KING'S College LONDON

Financial Statements

for the year to 31 July 2010

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Chairman's foreword

I am pleased to present the Review and Accounts for King's College London for the year ended 31 July 2010.

In 2008 the Council of the College resolved to undertake a review of costs throughout King's. In addition, the Research Assessment Exercise of that year showed the areas where we had strengths and weaknesses. Consequently the College initiated the Academic and Financial Sustainability project. This process strengthened its ability to deal with the pressures that face UK higher education.

I am pleased to report that, as a result of these initiatives, King's achieved a surplus of £10.5m for the year. Its successes have been further acknowledged by the *Sunday Times* designation of the College as University of the Year for 2010–11.

Since our year end the Browne Report on Higher Education Funding and Student Finance has been published. A few weeks later the government, after deciding to cut substantially its support for university teaching programmes, announced its proposals for a basic student fee of £6,000, with an upper limit of £9,000. There would be requirements for supporting access and attracting students from disadvantaged backgrounds. There would also be a progressive system of graduate contributions with no students being required to pay upfront fees. These proposals, if approved by parliament, would fundamentally change the way King's is financed, and the Council will be considering over the coming months how it will adapt to the new situation, including any changes to the proposals that may be agreed.

A Higher Education White Paper covering the wide range of long-term issues arising from Lord Browne's report will be published later this winter.

The Council is greatly encouraged by the constructive and professional way staff and students have responded to the challenges in the College. Whilst there will be many more difficulties to overcome, I am confident that we can continue to provide excellent higher education and to make further progress towards enhancing the College's reputation as one of the world's best university institutions.

The Marquess of Douro
Chairman of Council

Council and Council committee membership 2009–10

Council

The Marquess of Douro MA OBE DL *[Chairman]*
Professor Richard Trainor FKC *[Principal]*
Mr Adam Boulton
Mrs Blondel Cluff
Mr Patrick Disney
Professor Sir Lawrence Freedman KCMG CBE FKC
Professor Chris Hamnett
Rt Revd Christopher Hill, Bishop of Guildford
Professor Keith Hoggart FKC
Mrs Isabelle Laurent
Professor Robert Lechler FKC
Professor Eeva Leinonen
Mr Andrew Leung *[until May 2010]*
Dr Mark Miodownik
Mr Chris Mottershead
Sir Michael Pakenham KBE CMG *[Vice-Chairman]*
Mr James Ritblat
Mr Rory Tapner *[Honorary Treasurer]*
Mr Ryan Wain
Ms Fields Wicker-Miurin OBE
Veena, Lady Williams of Mostyn

Chairman's Committee

The Marquess of Douro MA OBE DL *[Chairman]*
Professor Richard Trainor FKC *[Principal]*
Mr Adam Boulton
Professor Sir Lawrence Freedman KCMG CBE FKC *[until June 2010]*
Professor Keith Hoggart FKC
Professor Robert Lechler FKC
Professor Eeva Leinonen *[from June 2010]*
Mr Chris Mottershead
Sir Michael Pakenham KBE CMG *[Vice-Chairman; from November 2009]*
Mr James Ritblat
Mr Rory Tapner *[Honorary Treasurer]*
Ms Fields Wicker-Miurin OBE

Finance Committee

Mr Rory Tapner *[Chairman; Honorary Treasurer]*
Professor Richard Trainor FKC *[Principal]*
Mr Tony Collyer *[from March 2010]*
Mr Ian Creagh
Professor Simon Howell FKC
Mr Michael Kier
Mr Stephen Large
Mrs Isabelle Laurent
Mr Richard North *[from March 2010]*
Mr Michael Urmston *[from March 2010]*

Audit and Compliance Committee

Ms Fields Wicker-Miurin OBE *[Chairman]*
Professor Stephen Challacombe
Mr Patrick Disney
Professor Chris Hamnett
Mr Keith Little
Mr Paul Mitchell
Mr Ian Robinson *[until June 2010]*

Investment Subcommittee

Mr Rory Tapner *[Acting Chairman until March 2010]*
Mr Patrick Disney *[Chairman from March 2010]*
Professor Richard Trainor FKC *[Principal]*
Mr John Harrison *[from December 2009]*
Mr Keith Jeremiah *[until December 2009]*
Mr Patrick Johns
Mr Stephen Large
Mr Mark Laurence
Mrs Isabelle Laurent *[until March 2010]*
Mr David Potter FKC

Estates Strategy Committee

Mr James Ritblat *[Chairman]*
Professor Richard Trainor FKC *[Principal]*
Mr Ian Caldwell
Mr Ian Creagh
Mr David Cripps *[from June 2010]*
Professor Keith Hoggart FKC
Mr Stephen Large
Professor Robert Lechler FKC
Sir Michael Pakenham KBE CMG *[until June 2010]*

Operating and financial review for the year ended 31 July 2010

Scope of the financial statements

The financial results comprise the consolidated results of the College and its subsidiary undertakings, King's College London Business Ltd (King's Business) and College Facilities Ltd. Both subsidiaries donate the bulk of their profits to the College using gift aid.

King's College London Business Ltd undertakes activities associated with research innovation, including exploitation of intellectual property rights and other marketable activity which, for legal or commercial reasons, are most appropriately channelled through a limited company. College Facilities Ltd undertakes major building and related works on behalf of King's.

Vision

The Strategic Plan sets out a vision for King's as one of the world's leading university institutions, comparable in all respects to the world's best universities. The aim is to be consistently rated within the top six universities in the UK and the top 25 in the world by 2016.

The Strategic Plan identifies the following key targets to help the College realise this ambition.

Teaching and learning

- To improve further the quality of the College's student intake, the student experience at King's and the extent to which the College creates employable graduates.
- To provide students with a range of intellectually stimulating and challenging programmes and courses that will enable them to develop their knowledge and skills.
- To expand significantly the number and experience of international graduate students.

Research

- To obtain enhanced external recognition of the College's research stature through outstanding research assessment results in 2008 and thereafter.
- To increase very substantially research funding at King's, in particular the collaborative and entrepreneurial funding from the business sector.

Value added

- To develop the role of King's as a leading-edge contributor to society and regeneration.
- To maximise the commercial development of the College's intellectual property towards new products and services.

Identity

- To consolidate King's as an internationally acclaimed university.
- To develop world-class professional services and infrastructure to support the College's learning and teaching, research and knowledge-transfer aspirations.

Operating highlights

During the year the College made good progress towards these targets in an increasingly challenging operating environment.

Teaching and learning

Continuing to improve the quality of the student experience has been a key theme during 2009–10. Several projects have been looking at ways of evaluating and implementing good practice, including the King's Warwick Project, a system of programme review, and analysis of the National Student Survey (NSS) and graduate-student survey results.

The King's Warwick Project, funded by the Higher Education Funding Council for England (HEFCE), has been a fruitful collaboration between the two universities, examining what other institutions are doing across the world and ensuring that the College's undergraduate curricula are at the cutting edge for the twenty-first century. Twenty-five institutions in six countries have been reviewed to see how they have approached curriculum change and assess what they have learned. Across King's and Warwick a number of working groups have examined key themes, including global connectivity, graduate attributes and employability, as elements in university curricula. A summary report has been published, and to mark the culmination of the project a Festival of Learning was held at the College on 14 September 2010. Representatives from universities in Chicago, Hong Kong, Aberdeen and Warwick spoke about curriculum change, while some of the excellent work at King's and Warwick was showcased in a number of seminars. Next the College will finalise an implementation plan that embraces the key outcomes of the project in order to enable and enhance curriculum development and innovation.

In February 2010, the College's senior management team approved a new system of programme review to seek to ensure that its programme offering is academically sound and financially viable, particularly in the context of the Academic and Financial Sustainability project. A centrally co-ordinated review of the King's academic portfolio was instigated, starting with a pilot in the spring term with the intention of progressing to a College-wide rollout in the academic year 2010–11. The review group is looking at various criteria in relation to each programme, including number of students, average Universities and Colleges Admissions Service (UCAS) tariff, numbers of module choices, student progression, degree classifications and student/staff ratios.

Each year a systematic analysis of the results of the NSS and graduate-student survey is undertaken. During 2009–10 the Vice-Principal (Education) worked with Heads of School and Professional Services to produce action plans for responding to the comments made by students, with an emphasis on involving students and staff in the process and sharing good practice across Schools. Action plans were circulated College-wide and reports on progress made to the Academic Board, the College Education Committee and the College Committee. They will feed into the Assessment Review scheduled for 2010–11.

The College's success in terms of academic standards was assessed by the Quality Assurance Agency (QAA) for Higher Education in November 2009 during the normal audit cycle. King's achieved a confidence judgement, which is the highest level and confirms the security of the College's academic standards. Additionally, the audit involved identification of good practice and recommendations graded as either advisable or desirable; the College received four commendations for good practice and six recommendations, of which four were advisable and two desirable. Further details of these results and the full text of the report can be found at http://www.qaa.ac.uk/reviews/reports/instReports.asp?ukprn=10008317. The main theme of the recommendations was that King's should work towards greater consistency of practice across the College. This issue is being addressed in the action plan developed in response to the audit discussed above.

The College has set an ambitious target for non-European Union (EU) overseas student numbers during the life of the current Strategic Plan to rise from 2,500 to over 6,500 by 2016, with increases also in EU student numbers on high-fee programmes. To achieve this growth the College has launched a number of initiatives in terms of marketing, recruitment and student support. Schools have been set ambitious student-number targets with year-on-year increases. In 2009–10 the targets were not only met but exceeded.

As well as increasing overseas student numbers, King's is preparing a new international strategy which focuses on long-term improvement in the College's brand recognition and international reputation. It aims both to help King's to recruit the most able students and staff, and to ensure that the College is invited to participate in high-prestige global initiatives. The strategy will be based around several principles, including the selection of a small number of key international partners connected by teaching and research collaborations; an emphasis on teaching and learning links using criteria of quality will remove or reduce fee barriers in these interactions. A programme of developmental linkages will also be built, in particular with emerging nations, in order to enhance research, innovation, and teaching and learning capacities within these countries.

During 2009–10 the College's Graduate School continued to improve the opportunities offered to graduate students. High-quality graduate-only workspace was added to two libraries, those in Franklin-Wilkins Building and New Hunt's House. A competition was launched awarding partial funding to graduates due to present papers at research conferences. In co-operation with the Modern Languages Centre, free tuition was made available in a variety of languages, and in co-operation with King's Students' Union a series of social events called 'Unlocking London' was held to enable graduates to get to know the capital, and each other, better.

A strategic review of the Researcher Development Programme indicated high levels of satisfaction. The number of opportunities available to students was increased to over 300, including one-to-one coaching, one-to-one careers advice and one-to-one advice in academic writing. The College continued to encourage entrepreneurship through co-sponsorship of the Lion's Den business competition with King's Business.

Among the year's innovations in the PhD programmes, the College has started to make available PhDs by alternative thesis, allowing science students to submit theses containing journal papers that have already been accepted for publication. The first joint PhDs with Hong Kong University and the National University of Singapore were negotiated, involving sharing supervision of King's students with academics at these institutions, which will also host one of their three years of study. Discussions were initiated about offering PhDs through blended learning, opening access to the degree to potential students who are unable to spend long periods of time in London because of work commitments.

King's continued to attract external funding for additional scholarships, accessing competitions run by AXA, Santander, and the Central Bank of Mexico. Further new scholarships were launched for overseas students; for Masters courses recruiting for the first time; for bright students needing help to improve their English; and for students already at King's but having difficulty in financing the remainder of their studies.

The graduate research (PGR) headcount has increased by 24% over the past four years and currently stands at around 2000.

Research

The College has continued during 2009–10 to re-enforce its world-recognised strengths in such subjects as security and war studies, arts and humanities, psychiatry and neuroscience. At the same time King's has expanded into fresh disciplines, creating new departments in Biomedical Engineering and Political Economy, and further increased its interdisciplinary activities. In 2009–10 the College opened a number of regional institutions as centres of excellence for the study, promotion and understanding of society and culture in those areas. They include the African Leadership Centre in Nairobi, Kenya, in collaboration with Kenyatta University; the Instituto Camões Centre for Studies in Portuguese Language & Culture; the Brazil Institute; the India Institute; and the China Institute.

King's has set up a College-wide Doctoral Training Centre (DTC) for social scientists, where 60% of the activity is outside the host School of Social Science & Public Policy. The DTC is organised around 15 cross-cutting research themes rather than the conventional disciplines or academic departments, and it is focused on four clusters of expertise: health; regulation and public services; social change; and security. It aims to support world-class research, provide innovative research training and give impact to research excellence through close collaboration with partners across both the public and private sectors as well as with other Higher Education Institutions (HEIs) in the UK and internationally.

Other recent research achievements include the following.

- King's College London was awarded a sixth Medical Research Council (MRC) Centre in collaboration with Imperial College London to investigate the damage that the modern living and working environment may be doing to people's health. Jointly funded by the MRC and the Health Protection Agency (HPA), the centre will be able to alert the HPA to any new risks revealed by its work. Professor Frank Kelly, Deputy Director of the new centre and Director of the Pharmaceutical Science Research Division and Environmental Research Group at King's, will focus primarily on the impact of poor air quality on human health, initially looking to ascertain whether traffic-management schemes decrease the incidence of respiratory and cardiovascular disease caused by vehicle emissions.
- Dr Kim Wolff from the Institute of Psychiatry collaborated with psychiatrists specialising in addiction from the South London and Maudsley NHS Foundation Trust and clinical biochemists from King's College Hospital to investigate biological indicators of problematic alcohol consumption.
- Professor Peter Griffiths and Dr Sarah Robinson of the National Nursing Research Unit at the Florence Nightingale School of Nursing and Midwifery were commissioned by the Nursing and Midwifery Council (NMC), the statutory regulatory body for the UK's 660,000 nurses and midwives, to analyse potential risks and benefits relating to the regulation of healthcare support workers in Britain.
- In a keynote address to the Council of Europe in Strasbourg, as part of an event to celebrate International Women's Day, Professor Rosalind Gill from the Centre for Culture, Media and Creative Industries warned of a resurgence of sexism in the media and spoke of a need to build a culture that is open about sex and sexuality while being critical of the way in which sexualised representations are being used and reinforced.
- King's was awarded £10.5m by the Wellcome Trust and the Engineering and Physical Sciences Research Council (EPSRC) to develop integrated teams of clinicians, biomedical scientists and engineers with the capacity to invent high-tech solutions to medical challenges. The new Medical Engineering Centre, led by Professor Reza Razavi, will conduct clinical trials to show the benefits of discoveries in imaging technology in respect of earlier and more precise diagnosis of cancer and heart disease, better-targeted therapies, less invasive procedures and improved techniques for rebuilding tissue after surgery.
- Clinical trials led by Dr Andrew Tutt, Consultant Clinical Oncologist and Director of the Breakthrough Breast Cancer Research Unit at King's, investigated a new class of drugs called PARP inhibitors which showed promise for patients with inherited forms of breast and ovarian cancer.
- Dr Karen Glaser, Senior Lecturer in Gerontology, was lead author of a study that investigated the increasing importance of the contribution of grandparents to family life in the UK and across Europe in the context of an ageing population, large numbers of mothers in employment and the high incidence of family breakdown.
- Research led by the Institute of Psychiatry found that blood levels of the protein clusterin could be an early biomarker of Alzheimer's disease many years before symptoms appear.

