

**ANNUAL REPORTS AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 JULY 2016**

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WARDEN'S FOREWORD

We cannot review 2016 at Goldsmiths without first acknowledging the extraordinary external events which have occurred over the last 12 months.

It has been an astonishing year. The Referendum on EU membership and, since the financial year-end, the US election were truly seismic – and their effects are yet to be fully realised.

Without doubt higher education will feel the aftershocks for some time, with both events impacting life on campus. They will also help inform ongoing change in our sector. The Higher Education and Research Bill is proceeding through Parliament, leading to possibly the biggest shift in the higher education landscape within a generation.

So, we live in interesting times.

But amid these challenges Goldsmiths is doing what Goldsmiths does best: rising and engaging with these changes through a powerful collective creativity.

We have had a year to remember, rising 12 places in the benchmark Sunday Times Good University Guide, being named one of the world's most international universities by the QS University Rankings and receiving praise for our international outlook by the Times Higher Education World University Rankings.

Research by our academics has set agendas across the globe, our students have been recognised as being among the most dynamic in the world and our alumni are known and honoured for being leading thinkers and doers.

At a time when many are retreating, we are extending our offering. We've strengthened ties with international partners to show our commitment to working on a global scale. We have opened offices in New York and Beijing to help tell the world about Goldsmiths – and bring students from these countries to New Cross.

Closer to home we've continued engaging with our local community: we opened Lewisham's first cinema for 15 years, sponsored local festivals and welcomed more than 4,000 people to campus by hosting Bestival at Goldsmiths, our very own celebration of creativity.

This work will carry on next year: Turner Prize-winning architectural collective Assemble continue to shape the new public art gallery on campus with the space due to open in early 2018.

We will also keep pushing academic boundaries. This year we achieved a world-first with the announcement of our MA in Queer History. Alongside this we have also launched new courses including undergraduate degrees in economics and an MA in International Relations.

It is no coincidence that these are all real-world issues which have never felt more relevant than in today's world. We know it is our responsibility to continue to challenge, extend and innovate, and to respond to our changing realities by using all the ability and knowledge we can draw on from within Goldsmiths community.

We are so fortunate to be in this position and must continue to use this precious gift to provide leadership and insight to the benefit of all.

Patrick Loughrey
Warden

COUNCIL AND COMMITTEE MEMBERSHIP

Council

Baroness Morris of Yardley (Chair)
Sir David Reddaway
(from 1 January 2016)
Mr Dick Melly (to 31 December 2015)
Mr Nick Barron
Mr Ian Borman
Ms Althea Efunshile
(from 1 September 2016)
Ms Jackie Morgan
Dr Barry Quirk
Ms Sue Reece
(from 1 September 2016)
Mr David Richards
Ms Vanessa Sharp
Ms Jessica Wanamaker
Mr Tom Wilson
Mr Philip Wright
Ms Theodora Zemek
Mr James Grierson
(to 31 August 2016)
Ms Cathy Runciman
(to 31 August 2016)
Dr Kate Devlin
(from 1 September 2016)
Mr John Wadsworth
(to 31 August 2016)
Dr Marl'ene Edwin
Ms Grace See Wen-Ying
(from 1 September 2016)
Mr Laith Witwham (to 31 August 2016)
Mr Daniel Nasr (from 23 January 2016)
Ms Hani Rashid (to 22 January 2016)
Mr Patrick Loughrey
Professor Roger Burrows
(to 31 December 2015)
Professor Jane Powell
Professor Mark d'Inverno
Professor Elisabeth Hill
Professor Richard Noble
Professor Sean Cubitt
Mr Gerald Lidstone

Audit and Risk Committee

Mr Philip Wright (Chair)
Dr Barry Quirk
Ms Jackie Morgan
(from 1 September 2015)
Ms Althea Efunshile
(from 1 September 2016)
Ms Cathy Runciman
(to 31 August 2016)
Mr Steve Stanbury
Mr Chris Miller
(from 1 September 2015)

Key Management Personnel

Mr Patrick Loughrey (Warden)
Professor Jane Powell
(Deputy Warden)
Professor Mark d'Inverno
(Pro Warden)
Professor Elisabeth Hill (Pro Warden)
Professor Roger Burrows
(Pro Warden, to 31 December 2015)
Ms Clare MacLean
(Interim Registrar and Secretary,
from September 2016)
Mr Ian Pleace
(Director of Finance,
from October 2015)
Ms Kath Clarke
(Director of Human Resources)
Mr David Swayne
(Chief Information Officer)
Mrs Liz Bromley
(Registrar and Secretary
to September 2016)
Ms Sally Townsend
(Director of Organisational and
Strategic Services and Director
of Finance, to October 2015)



STRATEGIC REPORT

A note on definitions

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

Council	The University's overall governing body.
DELHE	Destinations of Leavers from Higher Education, a survey which collects information on what all leavers from Higher Education programmes are doing six months after qualifying from those programmes.
FRS 102	Financial Reporting Standard 102 is the UK accounting standard that the University is obliged to follow, along with the Higher Education SORP (see below).
HEFCE	The Higher Education Funding Council for England. In the past, HEFCE was both our major source of funding as well as our regulator. Following the introduction of £9,000 tuition fees for Home and EU undergraduate students, HEFCE's role has been more focused on regulation, although some forms of HEFCE block grant funding remain.
NSS	The National Student Survey, an annual exercise whereby final-year students contribute feedback on their Higher Education experience.
QR funding	The HEFCE block grant funding for research activity, used to sustain a research base at Goldsmiths alongside grant income won through bids/applications to Research Councils and other funders.
REF	Research Excellence Framework, an exercise conducted in 2014 to assess the quality and impact of research activity across the Higher Education sector. The results of the REF were used to inform the allocation of QR funding (see above).
SMT	The Senior Management Team, which provides overall operational leadership to Goldsmiths.
SORP	Statement of Recommended Practice, which gives guidance on how to apply FRS 102 to the Higher Education sector.
TEF	Teaching Excellence Framework, a new government exercise that aims to recognise and reward excellent learning and teaching, and help inform student choice. The TEF will impact the ability of Goldsmiths to raise Home/EU undergraduate tuition fees.
The University	We use this term to refer to Goldsmiths rather than the University of London. Where we are referring to the University of London we name it as such.

Strategic Report

The Strategic Report covers pages 4 to 30 inclusive.

This is the first Strategic Report that Goldsmiths has prepared under the new Financial Reporting Standard 102 (FRS 102) and the new Higher Education Statement of Recommended Practice (HE SORP), which gives guidance on how to apply FRS 102 to our sector.

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

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

The Goldsmiths journey

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

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

New legislation passed in 1902 gave the then London County Council significant power over the control of education in London. Unwilling to compete against new institutions that would be funded by the ratepayer, the Goldsmiths Company decided, in 1904, to gift the Institute to the University of London. Goldsmiths College was born. The Goldsmiths Company provided ongoing financial support to the new College in its early years and in 2016 it remains a valued friend to the University, with continuing representation on our governing body.

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

All of these activities are recognisable in the modern Goldsmiths College. Teacher training remains the core activity of our present day Department of Educational Studies. The School of Art survives as our world-leading Department of Art. Together, they have been joined by 18 other departments as Goldsmiths’ degree-level teaching and research activity have grown significantly over the past 50 years.

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

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

Goldsmiths alumni have changed, and continue to change, the world. Former students include Antony Gormley, Julian Opie, Malorie Blackman, Katy B, Tessa Jowell, Julian Clary, Mary Quant, Margaret Howell, Linton Kwesi Johnson, Steve McQueen, Gillian Wearing, Damien Hirst, Bridget Riley 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, literature and the other fields we are known for.

Goldsmiths in 2016

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

Our strategy

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

Goldsmiths' values underpin this mission:

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

In light of the significant change which has impacted both Goldsmiths and the wider Higher Education sector, we are about to embark on a refresh of our strategy, engaging our staff and students to help shape the future direction of the University.

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

1. Knowledge production

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

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

Academic programmes

We have sown the seeds of ongoing growth in the overall number of students registered on Goldsmiths' programmes, both on and off campus, through a combination of: expanding our portfolio of programmes in ways which both build on our academic expertise and respond to market demand; improving our recruitment procedures to achieve larger cohorts of high calibre students; enhancing support for students to improve their experience and increase retention; and diversifying our delivery approaches via collaborative partnerships with other institutions across the world and through online distance provision. In 2015-16 our on-campus numbers grew to 8,525, an increase of 4.4% on the previous year (8,165) in the context of an increasingly challenging and competitive market across the UK Higher Education sector.

Our approach to the development of our portfolio of taught programmes seeks to both signal and extend our existing research expertise, by drawing on the strategic vision of our academic departments and identifying market demand for programmes which align with our overall profile and values. We have streamlined many of our processes and procedures to enable agile development of new high-quality programmes and to ensure that they are properly resourced.

The academic growth strategy is overseen by a steering group comprising the academic Pro-Wardens, the Head of Planning, the Head of Student Recruitment and Engagement, and the Director of Finance. This enables critical innovations to be identified, stimulated, expedited, and given prominence through effective communication and co-ordination.

Innovation in new academic programmes

New programmes launched in September 2015

BA Sociology with Criminology
 BSc Psychology with Forensic Psychology
 BSc Psychology with Management
 MA Applied Anthropology & Community Arts
 MA Black British Writing
 MA Computer Games Art and Design
 MSc Forensic Psychology
 MSc Psychology of Social Relations
 PG Social Work Step-Up Diploma
 PGCE Primary with Mathematics
 PGCE Secondary Media Studies with English

New programmes launched in September 2016

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

New programmes approved for launch in September 2017

BA Curating
 BA Drama: Comedy
 BA Drama: Performance, Politics, Society
 BA History and Journalism
 BSc Data Science
 BSc Management with Economics
 BSc Management with Marketing
 BSc Marketing
 MA Artists' Film
 MA Luxury Brand Management
 MA Queer History
 MSc/PGDip Cognitive Behavioural Therapy

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Research and enterprise

Goldsmiths is proud of its tradition of being a research-led university. As described in our new Research and Enterprise strategy, launched in 2016:

- Knowledge creation and exchange, from curiosity-driven research and scholarship to work that applies our research to real-world issues, underpins and nurtures the intellectual, creative and social culture of the entire Goldsmiths community.
- Maintaining our research culture is vital to: attracting and retaining leading thinkers and practitioners; producing contemporary and exciting learning and teaching; energising public engagement; and defining our distinctive character.
- We are committed to engaging others with the outputs and processes of knowledge creation for economic, political, cultural, creative and societal benefit.

We are internationally renowned for our pioneering interdisciplinary research in the arts, humanities, social sciences and computing. The 2014 Research Excellence Framework (REF) rated almost three-quarters of research at Goldsmiths as world leading (4*) or internationally excellent (3*), and we are committed to making a real difference to society, culture and the economy through our research activity.

Our investment in Goldsmiths' research activity is ongoing in the wake of the 2014 REF results as we aim to continue to produce outstanding internationally renowned research. A key feature of our new Research and Enterprise strategy is the articulation of four broad research themes for which Goldsmiths is known:

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

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

	2011-12 £'000	2012-13 £'000	2013-14 £'000	2014-15 £'000	2015-16 £'000
QR funding	8,211	8,151	7,932	7,716	5,437
Research grants and contracts	5,419	4,953	5,942	5,686	5,227
Total research income as defined by HEFCE	13,630	13,104	13,874	13,402	10,664
Total income	82,902	90,111	97,180	102,564	103,969
	16.4%	14.5%	14.3%	13.1%	10.3%
Postgraduate research students	2,281	2,432	2,637	2,317	2,253
Total research income as defined by Goldsmiths	15,911	15,536	16,511	15,719	12,917

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

Reversing the downward trend in research-based income is a key priority for our new Research and Enterprise strategy. The most pronounced reduction was the cut in QR grant funding following the results of the 2014 REF. Whilst this cannot be reversed in the short term, investment in each of the four research themes identified above will be focused on: increasing the success rate in bids for new grants and contracts; and preparing for the 2020 REF which is likely to determine any future changes to QR grant should it remain as a funding source.

Disability Research Centre In 2015-16 we launched a new Disability Research Centre which brings together academics from a range of disciplines to conduct research about disability in society. It sees disability as an intrinsic part of human life and aims to be at the forefront of shaping government policy on disability, equality and diversity while highlighting the ordinariness and relative invisibility of disability. The Centre's approach reflects Goldsmiths' expertise in creativity, art practice, technology, design, mental health, well-being, social justice and innovation and conducts research that makes the lives of disabled people visible and vital, while providing a resource for disabled people of all ages to engage with the university.

PATTRN Researchers in Forensic Architecture (based within our Department of Visual Cultures) recently launched a new multimedia digital tool for journalists, researchers, human rights monitors, and citizens to map complex events – such as conflicts, protests, or crises – as they develop. PATTRN can map the deaths of migrating people, or outbreaks of political violence, for example. Users then create an interactive map showing the bigger picture in an ongoing situation. Led by Francesco Sebregondi, the PATTRN project was initiated thanks to a grant from the European Research Council, awarded to Professor Eyal Weizman.

