

Goldsmiths
UNIVERSITY OF LONDON

**ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 July 2014**

[This page is intentionally blank]

Contents

Warden's Foreword	3
Council and Committee Membership	4
Operating and Financial Review	6
Introduction	6
Operating highlights	6
Research and enterprise	8
Financial highlights	10
Public benefit statement	12
Looking forward	14
Corporate Governance and Internal Control	16
Independent Auditor's Report to the Council of Goldsmiths' College	22
Income and Expenditure account	24
Statement of Total Recognised Gains and Losses	25
Balance Sheet at 31 July 2014	26
Cash Flow Statement	27
Notes to the Financial Statements	28

[This page is intentionally blank]

Warden's Foreword

2013-14 marked another year of innovation and change for Goldsmiths: from the launch of new initiatives such as our heralded book prize for original fiction and our new music label to the restoration of our flagship Richard Hoggart Building and continued growth in student numbers. Our students, academics and alumni continue to succeed too – recent graduate James Blake scooped the Mercury Prize, Laure Prouvost became our seventh graduate to win the Turner Prize and Steve McQueen was lauded at the Oscars for Twelve Years a Slave.

We have continued to build on our reputation for academic excellence, with a range of new degree programmes attracting new students and new academics. Michael Rosen joined us this year to launch a new MA in Children's Literature, we launched a new postgraduate course in Fashion and a Goldsmiths' Politics, Philosophy and Economics (PPE) programme – all attracting strong rates of applications in their first year. Our research activities continue to attract healthy funding, including grants from the European Research Council, to support projects ranging from examining drone strikes in Pakistan to looking at new interfaces for musical expression.

The transformation of our estate and infrastructure continues, with the development of additional teaching room and specialist teaching spaces.

While the year was one of growth and development on campus, we were sad to hear this year of the death of two significant scholars who contributed to the Goldsmiths of today, especially to our Cultural Studies activities – Professor Richard Hoggart and Professor Stuart Hall. Both contributed to Goldsmiths as scholars in the fields of sociology and cultural studies and as mentors and academic leaders. We are pleased that their contribution is also being marked in a public way – with a special event marking the formal opening of the most recent phase of refurbishment and improvements to our historic main building, the Richard Hoggart Building and the naming of our newest building as the Professor Stuart Hall Building.

We are immensely proud of our students, staff and the wider Goldsmiths community – and while developing our offering we continue to value the very distinctive spirit that is Goldsmiths.

Patrick Loughrey
Warden

Council and Committee Membership

Council

Baroness Morris of Yardley (Estelle Morris) (*Chair*)
Mr Patrick Loughrey (*Warden*) *
Mr Nick Barron
Professor Roger Burrows *
Professor Mark d'Inverno *
Dr Rupert Evenett
Mr Conrad Grant (*President of the Students' Union, 2013-14*)
Mr James Grierson
Mr Sebastian Hicks
Mr Dan Lambeth
Mr Gerald Lidstone *
Mr Brian Lymbery
Mr Dick Melly (*Clerk to the Goldsmiths' Company*)
Ms Jackie Morgan
Professor Richard Noble*
Mr Howard Littler (*President of the Students' Union, 2014-15*)
Professor Jane Powell *
Dr Barry Quirk
Mr David Richards
Ms Vivienne Rose *
Ms Cathy Runciman
Ms Vanessa Sharp
Ms Mary Stacey
Dr Derval Tubridy *
Mr John Wadsworth *
Ms Jessica Wanamaker
Mr Tom Wilson
Mr Philip Wright
Dr Michael Young (*to 31 July 2014*) *

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

*Members of Goldsmiths' staff

Audit and Risk Committee

Dr Rupert Evenett (*Chair to 31 August 2013*)
Mr Philip Wright (*Chair from 1 September 2013*)
Dr Virginia Brooke (*to 1 September 2013*)
The Earl of Harrowby (*to 1 September 2014*)
Mr Brian Lymbery
Dr Barry Quirk (*from 1 September 2013*)
Ms Cathy Runciman
Mr Frank Toop

Senior Management Team

Mr Patrick Loughrey (*Warden*) (*Chair*)
Professor Jane Powell (*Deputy Warden*)
Professor Roger Burrows (*Pro-Warden*)
Professor Mark d'Inverno (*Pro-Warden*)
Dr Michael Young (*Pro-Warden*) (*to 31 July 2014*)
Mrs Liz Bromley (*Registrar and Secretary*)
Ms Sally Townsend (*Director of Finance*)
Ms Kath Clarke (*Director of Human Resources*)

[This page is intentionally blank]

Operating and Financial Review

Introduction

Goldsmiths, University of London continues to enjoy a global reputation for its leading and challenging work in the arts, humanities, social sciences and computing. Our commitment to the highest academic standards of teaching and research underpins all that we do. Goldsmiths brings creative and unconventional approaches to all of its subjects, to value tolerance and diversity, and the freedom to experiment, to think differently and to be an individual.

A major element of our success has been the creative and innovative approach to teaching and research taken by academic colleagues. We are fortunate to attract nearly 9,000 students each year to come to Goldsmiths to take part in undergraduate, postgraduate, teacher training and return-to-study opportunities in subjects across our three schools covering creative arts, social sciences, humanities, management, and computing. Our commitment to widening participation is also evidenced in the flexible learning and distance learning opportunities provided through the University of London International Programmes.

In addition to being ranked 9th in the UK for world-leading 4* research (Research Assessment Exercise 2008) we were pleased to be recognised by Which? as among the top creative universities in the UK. Our research work involves working closely with other research-focused universities in the UK, including other member institutions of the University of London. Once again this year we were ranked in the world's top 100 and UK's top 20 institutions for the Arts and Humanities.

Goldsmiths' unique academic approach comes from the interaction and co-operation of academic departments, together with a number of smaller centres and units with a strong commitment to interdisciplinary work.

Operating highlights

Goldsmiths is both a local (south-east London) and international institution. 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 and, as you will read in the Public Benefit section, we continue to be committed to supporting the brightest and the best from south-east London.

Our international impact is at both a personal (alumni and staff) level and an institutional level as we develop teaching and research partnerships with others.

Goldsmiths alumni have, and continue to, change the world. Former students include Antony Gormley, Julian Opie, Malorie Blackman, Katie B., Tessa Jowell, Julian Clary, Mary Quant, Margaret Howell, Linton Kwesi Johnson, Bridget Riley and Malcolm McLaren. The success of our art alumni is well documented – seven winners of the Turner Prize have studied here – but we make equally strong contributions to contemporary music and literature. We were pleased that Naomi Wood of the Department of English and Comparative Literature recently won a Jerwood Fiction Uncovered Prize for her novel *Mrs Hemingway*.

The Department of Sociology's 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 external organisations and companies, including M&C Saatchi, and boasts employment in relevant fields for all students within two months of graduation. 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 we are

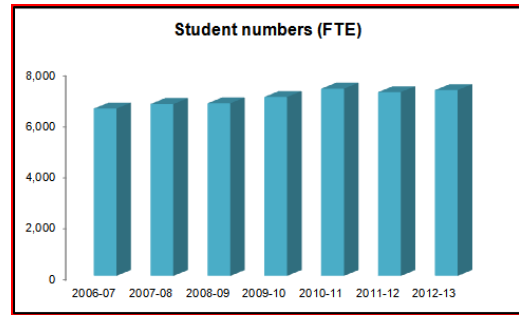
committed to attracting the most promising academic talent from a wide range of backgrounds. The work we are doing to build on this strong tradition of public engagement is further outlined in the Public Benefit Statement below.