These successes have allowed King's to continue to recruit some of the world's best academics, attracted by the College's outward-looking, vibrant and academically rigorous culture. The selection of King's to provide the anti-doping service for the 2012 Olympics reflects the esteem in which its outward-looking research is held, while its vibrant research has drawn in a world-class computer scientist to work alongside clinicians in the translational environment of King's Health Partners. The College's academic rigour is demonstrated by a move in the Quacquarelli Symonds (QS) league table of top university rankings in the subject area of Arts & Humanities from 40 to 26.

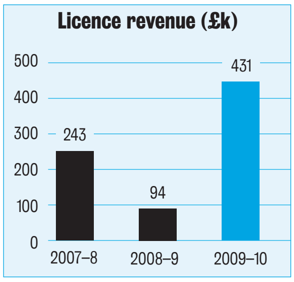
King's has continued to see a steady growth in its research income, which was £204m in 2009–10. The recent level of increase averages at 8% per year.

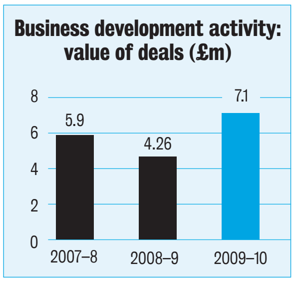
Value added

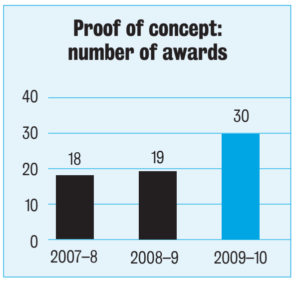
The College's strategy is to focus on key areas of innovation support driven by the implementation of innovation plans. These have been created by and with the Schools and identify where significant value can be added. A key principle is that activities should be undertaken at a local level where possible so that King's Business can concentrate on higher-value and more complex initiatives.

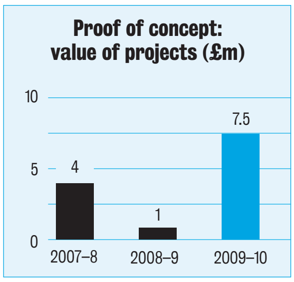
Progress in 2009–10

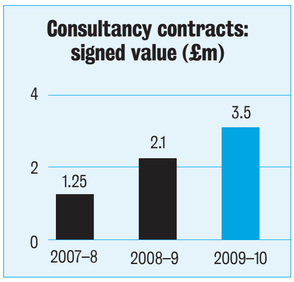
2009–10 has been a particularly successful year, witnessing new collaborative partnerships with industry and the public sector with a value of over £7m and licensing income approaching £500,000. The opportunities pipeline is looking healthy and there are two new companies in formation. Consultancy and fee-for-service activity has continued to rise, with a gross revenue for the year of £3.5m.











Anti-doping facility for London 2012

Among its notable successes of the year, King's has formed an alliance with GlaxoSmithKline (GSK) to enable the College's world-renowned Drug Control Centre to operate a satellite laboratory accredited by the World Anti-Doping Agency during the London 2012 Olympic and Paralympic Games. The partnership between King's and GSK will be led by Professor David Cowan, head of the department of Forensic Science & Drug Monitoring and Director of the Drug Control Centre. He played a key role in the successful 2012 Olympic bid and has been involved in the science of anti-doping for previous Winter and Summer Olympic events and several sessions of the Commonwealth Games.

Thousands of samples will be analysed during the 2012 Olympics and Paralympics and the laboratory will be in operation for 24 hours a day throughout the period. The facility will be based at one of GSK's research-and-development sites in Britain, offering the capacity for King's to run the laboratory independently, working with the International Olympic and Paralympic committees.

Pfizer open-innovation laboratory for pain research

A group led by Professor Steve McMahon at the Wolfson Centre for Age-Related Diseases is developing a greater understanding of the fundamental mechanisms and pathways underlying chronic and neuropathic pain. This initiative allows Pfizer scientists to have joint appointments within King's, working in an academic setting and combining resources with scientists at the College. It is hoped that the collaboration will lead to synergies in research strategies that deliver new ideas for healthcare and patient welfare in this important area, bringing tangible benefits for patients living with pain.

Materials-innovation hub: connecting materials culture to materials science

Dr Mark Miodownik, head of the Materials Research Group, is leading a team to create the first British research centre bringing together materials science and materials culture in the same institution. The guiding principle is that all materials innovation benefits from a system-wide multidisciplinary approach involving the arts, humanities, social sciences, physical sciences and health sciences. As an important interface between the material sciences and the creative industries, it aims to become a unique force in the country, 'a place of wonder, play and ambitious ideas – a place to initiate innovation and culture change within the university and the UK'.

Academic Innovation Fellows

The Academic Innovation Fellow scheme was launched in 2009, recruiting 20 Fellows from 20 different divisions or departments across six Schools. Fellows work with a King's business development manager or technology transfer manager, championing innovation amongst their academic colleagues in research and helping them maximise its impact. They identify new opportunities and act as a conduit between the research teams and King's Business. Academic Innovation Fellows also meet as a group that develops a sense of teamwork and hosts cross-disciplinary discussions. The scheme has enabled the following specific outcomes:

- development of the Innovation Plan in the Cardiovascular Division
- Academic Innovation Fellows generated potential executive courses at the Institute of Psychiatry and the department of War Studies which are under development with King's Business
- involvement of the Academic Innovation Fellow at the Institute of Psychiatry led to the filing of a patent for a screening tool for autism.

B.R.A.H.M.S. licence

A patent licence agreement was concluded with the German biotechnology company B.R.A.H.M.S. GmbH (part of Thermo Fisher Scientific Inc.) for the development of in-vitro diagnostics in the field of thyroid-stimulating hormone (TSH). The King's technology is being adapted for B.R.A.H.M.S.'s existing Kryptor Trak product already on the market, and the TSH-specific product is expected to be launched in 2011, triggering sublicensing and royalty payments to the College.

School of Biomedical and Health Sciences innovation programme

In December 2009 the School of Biomedical and Health Sciences was selected to enter the Biotechnology and Biological Sciences Research Council 'Excellence with Impact' competition, set up to encourage university departments to promote economic and social improvement alongside top-level research. Since the outset of the innovation programme, King's Business has been supporting the School, and this year it has helped deliver a number of projects, including:

- an open-innovation workshop with external speakers
- a partnership with GSK's community activation team to develop the School's outreach programme to state secondary schools as part of the Science, Technology, Engineering and Mathematics Network (STEMNET) challenge; it builds from relationships established through the 2012 partnership with GSK and is moving towards national rollout
- Collaborative Awards in Science and Engineering (CASE) PhD studentships, where a company supports an academic on a major research project relevant to its work; this achieved a 100% success rate
- commercial awareness training as part of the School's Industry and Impact scheme.

LCACE Inside Out Festival

The Inside Out Festival, established in 2009, was conceived by the London Centre for Arts and Cultural Exchange (LCACE) to celebrate five successful years of operation and to showcase the contribution of nine London universities to the city's cultural life. As a festival of higher education and the arts, it was the first of its kind in London.

Comprising 41 events across all of the universities and external organisations, the Inside Out Festival 2009 took place from 19 to 25 October, coinciding with the College's Arts & Humanities week and attracting 6,500 attendees. Sessions ranged from topical talks and discussions to performances and exhibitions, supported by, among others, the Arts & Humanities Research Council (AHRC), the Economic & Social Research Council (ESRC) and the educational co-ordinating body London Higher. Venues included Kings Place, the National Portrait Gallery and Somerset House, where King's academic Stephen Lovell participated in a packed debate on contemporary attitudes to the Holocaust. Plans have been made for another festival in 2010 with a greater number of academics, external partners and events.

Transplant rejection control

A package of patents, know-how and good manufacturing practice (GMP) grade material was acquired by King's from the Swedish pharmaceutical company Orexo AB during the year. The primary purpose of this transaction was to support the work of Professor Steven Sacks, head of the department of Nephrology & Transplantation, in the area of transplant rejection control, positioning the College to secure funding for clinical trial propositions.

Technology Transfer has also issued a fee-bearing patent option agreement to GSK for rights to use the intellectual property (IP) in the field of ophthalmology and, more specifically, for the target indication of age-related macular degeneration. GSK will be conducting significant development work which, if successful, will result in the issue of a royalty-bearing patent licence.

Forensic Science Service

King's Business provided significant support to the development of a strategic alliance between the College and the Forensic Science Service (FSS), the leading provider of forensic science services in England and Wales. The arrangement encompasses a wide range of activities, including collaborative research, participation in MSc courses and provision of consultancy services. These will span a number of divisions and Schools, including Pharmaceutical Science, Social Science & Public Policy and the Institute of Psychiatry.

The central focus of the alliance is the establishment of an FSS-sponsored Chair in Forensic Science, with the holder of this position undertaking the joint role of Chair and independent Chief Scientific Advisor to the FSS. Since formal approval of the scheme and funding of the Chair by the FSS in March 2010, a joint King's-FSS workshop has identified areas of mutual interest for development of collaborative activities. Five interdisciplinary joint working groups have been initiated to assess key aspects of forensic science and policy, including toxicology, digital forensics and public policy in forensic science.

Identity

The College is divided into Arts & Sciences (Humanities, Law, Natural & Mathematical Sciences and Social Science & Public Policy) and Health (Biomedical & Health Sciences, Dental Institute, Medicine, Nursing & Midwifery and Institute of Psychiatry) Schools. It has core strengths in all of these areas and a key objective of the Strategic Plan is to build on them and to increase interdisciplinary activity, not least across the boundaries between the two sets of Schools. The College has agreed a number of brand values that will draw upon expertise and knowledge across the Schools, including creative and cultural industries; health; ethics; and security. These cross-cutting themes will integrate research, innovation and learning and provide direction to staff and external partners.

The School of Natural & Mathematical Sciences (NMS) was established on 1 August 2010, following the restructuring of the School of Physical Sciences & Engineering. A primary aim of the new School is to provide critical mass for the full range of research activities. To this end, a programme of new appointments is being implemented; several key appointments are already in place, and more are planned for this session and in 2011–12. A new department of Informatics has been created, clustering computer science with robotics and telecommunications. Progress has already been made in strengthening links with activities in other Schools, in particular the Randall Institute and the new department of Biomedical Engineering. The next couple of years will mark a transitional period as the engineering degree is phased out; great care is being taken to ensure that the student experience is protected.

In March 2009 King's Health Partners, a collaboration between King's College London, King's College Hospital, Guy's and St Thomas' and South London and Maudsley NHS Foundation Trusts, was formally accredited as one of the UK's first five Academic Health Science Centres. Its objective is to facilitate more rapid and effective translation of research into teaching and patient care – pioneering approaches that will add value well beyond, as well as within, south London.

Overseeing the project is a Partnership Board consisting of the Chairmen and Chief Executives (Principal and Vice-Principal [Health] in the case of the College) from each institution. During 2009–10 a partnership agreement was signed by all four organisations. All relevant academic activity and all clinical activity from each partner is being brought together in a number of Clinical Academic Groups (CAGs) as the primary vehicles for progressing the translational agenda at the heart of King's Health Partners.

The College is providing a significant leadership role within King's Health Partners. The Executive Director, Professor Robert Lechler, and the majority of members of the executive team are senior College academics. In addition, all but two of the 21 CAGs are led by senior academics, either alone or in partnership with NHS leaders.

Most of the CAGs are now established and their leaders are working towards accreditation. In addition, there are some academic activities that support a number of CAGs. These cross-cutting themes were brought together in two new entities: the Health Policy and Evaluation Institute, strengthening research in the applied health sciences, and the Basic Science Institute, designed to attend to the infrastructure and needs of the discipline, including graduate programmes for all of the College's basic scientists, whether or not they are in a CAG. The development of CAGs and these two institutes led to a number of internal realignments of departments and divisions across School boundaries.

King's Health Partners has set up an Education Academy to oversee the education and training activities of the four partners. The key aims of the academy are: to deliver or procure courses and programmes to ensure workforce needs are met; and to effect a cultural shift in education practices towards a portfolio of learning that includes the best proven technological developments. Themes within the academy include improving health and wellbeing, inter-professional education and training, leadership, pedagogic research and widening participation.

Several discussions have taken place with other HEIs during the year to explore possibilities for strategic alliances and partnerships. These will continue over the next few years.

During 2009–10, measures were implemented to improve further the integration of professional support across service domains as well as central and devolved support departments. The service-delivery capability of campus-based teams was strengthened significantly, with a parallel emphasis on enabling the central leadership of professional support to steer the development of services in a co-ordinated and managed way, improving efficiency and quality.

Major changes were made to student admissions with the implementation of an electronic portal to replace paper-based systems. This involved a significant development of infrastructure. Operations have been concentrated into two campus-based admissions centres, one for the Health Schools and the other serving the Arts & Sciences Schools. Despite requiring a comprehensive reshaping of admissions processes, these projects enabled the College to administer a 14% increase in applications within existing budgets.