SOUNDLAB Working with award-winning creative arts company Heart n Soul, and Public Domain Corporation, Dr Simon Katan, Dr Mick Grierson and Dr Rebecca Fiebrink (Department of Computing) have been researching the best digital music technology for people with disabilities. From music apps that let you compose, DJ or play countless instruments with a fingertip, to those that make a voice sound amazing even if it's not quite in tune, the SoundLab researchers have been rigorously testing iPhone/Pad, Android and web programmes. They were awarded a Music Teacher Award for Excellence in early 2016.

The future of public service television A major inquiry into the future of public service television, chaired by film producer and Goldsmiths Honorary Fellow Lord Puttnam, was launched in 2015-16, based in our Media and Communications department. It was set up to consider the nature, purpose and role of public service television today and into the future, addressing ways in which public service content can be most effectively nurtured taking into consideration a growing range of services, platforms and funding models, continuous technological development and audience fragmentation particularly amongst younger and diverse audiences.

Young Londoners in Beijing Professor Caroline Knowles (Department of Sociology) has spent years interviewing dozens of young migrants from the UK who were attracted to a perceived freedom to live the viable adult life they don't believe they can have in London. Many aren't properly documented, they gravitate towards 'hipster neighbourhoods', they find some Chinese language skills helpful, and several of them only had sketchy plans to return home. It's the 'far-reaching transformations and new mobilities' of both cities that brings Beijingers to London and Londoners to Beijing, Professor Knowles explained in her ESRC-funded study.

Other initiatives

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

- **The Goldsmiths Press**, which seeks to revive and regenerate the traditions of academic publishing. Our aim is to create a new culture around academic knowledge practices. The first publication of the Press, Professor Les Back's Academic Diary, was launched in 2015-16, receiving much critical praise. The pipeline of new titles continues to build.
- **The Goldsmiths Prize** continues to celebrate the qualities of creative daring associated with the University and to reward fiction that breaks the mould or extends the possibilities of the novel form.
- **NX Records**, a collaboration between Goldsmiths and Matthew Herbert's Accidental Records. The label's mission statement is to create a new model for the music industry, with a strong focus on talent from Goldsmiths and the wider south east London community. The aim is to build connections between emerging artists, education, the music industry and audiences.

2. London and the world

Goldsmiths' presence in a culturally rich global capital is vital to how it operates.

We have close ties with our local community in south east London, and from this base we branch out across the capital, the UK and internationally, through: mutually beneficial relationships with businesses, in particular the social and creative industries; a wide range of public and third sector organisations; and local and national governments. These links enhance both knowledge production and the student experience, through enriching opportunities for work placements, teaching and specialised training, collaborative and contract research, consultancy advice, and innovation partnerships.

In 2015-16 we launched a new Internationalisation Strategy which seeks to emphasise and stimulate connectivity between our teams who have responsibility for international research, enterprise, teaching, student recruitment and mobility, and alumni and development activities. A new International Engagement Fund was established to pump-prime new staff initiatives, particularly those which foster synergies between these domains of activity.

In 2015-16 we expanded our Collaborative Provision team in order both to ensure the continued success of our major validation partnership with LASALLE College of the Arts in Singapore, and to develop new partnerships with other institutions in the UK and overseas. A new validation partnership has now been launched with Nordoff-Robbins, which delivers postgraduate programmes in Music Therapy, and we are currently developing dual or joint degrees with several universities in other countries (eg Hungary, Belgium, China, Russia).

We have also invested in the expansion of existing and new distance learning programmes, including those we currently offer in partnership with the University of London International Academy (UoLIA). Our Computing Department has produced Massive Open Online Courses (MOOCs) which have been viewed by a record-breaking 100,000+ people internationally. In 2015-16 the department won a prestigious award to produce another 5-part MOOC. We are currently working with UoLIA and several commercial providers (Coursera, FutureLearn, GetSmarter, Kadenze) to produce a larger suite of online courses.

We continue to invest in initiatives which define Goldsmiths' place in the communities it serves. For example:

- During 2015-16 the University's Council gave final approval to the construction of a new public Art Gallery, funded by a major development campaign and already generously supported through an auction of artworks donated by alumni. This landmark space, which gives new use to a Grade-II listed derelict Victorian-era water tank on our campus, will host a public programme of high profile exhibitions, residencies and projects by leading artists and curators.
- In January 2016, we opened a new cinema on campus which serves students during weekday teaching times and the general public on weekday evenings and at weekends. Curzon Goldsmiths is the result of a partnership between the University and Curzon Cinemas. The collaboration brought the first full-time cinema to the London Borough of Lewisham for 15 years.
- Over the last 18 months we have set up a new framework for developing and delivering a range of short course programmes that ran in 2015-16. This has clearly demonstrated the desire of the Goldsmiths community to be involved in new opportunities to engage more effectively with our local community. Goldsmiths has quickly established itself as an important provider of flexible local education in south east London. One of our strategic priorities is to grow our Executive Education offer (eg Continuing Professional Development programmes), including online delivery options, by building on the infrastructure and content developed to support the short courses portfolio.
- In 2016 we signed a Memorandum of Understanding with the London Borough of Lewisham that includes a commitment to collaborate on Knowledge Exchange activities. Our close involvement with the London Enterprise Panel provides opportunities for us to deliver against the Greater London Authority's strategic priorities, particularly in regard to 'Skills and Employment', 'Micro, Small & Medium Sized Enterprises' and 'Digital, Creative, Science & Technology'.

Target sectors for partnership and knowledge exchange activity include:

- The Creative, Digital and Information Technology sector (CDIT), particularly in relation to new applications of technologies and new business models for the Creative Economy, where creative computing, design and social science research capabilities combine to provide new perspectives in these fields.
- The Arts, Cultural and Heritage sectors provide us with rich opportunities for partnership, often initiated through activities such as student placements and internships (eg Barbican, British Council, Tate Modern, the Horniman Museum, National Theatre, the Royal Academy) and research and other grants (eg Age Exchange, London Tamil Centre, inIVA gallery, The Mill, Tate Britain and the Albany).
- The Public Sector and Third Sector/NGO/charity sector. We have extensive research and activist engagement working with NGOs such as Amnesty, Red Cross and Citizens UK across areas such as migration and human rights. For example, our researchers from the Department of Media and Communications are currently engaged in work to protect the welfare of migrant minors at the disbanded 'Calais Jungle' and our Forensic Architecture team in our Department of Visual Cultures is regularly invited to provide expert evidence at the European Court of Human Rights due to our work with countries and peoples affected by conflict.
- The Health and Community Sector. We recognise that many of our outcomes and impacts have relevance to this sector. We are a partner in the South East London Health Innovation Network which has led to our journalism and design students taking up internships across NHS providers in the region. Our interdisciplinary Disability Research Centre works with a number of partners such as Inclusion London, Creative Minds, Disability Arts Online and Lewisham Disability Coalition.

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3. Student experience

Goldsmiths' student body is richly diverse. It is international and wide-ranging in terms of age, educational, occupational and social backgrounds. Embracing such eclecticism is part of Goldsmiths' distinctive identity. It means enabling all students to participate in knowledge production and supporting them effectively. It means equipping them with the kinds of skills, experience and connections that will help them to make sense of the world and find the work they want in a fast-changing environment.

Our principal KPIs for student experience relate to National Student Survey ("NSS") scores which are assessed at institution-wide and academic department level. Student:staff ratios are also an important metric that impacts the student experience.

	2011-12	2012-13	2013-14	2014-15	2015-16
NSS institution score	84%	88%	87%	83%	83%

Over the past two academic years, the overall NSS score for Goldsmiths has remained stable at 83%, down from a high score of 88% in 2012-13. In order to address this decline and the wider strategic goal of an excellent student experience, we have established a Student Experience and Engagement Strategy 2015-18 ('SEES'). This strategy provides direction and focus for the activities, projects and work programmes that ensure the student experience at Goldsmiths is exceptional. The strategy was created in 2014-15 through extensive consultation with the student body and was approved by the Goldsmiths' Academic Board at its December 2015 meeting.

Some examples of key activities in 2015-16 include:

- The creation of six new teaching rooms and the upgrade of 120 existing rooms to improve the learning environment and install high quality IT facilities. Refurbished rooms have a standard set of equipment to ensure ease of use and maintenance. In addition, the IT equipment in these spaces is centrally monitored, enabling support teams to attend and fix issues more proactively than before.
- An additional 82 study seats in the Library, including dedicated group study space for postgraduate students and the implementation of study space identification software to enable students to more effectively plan their use of this popular space.
- Enhanced wellbeing services through a re-focused team of advisers and the introduction of Campus Support Officers who work overnight and at weekends to provide a single point of contact for students out of hours.
- Increased engagement with teaching staff to ensure improved provision of reading list materials in digital form.

Students receive a Higher Education Achievement Record (HEAR), a transcript which serves as a single record of academic results as well as providing recognition for the additional co-curricular activities participated in alongside studies.

Co-curricular activities are key to the student experience and at Goldsmiths there is a wide variety on offer from academic departments, the Students' Union and services such as Careers, Inclusion and Learning, and the Library. Over 100 activities are recognised for the purposes of HEAR including the role of Student Ambassador, writing for student media and volunteering as part of a Community Action Group. In addition Goldsmiths has significantly grown its pre-entry transition programme Goldstart, which enables students to familiarise themselves with the environment, academic skills and develop peer networks prior to enrolment.

Our student:staff ratios have shown the following trends:

	2011-12	2012-13	2013-14	2014-15	2015-16
Institution SSR	19.2	16.9	14.8	13.2	14.1

Goldsmiths has sought to ensure that growth in student numbers is matched by appropriate academic teaching resource.

Beyond the observable short-term metrics, many students will reflect on their experience of Goldsmiths by reference to how it prepared them for the wider world. Arts and Humanities students often tread a path that doesn't immediately take them into the traditional graduate careers favoured by standard measures of graduate outcomes. We believe that encouraging students to think differently, challenge and critique is an integral part of the Goldsmiths experience – an experience that equips our students with the skills to thrive as they embark on life beyond university.

For example, in November 2015, Goldsmiths was ranked joint 35th in the UK for producing the best graduates for the workplace in a survey of UK employers from the business, IT and engineering sectors. The survey, designed by human resources consultancy Emerging and carried out by Trendence, a market research firm, asked recruiters working for major British companies to vote for the universities from where they like to source graduates.

4. Financial sustainability

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

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

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

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

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

Specific strategic achievements include:

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

Surplus as a percentage of revenue has been used as a key measure of sustainability. As discussed later in this report, the introduction of FRS 102 has adversely impacted reported surplus. We therefore have tracked an adjusted measure of surplus which reverses the impact of one-off items and FRS 102 adjustments. For the reasons explained in the financial performance section below, this adjusted measure has shown consistent decline over the past four years. The key tactical measures being taken to address and reverse this decline include:

- Continuing our strategy of undergraduate and postgraduate tuition fee growth.
- Concluding our programme of estates and IT backlog capital expenditure such that a stable run rate level of capital expenditure and depreciation is achieved.
- Continuing to exercise non-staff cost restraint in order to ensure the benefits from the current non-staff cost reduction exercise are not reversed.
- Concluding our step-change investment in professional services headcount such that economies of scale will emerge from 2017-18 onwards.

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In future it will not be practical or intellectually justifiable to adjust for the impact of FRS 102 as it is the basis under which we are required to report our results and will become fully embedded in our financial reporting. As we refresh our strategy, we will investigate better indicators than adjusted surplus such as cash flow based measures.

More detail on the University's finances is given in the discussion of financial performance on pages 26-30 which should be read alongside the 2015-16 financial statements which accompany this report.



OUR OPERATING STRUCTURE

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

On a day-to-day operational basis, academic life is centred on 20 academic departments which are grouped into three Schools, each of which is led by one of the academic Pro-Wardens. The Schools operate as a vehicle for internal management, strategic planning and financial reporting and are not intended to play an outwardly visible role. The external face of the University remains the individual academic departments, each with a unique presence and distinctive culture.