As part of our London and the World commitment in our strategy, we continue to develop wider strategic partnerships and have been pleased to work this year with Nordoff Robbins and to continue working closely with the LASALLE College of the Arts in Singapore as well as institutions in China and across the world. We are grateful to the range of partners with whom we work including Santander (who continue to support scholarship funding for students from Latin America) and China's Hanban which provides support for the Confucius Institute for Dance and Performance.

Students and staff

Goldsmiths has around 4,900 full-time undergraduates and around 2,400 full-time equivalent postgraduates and a further 1,500 part-time students. 81.4% of our students are Home/EU domiciled with a further 18.6% coming from outside the EU. The university employs around 1,800 staff, including almost 400 permanent academics. One of our most recent initiatives has been to share with colleagues and students "Gold Stories" as a way of highlighting the contribution that interdisciplinary and leading academic work can contribute to the wider academy and society. We are proud of the continuing recognition being won for teaching, professional services, publications, community events, social media and research. Professional development opportunities are open to all colleagues as we aim to be at the forefront of accredited staff development. Our Human Resources Learning and Development Team continue to work closely with academic and professional services colleagues to highlight ongoing academic and professional development opportunities within the institution.

This year we were pleased to be ranked first in London by the Times Higher Education Student Experience Survey. We also continue to attract good quality staff members who can effectively support students in their learning and development.



To continue to achieve high standards, Goldsmiths is developing and growing the range of undergraduate, postgraduate and continuing and professional development courses. New programmes have been developed in Politics, Philosophy and Economics (taking a successful formula but giving it a more political and socially relevant Goldsmiths twist) and in Management and Entrepreneurship. We continue to have success in recruitment for undergraduate degrees across the range of disciplines in the three academic schools – Arts & Humanities, Individuals, Systems & Organisations and Culture & Society.

Goldsmiths aims to equip our students with the necessary skills and knowledge for them to excel in whatever they decide to pursue after graduation – and students tell us that Goldsmiths' unique atmosphere and environment encourages them to be confident and independent. Education and development at Goldsmiths enables our students to become passionate, engaged members of society who have a sense of possibility and optimism about the future. Goldsmiths can also help students and wider society by improving employability and our offer to students is supported by experts from the Careers Service, Goldsmiths' Learning Enhancement Unit, the Students' Union and other specialist areas.

Work placements continue to be developed by our dedicated Work Placement Manager with over 1,400 students at Goldsmiths currently undertaking some form of placement that is related to their studies for both undergraduate and postgraduate degree programmes across most academic departments. Recent placement partner organisations have included Crisis, the British Council, Tate Modern, M&C Saatchi and Selfridges. Numbers of placements continue to increase and as work experience is crucial to long-term

employability we will continue to expand this offering.

Our National Student Survey results continue to improve with 91% of our students reporting that they are happy with teaching on their course. This is a promising indication that efforts to improve student satisfaction are continuing to work. One of our priorities for 2014-15 will be the Higher Education Review, a peer review of academic standards and provision of learning opportunities by the Quality Assurance Agency for Higher Education. Goldsmiths sees the HER as an opportunity to report and share good practice within Goldsmiths and to identify further improvements we can make for the future.

Goldsmiths enjoys a unique campus environment and students tell us that they value the New Cross experience as being different from both more traditional city centre universities and out of town campuses. The location at New Cross does mean that we need to offer a broad range of facilities and particular effort has been put in over the last year in adding additional catering outlets on campus with the new Library café facility and a new balcony space above the Refectory in the Richard Hoggart Building. Enhancing the whole student experience is important to us, and investment has also been made in improving Wi-Fi across the campus and developing the core physical estate and on-going improvements to IT services and systems. In addition to the rolling programme of teaching room refurbishments across campus, new specialist teaching spaces for Computing and Psychology have been developed for the 2014 autumn term and students in Art benefit from new studios in the refurbished St James Hatcham Building.

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 additional post of Pro-Warden (Interdisciplinary Development) was created from 1 September 2013 to support the development of interdisciplinary research centres and

the co-ordination of large strategic research grant bids and Professor Roger Burrows (Sociology) has been appointed to the new role.

- 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 university has fully funded five new doctoral studentships to match those awarded to Goldsmiths students via the ESRC doctoral training centre.
- Following a review of Goldsmiths' 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 oversees three initiatives:

- The Large Grants Strategy Group is chaired by Professor Burrows and involves a network of Goldsmiths academics who have themselves made or evaluated successful grant bids. The group has been constituted to stimulate the development of high calibre applications, particularly those which benefit from interdisciplinarity; provide internal critique, evaluation, and enhancement of applications; and 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-university 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 Goldsmiths' 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 continues to monitor progress and report to Research and Enterprise Committee, building on the Code of Practice for the Career Management and Development of Contract Research Staff.

Goldsmiths' annual allocation from the Higher Education Innovation Fund (HEIF) 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. The funding helps support the Enterprise Office which works closely with academic colleagues to support our achievements in developing strategic partnerships, supporting consultancy, and cultivating

new research collaborations with external organisations.

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' researchers continue to be successful in bids to the UK research councils as well as winning funding from the European Research Council (ERC).

Research Centres

Our research centres and units continue to be a key element of research activity at Goldsmiths. Examples of successful centres include:

- The Centre of the Body, hosted within the Department of Theatre and Performance and entailing collaboration and co-directorship with the Department of History;
- The Topology Research Unit (TRU) within the Department of Media and Communications; and
- The International Laboratory for Interdisciplinary Investigations into Individual Differences in Learning (INLAB) within the Department of Psychology.

Financial highlights

Overview

The historic cost surplus was £7.4m in 2013-14 (up from £4.9m in 2012-13), an increase of £2.5m in the year.

Summary Outturn Statement 2013-14

Goldsmiths continues to focus on achieving an operating surplus in order to provide financial resilience and fund future investment in the estate and IT facilities to provide the best experience for students and staff. The 2013-14 Financial Statements reflect two significant events: the release of the HERA (Higher Education Role Analysis grading) Assimilation provision following completion of negotiations with trade unions and the requirement by one of our two main pension schemes, the London Pensions Fund Authority scheme, to fund past service obligations which are currently not fully funded. Both these events are expected to be reflected in higher ongoing costs for Goldsmiths which will be addressed in the Sustainable Goldsmiths initiative outlined below. These led to a one-off surplus of £6.6m, equating to an ongoing operational surplus of £2.9m.

Financial Highlights			
	2013-14	2012-	Change
	£'000	£'000	%
Income	97,180	90,111	7.8%
Staff	55,684	50,822	9.6%
Non Staff	38,550	35,131	9.7%
Expenditure	94,234	85,953	9.6%
Surplus on continuing operations	2,946	4,158	(29.1%)
Exceptional items:			
HERA Associate Lecturers			
- release of provision	(5,182)		
London Pensions Fund Authority			
- capital contribution	1,506		
for past service obligations			
Operating Surplus	6,622	4,158	
<i>Historical cost surplus</i>	<i>7,414</i>	<i>4,950</i>	
Operating Surplus as % of Income	6.8%	4.6%	
Continuing Operational Surplus as % of Income	3.0%	4.6%	

Income

Income in 2013-14 has increased by £7m to £97.2m, an overall increase of 7.8% from 2012-13. Following the trend in recent years, there has been increased income from tuition fees – predominantly reflecting the impact of the new fees regime under the £9,000 fee cap as well as healthy growth in international student fee income. We have also continued to see an increase in income generated from residences, catering and conference facilities. In line with the

transition to the new fees regime and changes to funding across the sector, funding body grants recognised in the Financial Statements fell by £3.8m in the year (a reduction of 17.7%). Research continues to contribute significantly to overall income with an increase in the income recognised in the year to £5.9m (from £5.0m in 2012-13).