Similar changes occurred within the College's Estates & Facilities teams with the appointment of campus managers on the main King's sites. They became accountable for the integrated delivery of all services included in Estates & Facilities.

Other key areas of activity continued to develop, notably:

- Management development. The 2009 cohorts successfully completed both the Introductory and Intermediate Management Development Programmes. Two further groups will begin the programme in November 2010.
- Recruitment. The e-recruitment pilot revealed some significant areas that needed to be improved before the new system could be rolled out successfully. Some key processes needed to be re-engineered and consequently a re-specification of the project was undertaken. It has been completed and a revised rollout plan beginning in April 2011 is under way.

Traditionally there has been a strong link between academic, finance and estates strategies. This has been broadened to include information technology (IT) and human resources agendas and, in addition, external business generation. A new estates strategy is currently under development, for completion in spring 2011. Its objectives are: to build and maintain world-class academic and residential campuses; to ensure the estate and facilities are fit for purpose for the twenty-first century; to implement carbon-reduction initiatives; to reflect on the present economic environment; to interlink with the emerging strategy for King's Health Partners; and to anticipate and build in flexibility for future change.

The College has a complicated estate of five academic campuses, three of which are shared with NHS Trusts. Protocols have been devised for the management of space, including a space committee on each campus and a space-charging policy across King's. To improve the management of space, a new computerised central timetabling and room-booking system was introduced in 2008–9 as well as a regular programme of space audits, and a new senior staff appointment was made to oversee space management. As part of the implementation of the strategy, target efficiencies were set in order to optimise the use of the estate for new initiatives and growth, as laid out in the Strategic Plan.

At the time of writing, the College is in discussions with a number of local institutions regarding estates issues. Better integration of estate management and planning is under way with Guy's and St Thomas' and King's College Hospital NHS Foundation Trusts in relation to King's Health Partners as closer links are developed. Discussions concerning the creation of a world-class cultural quarter around Somerset House, with the benefit of a HEFCE grant of £7.5m from the Strategic Development Fund, are advanced with the Somerset House Trust and the Courtauld Institute of Art.

During 2009–10 King's has continued to modernise and improve its technology infrastructure through the Connected Campus programme. Significant investment has been made across the technology portfolio. This year saw the implementation of a state-of-the art paperless admissions system and online enrolment for new students. The College also launched a new website, completed the rollout of self-service book loaning in all its libraries and Information Service Centres, and managed a large-scale upgrade of the student and wireless computing facilities.

Public benefit

The College is an exempt charity and as such is regulated by HEFCE on behalf of the Charity Commission for England and Wales. The College's objects, as defined in its Charter, are to advance education and promote research for the public benefit. In so doing, the College gives due regard both to its Anglican traditions and to the diverse beliefs and backgrounds of its members.

The College Council serves as the College's trustee and is responsible for defining the strategic aims of King's and directing the activities of its executive in the furtherance of these objects. When setting objectives and planning activities, the College Council and the King's executive give careful consideration to the Charity Commission's general guidance and to its supplementary guidance on public benefit. Attention is also paid to guidance issued by HEFCE in its new role as principal regulator on behalf of the Commission.

The College's 2006–2016 Strategic Plan sets key targets in the areas of teaching, research, value added activities and identity in order to achieve its vision of being one of the top six universities in the UK and one of the top 25 universities in the world by 2016. The progress towards achieving these goals is described in detail in other sections of the Operating and Financial Review. This section highlights areas in which the College carried out its activities for the public benefit during the year in furtherance of its objects and its mission of 'service to society'.

Teaching and learning

The College is a significant and expanding teaching institution, with some 23,000 undergraduate and graduate students and a target of increasing student numbers over the course of the Strategic Plan. King's attracts highly qualified applicants from every region of the UK and across the globe, with increases since 2008–9 of 13% and 30%, respectively, in applications at undergraduate and graduate levels.

During 2009–10 the College's academic standards and quality of learning opportunities were affirmed through a judgment of 'confidence' – the highest that can be obtained – in an institutional audit by the QAA. 2010 also saw an improvement in the College's performance in the NSS, with students' overall satisfaction with their studies at King's rising from 83% to 86%, placing the College comfortably above the national satisfaction score of 82%. At subject level, there were strong performances in the NSS in Dentistry, History, Iberian Studies, Media Studies, Medicine, Molecular Biology, Philosophy and Physics, with History, Media Studies, Medicine and Physics seeing significant improvements in student satisfaction.

The tuition fees charged by the College for full-time undergraduate courses and postgraduate certificate in education (PGCE) courses for home and EU students are regulated by the Office for Fair Access (OFFA). Under its Access Agreement with OFFA, King's provides students with a range of financial support, including bursaries and scholarships which go significantly beyond statutory requirements. (For example, all home and EU students in receipt of the state Maintenance Grant in 2009–10 were eligible for a King's myBursary, while students getting the full Maintenance Grant were awarded a bursary more than four times the statutory minimum.) The College is committed to the principle of widening participation in accordance with its Fair Admissions Policy and will review its Widening Participation Strategy in 2010–11. The six-year Extended Medical Degree Programme at King's, providing support for entry into medicine for students from non-selective state schools or further education colleges in London, Kent and Medway, continues to be an admired initiative in this area.

The College's commitment to teaching and learning in the context of international development was evidenced during the year in the launch of the African Leadership Centre in Nairobi in collaboration with Kenyatta University. The centre's peace and security fellowships, funded by a grant from the Carnegie Corporation, will develop a cadre of young Africans with expertise in peace, security and development.

Research

King's is among the top research universities in the UK and home to six MRC research centres. During the year the College built on its performance in the 2008 Research Assessment Exercise (RAE), in which 60% of research activity was deemed either 4* (world-leading) or 3* (internationally excellent), and 14 departments (comprising over 50% of the College's academics) were ranked in the top 10% in the country.

Notable achievements in 2009–10 include the award of a Queen's Anniversary Prize for higher education to the Health Service and Population Research Group at the Institute of Psychiatry, for its work to help the recovery and improve the quality of life of people with mental health problems; the development by the Institute of Psychiatry of a new method of diagnosing autism in adults, using a brain scan that can identify the condition with more than 90% accuracy; the launch with the University of Cambridge of an online database of the Domesday Book; and the opening in May 2010 of the Cicely Saunders Institute, a partnership between King's and the charity Cicely Saunders International to create the world's first institute of palliative care.

The year saw the College take forward its engagement with King's Health Partners, a Department of Health-accredited Academic Health Science Centre, with progress made in establishing the CAGs that implement the Academic Health Science Centre across its partner organisations (the College and three leading NHS Foundation Trusts). The objective of King's Health Partners is the integration of research, education, training and clinical care for the benefit of patients and improvement of health, exemplifying the College's commitment to research and teaching in the service of society.

Value added

Located at the heart of London, the College continued to pursue partnerships with such major cultural institutions as the Museum of London, the British Film Institute and Shakespeare's Globe.

King's is committed to the principles of equality and diversity of opportunity, and it has commenced an ongoing revision of its policies and action plans in this area to incorporate the requirements of the Equality Act 2010. Reflecting its religious traditions, the College offers students and staff a range of opportunities for religious worship and expression. In addition it runs the unique Associateship of King's College, a voluntary course open to students and staff of all beliefs and backgrounds, focusing on questions of theology, philosophy, religion and ethics in a contemporary context.

Summary

In 2009–10 the College fulfilled its educational and research mission, bringing direct benefit to its members and to society at large. This achievement was recognised by the award in September 2010 of the title 'University of the Year 2010–11' by the *Sunday Times* – a recognition of all-round excellence based on criteria including student satisfaction, research quality, academic peer review, entrance qualifications of new students, degree results achieved, student/staff ratios, dropout rates and graduate employment levels.

The College also improved its performance in university league tables, rising in those of the *Independent* (17 to 13), the QS rankings (23 to 21) and China's Academic Ranking of World Universities (65 to 63).

Academic and financial sustainability

In 2008–9 the College started a programme of strategic and tactical changes to ensure its long-term sustainability in the light of a worsening economic environment. King's was one of the first in the sector to review its cost base.

The Academic and Financial Sustainability project, described more fully in last year's Operating and Financial Review, has now been in place for over 18 months and much has been achieved. The project recognised that cost reduction and realignment would be required to ensure financial sustainability and that cost savings would be required to fund investment in sustainable academic quality. Accordingly, the cost savings made have enabled the College to continue to invest in chosen strategic initiatives while keeping the cost base under tight control.

During the year formal restructuring consultation documents were issued for a number of areas: several functions within Professional Services and Catering, Biomedical & Health Sciences, the Dental Institute, the Institute of Psychiatry, Physical Sciences & Engineering, Nursing & Midwifery and the School of Medicine. Strategy papers were distributed for Arts & Humanities, Law, and Social Sciences & Public Policy. All of the documents were prepared by the senior management of those areas in consultation with their staff and based on suggestions made by them. In difficult circumstances, the response of staff was constructive and professional.

A number of individuals have left King's during the year under the College's Voluntary Leavers Scheme, with further people setting departure dates in the future. The scheme has now closed, but the full-year impact will continue to be felt into 2010–11 and the following year. Additional departures occurred due to retirement and routine performance-management processes, and it is expected that the targets set in 2008–9 will be met.

The College provided £15m over two years to support the cost adjustments identified by the Academic and Financial Sustainability project. Total restructuring costs incurred to 31 July 2010 were £7.3m.

	£000
Provision brought forward	5,700
Utilised in year	(7,314)
Charged in year	9,300
Provision carried forward	7,686

The pace of cost restructuring has been faster than anticipated, with £10m of the £18.5m two-year target cost savings being delivered in one year through a combination of strategic realignment and tactical vacancy management.

It was always envisaged that the reduction of the cost base to ensure financial sustainability would go hand in hand with investment for quality to ensure academic sustainability. Accordingly, the in-year savings enabled King's to continue to invest in areas of strategic priority. Some of the major successes included:

- reshaping Physical Sciences & Engineering into the School of Natural & Mathematical Sciences
- building on linkages with health disciplines by the establishment of a department of Biomedical Engineering
- major investment in academic expertise, including a new Chair of Financial Mathematics and the new Clerk Maxwell Chair of Theoretical Physics; capital investment is planned in the related facilities.

Financial highlights

The College reported a £10.5m surplus on normal activities for the year, a very pleasing result, especially in the difficult economic environment. This puts King's in a strong position to respond to the anticipated funding changes in the coming years.

Total income for the year increased by 4.6% to £508m and total expenditure increased by only 2.5% compared to the previous year. The improved performance reflects the actions taken to address the long-term academic and financial sustainability of King's in anticipation of a period of some uncertainty for the higher education sector as a whole.

The protection and enhancement of the liquidity of the College has been a key objective and has been delivered by tight control of operating expenditure and careful prioritisation of the capital investment programme. All measures of liquidity have improved year on year; cash balances are £43m or 23% higher, and working capital increased by £32m or 32%.

Although there is still more to do, about £10m of savings has been delivered in the year. Achieving a balance between cost-cutting for financial sustainability and investing for academic sustainability has been challenging, but King's has continued to invest for quality in both its people and its estate.

	2009–10 £000	**2008–9 £000**
Income	508,045	485,622
Expenditure	497,582	484,883
Surplus on normal operations	10,463	739
Taxation	(2)	(5)
Surplus after taxation	10,461	734
Surplus as a % of income	2.1%	0.2%

The surplus on operating activities is £16.4m and compares to a plan of breaking even. After charging £9.3m for restructuring costs incurred during the year and taking departmental activity into account, the surplus on normal activities is £10.5m.

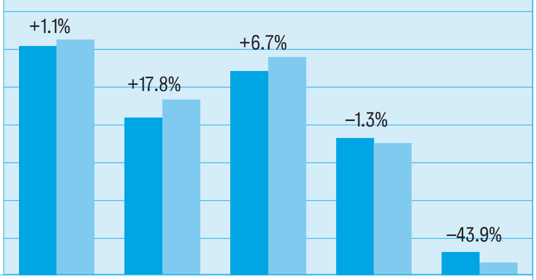
	2009–10 £000	2008–9 £000
Surplus on operating activities	16,396	4,514
Impact of FRS17	252	63
Surplus on departmental activities	3,860	1,862
Scoping costs of cancelled Chemical Medicine capital project written off	(745)	0
Provision for restructuring costs	(9,300)	(5,700)
Surplus on normal activities	10,463	739

The original forecast envisaged that a £15m provision for restructuring costs would be required in total over a two-year period starting from 2009–10. The pace of change has been much faster than anticipated and £5.7m of this was charged to the results in 2008–9, with the remaining £9.3m incurred during the 2009–10 financial year. Analysis indicates that the total £15m estimated provision is still likely to be adequate.

Income growth and diversification

Total income for the year was £508m (2008–9 £486m), some £22m or 4.6% higher than the previous year. The largest contributing factor to income growth was tuition fees, which increased by £17.9m in 2009–10.

Year-on-year change in income (£000)



	HEFCE	Tuition fees	Research grants	Other income	Endowment and interest income
2008–9	150,207	100,480	134,955	88,197	11,783
2009–10	151,889	118,400	144,053	87,090	6,613

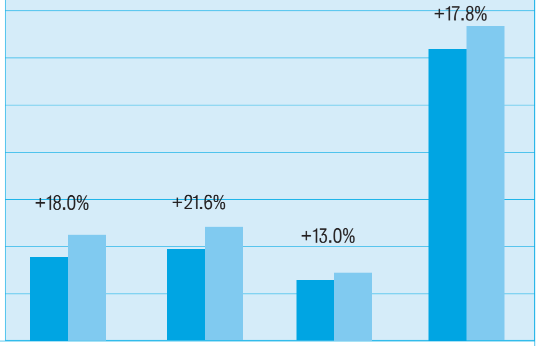
Fee income from UK and EU students increased by £6.4m or 18% from last year; about £2m of this reflected inflationary increases, while about £500,000 came from fourth-year top-up fees for long programmes and some £2m was due to the impact of a number of graduate programmes moving outside the HEFCE cap. Increases in non-regulated numbers accounted for the remainder. Across the College, graduate applications were up by 30% against the level of the previous year. Student recruitment was on target for HEFCE-controlled numbers despite a significant increase in applications.

