</b>
	<b>£'000</b>	<b>£'000</b>
At 1 August	6,173	3,896
Utilised in year	(384)	(750)
Charged to the Income and Expenditure Account	1,775	3,027
<b>At 31 July</b>	<b>7,564</b>	<b>6,173</b>

The majority of this provision is to cover the cost of transferring hourly paid staff to fractional posts, with the remainder mainly relating to costs associated with departmental restructuring. The provision for fractional posts is expected to start to unwind during 2012-13

## 19. Deferred capital grants

<b>At 1 August</b>		
Buildings	27,723	28,692
Equipment	48	0
<b>Total</b>	<b>27,771</b>	<b>28,692</b>
<b>Cash received</b>		
Buildings	698	331
Equipment	0	60
<b>Total</b>	<b>698</b>	<b>391</b>
<b>Released to Income and Expenditure Account</b>		
Buildings depreciation (note 2)	1,332	1,300
Equipment depreciation (note 2)	12	12
<b>Total</b>	<b>1,344</b>	<b>1,312</b>
<b>At 31 July</b>		
Buildings	27,089	27,724
Equipment	36	48
<b>Total</b>	<b>27,125</b>	<b>27,772</b>



## 20. Endowments

			2012	2011
	Restricted Expendable £'000	Restricted Permanent £'000	Restricted Total £'000	Restricted Total £'000
At 1 August				
Capital	322	1,859	2,181	2,052
<b>Accumulated income</b>	12	147	159	166
	<b>334</b>	<b>2,006</b>	<b>2,340</b>	<b>2,218</b>
Income for year (note 6)	3	41	44	41
Expenditure	(54)	(5)	(59)	(73)
New funds	79	0	79	116
<b>Increase/(Decrease) in market value of investments</b>	0	58	58	39
<b>At 31 July</b>	<b>362</b>	<b>2,100</b>	<b>2,462</b>	<b>2,340</b>
<b>Represented by:</b>				
Capital			2,220	2,181
Accumulated income			242	159
			<b>2,462</b>	<b>2,340</b>

## 21. Income and expenditure account

	2011 £'000	2010 £'000
Balance at 1 August	6,629	1,357
Releases from revaluation reserve (note 22)	795	794
Surplus after depreciation of assets at valuation and tax	1,739	1,959
Actuarial (loss) / gain on LPFA pension scheme (note 30)	(5,311)	2,519
<b>As at 31 July</b>	<b>3,852</b>	<b>6,629</b>

## 22. Revaluation reserve

Land and buildings at 1 August	23,229	24,023
Contributions to depreciation (note 21)	(794)	(794)
<b>As at 31 July</b>	<b>22,434</b>	<b>23,229</b>

### 23. Lease obligations

	2012	2011
	£'000	£'000
<b>Obligations under finance leases fall due as follows:</b>		
Between two and five years	2,685	2,285
Over five years	6,652	7,280
<b>Total over one year (note 17)</b>	<b>9,337</b>	<b>9,565</b>
Within one year (note 16)	228	357
<b>Total</b>	<b>9,565</b>	<b>9,922</b>
<b>Operating lease commitments for the forthcoming financial year are as follows:</b>		
Land and Buildings - leases expiring after 5 years	684	664
	<b>684</b>	<b>664</b>

### 24. Capital commitments and contingent liabilities

Capital commitments contracted as at 31 July	1,119	1,651
Capital expenditure authorised but not contracted as at 31 July	5,014	2,685
	<b>6,133</b>	<b>4,336</b>

### 25. Reconciliation of operating surplus to net cash

Surplus for the year	1,739	1,959
Pension costs less contributions payable	415	531
Depreciation	5,036	4,543
Contribution to depreciation from capital grants	(1,344)	(1,312)
Investment income	(282)	(188)
Loan interest paid	1,804	1,714
Decrease/(increase) in debtors	(526)	(646)
Increase/(decrease) in creditors	(1,728)	1,002
Increase in provisions	1,391	2,277
<b>Net cash inflow from operations</b>	<b>6,505</b>	<b>9,880</b>

### 26. Returns on investments and servicing of finance

Income from endowments and specific funds (note 6)	44	41
Other interest receivable (note 6)	238	147
Interest paid (note 10)	(1,804)	(1,713)
	<b>(1,522)</b>	<b>(1,525)</b>

## 27. Capital expenditure and financial investments

	<b>2012</b>	<b>2011</b>
	<b>£'000</b>	<b>£'000</b>
Payments to acquire tangible fixed assets (note 12)	(5,200)	(5,060)
Deferred capital grants received (note 19)	699	391
Endowment and specific fund additions and income (note 14)	63	83
	<b>(4,438)</b>	<b>(4,586)</b>