Tuition fees

Fee income has increased in line with expectations under the new funding regime. Total income from tuition fees and support grants has risen by nearly 20% against the previous year to £59.4m in 2013-14 (2012-13: £49.6m) with international fee income showing growth in the year of 8.5%.

Research

Government policy in the UK continues to prioritise research funding for science, technology and engineering, mathematics and medicine. In a climate of government austerity, this has effectively reduced the funding available for arts, humanities and social sciences – the disciplines in which Goldsmiths specialises. Despite this challenging environment, Goldsmiths has succeeded in research bids beyond its core activity areas.

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, income recognised has increased again in 2013-14. Timing of research grants and contracts recognition will continue to be volatile as it largely reflects the timing of expenditure as income will generally be released to match the associated expenditure. As noted above in the Operating Review, the improvement in recent years in achieving research funding reflects considerable success in winning funding from the European Research Council (ERC), establishing Goldsmiths as a significant force in interdisciplinary research. We anticipate that 2014-15 research grant income should continue to achieve at least £5m a year, stabilising and enhancing the university's research activity.

Expenditure

Net expenditure (including one-off items) increased by £4.6m (5.4%) in the year.

There have been increases in expenditure in some student facing services which reflects the need to meet increased student expectations under the new fees regime.

Staffing expenditure year on year has increased above the pay settlement, reflecting the costs associated with the extension of new contracts for assimilated Associate Lecturer and Lecturer (Fractional) posts following the HERA assimilation and significantly the costs of additional pension costs arising from the London Pensions Fund Authority scheme's recovery plan.

Management of financial risks continues to focus on the challenges arising from the changes in the funding regime. This includes managing the potential risks of increased volatility arising from changes to student number control, the on-going need to deliver sustainable surpluses, and the requirement to maintain the Goldsmiths' long-term capital investment programme, including an extensive campus refurbishment programme. The focus on a sustainable financial position enables us to invest, to maintain the quality of our work and to operate successfully in a period of change. 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 institution. The work done previously on managing reductions in funding from both HEFCE and the National College for Teaching and Leadership (formerly the Teaching Agency) has shown through in the 2013-14 financial year.

At the centre of our ambitions, and therefore listed on our risk register, is the need to continue to adequately maintain and enhance our infrastructure and in particular our physical estate. 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 Goldsmiths. 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. Goldsmiths' 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. 2013-14 saw significant further investment in our information systems to ensure that we are able to operate smoothly and effectively, in a way that meets student and staff expectations and to provide good and reliable management information. Professional Services continue to improve the organisation and quality of support departments, building on the changes to senior management staffing in the last year.

Going concern

Goldsmiths' 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. Goldsmiths' financial position, its cash flows, liquidity position, borrowing facilities and banking covenants are also described here and in more detail within the Notes to the Financial Statements. Goldsmiths has significant resources including a positive balance of cash and investments of £35.6m cash at the balance sheet date. Sources of income for the year ahead have been largely secured with funding from HEFCE, research grants, contracts with customers across different geographical areas and a student base drawn from both the UK and internationally.

The Corporate Governance and Internal Control statement also summarises the arrangements in place for the on-going identification and management of risk. As a consequence, the Council believes that Goldsmiths is well placed to manage its risks successfully despite the uncertain economic outlook. Council also 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.

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

Achieving public benefit: our strategy

Goldsmiths' approach is integrated with our Strategic Aims, grouped under four strategic "pillars" within the Strategic Plan as follows:

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

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

In addition in 2013-14, Goldsmiths produced a "Goldsmiths: Creating Value" statement that focused on how we leverage the values that we share as a Goldsmiths community to achieve value for our beneficiaries.

Education, Access, Opportunity and Experience

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

Goldsmiths has a particularly long history of distinguished public service).

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

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

Goldsmiths offers a range of short courses and undergraduate and postgraduate degrees, and students from non-traditional educational backgrounds are welcomed. In addition a portfolio of professional services courses is offered, particularly by our Department of Social, Therapeutic and Community Studies. The Teachers' Centre within our Department of Educational Studies provides continuing professional development support for primary and secondary level teachers, which both supports teachers' CPD and enables us to build relationships with schools in the south-east of England and London.

Goldsmiths undertakes outreach work with local schools and colleges through its student recruitment 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. We work with schoolchildren of all ages, raising aspirations at all levels as well running taster days and summer schools to give students who may be considering entering higher education the chance to

experience what it might be like to study particular subjects at university, and they also provide the opportunity to speak to university lecturers and undergraduates about their experience at Goldsmiths. The Open Book project works with those from offending and addiction backgrounds to encourage them to take up education, offering them on-going emotional and practical support throughout their course. The project has enabled more than 60 adults from socially excluded groups 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 university as outlined in the sections above.

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

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

school ambassadors to encourage closer links.

Research Activities

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

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

Examples of research identified within the REF impact studies that we think exemplify positive impacts for the community are:

- Developing policies to counteract adverse psychological effects of hand-dryer noise on vulnerable people (Music)
- Informing national and international policies and practices on bullying (Psychology, Education)
- Development of therapeutic reading groups (ECL)
- Enhancing quality of life after brain injury (Psychology)
- Influence on press regulation (Media & Communications)

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

Environment and Sustainability

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

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

Ethical Investment

Goldsmiths views an ethical investment policy as an important part of our strategic planning. As part of its review of the Treasury Management Policy, Council approved in summer 2014 an updated Ethical Investment Policy which has been embedded into broader Treasury Management. The Policy precludes investment in companies whose activities are inconsistent with the objectives of its Charter. We will not invest in companies whose activities could be seen to endanger individuals, its community of stakeholders or other groups. We achieve this by placing our long-term investments for our endowment with CCLA, a fund manager specialising in supporting not for profit and public sector organisations. This is one way in which Goldsmiths helps to avoid any detriment or harm resulting from its activities.

Looking forward

Outlook

Goldsmiths' reputation remains strong and we are particularly encouraged by the ongoing strength of our recruitment of international students. We continue to focus on providing leading research, good quality teaching which is research-led, enhancing Goldsmiths' reputation as a rewarding place to study and work. Balanced with the commitment to the student experience is our continuing commitment to knowledge transfer and engagement with local, national and international communities and our approach retains the ambitions of innovation, creativity and intellectual rigour.

The establishment of the new Strategic Programme Board, supported by the Strategic Projects Office, now enables us to join up different initiatives across Goldsmiths to obtain value for money and deliver improvements to our systems and manage our strategic investments in the estate and IT facilities. The Strategic Projects team is also working with the Strategic Planning team to extend the university's planning horizon.

We continue to build on the 2012 Strategic Plan for Goldsmiths to address increased competition across the higher education sector, both in the UK and internationally. The strategy is focused on expanding Goldsmiths to provide more financial resilience. Council have approved the development of a Sustainable Goldsmiths programme to support our strategic growth objectives. This is based on the fact that as the current custodians of Goldsmiths, its value and values, we are responsible for sustaining the university into the future. We must be as creative, efficient and effective as possible in everything to both be resilient to the myriad of external unknowns and to be able to invest in the strategic growth of Goldsmiths. The programme will look at key aspects of university life to ensure that we have the best possible chance of sustaining our university as a vibrant academic institution in the future.

Conclusion

2013-14 has been a year of investment in 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.

As ever we rely heavily upon the entire staff to realise its objectives, and I would like to take this opportunity to record my thanks to all our staff for their support and endeavours over the past year, to realise our shared objectives. 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

[This page is intentionally blank]

Corporate Governance and Internal Control

Institutional Context

Goldsmiths' College (also known as "Goldsmiths, University of London") is a corporate body established by Royal Charter, and an exempt charity. It operates under a Financial Memorandum with the Higher Education Funding Council for England (HEFCE), which under the provisions of the Charities Act 2006 has since 1 June 2010 also been its Principal Regulator. The members of Council, the governing body of Goldsmiths (listed at the beginning of this report), are also the trustees of the exempt charity. Goldsmiths 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 the partnership with LASALLE College of the Arts, Singapore). Goldsmiths has no linked ("paragraph w") charities.