Our academic departments are as follows:

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

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

- Teaching and Learning Innovation Centre
- Graduate School
- Research & Enterprise
- Collaborative Provision
- Internationalisation

Students and staff are supported by nine professional services departments:

- Student, Academic & Learning Services
- Student Recruitment and Engagement
- Executive & Governance Services
- Estates
- Information Technology & Information Services (IT&IS)
- Strategic Planning & Projects
- Finance
- Human Resources
- Marketing & Communications

The Senior Management Team ('SMT') provides overall operational leadership to the University, while remaining accountable to Council and its various Committees. For the year under review, the SMT comprised:

- **Warden**
Patrick Loughrey
- **Deputy Warden and Head of the School of Culture and Society**
Professor Jane Powell
- **Pro-Warden for Learning, Teaching and Enhancement and Head of the School of Arts and Humanities**
Professor Elisabeth Hill
- **Pro-Warden for Research & Enterprise and Head of the School of Professional Studies, Science and Technology**
Professor Mark d'Inverno
- **Registrar and Secretary**
Liz Bromley (until September 2016)
Claire MacLean (from September 2016)
- **Director of Finance**
Ian Pleace
- **Director of Human Resources**
Kath Clarke

OUR FINANCES AND RESOURCES

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

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

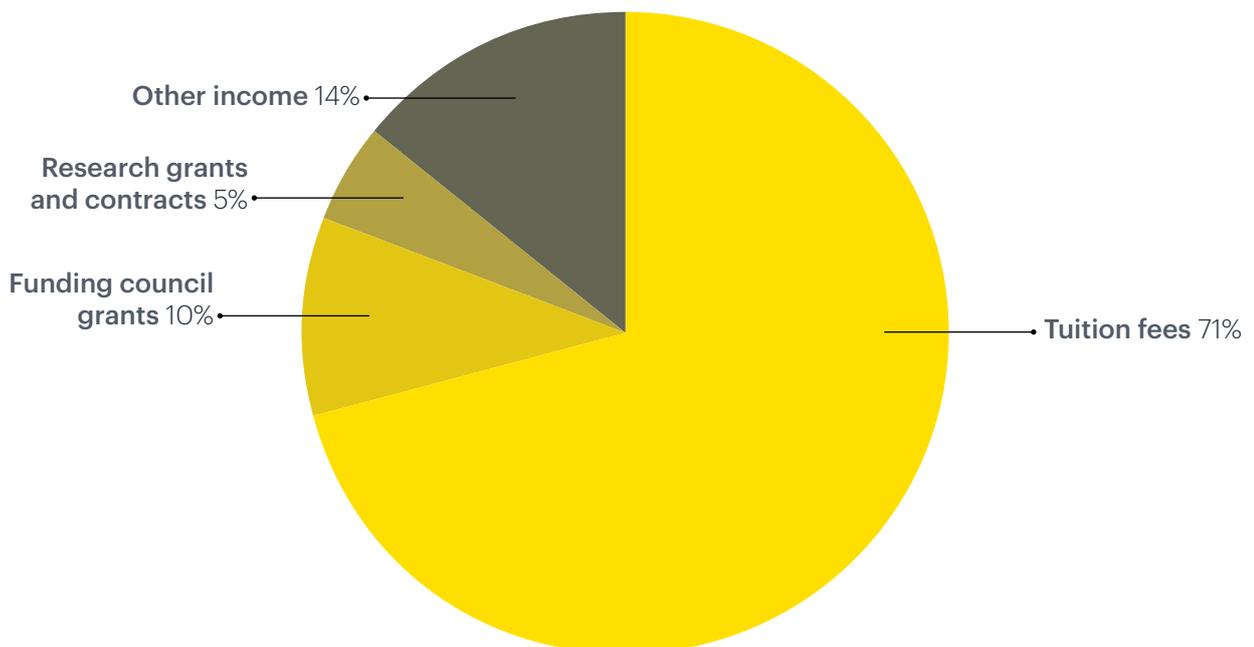
Our financial performance for 2015-16 is reviewed in detail on pages 26-30. However, we present in this section a high-level overview of where the University gets its income from and how that income is spent.

In common with all UK universities, our funding structure has changed significantly over the past 10 years. In that time, our primary revenue source has shifted from government grants (which accounted for just over half of income in 2005-06) to student tuition fees (which accounted for 71% of income in 2015-16). This has had the effect of shifting our income from fairly stable sources to a far more market-driven (and therefore potentially volatile) revenue base where we are competing with other universities for student tuition fees.

Our main income sources are as follows:

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

2015-16 Sources of income



Revenue: Tuition fees

The vast majority of income (71%) is derived from tuition fees. Of this, over half is in respect of Home/EU undergraduate tuition fees. Since 2012, these fees have been fixed at £9,000 per annum. Accordingly, the only way to grow our largest single source of income in order to cover rising costs has been to increase student numbers, which have increased steadily from 4,000 in 2012-13 to 4,800 in 2015-16 in respect of Full-Time Equivalent Home/EU undergraduates.

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

From 2019-20, institutions with a Gold or Silver rating will be entitled to increase their fees beyond £9,250 by 100% of inflation, whilst institutions with a Bronze award will be entitled to increase fees by 50% of inflation.

Any institution that does not apply for a TEF rating will have to maintain fees at the £9,000 cap and as a result Goldsmiths will make its TEF 2 submission in January 2017. Decisions will be published in May 2017.

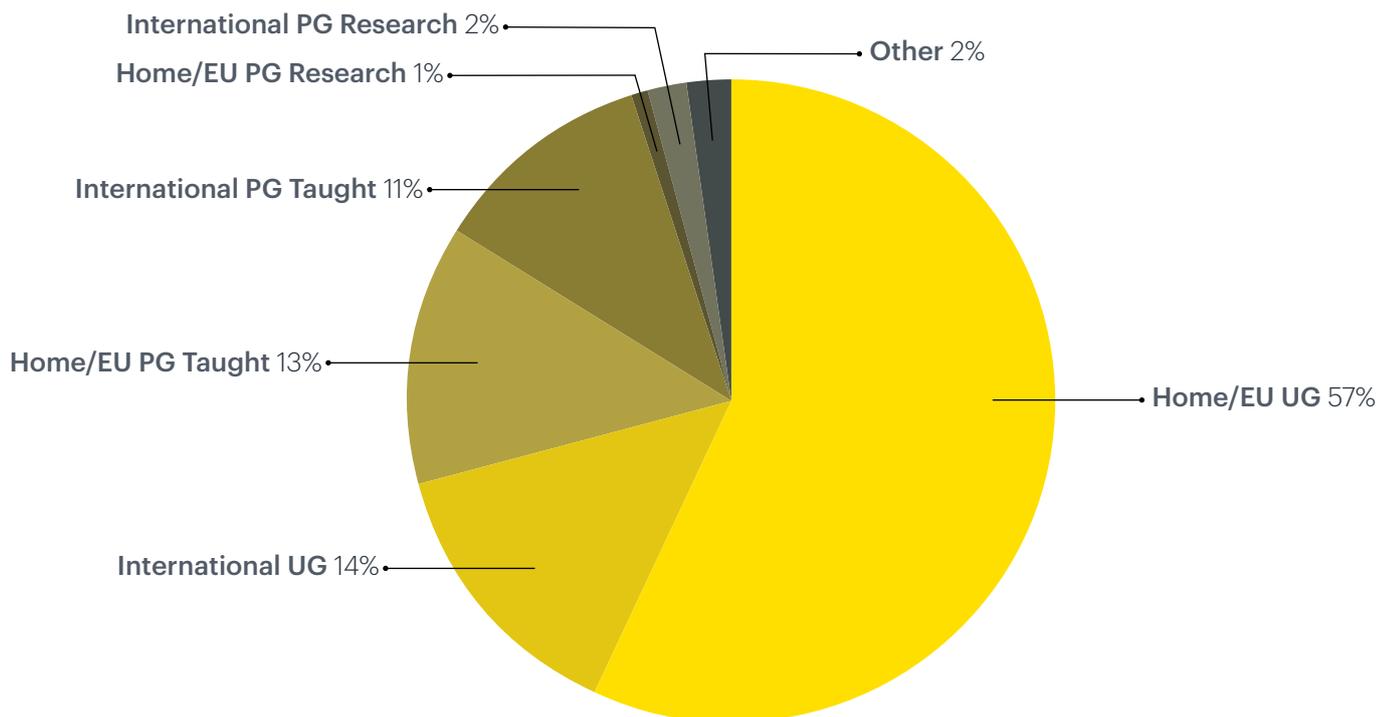
It is Goldsmiths policy to fix undergraduate fees for each student for the duration of their study.

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

Most other tuition fees are not regulated in the same way and are generally subject to annual inflationary increases. Postgraduate taught courses (such as MSc and MA degrees) accounted for 24% of tuition fee income in 2015-16. Recruitment to such programmes has been challenging in recent years, especially for Home/EU students.

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

2015-16 Tuition fees breakdown



Note: In the analysis in note 1 to the financial statements, part-time students have been shown as a separate category. In this chart they have been reflected within each programme type.

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Funding Council grants

Grant funding is still received from HEFCE in respect of some teaching and research activity and accounted for 10% of income in 2015-16. HEFCE research grant funding, also known as QR (Quality-Related) funding, was allocated to institutions in accordance with the results of the 2014 Research Excellence Framework (REF) exercise. Notwithstanding a generally strong performance in this exercise, with almost three-quarters of research at Goldsmiths rated world leading or internationally excellent, the overall level of QR funding was reduced, with the result that Goldsmiths' allocation fell from £7.7 million in 2014-15 to £5.5 million in 2015-16. A small amount of capital grant funding is still received from HEFCE, although this now constitutes less than 1% of income.

Other income

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

Research grants and contracts

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

Expenditure

Our expenditure comprises:

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

In 2015-16, our staff costs stood at 60% of total costs. This is in excess of the Higher Education sector average, reflecting the more staff-intensive nature of some of our teaching. Also, in order to operate, we need all of the administrative infrastructure of any other university, but as a smaller institution we are less able to generate the full economies of scale from that investment in administrative staff.

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

Insurance contributions which, in light of recent changes in legislation, will have increased by c£1.4 million on an annualised basis by the end of 2016-17.

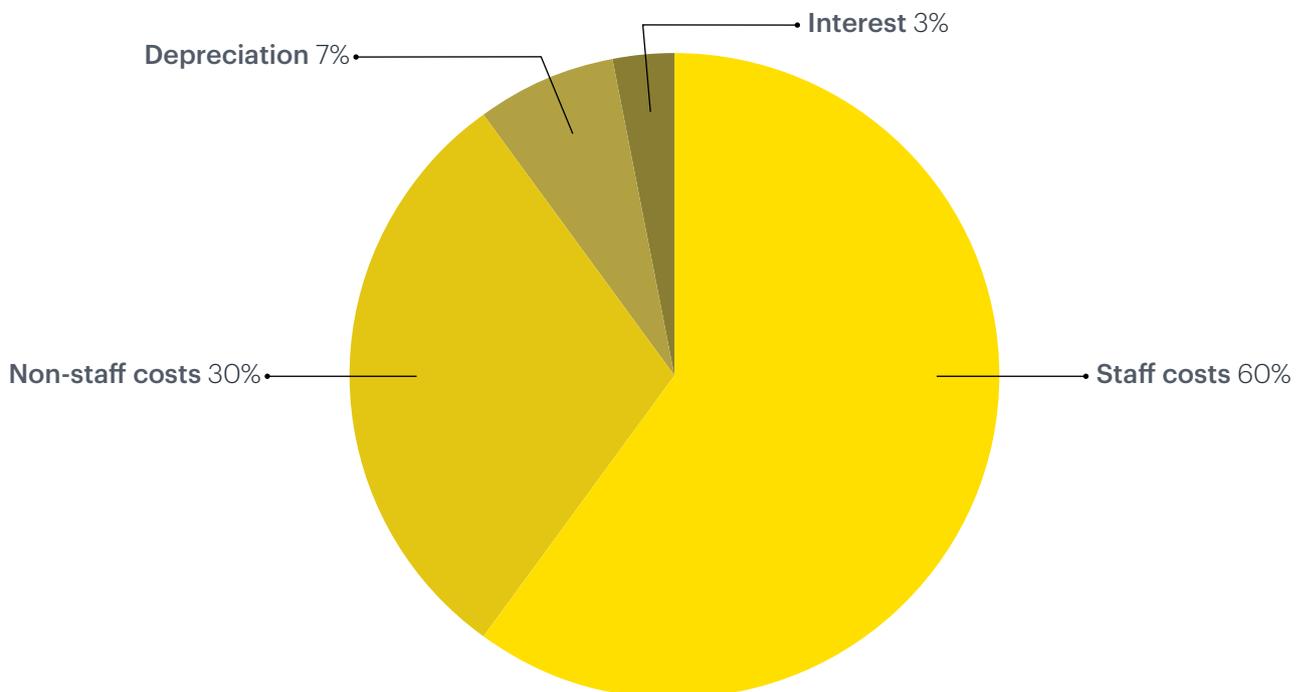
Our people

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

The University employs 1,156 Full-Time Equivalent staff, including 590 academics. We are proud of the continuing recognition being won for teaching, professional services, publications, community events, social media and research. Professional development opportunities are open to all colleagues as we aim to be at the forefront of accredited staff development. Our Human Resources Learning and Development Team continue to work closely with academic and professional services colleagues to support ongoing academic and professional development opportunities within the institution.

We are working hard to ensure that Goldsmiths maintains an environment where our staff feel respected, safe and secure. For example, our aim is to embed Equality and Diversity across Goldsmiths and make it a part of everything that we do by working together collaboratively and proactively and we were delighted to launch our renewed Equality and Diversity strategy and plan in 2015-16 to proactively work towards this aim.

2015-16 Expenditure



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

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

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

Capital investment and depreciation

In recent years we have increased the level of capital investment considerably. To give a sense of perspective, in the three years to 31 July 2009, our capital expenditure totalled £15 million at a time when £7.3 million of HEFCE capital grants were received. In the three years to 31 July 2016, we have spent £38.5 million on capital expenditure and have received just £2.4 million of HEFCE capital grant funding over the same timeframe.