## 28. Financing

Loans facility drawdown	0	5,000
Existing loan redemptions	(526)	(440)
Capital element of finance lease repayment	(151)	(288)
	<b>(677)</b>	<b>4,272</b>

## 29. Analysis of changes in net debt

	<b>At 1 August 2011 £'000</b>	<b>Cash Flow £'000</b>	<b>Other Changes £'000</b>	<b>£'000</b>
			<b>0</b>	<b>At 31 July 2012 £'000</b>
Cash at bank and in hand				
Endowment Asset Investment	1,384	64	0	1,448
Other Cash	14,427	1,703	0	16,130
Current Asset Investments (note 13)	13,000	(1,900)	0	11,100
Debts due within one year	(884)	884	(967)	(967)
Debts due after more than one year	(27,217)	(206)	967	(26,456)
	<b>710</b>	<b>545</b>	<b>0</b>	<b>1,255</b>

### 30. Pension schemes

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

#### **Universities Superannuation Scheme (Goldsmiths)**

USS is 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 2012, the College had 692 active members participating in the scheme.

Employer contributions to the USS are determined by the trustee on the advice of the scheme actuary. The employer's contribution rate was increased from 14 to 16 percent on 1 October 2009, based on the triennial actuarial valuation carried out as at 31 March 2008. The latest formal triennial actuarial valuation was performed as at 31 March 2011. The contribution rate will be reviewed as part of each valuation and may be reviewed more frequently.

USS is a 'last man standing' scheme so that in the event of the insolvency of any of the participating employers, 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.

With effect from 1 October 2011, new joiners to the scheme have joined the new revalued benefits section rather than the final salary section. In the long term, this change will have an impact, expected to be positive, on the future funding levels.

At 31 March 2012 the actuary has estimated that the funding level under the scheme had fallen from 92% at 31 March 2011 to 77% (equivalent to a deficit of £9.8 billion). The deterioration in performance was largely attributed to the reduction in yields on UK government bonds, leading to the discounting of expected future cash flows. The trustee board has opted not to call for an immediate increase in employer's contributions to the scheme but will keep the position under review. The medium-term recovery plan envisages employer's contributions potentially rising by 2 percentage points from 1 April 2017. The employee's contribution rate for the final salary section of the scheme increased to 7.5%. The estimated employer's contributions for 2012-13 are expected to be around £4.3m.

Because of the mutual nature of the scheme, the scheme's assets are not attributable to individual institutions and therefore scheme-wide contribution rates are 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 schemes. 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.

#### **London Pensions Fund Authority Local Government Pensions Scheme**

The London Pensions 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 2010, with the next formal valuation due as at 31 March 2013. In accordance with Financial Reporting Standard ('FRS') 17, the actuarial valuation at 31 March 2010 has been reviewed and updated as at 31 July 2012 based upon the annual financial assumptions shown below.

### 30. Pension schemes *continued*

#### London Pensions Fund Authority Local Government Pensions Scheme *continued*

The assumed life expectations from age 65 are:						
				<b>Males</b>	<b>Females</b>	
Retiring today				20	24	
Retiring in 20 years				22	25	
				<b>2012</b>	<b>2011</b>	
RPI increases				2.6%	3.5%	
CPI increases				1.8%	2.7%	
Salary increases				3.5%	4.5%	
Pension increases				1.8%	2.7%	
Discount rate				3.9%	5.3%	
The employer's pension fund assets and expected rate of return as at 31						
		<b>Expected rate of</b>		<b>Fair value as at:</b>		
		<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>	
		<b>% per</b>	<b>% per</b>	<b>£'000</b>	<b>£'000</b>	
		<b>annum</b>	<b>annum</b>			
Equities		5.6%	6.8%	17,482	17,224	
Target return portfolio		4.3%	4.5%	2,462	2,746	
Alternative assets		4.6%	5.8%	3,940	3,495	
Cash		0.5%	3.0%	739	998	
Other bonds		n/a	5.3%	0	499	
<b>Total expected return (weighted average)</b>		<b>5.2%</b>	<b>6.2%</b>	<b>Total 24,623</b>	<b>24,962</b>	
The following results were measured in accordance with the requirements of FRS17, based on the assumptions summarised above:						
	<b>Present value of defined benefit</b>		<b>Fair value of scheme assets</b>		<b>Net liability recognised in the balance sheet</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Opening	(37,603)	(37,402)	24,962	22,773	(12,641)	(14,629)
Current service cost	(1,035)	(1,313)	0	0	(1,035)	(1,313)
Interest cost	(1,977)	(1,941)	0	0	(1,977)	(1,941)
Contributions by members	(374)	(425)	374	425	0	0
Actuarial gain/(loss)	(4,063)	1,959	(1,248)	560	(5,311)	2,519
Past service cost from move to CPI	0	0	0	0	0	0
Impact of settlements and curtailments	(65)	(98)	0	0	(65)	(98)
Contributions by employer	0	0	1,127	1,288	1,127	1,288
Contributions - unfunded benefits	0	0	0	25	0	25
Expected return on assets	0	0	1,535	1,508	1,535	1,508
Estimated unfunded benefits paid	24	(25)	0	0	24	(25)
Estimated benefits paid	2,103	1,642	(2,127)	(1,617)	(24)	25
<b>Closing defined benefit obligation</b>	<b>(42,990)</b>	<b>(37,603)</b>	<b>24,623</b>	<b>24,962</b>	<b>(18,367)</b>	<b>(12,641)</b>