Income from high-fee students increased by £7.8m and indicated the College's continued success in attracting overseas students. The King's marketing department targeted 40 countries across Africa, Asia, Australasia, Europe, the Middle East, North America and South America during the 2009–10 recruitment cycle. Against the backdrop of a larger number of applications, the tighter UK Border Agency rules on student visas did not directly affect the College's ability to meet its targets for overseas recruitment.

NHS contract teaching income was £2.4m higher than in 2008–9, reflecting an increase to benchmark pricing, payments for improved attrition rates and the new Imperial College teaching contract.

Other tuition-fee income increased by £1.4m year on year, mainly due to growth in income from elearning programmes but also because of increased provision of non-credit-bearing courses.

Tuition fees and education contracts income (£000)



	Full-time UK and EU students	Full-time overseas students	NHS and other teaching contracts	Total tuition fees and education contracts
2008–9	35,570	35,934	28,976	100,480
2009–10	41,958	43,688	32,754	118,400

This performance is remarkable, given that overall student numbers remained constant.

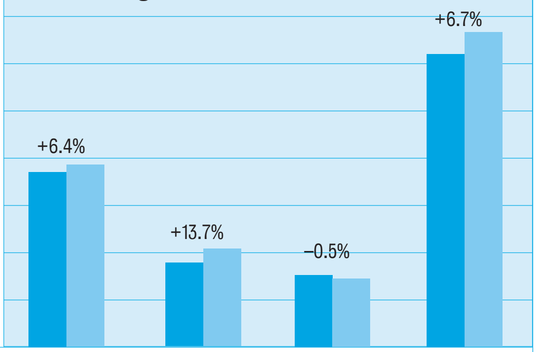
Student numbers (full-time equivalent, 1 December)	2009–10	2008–9	Change
Undergraduate	12,320	12,595	(275)
Graduate taught	4,518	4,289	229
Graduate research	1,792	1,795	(3)
Total	18,630	18,679	(49)

Total income from research grants and contracts increased by £9m or 6.7% to £144m, with the largest rates of growth reported in the School of Medicine and in Arts & Humanities. The growth rate was somewhat lower than in previous years. A 12% fall in the level of new awards in the order book compared to 2008–9 will inevitably lead to some flattening of the future growth curve.

	2009–10 £000	2008–9 £000
Research grant income	144,053	134,955
Research grant expenditure	120,740	114,712
Overhead recovery	23,313	20,243
Overhead recovery as a % of income	16.2%	14.9%

The School of Medicine reported the largest absolute growth (£10m), most of which related to grants attracting full Economic Costing (fEC) overhead recovery. Research grant overheads increased by £3m over the year, reflecting a combination of the new fEC awards in the School of Medicine and elsewhere and the effect of inflationary increases. The College remains heavily dependent on publicly funded research.

Research grants and contracts income (£000)

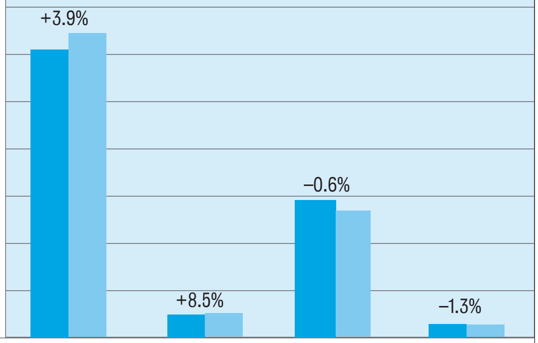


	Research councils and UK charities	UK government and health authorities	Industry, overseas and others	Total research grants and contracts
2008–9	72,464	33,496	28,995	134,955
2009–10	77,130	38,075	28,848	144,053

Endowment and interest income fell by £5.2m compared to last year despite a higher cash balance, principally due to lower interest rates. Average interest rates on cash deposits were 1.25%.

Patterns of expenditure

Year-on-year change in expenditure (£000)



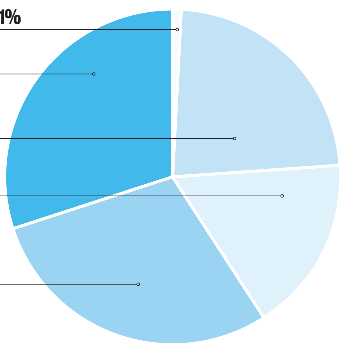
	Staff costs	Depreciation	Other operating costs	Interest payable
2008–9	303,084	21,631	147,503	12,665
2009–10	314,928	23,476	146,679	12,499

Total expenditure increased by only 2.6% or £12.7m over the year, of which some £9.8m was in respect of matched costs. This impressive result reflected the significant effort across King's to reduce and refocus its cost base, though there remains more to do.

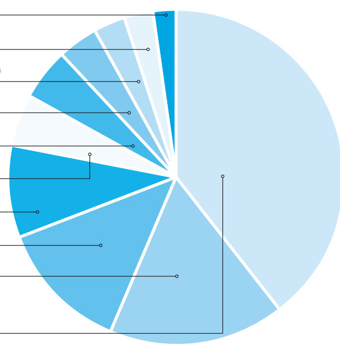
The pay bill rose by 3.9%; however, this included £9.3m charged for restructuring costs (2008–9 £5.7m). If adjusted for this, pay costs were 2.8% or £8.2m higher than in 2008–9. They included the annual pay award of 0.5%, increased pension costs as a consequence of the 2% increase in employer's contribution rates in the Universities Superannuation Scheme (USS) from 1 October 2009, incentive payments and progression. There were also investments in some strategic growth areas, in particular Biomedical Engineering, Natural & Mathematical Sciences, and Fund Raising & Alumni.

Whilst total staff numbers, including those funded from research contracts and other matched-funding sources, increased slightly during the year from 4,988 to 5,028 full-time equivalent, the posts resourced from general funds – the

Income



Expenditure



relevant headcount for the purpose of the Academic and Financial Sustainability project – reduced by 6%.

An analysis of the College's income by funding source together with a breakdown of expenditure by the Schools of the College is given on page 14.

An analysis of student load, which rose by 2.6% compared with 2008–9, and total staff, which increased by 1% from 2008–9 levels, is given below.

Fund-raising

The College has again exceeded its fund-raising targets for the year, raising £17m in new cash and pledges, compared to a target of £12m. This includes a £1.1m contribution from the government matched-funding scheme.

Of the new cash and pledges, £6.3m was raised for research, £4.5m for capital items, £2.4m for student-related items and £500,000 was unrestricted. The single largest item was a £4.3m cash-and-land pledge in respect of the development of the Maurice Wohl Clinical Neuroscience Institute on the Denmark Hill Campus.

Taking the matched funding, gift aid and land gifts into account, the total raised comes to £17m.

Fund-raising income	£000
New donations received	3,377
Outstanding new pledges	10,274
Land pledge for Wohl Institute	2,100
Gift aid	90
HEFCE matched funding	1,166
Total new cash and pledges	17,007

The Fund Raising & Alumni department is gearing up to support the College's next major fund-raising phase. 'World questions | King's answers' was launched on 3 November 2010 as the largest fund-raising campaign in the College's history, aiming to bring in £500m for research that will address many of the world's most challenging problems. Sir John Major, Prime Minister from 1990 to 1997, has been named as Chairman and to date the campaign has raised nearly £200m. 'World questions | King's answers' will develop three key research areas in which the College is exceptionally well-placed to make a substantial contribution: cancer, leadership & society, and neuroscience & mental health.

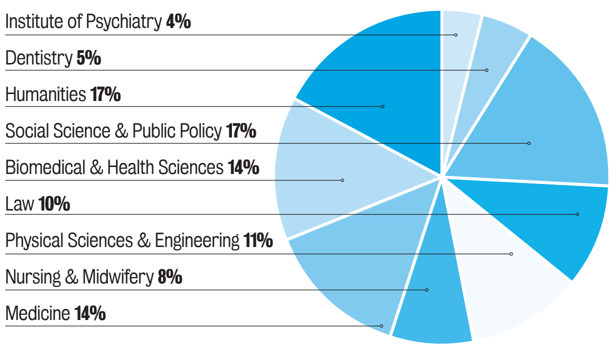
Capital investment programme

During the year King's has reviewed its estates investment plans, including a complete review of the 10-year capital programme. It has created a revitalised process for prioritisation and for building in sufficient contingencies for expected reductions in the total amount of funding available. The College has successfully responded to the challenge of balancing the need to further enhance the student experience while continuing to invest in research excellence.

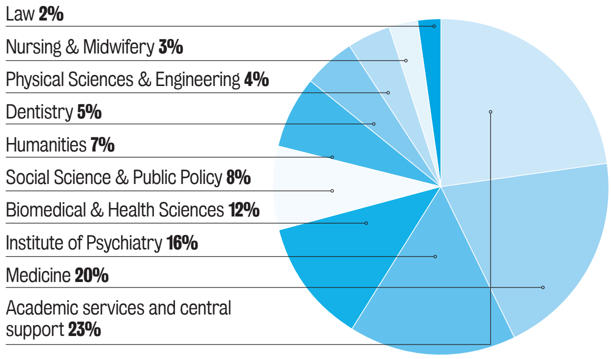
Over the period 2009–10 to 2013–14 King's plans to invest some £269m in estates infrastructure, with the investment spread as follows.

Investment	2009–10 to 2013–14 £m
Teaching/learning focused	
Strand Campus	48
College-wide teaching space improvement	22
Student residences and sports grounds	43
	113
Research focused	
Denmark Hill	63
Guy's	14
St Thomas'	24
	101
Infrastructure	
Space and power efficiency	21
Long-term maintenance	19
College-wide technology	10
Provision for VAT (£3m) and other small items	5
	55
Total capital investment 2009–2014	269

Student load



Staff



The College plans to invest a total of about £113m in student and teaching facilities over the period 2009 to 2014. The single largest project is the development of the East Wing of Somerset House, following the signature in December 2009 of an agreement with the Somerset House Trust for a long-term lease. The ground floor, converted into space for cultural activities, will be opened to the public for the first time and there will be a learning centre and areas in the building for studying the arts, culture and continuing education. The top two floors of the building will accommodate the College's School of Law. Conversion of the building and the associated work on the quad block represent an investment of £44m between 2009 and 2013.

Major technology upgrades in teaching and learning spaces fall under the same category, including updating audio-visual facilities, video links, interactive whiteboards, wireless access and student-feedback tablets. An element of this project is the realisation of space efficiencies on the Waterloo Campus, enabling the development of a combined social and learning space. A clinical skills learning centre is also planned.

Investments that are primarily (but not exclusively) research focused include £41m approved during the year for the development of the Maurice Wohl Clinical Neuroscience Institute, dedicated to advancing understanding of the molecular, cellular and functional basis of neurological and psychiatric disorders and the discovery, implementation and evaluation of new therapies. The institute will bring together 250 neuroscience clinicians and scientists onto one site. The new building is expected to be commissioned by the end of 2011–12. Working with the College's Trust partners, £17m is being invested in new clinical research facilities at Denmark Hill and a further £12m in the development of a knowledge hub at St Thomas'.

Infrastructure investments include the continuation of the Connected and Collaborative Campus projects (£10m) to upgrade the technology base across the College, focusing on all areas of research, teaching and professional services. Space and power efficiency investment covers a range of projects, the largest of which is £14m set aside for combined heat and power development.

The Cicely Saunders Institute was completed during the year to time and budget and was opened by Her Royal Highness the Princess Royal on 5 May 2010. It is the world's first purpose-built institute of palliative care and is the only organisation in the world solely dedicated to research into and improvement of services relating to end-of-life care.

Endowment asset investments

The College's investments achieved a return of +15.3% for the year to 30 June 2010 (the relevant period for which performance was measured), slightly underperforming the income allocation benchmark of +16.3%. This lag in performance related mainly to UK equity, where the College's need for income meant an above-benchmark exposure to high-yielding sectors, which underperformed lower-yielding growth stocks.

Performance for year to 30 June 2010	
Performance against income allocation benchmark	
Actual performance	+15.3%
Income allocation benchmark	+16.3%
Value added	–1.0%
Performance against total return benchmark	
Actual performance	+15.3%
Total return benchmark	+16.0%
Value added	–0.7%

During the year the Investment Subcommittee took the decision to crystallise some gains from a rally in the stock market by selling £5m of its holding in the Schroders Charity Equity Fund. The portfolio's high cash holding at the beginning of the year was used to add £5m to the Schroders UK Property Fund and £7.5m to the Cazenove Absolute Return Trust for Charities. A new investment of £7.5m was made in the M&G Corporate Bond Fund.

The College continues to hold back from adopting a total return investment policy as it has an insufficient cushion (unapplied total return) for a number of its major trust funds to withstand major stock market fluctuations.

Over the past six months King's has been reviewing the management of endowment funds and associated investment strategy, taking advice from its investment consultants, Cambridge Associates. As the College is not yet in a position to adopt a total return basis of investment, the Investment Subcommittee has decided to maintain the existing income bias but to make greater use of passive funds to reduce the costs associated with running the portfolio and to make changes to the asset allocation policy to strike the appropriate balance between cost, return, income and risk considerations. This approach will enable the Subcommittee to focus more on strategy and asset allocation where most value can be added.

Asset allocation	**Current policy %**	**Proposed policy %**
UK equity	40	35
Global equity	10	20
Emerging markets equity	–	5
Hedge funds	5	–
Private equity	5	–
Property	10	10
Global inflation-linked bonds	–	5
Global fixed income	30	25
	100	100

Income analysis for the proposed portfolio indicates that the total expense ratio will reduce to 0.37% (from 0.98%) and the income yield increase to 3.6% (from 3.2%). There is no proposed policy allocation to hedge funds or private equity, given high aggregate fees and lack of income associated with these asset classes. A transition plan, produced to implement the above changes at the minimum cost and minimising time out of the market, is currently being put into action.

Working capital management

Net current assets increased by £32.4m during the year.