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

Responsibilities of Council

In accordance with the Charter and related Statutes, Council is responsible for oversight of Goldsmiths' affairs, including ensuring an effective system of internal control (detailed below). The Primary Responsibilities (reserved powers) of Council are currently as follows:

- to ensure high standards of corporate governance to include integrity, objectivity, openness and transparency;

- to ensure that an appropriate framework exists to manage the quality of learning and teaching and to maintain academic standards;
- to be generally responsible for the welfare of students and staff;
- to approve the Strategic Plan, and Key Performance Indicators to be used to monitor the performance of Goldsmiths as a whole;
- to monitor Goldsmiths' delivery against the Strategic Plan and Key Performance Indicators;
- to approve the annual budget;
- to ensure that funds provided by 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 National Centre for Teaching and Leadership (NTCL) are similarly met;
- to ensure that Goldsmiths 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 Goldsmiths' signatories;
- to approve the Financial Statements and accompanying reports, including the Corporate Governance Statement;
- to approve the appointment of the university's bankers, and internal and external auditors;
- to approve policies and strategies designed to ensure good financial and risk management, and to monitor Goldsmiths' arrangements for risk management in ways which Council shall from time to time determine;
- to approve the Articles of Governance of Goldsmiths' Students' Union, the Memorandum of Understanding between Goldsmiths and the Union, and procedures designed to ensure that the university complies with its

legal responsibilities in relation to the Union 's conduct of its affairs

- to approve Goldsmiths' Health and Safety Policy and Procedures and to monitor their implementation;
- to approve the sale, purchase and lease of College land over an agreed value and/or an agreed period of time;
- to approve building projects over an agreed value and monitor their progress;
- to be the employing authority for all staff in the institution, approve employment policies and strategies to ensure compliance with employment legislation and guidance and to monitor their implementation;
- 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 university;
- to act as appropriate in relation to the role of Council as trustees, and to ensure that Goldsmiths complies with charity law, and with the requirements of HEFCE in its role as Principal Regulator;
- to agree proposed changes to the university's Statutes, Ordinances, General Regulations and Financial Regulations;
- to approve the establishment and termination of Goldsmiths' companies, or the institution's acquisition of a legal interest in a jointly-owned company (or voluntary termination of such interest), and to ensure that appropriate arrangements are in place to monitor Goldsmiths' existing interests in companies;
- to establish processes to evaluate the performance and effectiveness of Council itself.

The financial responsibilities of Council referred to in the Statement of Primary Responsibilities and in the Statutes, as well as the conditions of public funding to which the university is subject, mean

that Council is responsible for keeping proper accounting records, enabling the financial position of Goldsmiths to be determined with reasonable accuracy at any time, and adherence to the Statement of Recommended Practice: Accounting for Further and Higher Education and other relevant accounting standards in the preparation of the financial statements.

Council conducts quinquennial reviews of its own effectiveness. The establishment of the Governance and Legal Services directorate within the Professional Services allows for more focused governance support to be provided. A broad effectiveness review of Goldsmiths' committees and governance structure, including terms of reference and membership of committees, is currently underway and is expected to be completed in 2014-15

Committees of Council and Academic Board

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

Under the Charter of Goldsmiths, the Academic Board is "responsible for the academic work of Goldsmiths in teaching, examining and research". Council has a statutory responsibility to consult Academic Board, which consists mainly of heads of academic departments and elected representatives of 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 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, Teaching and Enhancement Committee, and Research and Enterprise Committee. 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 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 and Risk Committee

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

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

Other Committees

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 Goldsmiths' governance arrangements was conducted by HEFCE on 14 December 2010. No major weaknesses were identified by the

report, which Council received at its Summer Term 2011 meeting.

CUC Governance Code of Practice

Council considers that the governance arrangements of Goldsmiths 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 Council in Goldsmiths' Statutes and the Financial Memorandum with HEFCE, and taking into account good practice guidance published for universities and for the public sector generally. It has published its own Statement of Primary Responsibilities which are also set out in full above.

The system of internal control is designed to manage rather than eliminate the risk of failure to achieve strategic aims; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system is based on an on-going process designed to identify the principal risks to the achievement of policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically. This process has been in

place for the year ended 31 July 2014 and up to the date of approval of the Financial Statements, and accords with HEFCE guidance.

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

- a comprehensive medium and short-term planning process, supplemented by detailed annual income, expenditure, capital and cash flow budgets;
- periodic reviews of key performance indicators, and consideration of actual indicators annually;
- continuous review of risk exposure by Senior Management Team which receives regular updates to the Risk Register;
- regular reporting of the Risk Register to Audit and Risk Committee;
- consideration of major initiatives involving financial or reputational risk, whether academic or non-academic (e.g. 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 (e.g. 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); and

- reports on the outcomes of major external audits of academic quality.

There are no significant internal control issues to report for 2013-14 or up to November 2014, as defined by HEFCE guidance. In its Annual Report for 2013-14, Internal Audit could only provide limited assurance on aspects of Goldsmiths' Payroll and HR procedures and on student enrolment processes. Management have provided detailed responses to Internal Audit's reports on these areas with agreed actions to address the areas of limited assurance which are being implemented in 2014-15, some of the work being related to systems developments relating to the new HR and Payroll system. As with all internal audit recommendations, these will be monitored during the year by Senior Management Team and reported back to Audit Committee.

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

- receipt of Audit and Risk Committee Minutes, detailing the Committee's oversight of internal control procedures, including receipt of regular reports from the Head of Internal Audit;
- continuing initiatives to develop a more robust approach to the management of risk and value for money;
- oversight by Audit and Risk Committee of issues related to data quality;
- receipt of Annual Reports from its most senior committees;
- establishment of a Strategic Programme Board and the Strategic Projects Office to oversee programmes and projects that could potentially significantly impact on Goldsmiths as an institution; and
- 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).

CORPORATE GOVERNANCE AND INTERNAL CONTROL

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

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

Baroness Morris of Yardley
Chair of Council

[This page is intentionally blank]

Independent Auditor's Report to the Council of Goldsmiths' College

We have audited the financial statements of Goldsmiths' College for the year ended 31 July 2014 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 32. 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 charter and statutes of the university and 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 College's affairs as at 31 July 2014 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 Higher Education Funding Council for England and the National College for Teaching and Leadership grants, and income for specific purposes and from other restricted funds administered by the College during the year ended 31 July 2014 have been applied for the purposes for which they were received;

and

- in all material respects, income during the year ended 31 July 2014 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 National College for Teaching and Leadership.

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 University.