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

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

Our physical infrastructure

As a result of the introduction of FRS 102, we have taken the option to revalue our land as at 1 August 2014 (the FRS 102 effective transition date). We own the freehold to the vast majority of our campus which gives us a significant degree of financial security.

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

Long-term liabilities and interest costs

It is not always possible to fund activity directly out of the cash flows generated by our operations. In order to undertake major capital expenditure, Goldsmiths has in the past entered into external financing arrangements which are reflected on the University's balance sheet as long-term borrowings. These take the form of long-term loans with Royal Bank of Scotland and Lloyds, together with a finance lease in respect of our Loring Hall student accommodation. Together, these arrangements represent £23.5 million of borrowing. Data from HEFCE suggests that our gearing (external debt as a proportion of net assets) is currently below average for the higher education sector.

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

Our pension schemes

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

Budgeting and strategic planning

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

- A desired level of overall surplus for the institution is set.
- Professional services budgets are set, reflecting an assessment of academic department needs, together with a central cost budget for items such as depreciation and interest.
- In light of the desired surplus, professional services and central cost budgets, an overall contribution target is set for revenue-earning departments. Contribution is defined as revenue less the directly controllable costs of a department.
- The contribution targets are then allocated out to departments and form the basis of their strategic planning and budgeting exercises.
- Throughout, there is a degree of iteration and negotiation to ensure target setting is fair and reasonable and meets the overall financial objectives of the University.

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

The external environment

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

The UK's decision to leave the European Union and the related tightening of UK immigration policy (with no sign of any leniency for international students) together present a significant risk to Goldsmiths. In 2015-16, approximately 1,200 Goldsmiths students were from EU countries (excluding the UK), accounting for c£10 million (ie just under 10%) of our income. In addition, we earned c£2.3 million of EU research grant income. In total we have around 300 staff members who are EU citizens. The tightening of immigration policy may impact existing volumes of non-EU international students. It is not yet clear how it will impact EU students. The University intends to do all it can to continue to attract high quality EU and non-EU students and to continue to make the case for the many benefits that international students bring to UK universities and the UK economy.

The potential for greater restrictions over international student numbers comes at a time when UK demographic change is such that the number of 18 year olds able to enter higher education is falling and is unlikely to return to current levels until 2024. In addition, the government's proposed Higher Education legislation currently passing through Parliament makes provision for new market entrants to compete for students against existing universities.



Taking these three points together – international student restrictions, UK demographics and proposed new market entrants – a possible reduction in demand for places at Higher Education establishments may coincide with an increase in the supply of such places.

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

Finally, the Teaching Excellence Framework discussed in the previous section of this Strategic Report creates further uncertainty over how students and potential applicants will respond to ratings of Gold, Silver and Bronze. Given the nature of the specific measures being assessed in the TEF, Goldsmiths scores less highly than many other institutions. There is a high risk that the rating awarded does not fairly represent the many strengths and positive aspects of academic life at Goldsmiths. It is currently unclear whether TEF outcomes will be used to drive broader government goals such as the proposed reduction in international student numbers. If so, the risk to Goldsmiths could be considerable.

There is no doubt that this environment is a difficult one for Goldsmiths. Each of the

points discussed informs the University's institutional risk register, which is reviewed regularly by SMT and Council.

In response to these risks Goldsmiths is focusing on:

- Raising the profile of what Goldsmiths does. The strength of Goldsmiths lies in the uniqueness of its teaching and research. Our academics are not afraid to challenge established thinking. Our values and cultures are supportive of radical thinkers and we remain an attractive destination for academics and students. We will be positive and vocal about what we stand for as we respond to the evaluation frameworks that the government has been introducing for teaching and research.
- Conserving cash. £12 million of the capital receipt in connection with the transfer of some of our student accommodation to a third party provider will be held as a financial cushion to ensure liquidity. These funds had originally been earmarked for capital expenditure in 2016-17.
- Continuing to grow student numbers where possible. The University's view is that it should continue to pursue a positive growth-led strategy. Goldsmiths has a strong track record of launching and growing new and innovative programmes, most recently in economics which has enjoyed success through its taught programmes and through the Political Economy Research Centre which is based at the University.
- Maintaining strong control over costs. Where new programmes are introduced or student cohorts are increased significantly on existing programmes, the University seeks to ensure that this growth

is supported through sufficient and appropriate resources – it is accepted that incremental costs will be incurred. However, new programmes are expected to contribute to Goldsmiths' total surplus and their costs are subject to close scrutiny. As noted earlier in this Strategic Report, 2015-16 saw the launch of a programme to reduce the University's non-pay spend, introducing tighter discipline over expenses, procurement compliance and supplier contract management.

- Developing and implementing a programme of activity to address performance issues raised by the TEF, with a view to improving the likely grading that Goldsmiths achieves under TEF 2.
- Building strong partnerships with international institutions.
- Investing in alternative delivery methods such as online platforms and distance learning which are scalable without incurring expensive estate costs.

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Our financial performance in 2015-16

In line with the wider Higher Education sector, Goldsmiths has applied Financial Reporting Standard 102 (FRS 102) for the first time in these financial statements, replacing UK Generally Accepted Accounting Principles (UK GAAP) under which last year's 2015 financial statements were prepared. FRS102 has been applied in preparing these financial statements for the year ended 31 July 2016, the comparative information presented in these financial statements for the year ended 31 July 2015 and in the preparation of an opening FRS102 Statement of Financial Position at 1 August 2014. Implementation of FRS 102 also requires us to adhere to the requirements of the new Higher Education Statement of Recommended Practice which codifies specific applications of FRS 102 to our sector.

An explanation of how the transition to FRS102 and the SORP has affected Goldsmiths financial position, financial performance and cash flows is set out in *note 26*. The principal impacts are as follows:

- **Fixed assets.** As a transitional adjustment, we were able to revalue fixed assets as at their 1 August 2014 fair values. In line with others in the sector, Goldsmiths chose to revalue only land (which is not depreciated). This has resulted in a £41.9 million increase in the value of land recorded in our balance sheet compared with the previous UK GAAP position.
- **USS pension scheme.** We are required to recognise a provision in respect of past service obligations that arise from our membership of the USS. Under previous UK GAAP, no such liabilities were recorded with any additional contributions

payable to the scheme charged as an expense as and when they were incurred. The provision stands at £13.3 million as at 31 July 2016, £5.5 million of which has been retrospectively charged in the restated 2014-15 financial year comparatives (£5.3 million to staff costs and £0.2 million to interest costs) with a further £1.4 million charged in 2015-16 (£1.1 million to staff costs and £0.3 million to interest costs).

- **Government capital grants for buildings.** An accounting policy choice over how publicly funded deferred capital grants for buildings are treated was available. Goldsmiths has chosen the performance method of recognition which broadly maintains our net asset position compared with previous UK GAAP, but which has an adverse impact on income recognition. The alternative accruals method of recognition was not adopted as it is likely to be withdrawn as an option in the near future and is inconsistent with how we account for research grants.
- **Annual leave accrual.** We are now obliged to accrue for holiday pay and other compensated absences. As the annual time period over which our staff can take their holidays is not aligned with our financial year, an accrual must be made to reflect the cost of holiday entitlement due, but not taken, by 31 July. As at 31 July 2016, this accrual stands at £3.0 million (31 July 2015: £2.8 million), £0.1 million of which has been retrospectively charged to staff costs in the restated comparatives.
- **LPFA pension interest.** For the LPFA pension scheme, a single net interest cost is now calculated under FRS

102 (ie interest on the pension liability less the return on plan assets), using the discount rate. Under previous UK GAAP, a separate (and usually higher) rate was used to calculate the return on plan assets. Using a lower rate has increased our net interest costs.

Unless stated otherwise, the following analysis is on the basis of the reported FRS 102 results.

Total comprehensive income for the year was a deficit of £6.2 million (2015: £8.7 million), a reduction of 28.3%. This includes the significant actuarial losses on the LPFA pension scheme.

The surplus for the year, stated before the LPFA actuarial losses, was £2,025,000 (2015: Deficit of £5.4 million on an FRS 102 basis). Under FRS 102, the 2015 result now reflects the recording of a £5.4 million charge in respect of the USS pension scheme, together with other smaller adverse impacts arising from the revised accounting treatments for deferred capital grants and holiday pay entitlement.

The impact of FRS 102, which introduces significant volatility into the results, coupled with a number of exceptional releases of aged credit balances in the year ended 31 July 2016, makes a direct comparison of the 2016 and 2015 financial years difficult. In order to aid comparison, the following table presents adjusted underlying figures which strip out the impact of FRS 102 adjustments and one-off items.

Reported FRS 102 basis	2015-16 £'000	2014-15 £'000	% change
Income	103,969	102,564	1.4%
Expenditure			
Staff costs	63,068	65,825	-4.2%
Non-staff costs (incl depreciation and interest)	41,331	42,600	-3.0%
	104,399	108,425	-3.7%
Other gains and losses	2,455	864	
Surplus/(deficit)	2,025	(4,997)	
Adjusted basis – for additional information	2015-16 £'000	2014-15 £'000	% change
Income	104,076	103,213	0.8%
Expenditure			
Staff costs	63,005	58,441	7.8%
Non-staff costs (incl depreciation and interest)	41,295	41,917	-1.5%
	104,300	100,358	3.9%
Other gains and losses	-	-	
Adjusted surplus/(deficit)	(224)	2,855	
Reconciliation of reported to adjusted results			
Adjusted surplus/(deficit)	(224)	2,855	
Exceptional and one-off items:			
Gain on sale of fixed assets (<i>note 8</i>)	2,316	802	
Costs of voluntary severance scheme (<i>note 6</i>)	123	(2,068)	
Reversal of LPFA accrual (<i>note 6</i>)	610	(610)	
Release of aged sales ledger credits	444	-	
Release of aged deferred income	600	-	
Release of other creditors >6 years old	447	-	
Release of HERA provision (<i>note 6</i>)	450	676	
	4,990	(1,200)	
FRS 102 impacts:			
Increase in USS pension provision – staff cost (<i>note 6</i>)	(1,059)	(5,324)	
Increase in USS pension provision – interest cost	(356)	(152)	
Reduction in deferred capital grant income	(610)	(770)	
Increase in annual leave accrual (<i>note 6</i>)	(187)	(58)	
LPFA pension interest	(727)	(531)	
Other FRS 102 adjustments	198	183	
	(2,741)	(6,652)	
Surplus/deficit – reported FRS 102 basis	2,025	(4,997)	

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On an adjusted basis, the deficit for the year ended 31 July 2016 was £0.2 million compared with a surplus of £2.9 million in the year ended 31 July 2015.

The principal reasons for this underlying adverse adjusted movement of £3.1 million are as follows:

- Home/EU undergraduate fees, our largest single source of income are fixed at £9,000. As a result, their value in real terms declines annually given underlying cost inflation.
- The loss of £2.2 million of HEFCE QR research grant funding following the results of the 2014 Research Excellence Framework exercise.
- Rising staff costs, reflecting headcount growth (including the full year impact of people recruited in the 2015 financial year), increases in employer National Insurance contributions, promotions and progression and the 1% pay rise awarded to staff.
- Increasing depreciation charges, reflecting the continued investment in our estate and IT infrastructure.

Our financial plans for 2016-17 are focused on returning Goldsmiths to a modest surplus position.

Income

On a reported FRS 102 basis, Income has increased by 1.4% in the year ended 31 July 2016. The reasons for this growth are described below.

Tuition fees and education contracts

Tuition fees increased from £67.7 million to £74 million, an increase of 9%. This reflects an overall growth in student numbers, with a particularly strong performance in Home/EU undergraduate entry figures. Recruitment of both Home/EU and international students to postgraduate taught programmes remained challenging in the year.

Funding body grants

Funding body grants have declined from £13.8 million to £10.7 million, a reduction of 22%. This decline is driven principally by the reduction in HEFCE QR research grant funding following the results of the 2014 REF exercise, together with a further decline in HEFCE teaching grants received.

Research grants and contracts

Research grants and contracts have reduced from £5.7 million to £5.2 million, a reduction of 8%. Research funding for the Arts, Humanities and Social Sciences, the primary academic areas in which Goldsmiths specialises, remains under pressure, with government policy continuing to favour research in science, technology, engineering and mathematics. We have also seen increasing competition for those Arts, Humanities and Social Science grants that we bid for. In addition, a number of larger EU-funded grants concluded in the year.

Other operating income

Other operating income has decreased by 10% to £13.5m. This reflects the transfer of three of our student residences to Campus Living Villages ('CLV'), a third-party accommodation provider.

The revenues earned, and costs incurred, in respect of these residences are now recorded by CLV rather than Goldsmiths.

The reported results benefited from an exceptional release of £444,000 of aged sales ledger credits. These balances were in excess of six years old and relate principally to aged unallocated cash receipts.

Endowment and investment income

Endowment and investment income, currently a small income stream for Goldsmiths, has increased slightly in the year, reflecting interest earned on the capital sum received from CLV in connection with the student accommodation transfer, offset by a reduction in new endowments received.