Net current assets	31 July 2010 £000	31 July 2009 £000	Change £000
Cash at bank	225,414	182,142	43,272
Debtors	52,541	49,021	3,520
Current assets	277,955	231,163	46,792
Creditors < one year	(143,208)	(128,813)	(14,395)
Net current assets	134,747	102,350	32,397

Cash at the bank has risen by some £43m, which is around £62m better than forecast. In part this is attributable to the delay in capital expenditure against the Strategic Plan, but it also reflects better than budgeted tuition-fee income and grant-overhead recovery while costs were kept under control. Net cash inflows from operating activities were £36m compared with £18m the previous year.

The target of liquid assets to annual expenditure excluding depreciation is 90 days. The actual position at year end was 173 days.

Debtors	31 July 2010 £000	31 July 2009 £000	Change £000
Trade debtors	16,783	15,040	1,743
Other debtors	3,038	3,175	(137)
Research grant debtors	18,632	17,582	1,050
Research grant work in progress	12,871	12,000	871
Prepayments and accruals	1,217	1,224	(7)
	52,541	49,021	3,520

Debtors have increased by 7.2% to £52.5m. Research debtors (invoiced and work in progress) have increased in line with turnover and, consistent with last year, represent 80 days' turnover. The increase in trade debtors is mainly attributable to amounts owing from the NHS Trusts, which increased by around £2m.

Creditors	31 July 2010 £000	31 July 2009 £000	Change £000
Trade creditors	18,566	18,280	286
Payments received on account	71,376	68,107	3,269
Other creditors and accruals	40,037	30,211	9,826
Social Security and taxation	7,856	6,989	867
Finance leases	2,203	2,210	(7)
Loans repayable within one year	3,170	3,016	154
	143,208	128,813	14,395

Creditors have increased by some 11% to £143m. The main increases are to payments received on account, which represent up-front funding for research, and other creditors and accruals. The latter includes accruals for estate-related costs from Guy's and St Thomas' where the College has yet to reach agreement over space charges, additional occupational health costs where the College remains in negotiation with Trust partners over service-level agreements for the requirements of staff and students, dilapidation provision for the Drury Lane lease and additional bursaries.

Treasury management

The College manages day-to-day cash flow through its principal bankers, Royal Bank of Scotland (RBS). Surplus cash is swept daily from the current account to an interest-bearing deposit account. Although interest rates remain low overall, King's was able to negotiate an increase in the rate paid on the deposit account to a level of base plus 40 basis points.

Cash in excess of day-to-day liquidity is managed for the College by Royal London Cash Management, which invests in certificates of deposit with banks over a range of maturities as well as treasury stock. Counterparty banks are strictly limited to major national banks with Standard & Poor's rating of AA- or better, and the amounts are restricted to £15m per counterparty with the exception of Barclays, HSBC and Lloyds, where the limit is £30m, and RBS, with a maximum of £50m. There is no limit on the sum invested in treasury stock.

For the year ended 31 July 2010 the average return on cash deposits was 1.25%, reflecting the exceptionally low base rates currently prevalent; they are not expected to rise in the near future.

Long-term loans

There were no new loans taken out during the year.

Year to 31 July 2010	Total £000	Due < 1 year £000	Due > 1 year £000
Finance leases			
Lloyds Leasing (Stamford Street)	15,818	1,650	14,168
National Australia Bank (James Black Centre)	12,053	293	11,760
National Australia Bank (Strand)	10,230	260	9,970
Less deposits	(24,658)	–	(24,658)
Total leases	13,443	2,203	11,240
Loans			
RBS (Dover Street)	27,582	2,232	25,350
RBS	16,971	853	16,118
RBS (40 year)	59,908	–	59,908
King's College London Bond	59,703	–	59,703
Lambeth Baths Mortgage	520	24	496
South London and Maudsley NHS FT	197	61	136
	164,881	3,170	161,711
Total borrowings	**178,324**	**5,373**	**172,951**

The leases with National Australia Bank were entered into to enable the College to benefit from capital allowances on plant and equipment in the James Black Centre and the Strand refurbishment. Changes in the tax legislation on leasing mean that this type of arrangement is no longer possible, but King's continues to enjoy the benefits of those already in place. The deposits of £25m have been offset against these leases as they are for the purpose of funding the option payments that will become exercisable in October 2012 and April 2014.

	31 July 2010	31 July 2009	Limit
Borrowings as a % of income	35.1%	36.9%	50%
Borrowings to reserves	1.1	1.2	1.0

The College's financial strategy sets internal borrowing limits based on percentage of income and gearing. Both measures have improved slightly from last year, with gearing just above target and borrowings as a percentage of income well within target at 35%.

Net cash	31 July 2010 £000	31 July 2009 £000	Change £000
Cash and short-term investments	225,414	182,142	43,272
Borrowings	(178,324)	(179,079)	(755)
Net funds	47,090	3,063	42,517

The College's net cash position continues to improve.

Standard & Poor's reassessed the College's credit rating during the year as AA but with a negative outlook to reflect the negative outlook on the public finances. They reported the following major rating factors:

Strengths

- Leading academic reputation, with very strong position in league tables.
- Robust student demand and high academic entry standards.
- Substantial cash reserves, leading to strong liquidity and low net debt.

Weaknesses

- Expected ongoing reductions in public sector funding.
- Risks associated with major capital program, estimated at £470 million over the next 10 years.

However, following the year end and the Comprehensive Spending Review announcements, the outlook on the public finances has changed to stable and the College's credit rating has been raised to stable to reflect this improvement.

Pensions

The College participates in two main pension schemes, the Universities Superannuation Scheme (USS) and the Superannuation Arrangements of the University of London (SAUL). They are multi-employer, defined-benefit, final salary schemes. As the College is unable to determine its share of assets and liabilities in accordance with Financial Reporting Standard (FRS) 17, the schemes do not appear on the balance sheet although full disclosure is made in the notes to the accounts (for pensions, see note 31 to the financial statements).

The pension schemes are under review and subject to reform because the cost of providing the current benefits is no longer sustainable. The cost pressures are well known: increasing longevity; salaries that have risen faster than expected in recent years; and uncertain investment returns. The most recent funding position of the schemes is summarised below:

	31 March 2010	31 March 2009	31 March 2008
USS			
Scheme specific	91%	75%	103%
Historic funding basis	63%	52%	71%
FRS17	80%	87%	104%
Pension Protection Fund	112%	70%	107%
Solvency/buy-out basis	57%	47%	79%
SAUL			
Scheme specific	87%	79%	100%
Historic funding basis	72%	65%	83%
FRS17	–	–	127%
Pension Protection Fund	96%	72%	107%
Solvency/buy-out basis	67%	55%	80%

The USS is currently consulting with members on proposed reforms. Without reform it is likely that the USS would be in deficit at the next formal valuation in March 2011, which would require the scheme trustees to agree a recovery plan with the pensions regulator. The proposals for change effectively form the recovery plan and should avoid the need for additional cash contributions which would be both unaffordable and politically difficult, given that the Minister of State has indicated the sector needs to reduce the cost of pension provision.

The main changes proposed are an increase in the normal pension age, risk sharing, a cap on pensions in payment and revaluation for future service for existing members, and the introduction of a career-average scheme for new members from 1 April 2011. These reforms are being resisted by the academic trade unions but are considered the minimum changes necessary to stabilise costs of the USS at current levels.

SAUL's review of its benefits structure is likely to adopt similar changes to those proposed for USS, and it is hoped that agreement will be reached with the relevant trade unions on the necessary reform package.

The College also participates in the NHS pension scheme (NHSPS), which is an unfunded multi-employer defined-benefit scheme. King's operates it for staff who were existing NHSPS members immediately prior to appointment at the College. The scheme changed on 1 April 2008 for new members; existing members were given a one-off chance either to move to the new scheme or remain in the existing one. The new NHSPS is a 60ths scheme with tiered contributions and a normal retirement age of 65. The funding objective of the various scheme changes is to ensure that benefits are contained within a maximum employer's contribution rate of 14.2%. The College is unable to identify its share of the underlying assets and liabilities, and it is therefore accounted for on a contribution basis in accordance with FRS17.

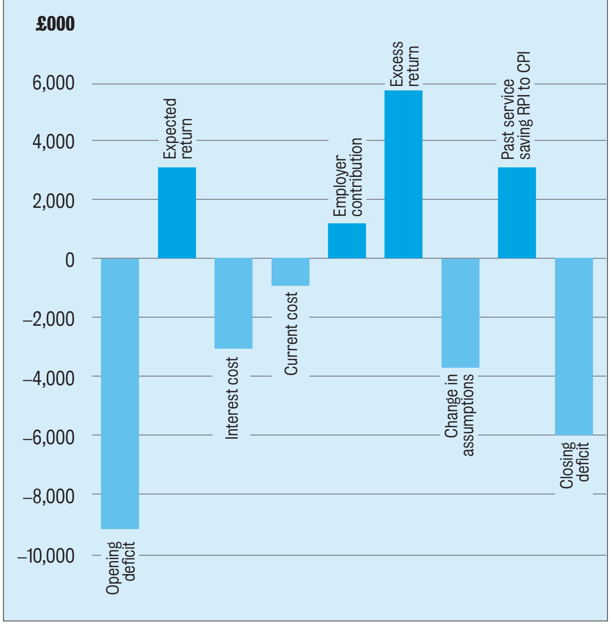
The NHSPS is likely to be subject to further reform following the review of public-sector pensions by Lord Hutton, which has come out against final-salary pension provision in favour of career average, with a probable cap on pensionable salary for high earners.

King's also operates two closed defined-benefit schemes: the Federated Pension Scheme (FPS) for support staff from the former United Medical and Dental Schools of Guy's and St Thomas' Hospitals (UMDS), and the Local Government Pension Scheme (LGPS) for staff from the former Chelsea College. As it is possible to identify the College's share of assets and liabilities separately, the pension scheme surplus or deficit is recognised in full on the balance sheet.

The FRS17 deficit on the FPS and LGPS schemes reduced from £9.4m to £5.7m. This improvement is largely due to improved investment returns as a consequence of better market conditions and the change from retail prices index (RPI) to consumer prices index (CPI) announced by the government for indexing future pensions. As both the FPS and the LGPS are increased under the Pensions (Increase) Act 1971 at the same time and the same rate as official pensions (in the FPS there is a 3% minimum revaluation increase of deferred benefits), this does not require a rule change but represents a change in policy/assumptions. It will affect all pension benefits earned to date as well as future benefits, and to the extent it relates to past service it has been accounted for through the statement of total recognised gains and losses.

The movement in the schemes' funding position is summarised below:

Movement on the College's self-administered trust schemes 2009–10



The FRS17 valuation also reflects further clarification relating to the equalisation of benefits between male and female members of the FPS scheme and the age from which benefits are payable without reduction.

The FPS scheme valuation as at 31 March 2009 has been finalised and agreed by the College. The delay in approving the valuation, which had to be reported to the pensions regulator, was a consequence of a number of uncertainties concerning members' benefits and how the recovery of the equity markets should be represented in the recovery plan. This valuation indicates a scheme deficit of some £17.2m compared with the FRS17 deficit of £4.1m at 31 July 2010 reported in the financial statements.

Despite some recovery in the equity markets since the valuation date, the scheme actuary has proposed that additional annual contributions of £650,000 for 10 years will be required to restore the scheme to full funding. This is on top of existing contributions of £290,000 per annum to May 2014 based on the 2006 recovery plan and normal contributions of 23.65% of pensionable salaries.

King's has agreed to this recovery plan, but it is pursuing a proposal to merge the scheme with that of SAUL to reduce risk and ensure the long-term viability of pension provision to members, which was approved in principle by the Finance Committee at its March meeting. It is hoped that the merger will be able to take place before the first payment under the new recovery plan falls due on 30 September 2011.

At a meeting of the SAUL trustee board in September, SAUL agreed to proceed with a merger subject to:

- active members transferring all benefits (past as well as future) onto the SAUL benefit basis
- risks identified in their internal risk matrix being addressed satisfactorily
- the data received being of acceptable quality
- the terms of the formal transfer agreement being acceptable
- negotiation of the asset transfer and sum (and payment terms) of balancing payment being satisfactory.

SAUL issued a detailed document of the information required before the transfer can proceed.

The requirement of the FPS trustee to draw up its own statement of principles and information needs, and the need to negotiate a confidentiality agreement between FPS, SAUL and the College, have caused significant delays; however, these issues have been resolved and more progress is now being made.

Risk and sustainability

There is considerable uncertainty in the short term over the timing and impact of likely cuts in public funding. Although both the Browne Review of student fees and funding and the Comprehensive Spending Review have been published and were in line with the College's expectations, the detail is unlikely to become clearer before early 2011.

The Comprehensive Spending Review indicated that there would be a 40% reduction to the teaching block grant over the years to 2014–15, but the timing and size of the change will only become clearer in March 2011 when the HEFCE allocations are known.

The scale and timing of cuts in public spending affect King's in the following ways:

- the efficiency cuts made to the block grant and other targeted grants will reduce income
- reduced real-terms investment in research by the funding councils will affect both research volumes and overheads
- the efficiencies envisaged in the Wakeham Review of research funding will reduce overheads
- NHS efficiencies will result in reduced commissioned numbers in nursing and other allied health professions
- the cuts to public spending will reduce the ability of the College's NHS Trust partners to co-invest in joint initiatives – both operational ventures and long-term capital investment.

The second largest variable in the College's forecasts is the likely outcome of the Browne Review, which outlined six principles:

1. more HEI investment (elimination of the fees cap)
2. increase in student choice (expansion in the number of places)
3. improving access to higher education (more generous and simplified loans and grants)
4. students pay only when they are earning (the government pays fees at the point of study and the student repays later)
5. student payments should be affordable (repayments linked to earnings)
6. better support for part-time students (same access to loans and grants as full-time students).

The government response has been generally supportive, with the exception of the complete removal of the fees cap. At the time of writing the government has proposed a base fee of £6,000 with an upper limit of £9,000 in exceptional circumstances linked to access arrangements and participation in a new national scholarship scheme. These arrangements would apply for entry in the academic year 2012–13. It is not yet clear whether they will be approved by parliament; there may be a vote before the end of 2010.