Deloitte LLP

Chartered Accountants and Statutory Auditor
St Albans
United Kingdom
27 November 2014

Income and Expenditure account

for the year ended 31 July 2014

	Note	2014	2013
		£'000	£'000
INCOME			
Funding body grants	2	17,666	21,469
Tuition fees and education contracts	3	59,417	49,589
Research grants and contracts	4	5,941	4,953
Other operating income	5	13,784	13,880
Endowment and investment income	6	372	220
Total Income		97,180	90,111
EXPENDITURE			
Staff costs	7	52,008	50,822
Other operating expenses	9	29,844	27,873
Depreciation of tangible fixed assets	12	6,486	5,103
Interest and other finance costs	10	2,220	2,155
Total Expenditure		90,558	85,953
Surplus on continuing operations after depreciation of tangible fixed assets at valuation and before taxation		6,622	4,158
Taxation	11	-	-
Surplus on continuing operations after depreciation of tangible fixed assets at valuation and taxation		6,622	4,158
Transfer (to)/from accumulated income within specific endowments	20	-	-
Surplus for the year retained within general reserves		6,622	4,158

NOTE OF HISTORICAL COST SURPLUSES AND DEFICITS for the year ended 31 July 2014

	Note	2014	2013
		£'000	£'000
Surplus on continuing operations after depreciation of tangible fixed assets at valuation and taxation		6,622	4,158
Difference between historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	22	792	792
Historical cost surplus for the period after taxation		7,414	4,950

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

The notes on pages 28 to 49 form part of the financial statements

Statement of Total Recognised Gains and Losses

for the year ended 31 July 2014

	Note	2014	2013
		£'000	£'000
Surplus on continuing operations after depreciation of tangible fixed assets at valuation and taxation		6,622	4,158
Appreciation of endowment asset investments	20	26	37
New endowment funds	20	175	22
Release from revaluation reserve on disposal of fixed assets	22	(111)	(57)
Actuarial (loss) / gain recognised in pension scheme	30	(1,465)	3,273
Total recognised gains relating to the year		5,247	7,433
Reconciliation			
Opening reserves and endowments		36,180	28,747
Total recognised gains for the year		5,247	7,433
Closing reserves and endowments		41,427	36,180

The notes on pages 28 to 49 form part of the financial statements

Balance Sheet

at 31 July 2014

	Note	2014	2013
		£'000	£'000
Fixed Assets			
Tangible assets	12	93,967	88,841
Investments	13	28	28
		93,995	88,869
Endowment Assets			
	14	2,723	2,521
Current Assets			
Debtors	15	8,969	4,929
Investments - cash deposits	13	17,299	16,100
Cash at bank and in hand	29	15,574	17,192
		41,842	38,221
Less: Creditors - amounts falling due within one year	16	(25,650)	(17,516)
Net current assets		16,192	20,705
Total assets less current liabilities			
		112,910	112,095
Less: Creditors - amounts falling due after more than one year	17	(24,977)	(25,396)
Less: Provisions for liabilities	18	(2,960)	(8,412)
Total net assets excluding pension liability		84,973	78,288
Net pension liability	30	(17,867)	(15,689)
Total Net Assets including Pension Liability		67,106	62,599
Represented by:			
Deferred capital grants	19	25,676	26,418
Endowments			
Expendable	20	524	358
Permanent	20	2,199	2,163
Total Endowments		2,723	2,521
Reserves			
Income and expenditure account excluding pension reserve		35,891	27,762
Pension reserve		(17,867)	(15,689)
Income and expenditure account including pension reserve	21	18,024	12,073
Revaluation reserve	22	20,683	21,587
		38,707	33,660
Total Funds		67,106	62,599

The financial statements on pages 24 to 49 were approved by the Council on 27 November 2014 and signed on its behalf by:

Baroness Morris of Yardley
Chair of Council

Patrick Loughrey
Warden

Cash Flow Statement

for the year ended 31 July 2014

	Note	2014 £'000	2013 £'000
Net cash inflow from operating activities	25	11,665	14,127
Returns on investments and servicing of finance	26	(1,308)	(1,527)
Capital expenditure and financial investment	27	(10,879)	(5,336)
Management of liquid resources - movement in current asset investments	29	(1,199)	(5,000)
Financing	28	280	(967)
Change in cash in the period		(1,441)	1,297
Reconciliation of net cash flow to movement in net funds			
Change in cash in the period		(1,441)	1,297
Management of liquid resources - movement in current asset investments	29	1,199	5,000
(Increase) / reduction in loans	28	(280)	967
Change in net funds		(522)	7,264
Opening net funds at 1 August		8,519	1,255
Closing net funds at 31 July	29	7,997	8,519

The notes on pages 28 to 49 form part of the financial statements

Notes to the Financial Statements

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".

Goldsmiths 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 Operating and Financial Review 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 Goldsmiths does not control these activities. The university's subsidiary, Pure Goldsmiths Limited, has not yet begun to trade and therefore has no impact on these Financial Statements.

Income recognition

Funding council block grants are accounted for in the year 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. They are also 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 institution 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 Goldsmiths receives and disburses as paying agent on behalf of a funding body are excluded from the income and expenditure of the university where Goldsmiths 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 Goldsmiths, 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

Goldsmiths 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, Goldsmiths 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. Goldsmiths 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, Goldsmiths has applied HM Revenue and Customs guidelines and has considered that the level of activity in each of those areas does not constitute a trade and so will not give rise to a charge to tax. Accordingly, no provision has been made in the Accounts for taxation.

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. Goldsmiths 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 the short-term money markets 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 Goldsmiths which are of material value are capitalised at cost. Goldsmiths has no heritage assets on its balance sheet.

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

Land and Buildings	Per Annum
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%

Other Assets	Per Annum
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 Goldsmiths' 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 Goldsmiths 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 Goldsmiths as a charity.
2. Restricted expendable endowments - the donor has specified a particular objective other than the purchase or construction of tangible fixed assets, and Goldsmiths 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 Goldsmiths 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.

Goldsmiths accounts for pension scheme costs in accordance with *Financial Reporting Standard 17: Retirement Benefits* (FRS17). 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).

Goldsmiths 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 FRS17 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 employer's pension contributions borne by the university are included in salary costs charged to the various heads of expenditure. Further details of the schemes are given in Note 30 to the Financial Statements.

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 institution 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

Recurrent grants		
Higher Education Funding Council for England	15,265	18,753
National College for Teaching and Leadership	-	332
Specific grants		
Higher Education Funding Council for England	930	711
National College for Teaching and Leadership	90	259
Deferred capital grants released in year		
Deferred Capital Grants (note 19)		
Buildings - HEFCE	1,369	1,402
Equipment - HEFCE	12	12
	17,666	21,469

3. Tuition fees and education contracts

Home/EU undergraduates: full-time	28,860	20,626
Home/EU postgraduates: full-time	8,372	8,488
Home/EU students: part-time	2,420	2,583
International students	18,535	17,080
Non-credit bearing courses and other fees	1,208	780
Research Training Support Grants	22	32
	59,417	49,589

Following the implementation of an upgraded finance system, Goldsmiths has reconsidered its treatment of fee waivers. As a consequence, amounts previously shown as within expenditure have now been reclassified as fee waivers netted off income. This reflects better the substance of these transactions. This resulted in a reduction in both tuition fee income and other operating expenditure in 2012/13 of £754,000. The reclassification has no impact on the surplus for 2012/13 or 2013/14 and has not resulted in any changes to the balance sheet.