Expenditure

On an FRS 102 reported basis, Expenditure has decreased by 3.7% in the year ended 31 July 2016. This decrease is heavily impacted by FRS 102 and the exceptional items described below. Removing the impact of these amounts gives an increase in adjusted expenditure of 3.9%, ahead of the growth in income. The reasons for these changes are described below.

Staff costs

On an adjusted basis, staff costs have increased from £58.4 million to £63 million, an increase of 7.8%. This increase reflects:

- Headcount growth of 2.8% from 1,124 to 1,156 (Full-Time Equivalent basis), driven almost entirely by growth in academic staff headcount.
- Pay rises, salary scale progression and promotions across academic and professional services departments.

- An increase in employer's National Insurance contributions and USS employer's contributions which was effective from April 2016.

Headline reported staff cost numbers are significantly impacted by FRS 102, exceptional and one-off items. Including FRS 102 impacts and exceptional items, staff costs decreased by 4.2%.

In 2015 the exceptional and one-off items impacting staff costs were as follows:

- A provision held in respect of the Higher Education Role Analysis (HERA) grading assimilation exercise was partially released following completion of negotiations with trade unions. This resulted in a non-cash release against staff costs of £676,000
- The accruing of £610,000 of anticipated additional expenses in connection with the LPFA pension scheme. This was not subsequently required and was reversed in 2016.
- A voluntary severance scheme undertaken towards the end of the 2015 financial year which resulted in an exceptional cost of £2.1 million.

In 2016, the exceptional items impacting staff costs related to:

- The reversal of the £610,000 additional LPFA accrual described above
- A further, and final, release of £450,000 in respect of the HERA provision described above.
- The release of £123,000 of the 2015 voluntary severance scheme provision which was not subsequently utilised.

FRS 102 has had the most significant impact on staff costs, though as part of the FRS 102 restatement of 2015 staff costs, an expense of £5.3 million was recorded in respect of the USS pension scheme. This retrospectively increases 2015 staff costs considerably. In the 2016 financial year, the additional USS expense stood at £1.1 million. This reduction in USS charges is the primary driver of the overall reduction in reported FRS 102 staff costs.

Other operating expenditure

Other operating expenses have reduced by 7% to £31.6 million. This reduction reflects:

- The reduction in research grant funded activity, which results in lower staff costs and non-pay costs.
- The transfer to CLV of the costs of the student accommodation that they now operate.
- Efforts to reduce the overall level of non-pay spend, the benefits of which should continue to be felt in the current 2017 financial year.

Depreciation

Depreciation charges have increased by just under £1 million, reflecting the ongoing investment in the estate and IT infrastructure.

Interest and finance costs

Interest and finance costs have increased from £2.47 million to £2.64 million on an FRS 102 reported basis, an increase of 6.9%. This reflects an increase in notional interest charges in respect of our pension schemes. Interest on bank debt and finance leases has declined slightly as the outstanding principal has continued to be repaid.

Gain on disposal of fixed assets

The gain on disposal of fixed assets of £2.3 million relates to the transfer of three student residences (Surrey House, Chesterman Hall and Raymont Hall) to CLV in September 2016. This transaction is described in more detail in note 8 to the financial statements. In 2015, the gain of £0.8 million related to the sale of a surplus property away from the main campus.

Balance Sheet and Cash Flow

On an FRS 102 reported basis, net assets have reduced to £85 million as at 31 July 2016 (2015: £91.2 million). The most significant impacts are:

- An increase in pension liabilities of £10.8 million, due mainly to adverse changes in actuarial assumptions on the LPFA scheme. A full explanation of the assumptions used is provided in note 23 to the financial statements.
- The inclusion of £10.1 million of the accounting gain from the student accommodation transfer to CLV within deferred income (a full description of the transaction is given in note 8 to the financial statements).
- A net increase in cash and current asset investments of £6.5 million reflecting the £20.3 million capital receipt from CLV offset by higher capital expenditure in the year.
- A £2.4 million reduction in other provisions, due mainly to the utilisation of provisions in respect of the voluntary severance scheme undertaken in the 2015 financial year.

*Annual Reports and Financial Statements 2016***Financial Outlook**

Whilst FRS 102 will continue to have a significant impact on our reported financial results and position in 2017, the primary 'real world' drivers of our financial performance will continue to be:

- Continued student number growth, especially at undergraduate level, with initial signs that postgraduate growth has improved slightly.
- Further increases in staff costs. In addition to regular staff cost growth, the first full year impact of additional Employers' National Insurance contributions will be felt.
- Savings achieved from tighter non-staff cost control.
- A reduction in the recurring estates capital expenditure budget.

As a result, our financial performance will remain under pressure. This emphasises the need for continued focus on achieving a sustainable level of surplus. The fundamental financial position of Goldsmiths, however, remains strong given the £20.3 million capital receipt received from CLV in September 2015 and, compared to the wider Higher Education sector, our relatively low level of external debt gearing.

Going concern statement

Goldsmiths' activities, together with the factors likely to affect its future development, performance and position are set out in the commentary above. The financial position of the University, its cash flows, liquidity position and borrowing facilities are described in the Financial Highlights above and the cash flow statement on page 50.

Goldsmiths adopts a cautious approach to financial risk management. For example, the capital receipt of £20.3 million has been invested in low risk deposit accounts, along with our existing cash balances. Whilst this limits the amount of financial return available, it does not expose these essential funds to undue risk.

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

We believe that Goldsmiths is well placed to manage its business risks successfully, despite the current uncertain economic outlook and the funding pressures facing the higher education sector. Council has a reasonable expectation that Goldsmiths has adequate resources to continue in operational existence for the foreseeable future, such that the going concern basis of accounting continues to be adopted in preparing these annual financial statements.

Looking forward

Throughout this Strategic Report, we have highlighted the challenges and opportunities that face Goldsmiths. 2016-17 will be dominated by our preparation for the government's proposed new Higher Education legislation and detailed consideration to emerging pronouncements on Brexit and immigration policy.

As discussed in the report, we will embark on a refresh of our strategy that will be highly attuned to the external environment.

Student recruitment in 2016-17 has been encouraging. Stretching targets were set for departments and although not all of these have necessarily been met, we have experienced good growth in student numbers.

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

Baroness Morris of Yardley
Chair of Council



GOLDSMITHS

PUBLIC BENEFIT STATEMENT

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

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

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

Achieving public benefit: our strategy

Goldsmiths' approach is integrated with our Strategic Aims, grouped under the four strategic 'pillars' described in the earlier 'Goldsmiths in 2016' section:

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

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

Education, access, opportunity and experience

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

Commitment to community

Goldsmiths' commitment to the local community is embedded in the operations of the 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.

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 our research activities are presented in the earlier 'Goldsmiths in 2016' section.

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

Environment and sustainability

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

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

Ethical investment

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

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



CORPORATE GOVERNANCE AND INTERNAL CONTROL

Institutional context

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

Goldsmiths' Students' Union is a registered charity, for which the 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 HEFCE are used in accordance with the Financial Memorandum, and that the conditions of funding of any other funding bodies, including the National Centre for Teaching and Leadership (NTCL) are similarly met
- to ensure that Goldsmiths complies appropriately with other regulatory documents from HEFCE which are for the time being in force
- to approve borrowing or loans above an agreed value
- to approve contractual commitments over an agreed value and authorise Goldsmiths' signatories
- to approve the Financial Statements and accompanying reports, including the Corporate Governance Statement
- to approve the appointment of 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 University land over an agreed value and/ or an agreed period of time
- to approve building projects over an agreed value and monitor their progress
- to be the employing authority for all staff in the institution, approve employment policies and strategies to ensure compliance with employment legislation and guidance and to monitor their implementation
- when relevant, to approve recommendations made by a properly constituted Redundancy Committee to make academic and academic-related staff redundancies
- to approve procedures for handling internal grievances and for managing conflicts of interest
- to appoint the Warden, the Registrar and Secretary and the Director of Finance, and to approve recommendations for the appointment of Pro-Wardens, including the Deputy Warden

- to appoint the Secretary to Council
- to ensure compliance with all legislation affecting the 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 reviews of its own effectiveness not less than once every four years. The most recent Review was carried out during the 2015-16 academic year. A broad effectiveness review of Goldsmiths' committees

and governance structure, including terms of reference and membership of committees was last carried out during the 2014-15 academic year. The next review of the College's committee and governance structure will be carried out no later than 2019-20.

The establishment of the Executive and Governance Services directorate within Professional Services has allowed more focused governance support to be provided.

Committees of Council and Academic Board

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

Academic Board

Under the Charter of Goldsmiths, 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 those departments, when making decisions on academic matters. Academic Board has its own section of the committee structure reporting to it and, although Council is responsible for determining the overall design of the committee system and the Standing Orders for committees, Academic Board has autonomy in matters relating specifically to the terms of reference and compositions (constitutions) of its own committees. The most senior committees of Academic Board are the Academic Development Committee, the Learning, Teaching and Enhancement Committee, and the Research and Enterprise Committee.

*Annual Reports and Financial Statements 2016***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) as well as the Warden and the President of the Students' Union.

Audit and Risk Committee

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

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

Other committees

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

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

CUC Governance Code of Practice

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

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 2016 and up to the date of approval of the Financial Statements. It accords with HEFCE guidance.

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

- a comprehensive medium and short-term planning process, supplemented by detailed annual income, expenditure, capital and cash flow budgets
- periodic reviews of key performance indicators, and consideration of actual indicators annually
- continuous review of risk exposure by Senior Management Team through its active management of the Risk Register
- regular reporting of the Risk Register to the Audit and Risk Committee

- | | | |
|---|---|--|
| <ul style="list-style-type: none"> ▪ consideration of major initiatives involving financial or reputational risk, whether academic or non-academic (eg large-scale new collaborative provision) by the Strategic Project Board, the Senior Management Team, appropriate committees of Council and Council | <p>There are no significant internal control issues for which investigations have been concluded. to report for 2015-16 or up to November 2016, as defined by HEFCE guidance. Management has alerted HEFCE to one significant matter which remains under investigation pending conclusion.</p> | <p>oversee programmes and projects that could potentially significantly impact on Goldsmiths as an institution</p> |
| <ul style="list-style-type: none"> ▪ at least three times per year, review of the Management Accounts by the Finance and Resources Committee | <p>In their annual report for the year ended 31 July 2016 the University's Internal Auditors gave satisfactory assurance on its arrangements for risk management, control and governance, economy, efficiency and effectiveness, with the exception of its reviews of IT identity management, active directory and student attendance monitoring, where they provided limited assurance. Management have provided detailed responses to Internal Audit's reports on these areas with agreed actions to address the areas of limited assurance which are being implemented in 2016-17. As with all internal audit recommendations, these will be monitored during the year by Senior Management Team and reported back to Audit Committee.</p> | <ul style="list-style-type: none"> ▪ 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). |
| <ul style="list-style-type: none"> ▪ reporting and updates of forecast out-turns | <p>Council has responsibility for reviewing the effectiveness of the system of internal control and has established the following processes:</p> | <p>Council's ongoing review of the effectiveness of the system of internal control is informed by Internal Audit, which operates to standards defined in the HEFCE Audit Code of Practice and which has been reviewed for effectiveness by the HEFCE Audit Service. The annual internal audit programme is approved by Council on the recommendation of Audit and Risk Committee. The Committee receives regular progress reports, including at the end of each year the Head of Internal Audit's independent opinion on the adequacy and effectiveness of Goldsmiths' system of internal control, with recommendations for improvement.</p> |
| <ul style="list-style-type: none"> ▪ clear definitions of the responsibilities of, and the authority delegated to, Heads of Departments and Directors of Academic Areas | <p>Council has responsibility for reviewing the effectiveness of the system of internal control and has established the following processes:</p> | <p>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.</p> |
| <ul style="list-style-type: none"> ▪ 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 | <ul style="list-style-type: none"> ▪ 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 | <p>Baroness Morris of Yardley
Chair of Council</p> |
| <ul style="list-style-type: none"> ▪ Financial Regulations, together with a table of Financial Limits for committees and designated officers of the College, approved by Council, supported by more detailed financial controls and procedures published by the Finance Department and by specialist policy documents (eg on fraud and whistleblowing) approved by Council, the Audit and Risk Committee or the Finance and Resources Committee as appropriate | <ul style="list-style-type: none"> ▪ continuing initiatives to develop a more robust approach to the management of risk and value for money | |
| <ul style="list-style-type: none"> ▪ 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) | <ul style="list-style-type: none"> ▪ oversight by Audit and Risk Committee of issues related to data quality | |
| <ul style="list-style-type: none"> ▪ reports on the outcomes of major external audits of academic quality. | <ul style="list-style-type: none"> ▪ receipt of Annual Reports from its most senior committees | |
| | <ul style="list-style-type: none"> ▪ establishment of a Strategic Programme Board and the Strategic Projects Office to | |

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 2016 which comprise the Statement of Comprehensive Income and Expenditure, the Statement of Changes in Reserves, the Balance Sheet, the Cash Flow Statement and the related *notes 1 to 26*. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' 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 memorandum of assurance and accountability effective August 2013. Our audit work has been undertaken so that we might state to the governing body those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the board of governors as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the governing body and auditor

As explained more fully in the Governing Body's Responsibilities Statement, the governing body is responsible for the preparation of the financial statements that give a true and fair view. 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 University'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 the University's affairs as at 31 July 2016 and of its surplus for the year then ended
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and the Statement of Recommended Practice: Accounting for Further and Higher Education.