King's continues to target growth in unregulated high-fee student numbers (approximately 5% per year); the targets for this year were met. Analysis indicates that it is not unreasonable to expect continuing growth in high-fee student numbers at least in the medium term. This assumption is based on a detailed study of demand, the effect of the new visa requirements and, in particular, the need to protect and enhance the student experience. Due to this last element, there are some programmes where expected growth is small. It is unclear whether there will be government support for an expansion in the number of UK and EU undergraduate places as Browne recommended.

Pay cost pressures are a key variable, as collective pay bargaining and pension costs are largely outside the College's control. Every 1% increase in the pay bill adds almost £2m to the cost base of King's.

The key variables and their impact are outlined below.

Sensitivity	Items largely within the College's control	Items outside the College's control
Each 10% cut in teaching grant		– £7.5m pa
Gross increase in income from a £1,000 increase in UK undergraduate fees		+£3m pa (rising to £9m over 3 years)
10% volume change in high-fee students	+/– £5m pa	
1% change in pension costs		+/– £1.9m pa
1% change in pay award		+/– £1.9m pa
5% cut in NHS commissioned numbers		– £1.0m pa
10% Research Councils UK cuts		– £1.0m pa
5% Wakeham efficiencies		– £0.4m pa

The College's response to these risks has been to reduce costs whilst maintaining and improving academic quality, through careful management of costs and by conserving cash.

To clarify balance sheet risk, this year the reserves have been further analysed to show the capital reserve separately from the revenue reserve. The £83.6m balance on the revenue reserve represents the amount of 'free reserves' available to fund investment and provide contingency to manage risk.

The College's policy is to maintain a risk reserve of £15m to manage any adverse events, which leaves £68.6m of the revenue reserve (£83.6m less £15m risk reserve) available for investment. Most of this is earmarked to support the capital plan.

The annual report on the College risk register was considered and approved by Council in June 2010. While many of the risks remained the same or increased over the preceding year, these have been subject to close monitoring and control at corporate and managerial level. The risk map on page 22 summarises the key issues.

Value for money

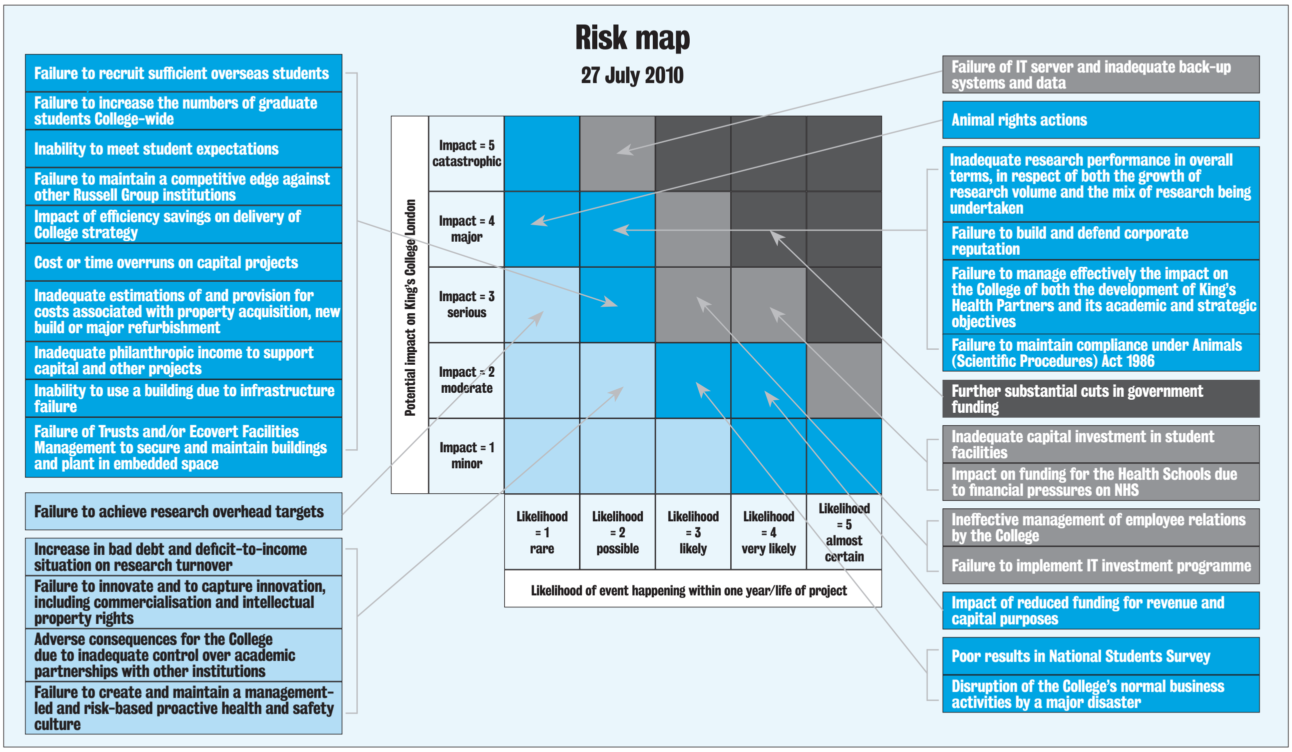
The Audit and Compliance Committee reviews the effectiveness of the College's arrangements for value for money on an ongoing basis and is fully supportive of the work of Internal Audit incorporating value-for-money work as a key part of its remit. Value for money is an integral component of the terms of reference for many of the audit reviews undertaken and may relate to issues concerned with improved service delivery, greater effectiveness in procurement practices, greater efficiency in systems and processes, improved management and more effective use of resources. Examples of some of the audit work that has had at least a partial focus on value for money over the past two years includes the following:

- management of space
- printing and publications
- staff advertising costs
- review of agency staff and casual-worker arrangements
- overseas student recruitment
- Health Schools marketing arrangements
- refurbishment and renovations
- planning and management of capital expenditure
- use of the College procurement system and preferred suppliers
- facilities contracts
- fund-raising.

The Audit and Compliance Committee keeps under review the College's arrangements for procurement and has noted the considerable progress made in respect of a number of initiatives, including e-procurement, electronic ordering, invoicing and payment. Members have noted a substantial upward trend in the percentage of College expenditure undertaken through preferred suppliers and support the continuing efforts being made by the Director of Procurement in liaison with heads of Schools and directors of Professional Services to improve this further.

In line with the requirements of the HEFCE Audit Code of Practice, it is necessary to give an opinion on the whole framework of internal control, including risk management and governance arrangements, as well as measures for securing economy, efficiency and effectiveness. An opinion on the management and quality assurance of data provided to HEFCE, the Higher Education Statistics Agency (HESA) and other public bodies is also required.

Based on a combination of the audit work carried out during 2009–10 and that from earlier years, as well as detailed knowledge acquired in relation to the management and governance arrangements operating within the College, the Director of Audit and Management Review concludes that internal controls are soundly based, that the major financial systems and reporting mechanisms are generally adequate and effective and that there is evidence to support the statement that managers seek and achieve value for money in their various functions and activities. King's has a dedicated procurement function which has been set up to ensure that



the best possible prices are achieved from suppliers at all times across the College. There is additionally substantial evidence that managers are willing to make changes to systems and procedures in response to audit recommendations in order to achieve greater value for money where this is possible.

Governance and management

New financial regulations and procedures were put in place during the year. A team of QAA auditors visited King's during November 2009 to undertake an institutional audit and reported their findings in February 2010. The audit concluded that confidence could be placed in the soundness of the College's current and future management of the academic standards and learning opportunities available to students. A number of good practices were identified and some areas were noted where development was felt to be advisable. King's has an action plan for addressing these issues.

Management and reporting structures within the Health Schools have been subject to review and change during the year to reflect new links with the CAGs resulting from the King's Health partnership arrangements; some activities have been transferred from the School of Biomedical & Health Sciences to the School of Medicine.

Prospects

Economic outlook

Led by growing domestic demand, the global recovery is moving into a more mature phase. The World Bank projects global growth in gross domestic product (GDP) of 3 to 3.5% over the next three years. However, this masks less favourable projections for the Eurozone, where recovery is progressing at a sluggish pace and high unemployment poses a major social challenge. The economic difficulties of some European countries are still felt to pose a risk to the pace of global recovery.

While growth prospects are uncertain because of the situation in Europe, developing countries are projected to lead the recovery from recession with growth rates of around 6%. Growth in high-income countries is projected to accelerate from about 2 to 2.3% in 2010 to between 2.3 and 2.7% in 2012.

There seems to be a consensus that the risk of further downturn is low, but the outlook nevertheless remains fragile.

The College's top four overseas markets are the United States, China, India and Hong Kong. Economic forecasts and predicted exchange rates for the USA differ significantly from those of the other countries. Medium-term forecasts for the US dollar indicate that there will be a weakening against sterling, particularly towards the end of the next 18 months, amounting to some 9% depreciation by the end of the period. In combination with the slow pace of recovery and its effect on consumer confidence, the greater cost of sending a student to the UK implies that it will be challenging to increase intake from the US. Forecasts for the other three currencies predict movement in the opposite direction, strengthening against sterling by between 2% (India) and 8 to 9% (China and Hong Kong). Even if there is no common assumption for the College's overseas markets, the positive outlook on the economies in Asia should give a boost to student recruitment from these countries.

Outlook for the higher education sector

This report is prepared against the background of large reductions in public expenditure in the higher education sector and considerable uncertainty over the amount and timing of funding cuts.

The government response to the Browne Review may polarise the sector between those institutions whose reputation and competitive positioning enables them to charge the maximum fee without affecting intake and those that might struggle to attract students at the same level of fees. The former grouping may be led by research-intensive universities that provide world-class infrastructure for research and support concentrations of research excellence across broad disciplinary areas.

Although elite institutions should flourish in an unregulated tuition-fee market, there is speculation and concern that others may struggle. Conversely, it seems likely that there will be some movement of funding to support foundation and vocational training and intensive programmes typically offered by the newer universities and private providers. However, the politics of the debate are complex and the College will have to wait until early 2011 to get greater clarity on HEFCE funding and the fees settlement.

The research budget is at present broadly protected in cash terms, given that it is expected that efficiency savings will offset inflationary pressure.

The current period is regarded by many as a turning point for the future of higher education. If the sector does polarise between broadly research-led and teaching-led institutions it seems probable that, even within these two groupings, there will need to be differentiation, such as a focus on graduates, internationalisation or vocational training. A sector-wide review of university strategy carried out by the University Alliance Network suggested that a market-driven funding model would push more institutions to specialise. Its report observed that many HEIs lack a distinctive mission and are spreading their resources too thinly as they try to cover too many bases.

Over the medium term, competition for overseas students is likely to intensify, particularly as more countries offer programmes taught in English and provide education at standards that are good rather than exceptional, but at much lower cost to the student. The attraction of UK provision will rest upon excellence of teaching and the quality of cultural experience.

Planning outlook for King's

King's is in as strong a position as it could be: the Academic and Financial Sustainability programme is well advanced; the College's cost structures are more flexible than previously; liquidity measures are good; league-table rankings are high and improving; King's has a good credit rating; and a strong management team is in place.

Financial summary

	2008–9 Actual £m	2009–10 Actual £m	2010–11 Budget £m
Income	485.6	508.0	520.2
Expenditure	484.9	497.5	518.1
Surplus/(deficit)	0.7	10.5	2.1
Return on income as a %	0.1%	2%	0.4%

Given the present uncertainty regarding future funding and fees, the College has not published forecasts beyond the current year. However, it continues to plan for various scenarios using assumptions that are reviewed on a regular basis as information about possible market developments is received. In particular, it has modelled the probable impact of different levels of tuition fees and different cuts to the teaching block grant. When the Browne Review passes through parliament and the detailed implementation of the Comprehensive Spending Review is progressed, it will be possible to evaluate with more precision the likely financial effect on King's. Work streams are currently in hand to develop the College's response to a number of possible scenarios.

Social and environmental

Corporate responsibility

King's is dedicated to the advancement of knowledge, learning and understanding in the service of society. It seeks to make a positive impact upon both its human and its physical environment at local, regional and global levels.

The College's corporate social responsibility policies and activities can be grouped under two headings.

Understanding the environment

King's remains committed to being a leader in sustainability and has set ambitious targets for carbon reduction in order to meet its carbon reduction commitment. A new governance structure is being developed to achieve support from across the College.

Creating value for society

The staff and student body have a strong record of volunteering in organisations and schools close to the College's campuses in Southwark, Lambeth and Westminster. King's aims to embed equality and diversity into every aspect of College life, developing policies, strategies and networks to ensure that its staff and student bodies are enriched by their diversity.

The College's curriculum continues to reflect its connection to its communities. The Extended Medical Degree Programme has now been running for over 10 years and remains one of the most innovative schemes of its kind. The programme offers talented, underachieving pupils from London boroughs the chance to achieve a degree through a six-year course with additional support in the first three years.

King's is in the process of updating its widening participation and fair admissions strategies. These will stress the importance of working in local partnership as, for example, at the St Paul's Way Community Trust School. The College's intake from state-sector secondary schools and colleges remains the highest of any Russell Group university in London, and King's is part of Realising Opportunities, a consortium of universities working on a pilot scheme to attract high-achieving students who might not otherwise attend elite universities in England.

Corporate responsibility is at the core of the King's ethos. The creation of the College Academic Health Sciences Centre, King's Health Partners, in partnership with three of London's most successful NHS Foundation Trusts has, therefore, already included the development of joint corporate responsibility projects and policies.

Conclusions

King's has made good progress in adjusting income and expenditure in anticipation of significant reduction in public funding for higher education. The Academic and Financial Sustainability project, whilst not without its difficulties, has ensured that the College is in good shape both academically and financially to prepare for the more challenging times ahead.

While there is some anxiety and concern about the future of higher education finances and the student funding system, with many difficulties to overcome, King's can look forward with some confidence and optimism as it continues to advance its strategic ambition of being one of the world's best universities.

Mr Rory Tapner
Treasurer

Mr Stephen Large
Director of Finance

Corporate governance

The following statement is provided to enable readers of the financial statements of the College to obtain a better understanding of the governance and legal structure of the College.