4. Research grants and contracts

	2014	2013
	£'000	£'000
Research Councils	1,839	1,364
UK-based charities	530	333
Other grants and contracts	3,572	3,256
	5,941	4,953

5. Other operating income

Residences, catering and conferences	9,131	8,304
Other services rendered	2,861	2,853
Profit on disposal of fixed assets (note 12)	-	782
Other income	1,792	1,941
	13,784	13,880

6. Endowment and investment income

Income from expendable endowments (note 20)	39	7
Income from permanent endowments (note 20)	26	33
Other interest receivable	307	180
	372	220

7. Staff costs

	2014	2013
The average number of full time equivalent employees (including senior post-holders) was:		
	Estimated	
	Number	Number
Teaching and research	536	456
Administrative and other	537	423
	1,073	879
	£'000	£'000
Salaries and wages	39,415	41,431
Social security costs	3,620	3,154
Occupational pension costs	8,472	5,705
Restructuring costs	501	532
	52,008	50,822
Academic departments	35,257	30,247
Academic services	3,977	3,892
Research grants and contracts	3,613	2,742
Residences, catering and conferences	788	743
Premises	2,217	1,927
Administration	5,925	8,874
General educational	231	1,500
Other services rendered	-	488
Other	-	409
	52,008	50,822

8. Senior staff remuneration

The emoluments of the Warden's post were:

Remuneration	229	225
USS pension contributions (paid at the same rates as for other academic staff)	37	36
	266	261

Remuneration of other higher paid staff, excluding employer's pension contributions, fall in the following bands:

	Number	Number
£100,000-£109,999	3	3
£110,000-£119,999	-	1
£120,000-£129,999	1	-

9. Other operating expenses

	2014	2013
	£'000	£'000
Academic departments	4,245	3,221
Academic services	2,810	1,941
Research grants and contracts	1,209	1,164
Residences, catering and conferences	6,169	5,343
Premises	6,462	6,360
Administration and central services	8,893	9,301
Other expenses	37	543
Loss on disposal of fixed asset (note 12)	19	-
Total	29,844	27,873

Other operating expenses include:

External auditors' remuneration in respect of the audit of the Financial Statements	63	53
External auditors' remuneration in respect of other audit services	-	6
Internal auditors' remuneration in respect of audit services	105	102
Operating leases (property)	722	684
Council expenses	2	6

10. Interest and other finance costs

Loans not wholly repayable within five years	830	859
Finance leases	849	888
Net interest on LPFA pension scheme liabilities (note 30)	541	408
	2,220	2,155

11. Taxation

Goldsmiths is an exempt charity under Schedule 2 to the Charities Act 1993 and as such is a charity within the meaning of section 506(1) of the Income and Corporation Taxes Act (ICTA) 1988. Accordingly, Goldsmiths 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
At 31 July 2013						
Gross Book Value	119,372	12,175	8,948	23	4,153	144,671
Additions in year	4,870	569	2,726	-	3,533	11,699
Transfers	1,054	687	1,830	-	(3,571)	-
Disposals	(183)	-	-	-	-	(183)
At 31 July 2014						
Gross Book Value	125,113	13,431	13,505	23	4,120	156,192
Depreciation						
At 31 July 2013	40,762	6,934	8,134	-	-	55,830
Charge for year	4,880	548	1,058	-	-	6,486
Disposals	(91)	-	-	-	-	(91)
At 31 July 2014	45,550	7,482	9,193	-	-	62,225
Net Book Value						
At 31 July 2014	79,563	5,949	4,312	23	4,120	93,967
At 31 July 2013	78,610	5,241	814	23	4,153	88,841

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 Financial Statements). The historic cost of the properties valued in 1994 is £7.587m.

During 2012-13, in accordance with the Estates Master Plan, the College sold two properties with a carrying net book value of £65,000, realising a profit on sale of £782,000, including the release from the Revaluation Reserve of £57,000. Part of one building was demolished in 2013-14 as no longer fit for purpose and the associated loss of £19,000 on demolition (after a release of £111,000 from the Revaluation Reserve) is reflected in the Financial Statements for 2013-14.

13. Investments

	2014	2013
	£'000	£'000
(i) Fixed Asset Investments		
	28	28

Fixed asset investments are shown at cost and represent 240 £1 shares in i2 Media Ltd. and 27,782 ordinary shares, fully paid, in CVCP Properties plc. CVCP Properties plc is an unquoted company and the shares are stated at cost. In Council's opinion, the market value of the investment is not materially different from the cost at the balance sheet date.

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

(ii) Current Asset Investments

Cash deposits maturing within one year	17,299	16,100
--	--------	--------

14. Endowment asset investments

Balance at 1 August	2,521	2,340
Additions	176	123
Appreciation in market value	26	58
Balance at 31 July	2,723	2,521
Represented by:		
UK Equities	1,077	1,051
Cash balances	1,646	1,470
Total	2,723	2,521

15. Debtors

Amounts falling due within one year		
Student debtors	3,111	1,106
Other debtors	4,108	1,967
Prepayments and accrued income	1,750	1,856
	8,969	4,929

16. Creditors: amounts falling due within one year

	2014	2013
	£'000	£'000
Mortgages and unsecured loans	932	541
Obligations under finance leases	614	306
Trade creditors	7,855	5,708
Social security and other taxation payable	1,343	43
Accruals and deferred income	14,906	10,918
	25,650	17,516

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

Unsecured loans	16,985	16,578
Obligations under finance leases (note 23)	7,992	8,818
	24,977	25,396

A 30 year loan for £6.85m 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 this loan is 28 years.

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.

A £5m interest free loan from Salix Finance was drawn down in 2013-14 as part of the RE:FIT energy efficiency programme to fund capital works. This is repayable over five years.

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

18. Provisions for liabilities

	2014	2013
	£'000	£'000
Balance at 1 August	8,412	7,564
Charged to the Income and Expenditure Account	(5,452)	848
Balance at 31 July	2,960	8,412

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. Although significant payments were made in the 2013-14 financial year, it may take some time to resolve all claims arising from the changes in grading and working hours and this is reflected in the calculation of the ongoing provision.

19. Deferred capital grants

	Funding Council	Other Grants	Total
	£'000	£'000	£'000
Balance at 1 August 2013			
Buildings	26,394	-	26,394
Equipment	24	-	24
Total at 1 August	26,418	-	26,418
Grants received			
Buildings	577	69	646
Equipment	-	-	-
Total in year	577	69	646
Released to Income and Expenditure Account			
Buildings	(1,369)	(7)	(1,376)
Equipment	(12)	-	(12)
Total released	(1,381)	(7)	(1,388)
Balance at 31 July 2014			
Buildings	25,602	62	25,664
Equipment	12	-	12
Total at 31 July	25,614	62	25,676
Released to Income and Expenditure Account:			
Funding body grants			1,381
Other income			7
Total released			1,388

20. Endowments

			2014	2013
	Restricted Expendable £'000	Restricted Permanent £'000	Restricted Total £'000	Restricted Total £'000
Balance at 1 August				
Capital	304	1,953	2,257	2,220
Accumulated income	54	210	264	242
	358	2,163	2,521	2,462
Income for year	39	26	65	40
Expenditure	(48)	(16)	(64)	(40)
New funds	175	-	175	22
Increase/(Decrease) in market value of investments	-	26	26	37
Balance at 31 July	524	2,199	2,723	2,521
Represented by:				
Capital	282	1,979	2,261	2,257
Accumulated income	242	220	462	264
Total	524	2,199	2,723	2,521

21. Income and expenditure account

	2014 £'000	2013 £'000
Balance at 1 August	12,073	3,851
Release from revaluation reserve	792	792
Surplus after depreciation of assets at valuation and tax	6,622	4,158
Actuarial (loss) / gain on LPFA pension scheme	(1,465)	3,273
Balance at 31 July	18,024	12,073

22. Revaluation reserve

Land and buildings at 1 August	21,587	22,435
Release relating to fixed asset disposals (note 12)	(111)	(57)
Contributions to depreciation (note 21)	(792)	(792)
As at 31 July	20,683	21,587

23. Lease obligations

	2014	2013
	£'000	£'000
Obligations under finance leases fall due as follows:		
Between two and five years	3,618	3,128
Over five years	4,374	5,690
Total over one year (note 17)	7,992	8,818
Within one year	614	306
Total	8,605	9,123
Operating lease commitments for the forthcoming financial year are as follows:		
Land and Buildings - leases expiring after 5 years	361	683
	361	683

24. Capital commitments and contingent liabilities

Capital commitments contracted as at 31 July	7,115	1,700
Capital expenditure authorised but not contracted as at 31 July	3,995	1,935
	11,110	3,635