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

In our opinion, in all material respects:

- income from the funding council grants and from other restricted funds administered by the University during the year ended 31 July 2016 have been applied for the purposes for which they were received
- income during the year ended 31 July 2016 has been applied in accordance with the University's statutes and, where appropriate, with the memorandum of assurance and accountability, with the funding council
- the requirements of HEFCE's accounts direction have been met.

Deloitte LLP
Chartered Accountants
and Statutory Auditor
Deloitte, St Albans
30 November 2016

ACCOUNTING POLICIES

1 General information

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

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

2 Statement of compliance

The financial statements of Goldsmiths College have been prepared in compliance with United Kingdom Accounting Standards including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland (FRS 102)".

3 Summary of significant accounting Policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. Details of the transition to FRS102 are disclosed in *note 26*.

a) Basis of preparation

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

b) Basis of consolidation

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

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

c) Income recognition

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

Fee income is stated gross of any expenditure which is not a discount and credited to the Statement of Income and Comprehensive Expenditure over the period in which students are studying. Where the amount of the tuition fee is reduced, for example, 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.

Investment income is credited to the statement of income and expenditure on a receivable basis.

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

Grants

Grant funding, including funding council block grant, research grants from government sources, and grants (including research grants) from non-government sources are recognised as income when the University is entitled to the income, and performance conditions have been met. Income received in advance of the performance conditions being met is recognised as deferred income within creditors on the balance sheet, and released to income as conditions are met.

Donations and endowments

Non exchange transactions without performance related conditions are donations and endowments. Donations and endowments with donor imposed restrictions are recognised in income when Goldsmiths is entitled to the funds. Income is retained within the restricted reserve until such time that it is utilised in line with such restrictions at which point the income is released to general reserves through a reserve transfer.

Donations with no restrictions are recognised in income when Goldsmiths is entitled to the funds.

Investment income and appreciation of endowments is recorded in income in the year in which it arises and as either restricted or unrestricted income according to the terms and other restrictions applied to the individual endowment fund.

There are two main types of donations and endowments identified within reserves:

1. Restricted expendable endowments - the donor has specified a particular objective other than the purchase or construction of tangible fixed assets, and Goldsmiths has the power to use the capital.

2. Restricted permanent endowments - the donor has specified that the fund is to be permanently invested to generate an income stream to be applied to a particular objective.

d) Employment benefits

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

e) Finance leases

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

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

f) Operating leases

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

g) Taxation

Goldsmiths is an exempt charity within the meaning of Part 3 of the Charities Act 2011 and as such is a charity within the meaning of Section

506(1) of the Income and Corporation Taxes Act 1988 (ICTA 1988).

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

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

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

h) Accounting for Retirement Benefits

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

Goldsmiths participates in the Universities Superannuation Scheme (the scheme). Throughout the current and preceding periods, the

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scheme was a defined benefit only pension scheme. The assets of the scheme are held in a separate trustee-administered fund. Because of the mutual nature of the scheme, its assets are not hypothecated to individual institutions and a scheme-wide contribution rate is set. The institution is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by Section 28 of FRS 102 'Employee benefits', accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the Statement of Comprehensive Income and Expenditure represents the contributions payable to the scheme in respect of the accounting period. Since the institution has entered into an agreement (the Recovery Plan that determines how each employer within the scheme will fund the overall deficit), the institution recognises a liability for the contributions payable that arise from the agreement to the extent that they relate to the deficit and the resulting expense is recorded.

Defined Contribution Plan

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

On 31 July 2016, Goldsmiths had no defined contribution plans. However, from 1 October 2016, USS has introduced a defined contribution section to its scheme. Staff earning up to a threshold of £55,000 remain entirely within the defined benefit section but for those earning more than that, their pension contribution for salary above the threshold is paid into the defined contribution section.

Defined Benefit plan

Defined benefit plans (such as USS for salaries up to £55,000 and LPFA) are post-employment benefit plans other than defined contribution plans. Under defined contribution plans, the employer's obligation is to provide the agreed benefits to current and former employees, and actuarial risk (that benefits will cost more or less than expected) and investment risk (that returns on assets set aside to fund the benefits will differ from expectations) are borne, in substance, by the employer. Goldsmiths should recognise a liability for its obligations under defined benefit plans net of plan assets. This net defined benefit liability is measured as the estimated amount of benefit that employees have earned in return for their service in the current

and prior periods, discounted to determine its present value, less the fair value (at bid price) of plan assets. The calculation is performed by a qualified actuary using the projected unit credit method. Where the calculation results in a net asset, recognition of the asset is limited to the extent to which Goldsmiths is able to recover the surplus either through reduced contributions in the future or through refunds from the plan.

i) Fixed assets

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

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

Land

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

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

Buildings

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

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

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

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

Equipment

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

Capitalised equipment is stated at cost and depreciated over its expected useful life as follows:

Desktop computer hardware	3 years
Other plant and equipment	5 years

Other assets

Non-current asset investments are held on the Balance Sheet at amortised cost less impairment.

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

Borrowing costs

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

j) Investments

Non-current asset investments are held on the Balance Sheet at amortised cost less impairment.

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

k) Cash and cash equivalents

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

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

l) Foreign currency

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

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

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

m) Provisions, Contingent liabilities and contingent assets

Provisions are recognised in the financial statements when:

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

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

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

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

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

Annual Reports and Financial Statements 2016**n) Reserves**

Reserves are classified as restricted or unrestricted.

Restricted endowment reserves include balances which, through endowment to Goldsmiths, are held as a permanently restricted fund which it must hold in perpetuity.

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

o) Transition to SORP

Goldsmiths is preparing its financial statements in accordance with FRS 102 for the first time and consequently has applied the first time adoption requirements. An explanation of how the transition to SORP has affected the reported financial position, financial performance and cash flows of the consolidated results is provided in *note 26*.

p) Financial instruments

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

Investments in non-convertible preference shares and non-puttable ordinary and preference shares are measured at fair value where publicly traded or their value can otherwise be reliably managed.

Complex financial instruments include options, rights, warrants, futures and forward contracts and interest rate swaps that can be settled in cash or by exchanging other financial instruments, hedging instruments and asset-

back securities. Complex financial instruments are recognised initially and held at fair value with changes in fair value taken directly to the Statement of Comprehensive Income. Goldsmiths has no complex financial instruments.

q) Service concession arrangements

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

On 21 September 2015 Goldsmiths College entered into a 50-year contract with a third party provider for the provision and maintenance of Surrey House, Chesterman Hall and Raymont Hall residences to provide accommodation to 391 students. The halls were brought into use for the purposes of this arrangement in October 2015 and the contract will finish on 20 September 2065.

At the end of the concession period, the University will retain beneficial ownership of the halls of residence. Under the arrangement, the University has a 3-year nominations agreement with the provider to over all of the available rooms. However the University has assessed the risk to it of payments for void periods and concluded that any such payment would not be material. Accordingly no asset and liability has been recognised in the balance sheet.

r) Critical Accounting judgements and estimation**Disposal of Student Residences**

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

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

The buildings are treated as a disposal as their useful economic life is shorter than the 50-year lease granted to CLV. As such the substantial risks and rewards of ownership over their remaining useful economic life have been transferred to CLV. The balance of the capital receipt (£10.0 million) has been accounted for as disposal proceeds. Given that the buildings were held on the balance sheet at a carrying value of £7.7 million, the gain on disposal is therefore £2.3 million.

Pensions

The assumptions used in calculating the accounting entries for the USS and LPFA pension schemes are described in *note 23*.

Revaluation of Property

All buildings existing at 31 July 1993 which were revalued at 31 July 1994 by Frank Durrant Westmore and Reeves, Chartered Surveyors, have been retained at those values as deemed cost. Land in use at 31 July 2014 has been revalued to fair value by Gerald Eve, Chartered Surveyors, as at the date of transition to the 2015 FE HE SORP, and is measured on the basis of deemed cost, being the revalued amount as at the date of the revaluation. Further details of the revaluation of land and buildings are given in *note 11*.

Bad Debt Provision

Student and other receivables (note 13) are shown after deduction of a provision of £3 million.

Annual Leave Accrual

Accruals and deferred income (note 16) includes an accrual of £3.0 million for untaken annual leave allowances on 31 July 2016, which has been calculated from the annual leave records in Goldsmiths' Agresso HR system. The movement of the accrual in the year is shown in staff costs (note 6).

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Statement of comprehensive income and expenditure

Income	Note	2016 £'000	2015 £'000
Tuition fees and education contracts	1	74,016	67,670
Funding body grants	2	10,771	13,823
Research grants and contracts	3	5,227	5,686
Other income	4	13,555	15,030
Endowment and investment income	5	400	355
Total income		103,969	102,564
Expenditure			
Staff costs	6	63,068	65,825
Other operating expenses		31,559	33,964
Depreciation	11	7,128	6,163
Interest and other finance costs	7	2,644	2,473
Total expenditure		104,399	108,425
Deficit before other gains and losses		(430)	(5,861)
Gain on disposal of fixed assets	8	2,316	802
Gain on investments	19	139	62
Taxation	10	-	-
Surplus/(deficit) for the year		2,025	(4,997)
Actuarial loss in respect of pension schemes	23	(8,223)	(3,654)
Total comprehensive income for the year		(6,198)	(8,651)
Represented by:			
Endowment comprehensive income for the year		203	177
Unrestricted comprehensive income for the year		(6,401)	(8,828)
		(6,198)	(8,651)

All items of income and expenditure relate to continuing activities.

The figures for 2015 have been restated in accordance with the new accounting standard, FRS102 and new Statement of Recommended Practice (SORP). An explanation of how the transition to FRS102 and the SORP has affected these figures is given in *note 26*.

Statement of changes in reserves

	Income and expenditure reserves			
	Restricted: endowment	Unrestricted	Revaluation reserve	Total
	£'000	£'000	£'000	£'000
Balance at 1 August 2014	2,723	34,511	62,630	99,864
Total comprehensive income for the year	177	(8,828)	-	(8,651)
Other comprehensive income	-	30	(36)	(6)
Transfers between revaluation and income and expenditure reserve	-	785	(785)	-
Total movement in reserves	177	(8,013)	(821)	(8,657)
Balance at 1 August 2015	2,900	26,498	61,809	91,207
Total comprehensive income for the year	203	(6,401)	-	(6,198)
Other comprehensive income	-	6	-	6
Transfers between revaluation and income and expenditure reserve	-	2,395	(2,395)	-
Total movement in reserves	203	(4,000)	(2,395)	(6,192)
Balance at 31 July 2016	3,103	22,498	59,414	85,015

The transfers between revaluation and income and expenditure reserve include:

- The difference between the historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount was £697,000 (2015 £785,000).
- The release from the revaluation reserve to the income and expenditure reserve for related to the disposal of buildings was £1,698,000 (2015 £nil).

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Balance sheet

as at 31 July 2016

	Note	2016 £'000	2015 £'000
Non-current assets			
Fixed assets	11	142,037	141,372
Investments	12	2,245	1,188
		144,282	142,560
Current assets			
Trade and other receivables	13	9,461	9,251
Investments – cash deposits	14	20,439	5,002
Cash and cash equivalents	15	14,157	23,050
		44,057	37,303
Creditors – amounts falling due within one year	16	(23,839)	(25,825)
Net current assets		20,218	11,478
Total assets less current liabilities		164,500	154,038
Creditors – amounts falling after more than one year	17	(33,297)	(25,027)
Provisions			
Pension	23	(45,014)	(34,223)
Other provisions	18	(1,174)	(3,581)
Total net assets		85,015	91,207
Represented by:			
Restricted reserves			
Income and expenditure reserve – endowments	19	3,103	2,900
Unrestricted reserves			
Income and expenditure reserve – unrestricted		22,498	26,498
Revaluation reserve		59,414	61,809
Total reserves		85,015	91,207

The figures for 2015 have been restated in accordance with the new accounting standard, FRS102 and new Statement of Recommended Practice (SORP). An explanation of how the transition to FRS102 and the SORP has affected these figures is given in *note 26*.