### 30. Pension schemes *continued*

#### London Pensions Fund Authority Local Government Pensions Scheme *continued*

<b>Amounts for Current and Previous Periods</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Defined benefit obligation (present value of scheme liability)	(42,990)	(37,603)	(37,402)	(34,902)	(29,006)
Fair value of scheme assets	24,623	24,962	22,773	19,798	20,281
<b>Surplus/(deficit)</b>	<b>(18,367)</b>	<b>(12,641)</b>	<b>(14,629)</b>	<b>(15,104)</b>	<b>(8,725)</b>
<b>Analysis of the amount charged to staff costs within the operating surplus</b>				<b>2012</b>	<b>2011</b>
				<b>£'000</b>	<b>£'000</b>
Current service cost				1,035	1,313
Past service cost				0	0
Curtailments and settlements				65	98
<b>Total operating charge</b>				<b>1,100</b>	<b>1,411</b>
<b>Analysis of the amount charged to interest payable</b>					
Expected return on pension scheme assets				1,535	1,508
Interest on pension scheme liabilities				(1,977)	(1,941)
<b>Net charge</b>				<b>(442)</b>	<b>(433)</b>
<b>Projected pension expenses for the year to 31 July 2013</b>					
Service cost				1,209	
Interest on pension scheme liabilities				1,667	
Return on assets				(1,254)	
<b>Net charge</b>				<b>1,622</b>	
Employer contributions				1,054	
<b>Amount recognised in Statement of Total Recognised Gains and Losses (STRGL)</b>					
	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Cumulative actuarial gains/(losses) at 1 August	(1,990)	(4,509)	(5,636)	566	2,547
Actuarial (losses)/gains recognised in STRGL	(5,311)	2,519	1,127	(6,202)	(1,981)
<b>Cumulative actuarial (losses)/gains at 31 July</b>	<b>(7,301)</b>	<b>(1,990)</b>	<b>(4,509)</b>	<b>(5,636)</b>	<b>566</b>

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 2012 was £1,127k (2011:£1,313k).

### 31. Hardship Fund

	2012	2011
	£'000	£'000
Balance at 1 August	33	26
HEFCE grant received	152	154
Interest earned	1	1
Disbursed to students and administration	(149)	(148)
<b>Underspent at 31 July</b>	<b>37</b>	<b>33</b>

### 32. Teaching Agency training bursaries

Balance at 1 August	316	0
Grant received	615	2,985
Payments to trainees in the year	(954)	(2,669)
<b>(Over)/Underspent at 31 July</b>	<b>(23)</b>	<b>316</b>

### 33. Teaching Agency subject knowledge enhancement

Balance at 1 August	2	2
Grant received	0	2
Grant clawed back	(2)	(2)
Payments to trainees	0	0
<b>Underspent at 31 July</b>	<b>0</b>	<b>2</b>

Funding body grants shown in notes 31-33 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.

### 34. Student associates scheme

Balance at 1 August	(70)	34
Grant received	7	67
Potential clawback	0	(101)
Expenditure	(7)	(70)
<b>(Over)/Underspent at 31 July</b>	<b>(70)</b>	<b>(70)</b>

### 35. 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. Excluding transactions with Goldsmiths' Student' Union, which are disclosed below, 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.

Members of the College Council (who are trustees of the exempt charity) do not receive any remuneration. Expenses reimbursed to Council members totalled £6,000 (2011: £4,000) as disclosed in Note 9 above.

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 JULY 2012

The President of the Students' Union is a trustee of both the College and Goldsmiths' Student Union therefore the two entities are related parties. In 2011-12 the College provided the Students' Union with a grant of £0.6m (2010-11: £0.6m). It also provided postage and telephony services and some small items of equipment at cost. In addition, the College provides accommodation, payroll and pensions administration services and use of the IT network to the Students' Union free of charge.

The College has no linked ("paragraph w") charities.