The College endeavours to conduct its business:

(a) in accordance with the seven principles identified by the Nolan Committee on standards in public life (selflessness; integrity; objectivity; accountability; openness; honesty; leadership) and

(b) in the light of the guidance to universities that has been provided by the Committee of University Chairmen in its Guide for Members of Governing Bodies of Universities in England and Wales.

The College is an independent corporation whose legal status derives from a Royal Charter originally granted in 1829. Its objects, powers and framework of governance are set out in the Charter and supporting Statutes.

The Charter and Statutes require the College to have two bodies, the Council and the Academic Board, each with clearly defined functions and responsibilities, to oversee and manage its activities.

The Council is the executive governing body responsible for the finance, property, investment and conduct of all affairs of the College including the strategic direction of the institution. The Council has lay members, from whom its Chairman and Vice-Chairman must be drawn, but also included in its membership are College staff members and the president of the student body. None of the lay members receives any payment, apart from the reimbursement of expenses, for the work that they do for the College.

The Academic Board is the academic authority of the College and draws its membership mainly from the academic staff and the students of the institution. It is the body responsible for the academic work of the College in teaching, examining and research. The Academic Board recommends major policy changes to the Council.

Although the Council meets at least three times each academic year, most of its detailed business is handled by committees, in particular a Finance Committee, an Audit and Compliance Committee, a Remuneration Committee, an Estates Strategy Committee and a Nominations Committee. The Council also has a Chairman's Committee, which looks at issues that are major and/or pressing. Each of these committees is formally constituted with written terms of reference and specified membership, including a significant proportion of lay members, from whom its Chairman is drawn; each reports regularly to the Council.

The Finance Committee *inter alia* recommends to Council the College's annual revenue and capital budgets and monitors performance in relation to the approved budgets. It also approves comprehensive Financial Regulations for the conduct of the financial affairs of the College.

The Audit and Compliance Committee is responsible for meeting, at least once annually, with the external auditors, to discuss audit findings, and with the internal auditors, to consider detailed internal audit reports and recommendations for the improvement of the College's systems of internal control, together with management's response and implementation plans. It receives and considers reports from HEFCE and the Training and Development Agency for Schools as they affect the College's business and receives reports from statutory, regulatory or funding agencies concerning the College's compliance with relevant legislation and standards. It also reviews accounting policies and any major changes to the College's accounting principles and practice that are brought to its attention by the external auditors, internal audit or management.

The Remuneration Committee determines the annual remuneration of the Principal, Vice-Principals, the head of Administration and any Deputy or Assistant Principals.

The principal academic and administrative officer of the College is the Principal and President, who is responsible to the Council for securing the implementation of the decisions of the Council and maintaining and promoting the efficiency and good order of the College. The Principal is also, under the terms of the formal Financial Memorandum between the College and the Higher Education Funding Council, the designated Accounting Officer of the College and in that capacity can be summoned to appear before the Public Accounts Committee of the House of Commons.

The Statutes of the College specify that the College Secretary should act as Secretary of the Council and the Academic Board, and any enquiries about the constitution and governance of the College should be addressed to the College Secretary.

Statement of internal control

The Council, as the governing body of the College, has responsibility for maintaining a sound system of internal control that supports the achievement of policies, aims and objectives, while safeguarding the public and other funds and assets for which the Council is responsible, in accordance with the responsibilities assigned to the governing body in the Charter and Statutes and the Financial Memorandum with HEFCE.

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

The system of internal control is based on an ongoing process designed to identify the principal risks; to evaluate the nature and extent of those risks; and to manage them efficiently and effectively. This process was in place for the year ended 31 July 2010 and up to the date of the approval of the financial statements, and accords with HEFCE guidance.

The Council has responsibility for reviewing the effectiveness of the system of internal control. The following processes have been established:

- The Council considers the plans and strategic direction of the College on an annual basis.
- The Audit and Compliance Committee independently reviews the effectiveness of internal control systems and the risk-management process.
- The Council receives periodic reports from the Chairman of the Audit and Compliance Committee concerning issues of risk, internal controls and their effectiveness, which are informed by regular reports from Vice-Principals and other managers on the steps they are taking to manage risks in their areas of responsibility, including progress reports on key projects.
- The Audit and Compliance Committee reports to Council its findings in respect of the effectiveness of the risk-management process. This is informed by the categorisation of risks and the maintenance of a College-wide risk register.
- The Audit and Compliance Committee receives regular reports from the Director of the Department of Audit & Management Review on the effectiveness of internal controls based on work undertaken in accordance with its approved audit plan.
- The Principal's Central Team is the focal point within the College for the enhancement of the risk-management process and receives regular reports from heads of Schools and departments in support of this.
- The business planning process requires heads of Schools and departments to identify and keep up-to-date the record of risks facing the College and to report on internal control activities.
- A programme of risk-awareness training is carried out.
- A system of key performance and risk indicators has been developed to enable the Council to monitor progress towards the achievement of strategic objectives.

The College has a Department of Audit & Management Review, which operates to standards defined in the HEFCE Code of Practice on Audit and Accountability and which was last reviewed for effectiveness by the HEFCE Audit Service in June 2009. The Department of Audit & Management Review submits regular reports to the Audit and Compliance Committee that include the director of the department's independent opinion on the adequacy and effectiveness of the College's system of internal control, together with recommendations for improvement.

The Council's full review of the effectiveness of the system of internal control for the year ended 31 July 2010 was informed by the Audit and Compliance Committee, the work of the Department of Audit & Management Review and the executive managers within the College who have responsibility for the development and maintenance of the internal control framework, and by comments made by the external auditors in their management letter and other reports.

Responsibilities of the College Council

In accordance with the Royal Charter, the Council of King's College London is responsible for the administration and management of the affairs of the College; it requires audited financial statements to be presented for each financial year.

The Council is responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the College and that enable it to ensure that the financial statements are prepared in accordance with the Royal Charter, the Statement of Recommended Practice on Accounting for Further and Higher Education Institutions and other relevant accounting standards. In addition, within the terms and conditions of the Financial Memoranda agreed between HEFCE and the Training and Development Agency for Schools and the Council of the College, the Council, through its designated office holder, is required to prepare financial statements for each financial year that give a true and fair view of the state of affairs and of the surplus or deficit and cash flows for that year.

In causing the financial statements to be prepared, the Council has ensured that:

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

The Council has taken reasonable steps to:

- ensure that funds from HEFCE and the Training and Development Agency for Schools are used only for the purposes for which they have been given and in accordance with the Financial Memorandum and the Funding Agreement with these bodies
- ensure that professional financial management is in place in terms of numbers of staff and their quality
- ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources
- safeguard the assets of the College and prevent and detect fraud
- secure the economical, efficient and effective management of the College's resources and expenditure.

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

- clear definitions of the responsibilities of, and the authority delegated to, heads of academic and administrative departments
- a comprehensive medium- and short-term planning process, supplemented by detailed annual income, expenditure, capital and cash flow budgets
- regular reviews of academic and non-academic performance and quarterly reviews of financial results involving variance reporting and updates of forecast outturns
- 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 approval levels set by the Council
- comprehensive Financial Regulations, detailing financial controls and procedures, approved by the Finance Committee
- a professional independent internal audit team whose annual programme is approved by the Audit and Compliance Committee and endorsed by the Council and whose head provides the Council with a report on internal audit activity within the College and an opinion on the adequacy and effectiveness of the College's system of internal control, including internal financial control. Any system of internal financial control can, however, only provide reasonable, not absolute, assurance against material misstatement or loss.

Independent auditors' report to the Council of King's College London

We have audited the Group and College financial statements (the 'financial statements') of King's College London for the year ended 31 July 2010 which comprise the Consolidated Income and Expenditure Account, the Statement of Consolidated Total Recognised Gains and Losses, the Consolidated and College Balance Sheets, the Consolidated Cash Flow Statement and the related notes. These financial statements have been prepared under the historical cost convention and in accordance with the accounting policies set out therein.

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

Respective responsibilities of the College Council and the auditors

The College Council's responsibilities for preparing the Operating and Financial Review and the consolidated financial statements in accordance with the Accounts Direction issued by the Higher Education Funding Council for England, the Statement of Recommended Practice: Accounting for Further and Higher Education, applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Responsibilities on page 27.

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education. We also report to you whether income from funding bodies, grants and income for specific purposes and from other restricted funds administered by the College have been properly applied only for the purposes for which they were received and whether, in all material respects, income has been applied in accordance with the Statutes and, where appropriate, with the Financial Memorandum with the Higher Education Funding Council for England, and the Financial Memorandum with the Training and Development Agency for Schools. We also report to you whether in our opinion the Operating and Financial Review is not consistent with the financial statements.

In addition we report to you if, in our opinion, the College has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

We read the Operating and Financial Review, other information in the Annual Report and the Corporate Governance Statement and consider the implications for our report if we become aware of any apparent misstatements within them or material inconsistencies with the financial statements.

Basis of opinion

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

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

Opinion

In our opinion:

- The financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the Group and the College's affairs as at 31 July 2010 and of the Group's surplus of income over expenditure for the year then ended.
- The financial statements have been properly prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education.

- In all material respects, income from the Higher Education Funding Council for England, and the Training and Development Agency for Schools, grants and income for specific purposes and from other restricted funds administered by the College during the year ended 31 July 2010 have been applied for the purposes for which they were received.
- In all material respects, income during the year ended 31 July 2010 has been applied in accordance with the College's Statutes and, where appropriate, with the Financial Memorandum with the Higher Education Funding Council for England and the Financial Memorandum with the Training and Development Agency for Schools.

Marianne Fallon
For and on behalf of KPMG LLP
Statutory Auditor
Chartered Accountants
Registered Auditor
1 Forest Gate, Brighton Road, Crawley, West Sussex RH11 9PT

10 December 2010

Statement of principal accounting policies

1. Accounting convention

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of endowment asset investments, and in accordance with both the Statement of Recommended Practice on Accounting for Further and Higher Education Institutions (SORP) and applicable Accounting Standards.

2. Basis of consolidation

The consolidated financial statements consolidate the financial statements of the College and all its subsidiary undertakings for the financial year to 31 July.

The consolidated financial statements do not include those of the King's College London Students' Union, in which the College has no financial interest and no control or significant influence over policy decisions.

3. Recognition of income

Recurrent grants from HEFCE are recognised in the year for which they are receivable.

Student fee income is credited to the Income and Expenditure Account over the year in which it is earned.

Income from General and Specific Endowments, Research Grants, Contracts and Other Services Rendered is included to the extent of the expenditure incurred during the year, together with any related contributions towards overhead costs.

All income from short-term deposits is credited to the Income and Expenditure Account on a receivable basis.

4. Pension schemes

The two principal pension schemes in which the College participates are the Universities Superannuation Scheme (USS), and the Superannuation Arrangements of the University of London (SAUL). The schemes are defined-benefit schemes that are externally funded and contracted out of the Second State Pension. The schemes are valued every three years by professionally qualified and independent actuaries using the projected unit method, the rates of contribution payable being determined by the trustees on the advice of the actuaries. In the intervening years, the actuaries review the progress of the schemes. Pension costs are assessed in accordance with the advice of the actuaries, based on the latest actuarial valuations of the schemes, and are accounted for on the basis of charging the cost of providing pensions over the period during which the College benefits from the employees' services.

The College fully adopted accounting standard FRS17 Retirement Benefits during the year ended 31 July 2006. Previously the transitional disclosures of that standard were followed. The impact of the standard is reflected throughout the financial statements.

The difference between the fair value of the assets held in the College's defined-benefit pension schemes and the scheme's liabilities measured on an actuarial basis using the projected unit method are recognised in the College's balance sheet as a pension scheme asset or liability. The pension scheme balance is recognised net of any related deferred tax balance.

Changes in the defined-benefit pension scheme liability arising from factors other than cash contribution by the College are charged to the Income and Expenditure Account or the statement of total recognised surpluses and deficits in accordance with FRS17 Retirement Benefits.

5. Foreign currencies

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the dates of the payment or receipt. Monetary assets and liabilities denominated in foreign currencies are translated into sterling either at year-end rates or, where there are related forward foreign exchange contracts, at contract rates. The resulting exchange differences are dealt with in the determination of income and expenditure for the financial year.

6. Leases

Fixed assets held under finance leases and the related lease obligations are recorded in the balance sheet at the fair value of the leased assets at the inception of the lease. The excess of lease payments over recorded lease obligations are treated as finance charges which are amortised over each lease term to give a constant rate of charge on the remaining balance of the obligations. Rental costs under operating leases are charged to expenditure in equal annual amounts over the lease periods.

7. Land and buildings

Land and buildings are stated at cost. Buildings are depreciated over their expected useful lives of 50 years, and 100 years in respect of new-build property, and leasehold land over the life of the lease. Land is not depreciated.

In respect of the new property, where buildings are acquired with the aid of specific grants they are capitalised and depreciated as above. The related grants are treated as deferred capital grants and released to income over the expected useful life of the buildings. Freehold assets during the course of construction are not depreciated.

8. Furniture and equipment

Furniture and equipment, including computers and software, costing less than £10k per individual item or group of related items is written off in the year of acquisition. All other furniture and equipment is capitalised.

Capitalised furniture and equipment, including motor vehicles, is stated at cost and depreciated over its expected useful life of five years. Capitalised leased equipment is stated at cost and depreciated over its expected useful life of 15 years.

Where furniture and equipment is acquired with the aid of specific grants it is capitalised and depreciated as above. The related grant is treated as a grant received in advance and released to income over the expected useful life of the equipment.

9. Heritage assets

Heritage assets are books, manuscripts, specimens, objects or other assets that have historic, scientific, artistic, technological, geophysical or environmental qualities and are held and maintained principally for their contribution to knowledge and culture.

In so far as heritage assets are used as operational assets, as in the case of historic buildings, they are capitalised in accordance with the policies set out in 7 or 8 above. Other heritage assets – principally printed materials, pictures and objects of scientific interest – are not capitalised in the balance sheet as they are either not sufficiently material or of uncertain value.

Descriptions of the principal heritage assets held are set out in note 13 to the accounts.

10. Investments

Endowment asset investments are included in the balance sheet at market value. Current asset investments are included at the lower of cost or net realisable value.