The financial statements were approved by the Council on 30 November 2016 and signed on its behalf by

Baroness Morris of Yardley
Chair of Council

Patrick Loughrey
Warden

Cash flow statement

Year ended 31 July 2016

Cash flow from operating activities	Note	2016 £'000	2015 £'000
Surplus for the year		2,025	(4,997)
Adjustment for non-cash items			
Depreciation	11	7,128	6,163
Gain on investments	19	(139)	(62)
Increase in debtors	13	(210)	(282)
Decrease in creditors	16	(2,790)	(2,607)
Increase in pension provision	23	1,418	5,324
(Decrease)/increase in other provisions	18	(2,407)	621
		3,000	9,157
Adjustment for investing or financing activities			
Investment income	5	(341)	(234)
Interest payable	7	2,664	2,473
Endowment income	19	(59)	(121)
Gain on disposal of fixed assets	8	(2,316)	(802)
Capital grant income		(697)	(663)
		(769)	653
Net cash inflow from investing activities		4,256	4,813
Cash flows from investing activities			
Proceeds from sales of fixed assets	8	20,300	848
Capital grants receipts		1,163	1,008
Withdrawal of deposits		-	185
Investment income	5	341	234
Payments made to acquire fixed assets	11	(15,510)	(10,569)
New non-current asset investments	12	(917)	-
New deposits	14	(15,437)	-
		(10,060)	(8,294)
Cash flows from financing activities			
Interest paid	7	(778)	(803)
Interest element of finance lease	7	(716)	(804)
Endowment cash received	19	64	115
Repayments of amounts borrowed		(941)	(909)
Capital element of finance lease		(718)	(401)
		(3,089)	(2,802)
Decrease in cash and cash equivalents in the year		(8,893)	(6,283)
Cash and cash equivalents at beginning of year		23,050	29,333
Cash and cash equivalents at end of year		14,157	23,050

NOTES TO THE FINANCIAL STATEMENTS

1. Tuition fees and education contracts

	2016 £'000	2015 £'000
Home/EU undergraduates: full-time	41,537	36,900
Home/EU postgraduates: full-time	7,648	7,658
Home/EU students: part-time	2,977	2,724
International students	20,572	19,083
Non-credit bearing courses and other fees	1,282	1,261
Research Training Support Grants	-	44
	74,016	67,670

2. Funding body grants

	2016 £'000	2015 £'000
Recurrent grants		
Higher Education Funding Council teaching grant	3,834	4,625
Higher Education Funding Council research grant	5,437	7,716
Specific grants		
Higher Education Funding Council other grants	803	795
National College for Teaching and Leadership	-	27
Capital grant	697	660
	10,771	13,823

3. Research grants and contracts

	2016 £'000	2015 £'000
Research councils – UK	1,709	1,583
Research councils – EU	2,333	3,336
Research charities – UK	533	480
Research charities – EU	90	8
Research charities – Non-EU	59	26
Industry and commerce	370	145
Other	133	108
	5,227	5,686

4. Other operating income

	2016 £'000	2015 £'000
Residences, catering and conferences	8,270	9,904
Other services rendered	2,520	3,082
Other capital grants	-	3
Other income	2,765	2,041
	13,555	15,030

5. Endowment and investment income

	2016 £'000	2015 £'000
Investment income on endowments	70	58
New endowments	59	121
Other investment income	271	176
	400	355

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6. Staff costs

	Underlying Expenditure	FRS102 Annual Leave Accrual	FRS102 USS Pension Provision	Other Exceptional items	2016
	£'000	£'000	£'000	£'000	£'000
Salaries and wages	51,086	154	-	(450)	50,790
Social security costs	4,251	13	-	-	4,264
Movement on USS provision	-	-	1,059	-	1,059
Other pension costs	7,668	20	-	(610)	7,078
Restructuring costs	-	-	-	(123)	(123)
	63,005	187	1,059	(1,183)	63,068
	Underlying Expenditure	FRS102 Annual Leave Accrual	FRS102 USS Pension Provision	Other Exceptional items	2015
	£'000	£'000	£'000	£'000	£'000
Salaries and wages	47,695	47	-	(676)	47,066
Social security costs	3,674	4	-	-	3,678
Movement on USS provision	-	-	5,324	-	5,324
Other pension costs	6,960	7	-	610	7,577
Restructuring costs	112	-	-	2,068	2,180
	58,441	58	5,324	2,002	65,825

Underlying, significant FRS102 adjustments and exceptional items have been presented in the above table as additional information.

In 2015 such items related to:

- (i) An increase of £58k in the accrual for untaken staff annual leave at the year end.
- (ii) The £676k release of the HERA assimilation provision.
- (iii) The £5,324k increase in the USS provision
- (iv) An accrual of £610k for additional LPFA pension costs that was raised in error
- (v) A formal voluntary severance scheme which resulted in costs of £2,068k being incurred.
As at 31 July 2015, £1,500k of this amount was included in the provisions for liabilities (note 18).

In 2016, such items relate to:

- (i) A further £187k increase in the accrual for untaken staff annual leave at the year end.
- (ii) A further £450k release of the HERA assimilation provision, which has now been released in its entirety.
- (iii) A further £1,059k increase in the USS provision.
- (iv) Release of the £610k accrual for additional LPFA pension costs that was raised in error in 2015.
- (v) A net release of £123k of the 2015 staff restructuring provision that has been unutilised.

Emoluments of the Warden

	2016 £'000	2015 £'000
Salary entitlement (of which £21,000 waived for 2016)	255	232
One-off honorarium (deferred in its entirety in 2016)	10	-
Pension contribution to USS (of which £4,000 waived for 2016)	43	37
	308	269
Less amounts waived and deferred	(35)	-
	273	269

In autumn 2015, the Remuneration Committee awarded the Warden an annual salary increase of £22k along with a one-off honorarium of £10k to mark the end of his first term in office. The Warden indicated his wishes to waive the annual salary increase for one year, with the exception of the 1% pay increase awarded to all staff, and to defer receipt of the honorarium until the annual increase in tuition fee revenue was confirmed. He also instructed that a sum equivalent to the waived part of the annual salary increase be paid into the Student Hardship Fund. The Warden paid the waived amounts into the hardship fund in October 2016 and the £10,000 honorarium has also been paid in the 2016-17 financial year.

Key management personnel

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

	2016 number	2015 number
£100,000-£109,999	1	2
£110,000-£119,999	2	1
£120,000-£129,999	-	-
£140,000-£149,999	-	1
£150,000-£159,999	1	-
	Number	Number
Average staff numbers by major category:		
Teaching and research	590	559
Administrative and other	566	565
	1,156	1,124
Compensation for loss of office payable to senior post-holders		
Compensation payable recorded within staff costs	-	164

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

	2016 £'000	2015 £'000
Key management personnel compensation	974	969

7. Interest and other finance costs

	2016 £'000	2015 £'000
Loan interest	778	803
Finance lease interest	716	804
Net charge on pension schemes	1,150	866
	2,644	2,473

8. Gain on Disposal of Fixed Assets

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

The land remains an asset on Goldsmiths balance sheet as it has an indefinite useful economic life. The 50-year lease of land is regarded as an operating lease to CLV and, based on the fair value of the land, £10.3 million of the capital receipt is treated as consideration for the granting of the operating lease. This element of the capital receipt is recorded as deferred income in the balance sheet and is released to the Statement of Comprehensive Income and Expenditure in equal instalments over the life of the lease. For the year ending 31 July 2016, £0.2 million is shown within other operating income. The balance of £10.1 million is shown within creditors, with £0.2 million shown in creditors falling due within one year and £9.9 million shown within creditors falling due after more than one year.

The buildings are treated as a disposal as their useful economic life is shorter than the 50-year lease granted to CLV. As such the substantial risks and rewards of ownership over their remaining useful economic life have been transferred to CLV. The balance of the capital receipt (£10.0 million) has been accounted for as disposal proceeds. Given that the buildings were held on our balance sheet at a carrying value of £7.7 million, the gain on disposal is therefore £2.3 million.

The gain on disposal of fixed assets in the year ended 31 July 2015 related to the sale of a surplus property away from the main campus.

9. Analysis of Total Expenditure by Activity

	2016 £'000	2015 £'000
Academic departments expenditure	39,018	37,312
Central academic services	13,165	12,358
Staff and student facilities	4,983	4,444
Student bursaries and scholarships	2,400	2,165
Other administration and central services	13,863	15,976
Premises	15,176	15,046
Residences, catering and conferences	8,623	9,641
Research grants and contracts	4,162	4,730
Pension provisions movements	2,568	6,298
Other expenses	441	455
Total	104,399	108,425
Other operating expenses include:		
External auditors' remuneration in respect of audit services	59	97
Operating lease rentals (land and buildings)	4,011	3,942

10. Taxation

Goldsmiths is an exempt charity under schedule 2 to the Charities Act 1993 and as such is a charity within the meaning of section 506(1) of the Income and Corporation Taxes Acts (ICTA) 1988. Accordingly, it is potentially exempt from taxation in respect of income or capital gains received within categories covered by section 505 of the ICTA 1988 or section 256 of the Taxation of Chargeable Gains Act 1992 to the extent that such income or gains are applied to exclusively charitable purposes.

11. Fixed assets

	Land and buildings			Fixtures, Fittings and Equipment	Assets in the course of construction	Total
	Freehold	Assets held under finance leases	Other Leasehold land and buildings			
	£'000	£'000	£'000			
Gross Book Value						
At 1 August 2015	177,780	10,404	2,241	10,548	5,725	206,698
Additions in year	6,058	-	-	3,856	5,596	15,510
Transfers	2,067	-	70	3,105	(5,242)	-
Disposals	(13,564)	-	-	(100)	-	(13,664)
At 31 July 2016	172,341	10,404	2,311	17,409	6,079	208,544
Depreciation						
At 1 August 2015	48,828	7,491	393	8,614	-	65,326
Charge for year	4,972	416	148	1,592	-	7,128
Transfers	-	-	-	-	-	-
Disposals	(5,849)	-	-	(98)	-	(5,947)
At 31 July 2016	47,951	7,907	541	10,108	-	66,507
Net Book Value						
At 1 August 2015	128,952	2,913	1,848	1,934	5,725	141,372
At 31 July 2016	124,390	2,497	1,770	7,301	6,079	142,037

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

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

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

*Annual Reports and Financial Statements 2016***12. Non-current asset investments**

	Endowments £'000	Other investments £'000	Total £'000
At 1 August 2015	1,160	28	1,188
Additions	917	-	917
Gain in market value	140	-	140
At 31 July 2016	2,217	28	2,245

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

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

Goldsmiths has two subsidiary companies:

- **Pure Goldsmiths Ltd.** This company was dormant at 31 July and at that date had no issued share capital.
- **Goldsmiths Accommodation Services Limited.** This company was set up alongside the transaction with Campus Living Villages (CLV) to provide marketing services to CLV for the halls of residences that are leased to them, for a charge equal to 2% of the total student accommodation fees received by CLV. The company began trading in September 2015 and annual revenue is expected to be £40k.

13. Trade and other receivables

	2016 £'000	2015 £'000
Amounts falling due within one year:		
Research grants receivables	2,328	2,781
Student receivables	2,176	2,148
Other receivables	1,455	1,820
Prepayments and accrued income	3,502	2,502
	9,461	9,251

*Annual Reports and Financial Statements 2016***14. Current investments**

	2016 £'000	2015 £'000
Short-term deposits	20,439	5,002
	20,439	5,002

The short-term deposit on 31 July 2016 was held in a 95-day notice account with Lloyds TSB and relates to the cash receipt of £20.3 million received on 22 September 2015 as consideration for the granting of a leasehold interest to CLV as described in *note 8*. It includes interest earned subsequently.

15. Cash and cash equivalents

	2016 £'000	2015 £'000
Bank balances related to unrestricted funds	13,271	21,310
Bank balances related to endowment funds	886	1,740
	14,157	23,050

*Annual Reports and Financial Statements 2016***16. Creditors: amounts falling due within one year**

	2016 £'000	2015 £'000
Unsecured loans	973	964
Obligations under finance leases	834	718
Trade payables	1,015	807
Deferred capital grants	613	345
Social security and other taxation payable	1,509	1,380
Accruals and deferred income	15,988	17,808
Other creditors	2,907	3,803
	23,839	25,825

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

Deferred income:		
Receipts in advance – tuition and hall fees	3,219	2,712
Research grants and contracts	2,643	2,941
Other deferred income	1,549	2,084
Amounts due to Funding Councils	554	783
Deferred capital grants	613	345
	8,578	8,865

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

	2016 £'000	2015 £'000
Unsecured loans	15,094	16,044
Obligations under finance lease (note 21)	6,652	7,486
Capital grants	1,695	1,497
Deferred income	9,856	-
	33,297	25,027
Analysis of unsecured loans:		
Due within one year (note 16)	973	964
Due between one and two years	768	950
Due between two and five years	1,794	1,953
Due in five years or more	12,532	13,141
Due after more than one year	15,094	16,044
Total unsecured loans	16,067	17,008

Included in unsecured loans are the following:

Lender	Year of inception	Original amount £'000	Original terms years	Interest rate %	Total outstanding £'000
Lloyds TSB (fixed rate)	2006	6,850	30	4.995	5,825
Lloyds TSB (variable – base rate plus 0.2%)	2009	2,150	28	0.045	1,651
Royal Bank of Scotland (fixed rate)	2009	10,000	30	5.750	8,016
Salix Finance (interest free)	2014	5,000	5	0.000	575
		24,000			16,067

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

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

Capital grants are donations towards the building of the Art Gallery, which is not due to be completed until January 2018.