25. Reconciliation of operating surplus to net cash

	2014	2013
	£'000	£'000
Surplus before tax on continuing activities	6,622	4,158
Impairment of fixed assets (demolition)	(19)	
Pension costs less contributions payable	713	602
Depreciation (note 12)	6,486	5,103
Contribution to depreciation from capital grants (note 19)	(1,388)	(1,414)
Endowment and Investment income (note 6)	(371)	(220)
Loan interest paid (note 10)	1,679	1,747
(Increase)/decrease in debtors	(4,040)	1,357
Increase in creditors	8,134	1,946
(Decrease) in debt repayments due	(699)	-
(Decrease)/increase in provisions	(5,452)	848
Net cash inflow from operating activities	11,665	14,127

26. Returns on investments and servicing of finance

	2014	2013
	£'000	£'000
Income from endowments and specific funds (note 6)	65	40
Other interest receivable (note 6)	307	180
Interest paid (note 10)	(1,679)	(1,747)
	(1,308)	(1,527)

27. Capital expenditure and financial investments

Payments to acquire tangible fixed assets (note 12)	(11,699)	(6,065)
Deferred capital grants received (note 19)	646	707
Endowment and specific fund additions and income (note 14)	176	22
	(10,879)	(5,336)

28. Financing

Loans facility drawdown	1,532	-
Existing loans capital repayments	(734)	(533)
Capital element of finance lease repayment	(518)	(434)
	280	(967)

29. Analysis of changes in net funds

	At 1 August 2013 £'000	Movement £'000	At 31 July 2014 £'000
Cash at bank and in hand			
Endowment Asset Investment	1,470	176	1,646
Other Cash	17,192	(1,617)	15,574
Current Asset Investments (note 13)	16,100	1,199	17,299
Debts due within one year	(847)	(699)	(1,546)
Debts due after more than one year	(25,396)	419	(24,977)
	8,519	(522)	7,997

30. Pension schemes

The two principal pension schemes for Goldsmiths' 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

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.

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

The latest triennial actuarial valuation of the scheme was at 31 March 2011. This was the second valuation for USS under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. The actuary also carries out regular reviews of the funding levels. In particular, he carries out a review of the funding level each year between triennial valuations and details of his estimate of the funding level at 31 March 2014 are also included in this note.

The triennial valuation was carried out using the projected unit method. The

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

To calculate the technical provisions, it was assumed that the valuation rate of interest would be 6.1% per annum, salary increases would be 4.4% per annum (with short-term general pay growth at 3.65% per annum and an additional allowance for increases in salaries due to age and promotion reflecting historic scheme experience, with a further cautionary reserve on top for past service liabilities) and pensions would increase by 3.4% per annum for 3 years following the valuation then 2.6% per annum thereafter.

The assumed life expectations for the scheme at retirement age 65 are, taking into account actual USS experience and CMI 2009 projections:

Current age	Males	Females
65	23.7 years	25.6 years
45	25.2 years	27.6 years

At the valuation date, the value of the assets of the scheme was £32,433.5 million and the value of the scheme's technical provisions was £35,343.7 million indicating a shortfall of £2,910.2 million. The assets therefore were sufficient to cover 92% of the benefits which had accrued to members after allowing for expected future increases in earnings.

The actuary also valued the scheme on a number of other bases as at the valuation date. On the scheme's historic gilts basis, using a valuation rate of interest in respect of past service

30. Pension schemes *continued*

Universities Superannuation Scheme *continued*

liabilities of 4.4% per annum (the expected return on gilts) the funding level was approximately 68%. Under the Pension Protection Fund regulations introduced by the Pensions Act 2004 the scheme was 93% funded; on a buy-out basis (i.e. assuming the scheme had discontinued on the valuation date) the assets would have been approximately 57% of the amount necessary to secure all the USS benefits with an insurance company; and using the FRS17 formula as if USS was a single employer scheme, using a AA bond discount rate of 5.5% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2011 was 82%.

As part of this valuation, the trustee has determined, after consultation with the employers, a recovery plan to pay off the shortfall by 31 March 2021. In 2011 the actuary estimated that if experience remained in line with the assumptions made, the shortfall at 31 March 2014 would be £2.2 billion, equivalent to a funding level of 95%.

However, changes in market conditions between March 2011 and March 2014 have had an impact on scheme funding. The next formal triennial actuarial valuation will take place as at 31 March 2014, and work is currently underway to update the actuarial assumptions and allow for any adjustments to the overall funding approach adopted by the trustee board in consultation with stakeholders.

As work on the 2014 valuation is not yet complete the trustee cannot provide the final figure however, an estimate has been provided using the assumptions used to deliver the 2011 actuarial valuation. On that basis, the actuary has estimated that the funding level under the scheme specific funding regime will have fallen from 92% at 31 March 2011 to 85% at 31 March 2014. This estimate is based on the results from the valuation at 31 March 2011 allowing primarily for investment returns and changes to market conditions.

The funding level has decreased mainly due to a decrease in real gilt yields, reducing the implied net discount rate and therefore placing a higher value on

the schemes liabilities. This increase has been partially offset by a higher than expected investment return.

On the FRS17 basis, using an AA bond discount rate of 4.5% per annum based on spot yields, the actuary estimates that the funding level at 31 March 2014 was 75%. An estimate of the funding level measured on a historic gilts basis at that date was approximately 61%.

Surpluses or deficits which arise at future valuations may impact on the institution's future contribution commitment. A deficit may require additional funding in the form of higher contribution requirements, where a surplus could, perhaps, be used to similarly reduce contribution requirements.

The technical provisions relate essentially to the past service liabilities and funding levels, but it is also necessary to assess the ongoing cost of newly accruing benefits. The cost of future accrual was calculated using the same assumptions as those used to calculate the technical provisions but the allowance for promotional salary increases was not as high. Analysis has shown very variable levels of growth over and above general pay increases in recent years, and the salary growth assumption built into the cost of future accrual is based on more stable, historic, salary experience. However, when calculating the past service liabilities of the scheme, a cautionary reserve was included, in addition, on account of the variability mentioned above.

As at the 2011 valuation the scheme was still a fully Final Salary Scheme for future accruals and the prevailing employer contribution rate was 16% of Salaries.

Following UK government legislation, from 2011 statutory pension increases or revaluations are based on the Consumer Prices Index measure of price inflation. Historically these increases had been based on the Retail Prices Index measure of price inflation.

Since the valuation effective date of 31 March 2011 there have been a number of changes to the benefits provided by the scheme although these became effective from October 2011. These include:

30. Pension schemes *continued*

Universities Superannuation Scheme *continued*

- Other than in specific, limited circumstances, new entrants are now provided benefits on a Career Revalued Benefits (CRB) basis rather than a Final Salary (FS) basis.
- The normal pension age was increased for future service and new entrants, to age 65.
- Flexible retirement options were introduced.
- Employee member contributions were uplifted to 7.5% p.a. and 6.5% p.a. for FS Section members and CRB Section members respectively.
- Cost sharing: if the total contribution level exceeds 23.5% of Salaries per annum, the employers will pay 65% of the excess over 23.5% and members would pay the remaining 35% to the fund as additional contributions.
- Pension increase cap: For service derived after 30 September 2011, USS will match increases in official pensions for the first 5%. If official pensions increase by more than 5% then USS will pay half of the difference up to a maximum increase of 10%.

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

The trustee's role is to set risk and return parameters which reflect the strength of the sponsoring employers and the nature of the scheme's liabilities. These parameters, taken together with the anticipated returns form the basis of the trustee's funding strategy. These parameters are informed by advice from its internal investment team, its investment consultant and the scheme actuary, as well as an independent assessment of the support available from the sponsoring employers. The trustee remains confident that it can continue to take a long-term view of scheme funding, backed as it is by a robust Higher Education (HE) sector.