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

18. Provisions for liabilities

	Movements in year				As at 31 July 2016
	As at 1 August 2015	Released	Added	Utilised	
	£'000	£'000	£'000	£'000	£'000
HERA assimilation	450	(450)	-	-	-
Staff restructuring	2,089	(451)	14	(1,440)	212
Other	1,042	(85)	338	(333)	962
	3,581	(986)	352	(1,773)	1,174

As at 31 July 2016, the provisions held principally reflect:

Staff restructuring

Costs associated with various departmental restructuring initiatives that are expected to be completed during 2017.

Other provisions

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

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19. Endowment reserves

	Restricted Permanent Endowments	Restricted Expendable Endowments	2016 Total	2015 Total
	£'000	£'000	£'000	£'000
Balance at 1 August 2015				
Capital	2,041	540	2,581	2,261
Accumulated income	254	65	319	462
	2,295	605	2,900	2,723
New endowments	-	59	59	121
Investment income	66	4	70	58
Expenditure	(6)	(59)	(65)	(64)
Increase/(Decrease) in market value of investments	139	-	139	62
Balance at 31 July 2016	2,494	609	3,103	2,900
Represented by:				
Capital	2,180	541	2,721	2,581
Accumulated income	314	68	382	319
Total	2,494	609	3,103	2,900
Analysis by type of purpose:				
Lectureships			1,548	1,426
Scholarships and bursaries			256	291
Research support			175	174
Prize funds			65	63
General			1,059	946
			3,103	2,900
Analysis by asset:				
Non-current asset investments			2,217	1,160
Cash and cash equivalents			886	1,740
			3,103	2,900

*Annual Reports and Financial Statements 2016***20. Capital and other commitments**

Provision has not been made for the following capital commitments at 31 July 2016:

	2016 £'000	2015 £'000
Capital commitments contracted as at 31 July 2016	3,031	8,726
Capital expenditure authorised but not contracted as at 31 July 2016	14,436	4,579
	17,467	13,305

21. Lease obligations

	31 July 2016			31 July 2015		
	Operating leases	Finance lease	Total	Operating leases	Finance lease	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Payable during the year	4,011	1,434	5,445	3,942	1,205	5,147
Future minimum lease payments due:						
Not later than 1 year	4,278	1,509	5,787	4,321	1,456	5,777
Later than 1 year and not later than 5 years	4,343	6,582	10,925	4,323	6,359	10,682
Later than 5 years	39	2,092	2,131	416	3,824	4,240
Total lease payments due	8,660	10,183	18,843	9,060	11,639	20,699

22. Events after the Reporting Period

On 16 September 2016 Goldsmiths entered into a 10-year nominations agreement with CRIF Camberwell L.P. over student accommodation at the former Southwark Town Hall premises, whereby it has guaranteed to take 155 beds (166 bedspaces) annually.

23. Pension schemes

	2016 LPFA	2016 USS	2016 Total	2015 Total
	£'000	£'000	£'000	£'000
Opening balance as at 1 August	22,343	11,880	34,223	24,271
Amounts charged to staff costs:				
LPFA current service cost	2,089	-	2,089	1,817
Net movement on USS provision (excluding interest charges)	-	1,059	1,059	5,324
LPFA current service cost	2,089	1,059	3,148	7,141
Amounts charged to interest	794	356	1,150	866
Actuarial loss/(gain)	8,223	-	8,223	3,654
Other movements (principally LPFA employer contributions)	(1,730)	-	(1,730)	(1,709)
Closing balance as at 31 July	31,719	13,295	45,014	34,223

Note that the amounts charged to staff costs for USS in the above table are in respect of the agreed deficit reduction plan only.

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

The total cost charged to the Statement of Comprehensive Income is £1.415m (2015: £5.475m) as shown in notes 6 and 7. There was neither a prepayment nor an accrual at the end of the financial year in respect of these contributions.

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

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

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

	2016	2015
Discount rate	3.6%	3.3%
Pensionable salary growth	n/a	3.5% in 1st year and 4.0% thereafter
Pension increase (CPI)	2.2%	2.2%

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

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

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

	2016	2015
Males currently aged 65 (years)	24.3	24.2
Females currently aged 65 (years)	26.5	26.4
Males currently aged 45 (years)	26.4	26.3
Females currently aged 45 (years)	28.8	28.7

	2016	2015
Scheme assets	£49.8bn	£49.1bn
Total scheme liabilities	£58.3bn	£60.2bn
FRS102 total scheme deficit	£8.5bn	£11.1bn
FRS102 total funding level	85%	82%

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

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

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

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

The table below summarises the movements on the USS Provision since its first creation in 2014. The expense for the year ending 31 July 2015 reflects the change in the initial agreement whereby the total deficit on the scheme nationally and consequently Goldsmiths exposure increased. The 2016 expense mainly reflects the lower Discount rates experienced in the current year which increases future costs.

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

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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 order to assess the Employer liabilities at 31 July 2016, the 31 March 2013 funding valuation liabilities have been rolled forward using financial assumptions that comply with FRS102.

Life expectancy assumptions are:

	2016	2015
Males retiring today	21.5	21.5
Females retiring today	24.9	24.9
Males retiring in 20 years	24.0	23.8
Females retiring in 20 years	27.3	27.2

Financial assumptions are:

	2016	2015
Discount rate	2.5%	3.7%
Pension increase	2.1%	2.5%
Salary increase	3.9%	4.3%

Assets

The return on the Fund (on a bid-to-bid value basis) for the year to 31 July 2016 is estimated to have been 5%. (2015 5.2%) The actual return on fund assets over the year may be different,

The estimated asset allocation for Goldsmiths College at 31 July 2016 is as follows:

Asset breakdown	2016		2015	
	£'000	%	£'000	%
Equities	17,560	51	14,253	44
LDI/Cash flow matching	2,983	9	4,661	14
Target Return Portfolio	8,299	24	6,263	19
Infrastructure	2,411	7	1,731	5
Commodities	182	1	145	0
Property	1,276	4	1,012	3
Cash	1,420	4	4,161	13
Total	34,131	100	32,226	100

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History of experience gains and losses

	31 July 2016 £'000	31 July 2015 £'000
Difference between actual and expected return on scheme assets		
Amount by which (actual less than expected)	(492)	(486)
% of assets at end of year	-1.4%	-1.5%

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

Statement of actuarial gains and losses

	Present value of defined benefit obligation		Fair value of scheme assets		Net liability recognised in the balance sheet	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Opening as at 1 August	(54,569)	(48,132)	32,226	30,265	(22,343)	(17,867)
Current service cost	(2,089)	(1,817)	-	-	(2,089)	(1,817)
Interest cost	(1,991)	(1,998)	-	-	(1,991)	(1,998)
Contributions by members	(512)	(497)	512	497	-	-
Actuarial (loss)/gain	(8,743)	(3,743)	-	-	(8,743)	(3,743)
Return on fund assets in excess of interest	-	-	523	94	523	94
Experience loss on defined benefit obligations	(3)	(5)	-	-	(3)	(5)
Impact of settlements and curtailments	(50)	-	-	-	(50)	-
Contributions by employer	-	-	1,828	1,754	1,828	1,754
Expected return on assets	-	-	1,197	1,284	1,197	1,284
Estimated unfunded benefits paid	25	25	-	-	25	25
Estimated benefits paid	2,082	1,598	(2,107)	(1,623)	(25)	(25)
Administration costs	-	-	(48)	(45)	(48)	(45)
Closing defined benefit obligation as at 31 July	(65,850)	(54,569)	34,131	32,226	(31,719)	(22,343)

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	31 July 2016 £'000	31 July 2015 £'000
Analysis of the amount shown in the balance sheet		
Scheme assets	34,131	32,226
Scheme liabilities	(65,850)	(54,569)
Deficit in the scheme – net liability recorded within pension provisions	(31,719)	(22,343)
	2016 £'000	2015 £'000
Analysis of the amount charged to staff costs		
Current service costs	2,089	1,817
Curtailments and settlements	50	-
Total operating charge	2,139	1,817
Analysis of amount charged to interest payable		
Expected return on pension scheme assets (gain)	(1,197)	(1,284)
Interest on pension scheme liabilities	1,991	1,998
Net charge to interest and other finance costs	794	714
Total charge to expenditure	2,933	2,531
Analysis of actuarial gain/(loss) in respect of pension schemes		
Return on fund assets in excess of interest	523	94
Experience loss on liabilities	(3)	(5)
Loss on liabilities	(8,743)	(3,743)
Actuarial loss in respect of pension scheme	(8,223)	(3,654)
	2017 £'000	
Projected pension expense for the following year		
Service cost	2,586	
Administration	51	
Net interest on liability/(asset)	770	
Net charge	3,407	

24. Related-party transactions

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

The President of Goldsmiths Students' Union is a trustee of both Goldsmiths' College and Goldsmiths Students' Union. In 2015-16 Goldsmiths provided the Students' Union with a grant and support totalling £0.8 million. It also provided postage and telephony services and some small items of equipment at cost. In addition, Goldsmiths provided accommodation, payroll and pensions administration services and use of the IT network to the Students' Union free of charge, at an estimated cost of £0.4 million.

Council member Dr Barry Quirk is the Chief Executive of Lewisham Council. In 2015-16 Goldsmiths paid £683,000 to Lewisham Council for business rates and other local services.

Audit and Risk Committee member Mr Chris Miller is Executive Director EMEA Channels at Dell Software Group. In 2015-16 Goldsmiths paid Dell £393,000 for IT equipment and services.

Members of Council (who are trustees of the exempt charity) do not receive any remuneration. The total expenses paid to or on behalf of council members was £1,207 (2015 – £3,000). This represents travel and subsistence expenses incurred in attending Council, Committee meetings and Charity events in their official capacity.

Goldsmiths holds a 24% interest in i2 Media Limited, a media research and consultancy organisation that is a spin-out from its Department of Psychology. During the year, payments of £120,634 were receivable from i2 Media in respect of rental income and other fees, this amount was outstanding at the year-end. In addition a dividend of £5,800 was receivable from i2 Media during the year, which was also outstanding.

Goldsmiths has no connected charitable institutions.

25. Access Funds from Funding Bodies

	2016 £'000	2015 £'000
(a) Access to Learning Fund		
Balance at 1 August 2015	34	34
Grant received from HEFCE	-	36
Interest earned	-	-
Disbursed to students and administration	(34)	(36)
Balance at 31 July 2016	-	34
(b) NCTL Teacher Training Bursaries		
Balance at 1 August 2015	(45)	(45)
Grant received from NCTL	1,769	1,759
Disbursed to trainees	(1,740)	(1,759)
Balance at 31 July 2016	(16)	(45)
(c) NCTL Teacher Training Subject Knowledge Enhancement		
Balance at 1 August 2015	-	13
Grant received from NCTL	-	-
Grant clawed back	-	(13)
Disbursed to trainees	-	-
Balance at 31 July 2016	-	-

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

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26. Transition to FRS102 and the 2015 SORP

As explained in the accounting policies, these are Goldsmiths' first financial statements prepared in accordance with FRS102 and the SORP. The accounting policies have been applied in preparing the financial statements for the year ended 31 July 2016, the comparative information presented in these financial statements for the year ended 31 July 2015 and in the preparation of an opening FRS102 Statement of Financial Position at 1 August 2014. In preparing its FRS102, SORP-based Statement of Financial Position, Goldsmiths has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (2007 SORP). An explanation of how the transition to FRS102 and the SORP has affected Goldsmiths financial position, financial performance and cash flows is set out in the following tables.

	1 August 2015 £'000	31 July 2014 £'000
Total reserves under 2007 SORP	36,150	38,707
Endowment moved to reserves	2,900	2,723
Fixed asset revaluation one-off transaction	41,946	41,946
Employee annual leave accrual	(2,816)	(2,758)
USS pension provision	(11,880)	(6,404)
Deferred capital grant released to reserves	24,906	25,677
Other	1	(27)
Total effect of transition to FRS102	55,057	61,157
Total reserves under 2015 SORP	91,207	99,864
Financial performance	Year ended 31 July 2015 £'000	
Surplus for the year under 2007 SORP	1,655	
Employee annual leave accrual	(58)	
USS pension provision	(5,476)	
Interest and other finance costs – LPFA pension scheme	(486)	
Administration charge – LPFA pension scheme	(45)	
Adjustment to deferred capital grants	(770)	
Endowments	179	
Other	4	
Effect of transition to FRS102 on surplus for year	(6,652)	
Deficit for the year under 2015 SORP	(4,997)	
Actuarial loss in LPFA pension scheme previously reported in the STRGL	(3,654)	
Total effect of transition to FRS102	(10,306)	
Total comprehensive income for the year under 2015 SORP	(8,651)	

*Annual Reports and Financial Statements 2016***Cash flows**

The only impact of the transition to FRS102 on cash flows is the reclassification of cash that was previously shown within endowment funds to cash and cash equivalents, as endowment assets are no longer separately disclosed in the balance sheet.

	1 August 2015 £'000	31 July 2014 £'000
Total cash at bank and in hand under 2007 SORP	21,310	27,687
Cash and cash equivalents previously disclosed as endowment assets	1,740	1,646
Total cash and cash equivalents under 2015 SORP	23,050	29,333



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Guidance
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Guidance
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