The fund is invested in a wide range of asset classes, both publicly traded (including equities and fixed income) and private (including private equity, infrastructure, property and timberland). A diversified portfolio helps to spread investment risk across different asset classes and to boost the level of confidence in maintaining sufficient investment returns from the fund as a whole. This investment approach is innovative and responsible, and targeted at achieving returns required to meet the scheme's liabilities. Recently, the trustee has invested directly in infrastructure assets. These investments are typically illiquid, but can achieve attractive inflation-linked returns in ways often not available in the publicly traded markets and which can match the scheme's liabilities to a high degree.

At 31 March 2014, USS had over 162,000 active members and the institution had 1,018 active members participating in the scheme. The total employer's contribution costs for the institution for USS was £5.17m (2013: £4.43m). The contribution rate payable by the institution was 16% of pensionable salaries.

London Pensions Fund Authority Local Government Pensions Scheme

The London Pensions Fund Authority (LPFA) administered Local Government Pensions Scheme is valued every three years by a professionally qualified independent actuary using the projected unit credit method, the rate of contribution payable being determined by the actuary. The latest formal valuation of the fund was at 31 March 2013. In accordance with FRS17, the actuarial valuation at 31 March 2013 has been reviewed and updated by the scheme's actuaries as at 31 July 2014 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:

	Males	Females
Retiring today	21.4	24.8
Retiring in 20 years	23.7	27.0
	2014	2013
RPI increases	3.4%	3.4%
CPI increases	2.6%	2.6%
Salary increases	4.4%	4.3%
Pension increases	2.6%	2.6%
Discount rate	4.2%	4.7%

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

	Expected rate of return:		Estimated Asset Allocation as at:	Fair value as at:	
	2014 % per annum	2013 % per annum	2014 %	2014 £'000	2013 £'000
Equities	6.7%	6.4%	44%	13,348	13,840
LDI/Cashflow matching	3.4%	3.4%	6%	1,855	2,356
Target return portfolio	6.1%	4.9%	29%	8,688	8,539
Alternative assets	n/a	5.4%	n/a	-	4,417
Infrastructure	6.3%	n/a	3%	1,014	-
Commodities	6.1%	n/a	1%	323	-
Property	5.6%	n/a	3%	832	-
Cash	3.2%	0.5%	14%	4,205	294
Total expected return (weighted average)	5.8%	5.5%	100%	30,265	29,446

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

	Present value of defined benefit obligation		Fair value of scheme assets		net liability recognised in the balance sheet	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Opening	(45,135)	(42,990)	29,446	24,623	(15,689)	(18,367)
Expected return on assets			1,592	1,275	1,592	1,275
Current service cost	(1,508)	(1,266)			(1,508)	(1,266)
Interest cost	(2,133)	(1,683)			(2,133)	(1,683)
Actuarial (loss) / gain	(333)	(104)	(1,132)	3,377	(1,465)	3,273
Contributions by employer			1,336	1,060	1,336	1,060
Contributions - unfunded benefits			25	26	25	26
Impact of settlements and curtailments	(25)	(7)			(25)	(7)
Estimated benefits paid	1,414	1,256	(1,439)	(1,282)	(25)	(26)
Contributions by members	(437)	(367)	437	367		
Estimated unfunded benefits paid	25	26			25	26
Closing defined benefit obligation	(48,132)	(45,135)	30,265	29,446	(17,867)	(15,689)

30. Pension schemes *continued*

London Pensions Fund Authority Local Government Pensions Scheme *continued*

Amounts for Current and Previous Periods	2014	2013	2012	2011	2010
	£'000	£'000	£'000	£'000	£'000
Defined benefit obligation (present value of scheme liabilities)	(48,132)	(45,135)	(42,990)	(37,603)	(37,402)
Fair value of scheme assets	30,265	29,446	24,623	24,962	22,773
Surplus/(deficit)	(17,867)	(15,689)	(18,367)	(12,641)	(14,629)
Analysis of the amount charged to staff costs within the operating surplus				2014	2013
				£'000	£'000
Current service cost				1,508	1,266
Past service cost				-	-
Curtailments and settlements				25	7
Total operating charge				1,533	1,273
Analysis of the amount charged to interest payable					
Expected return on pension scheme assets				1,592	1,275
Interest on pension scheme liabilities				(2,133)	(1,683)
Net charge				(541)	(408)
Projected pension expenses for the year to 31 July 2015					
Service cost				1,536	
Interest on pension scheme liabilities				2,033	
Return on assets				(1,770)	
Net charge				1,799	
Employer contributions				1,577	
Amount recognised in Statement of Total Recognised Gains and Losses (STRGL)					
	2014	2013	2012	2011	2010
	£'000	£'000	£'000	£'000	£'000
Cumulative actuarial gains/(losses) at 1 August	(5,990)	(9,263)	(3,952)	(6,471)	(7,598)
Actuarial (losses)/gains recognised in STRGL	(1,465)	3,273	(5,311)	2,519	1,127
Cumulative actuarial (losses)/gains at 31 July	(7,455)	(5,990)	(9,263)	(3,952)	(6,471)

Goldsmiths' employer's contribution for non-academic staff in LPFA as a percentage of pensionable salaries was 19.8% until March 2014 and then 15.5% from April 2014 (as a result of capital contributions from 2014 onwards for past service liabilities as part of the LPFA recovery plan). The pension charge for the year to 31 July 2014 was £1,361k (2013:£1,086). In addition, Goldsmiths accrued for future capital contributions to the Pension scheme of £1,506k.

31. Related party transactions

Due to the nature of Goldsmiths' 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' Students' Union, which are disclosed below, there are no transactions of which Goldsmiths is aware but any such transactions that may arise would be conducted at arm's length and in accordance with Goldsmiths' Conflicts of Interest Policy.

Members of Council (who are trustees of the exempt charity) do not receive any remuneration. Expenses reimbursed to Council members totalled £2,000 (2013: £6,000) as disclosed in Note 9 above.

The President of Goldsmiths' Students' Union is a trustee of both Goldsmiths' College and Goldsmiths' Students' Union and therefore the two entities are related parties. In 2013-14 Goldsmiths provided the Students' Union with a grant and support totalling £0.7m (2012-13: £0.6m). It also provided postage and telephony services and some small items of equipment at cost. In addition, the university provides accommodation, payroll and pensions administration services and use of the IT network to the Students' Union free of charge, at an estimated cost in 2013-14 of £0.3m.

Goldsmiths has no linked ("paragraph w") charities.

32. Access Funds from Funding Bodies

Due to the nature of Goldsmiths' 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' Students' Union, which are disclosed below, there are no transactions of which Goldsmiths is aware but any such transactions that may arise would be conducted at arm's length and in accordance with Goldsmiths' Conflicts of Interest Policy.

	2014	2013
	£'000	£'000
(a) Access to Learning Fund		
Balance at 1 August	24	37
Grant received from HEFCE	168	140
Interest earned	-	-
Disbursed to students and administration	(157)	(153)
Balance at 31 July	35	24
(b) NCTL Teacher Training Bursaries		
Balance at 1 August	(19)	(23)
Grant received from NCTL	1,809	2,680
Disbursed to trainees	(1,835)	(2,676)
Balance at 31 July	(45)	(19)
(c) NCTL Teacher Training Subject Knowledge Enhancement		
Balance at 1 August	64	-
Grant received from NCTL	39	126
Grant clawed back	(89)	(50)
Disbursed to trainees	-	(12)
Balance at 31 July	14	64

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