11. Cash flows and liquid resources

Cash flows comprise increases or decreases in cash. 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. No investments, however liquid, are included as cash.

Liquid resources comprise assets held as a readily disposable store of value. They include term deposits, government securities and loan stock held as part of the College's treasury management activities. They exclude any such assets held as endowment asset investments.

12. Maintenance of premises

The College has a five-year rolling maintenance plan which is reviewed on an annual basis. The cost of routine corrective maintenance is charged to the Income and Expenditure Account as incurred.

13. Taxation status

The College is an exempt charity within the meaning of Schedule 2 of the Charities Act 1993 and as such is a charity within the meaning of Section 506(1) of the Taxes Act 1988. Accordingly, the College is potentially exempt from taxation in respect of income or capital gains received within categories covered by Section 505 of the Taxes Act 1988 or Section 256 of the Taxation of Chargeable Gains Act 1992 to the extent that such income or gains are applied to exclusively charitable purposes. The College receives no similar exemption in respect of Value Added Tax.

The College's subsidiary companies are subject to corporation tax and VAT in the same way as any other commercial organisation. However, no provision has been made for deferred tax on the grounds that the taxable profits of the subsidiary companies are gift-aided back to King's.

14. Related party transactions

The College has taken advantage of the exemption that is conferred by FRS8, Related Party Disclosures, which allows it not to disclose transactions with Group undertakings that are eliminated on consolidation.

15. Provisions

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

16. Charitable donations

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

Where charitable donations are restricted to a particular objective specified by the donor, these are accounted for as an endowment. There are two main types:

- Restricted permanent endowments: the capital fund is maintained but the income can be used for the objective specified by the donor.
- Restricted expendable endowments: the capital may be used in addition to the income for the objective specified by the donor.

Donated assets, or donations received to be applied to the cost of an asset, are shown on the balance sheet as deferred capital grants. The deferred capital grant is released to income over the same expected useful life as that used to depreciate the asset.

Consolidated Income and Expenditure Account

For the year ended 31 July 2010

	Note	2009–10 £000	2008–9 £000
Income			
Funding body grants	1	151,889	150,207
Tuition fees and education contracts	2	118,400	100,480
Research grants and contracts	3	144,053	134,955
Other operating income	4	87,090	88,197
Endowment and investment income	5	6,613	11,783
Total income		508,045	485,622
Expenditure			
Staff costs	6	314,928	303,084
Other operating expenses	8	146,679	147,503
Depreciation	12	23,476	21,631
Interest payable	9	12,499	12,665
Total expenditure	11	497,582	484,883
Surplus on ordinary activities		10,463	739
Taxation	10	2	5
Surplus after depreciation of assets at cost and tax	23	10,461	734

The consolidated income and expenditure of the College and its subsidiaries relates wholly to continuing operations.
There is no difference between the surplus stated above and the historical cost equivalent.

Statement of Consolidated Total Recognised Gains and Losses

For the year ended 31 July 2010

	Note	2009–10 £000	2008–9 £000
Surplus after depreciation of assets at cost and tax		10,461	734
Change in value of endowment asset investments	22	10,147	(7,984)
Endowment income movement for the year	22	(212)	681
New endowments	22	1,616	205
Actuarial gain/(loss) on pension schemes	31	3,473	(2,921)
Total recognised gains/(losses) relating to the year		25,485	(9,285)

Reconciliation

	2009–10 £000	2008–9 £000
Opening reserves and endowments	253,879	263,164
Total recognised gains/(losses) for the year	25,485	(9,285)
Closing reserves and endowments	279,364	253,879

Consolidated and College Balance Sheets

As at 31 July 2010

	Note	Consolidated 2010 £000	Consolidated 2009 £000	College 2010 £000	College 2009 £000
Fixed assets					
Tangible assets	12	619,880	610,264	621,197	611,495
Investments	14	48	48	48	48
		619,928	610,312	621,245	611,543
Endowment asset investments	15	115,233	103,682	115,233	103,682
Current assets					
Debtors	16	52,541	49,021	54,865	48,953
Cash at bank and in hand		225,414	182,142	221,516	179,065
		277,955	231,163	276,381	228,018
Creditors: amounts falling due within one year	17	(143,208)	(128,813)	(141,633)	(125,653)
Net current assets		134,747	102,350	134,748	102,365
Total assets less current liabilities		869,908	816,344	871,226	817,590
Creditors: amounts falling due after more than one year	18	(172,951)	(174,407)	(172,951)	(174,407)
Provisions for liabilities and charges	20	(7,686)	(5,700)	(7,686)	(5,700)
Net assets excluding pensions liability		689,271	636,237	690,589	637,483
Net pensions liability		(5,688)	(9,413)	(5,688)	(9,413)
Total net assets including pensions liability		683,583	626,824	684,901	628,070
Deferred capital grants	21	404,219	372,945	404,219	372,945
Endowments					
Restricted permanent	22	100,824	94,028	100,824	94,028
Restricted expendable	22	14,409	9,654	14,409	9,654
		115,233	103,682	115,233	103,682
Reserves					
Capital reserve	23	42,710	62,912	44,027	64,143
General reserves excluding pension reserve	23	127,109	96,698	127,110	96,713
Pension reserve	23	(5,688)	(9,413)	(5,688)	(9,413)
		164,131	150,197	165,449	151,443
Total funds		683,583	626,824	684,901	628,070

The financial statements on pages 30 to 52 were approved by the Council on 30 November 2010 and signed on its behalf by:

The Marquess of Douro	Professor Richard Trainor	Mr Rory Tapner
Chairman of Council	*Principal*	*Treasurer*

Consolidated Cash Flow Statement

For the year ended 31 July 2010

	Note	2009–10 £000	2008–9 £000
Net cash inflow from operating activities	25	35,790	18,372
Returns on investments and servicing of finance	26	(1,629)	4,343
Capital expenditure and financial investment	27	(1,320)	15,344
Cash inflow before use of liquid resources and financing		32,841	38,059
Management of liquid resources	28	15,645	(14,132)
Financing	29	(5,214)	(5,303)
Increase in cash	30	43,272	18,624

Reconciliation of net cash flow to movement in net debt

	Note	2009–10 £000	2008–9 £000
Increase in cash in the year		43,272	18,624
Cash (outflow)/inflow from liquid resources		(15,645)	14,132
Decrease in debt		745	568
Movement in net debt in the year		28,372	33,324
Net cash/(debt) at 1 August		28,519	(4,805)
Net cash at 31 July	30	56,891	28,519

Notes to the accounts

For the year ended 31 July 2010

1. FUNDING BODY GRANTS

	2009–10 £000	2008–9 £000
Higher Education Funding Council for England grants		
Recurrent grant	133,724	132,082
Specific grants	5,593	5,333
Deferred capital grants released in the year:		
Buildings *(note 21)*	5,619	4,801
Plant *(note 21)*	1,802	1,695
Equipment *(note 21)*	2,354	3,104
	149,092	147,015
Joint Information Systems Committee grants	1,389	1,708
Training and Development Agency for Schools		
Recurrent grant	1,289	1,274
Specific grants	119	210
	1,408	1,484
Total funding body grants	151,889	150,207

2. TUITION FEES AND EDUCATION CONTRACTS

	2009–10 £000	2008–9 £000
Full-time students charged home fees	41,958	35,570
Full-time students charged overseas fees	43,688	35,934
Regional health authorities contracted student fees	20,836	18,448
Part-time fees	5,587	4,674
Special and short course fees	6,166	5,677
Research training support grants	165	177
	118,400	100,480

3. RESEARCH GRANTS AND CONTRACTS

	2009–10 £000	2008–9 £000
Research councils	35,498	34,929
UK central government, local authorities, health and hospital authorities	38,075	33,496
UK industry, commerce and public corporations	9,870	10,867
UK charitable bodies	41,632	37,535
EU government and other bodies	10,173	8,228
Other overseas	8,107	8,946
Other	698	954
	144,053	134,955

Notes to the accounts *continued*

For the year ended 31 July 2010

4. OTHER OPERATING INCOME

	2009–10 £000	2008–9 £000
Academic departments costs reimbursed by NHS	16,549	13,910
Clinical excellence awards reimbursed by NHS	8,473	8,521
Residences, catering and conferences	16,473	16,502
Services rendered to NHS and related bodies	7,431	7,118
Self-financing activities	21,842	21,978
Released from deferred capital grants	1,848	1,695
Other income	14,474	18,473
	87,090	88,197

5. ENDOWMENT AND INVESTMENT INCOME

	2009–10 £000	2008–9 £000
Transferred from restricted permanent endowments *(note 22)*	1,982	2,439
Transferred from restricted expendable endowments *(note 22)*	2,075	1,076
Other interest receivable	2,556	8,268
	6,613	11,783

6. STAFF

	2009–10 £000	2008–9 £000
Staff costs:		
Wages and salaries	254,630	249,104
Social security costs	19,868	20,454
Other pension costs *(note 31)*	31,130	27,826
Restructuring provision	9,300	5,700
	314,928	303,084
Emoluments of the Principal:		
Other emoluments	267	264
Benefits-in-kind	5	5
	272	269
Pension scheme contributions	48	43
Total emoluments of the Principal	320	312

The pension contributions for the Principal paid in respect of employer's contributions to the Universities Superannuation Scheme are paid at the same rate as for other employees.

	2009–10 Number	2008–9 Number
Average staff numbers, expressed as full-time equivalents:		
Academic/clinical, including research contract staff	2,801	2,743
Administrative and related staff	803	792
Technical	331	352
Clerical	890	886
Other	203	215
	5,028	4,988

Notes to the accounts *continued*

For the year ended 31 July 2010

6. STAFF *(continued)*

Remuneration of higher-paid staff, excluding employer's pension contributions but including payments made on behalf of the NHS in respect of its contractual obligations to College staff under separate NHS contracts of employment and which are included in the College's Income and Expenditure Account:

	2009–10 Clinical academic	2009–10 Other academic and related	2009–10 Total number	2008–9 Total number
£100,001 – £110,000	24	7	31	34
£110,001 – £120,000	17	10	27	30
£120,001 – £130,000	17	8	25	24
£130,001 – £140,000	17	6	23	21
£140,001 – £150,000	11	3	14	14
£150,001 – £160,000	15	2	17	15
£160,001 – £170,000	8	–	8	16
£170,001 – £180,000	14	3	17	11
£180,001 – £190,000	5	–	5	11
£190,001 – £200,000	9	–	9	9
£200,001 – £210,000	1	1	2	4
£210,001 – £220,000	7	–	7	6
£220,001 – £230,000	3	–	3	3
£230,001 – £240,000	3	–	3	2
£240,001 – £250,000	–	–	–	–
£250,001 – £260,000	–	–	–	1
£260,001 – £270,000	1	1	2	1

The accounts include nine severance payments for higher-paid employees (including the cost of additional pension benefits purchased by the College) amounting to £646,000 for 2010 (2009 – one, £138,000).

7. TRUSTEES

The trustees are the members of Council, which is the supreme governing body of the College established under the Charter and Statutes. Membership of Council comprises a mixture of independent (lay) members, staff members and the President of the King's College London Students' Union.

No member of Council receives remuneration in respect of his or her duties of Council.

Expenses amounting to £7,000 were paid to or on behalf of three members in respect of their duties of Council, of which £6,000 related to travel and accommodation costs incurred on an overseas fund-raising visit and the remainder to travel and incidental expenses connected with meetings of Council. In addition, the College paid a contribution of £12,000 towards the costs of the Chairman's office.

Notes to the accounts *continued*

For the year ended 31 July 2010

8. OTHER OPERATING EXPENSES

	2009–10 £000	2008–9 £000
Research grants and contracts	45,449	44,448
Residences, catering and conferences operating expenses	7,734	7,866
Books and periodicals	4,066	3,968
Heat, light, water and power	8,402	8,329
Repairs and general maintenance	16,617	14,517
University of London charges	1,596	1,545
Services rendered to NHS and related bodies	3,242	2,095
Self-financing activities	8,459	10,471
Equipment items below £10,000 from general funds	2,571	2,376
Grants to King's College Students' Union	1,489	1,468
Bursaries and scholarships	4,357	3,311
Fee remission	1,723	1,470
Insurance	1,176	1,189
Legal fees	1,089	1,273
Professional fees	2,344	1,811
Staff training and recruitment	1,069	1,138
Postage, telephones and subscriptions	3,774	3,799
Travelling, conference and related costs	4,027	4,290
Rents	3,267	3,846
Laboratory costs	680	1,452
Security and cleaning	9,206	8,846
Business rates and other premises costs	2,018	1,741
Auditors' remuneration	90	88
Auditors' remuneration in respect of non-audit services	165	139
Other expenses	12,069	16,027
	146,679	147,503

Other operating expenses includes:

	2009–10 £000	2008–9 £000
External auditors' remuneration in respect of audit services:		
College financial statements	82	80
Subsidiary financial statements	8	8
	90	88
External auditors' remuneration in respect of non-audit services:		
Consultancy	88	–
Research certifications	64	119
Other certifications	13	20
	165	139

9. INTEREST PAYABLE

	2009–10 £000	2008–9 £000
Loans not wholly repayable within five years	10,743	10,599
Finance leases	1,756	2,066
	12,499	12,665

Notes to the accounts *continued*

For the year ended 31 July 2010

10. TAXATION

	2009–10 £000	2008–9 £000
UK corporation tax payable on the profits of subsidiary companies	2	5

The tax charge arises from taxable profits that were not paid under gift aid by subsidiary companies to King's College London. The Council does not believe that the College is liable for any corporation tax arising out of its activities during the year.

11. ANALYSIS OF 2010 EXPENDITURE BY ACTIVITY

	Staff costs £000	Depreciation £000	Other operating expenses £000	Interest payable £000	Total £000
Academic departments	137,159	3,526	11,774	–	152,459
Academic departments costs reimbursed by NHS	15,531	–	1,018	–	16,549
Clinical excellence awards reimbursed by NHS	8,459	–	–	–	8,459
Academic services	20,380	3,077	10,892	–	34,349
Research grants and contracts	70,982	4,309	45,449	–	120,740
Residences, catering and conferences	4,094	25	7,734	4,671	16,524
Premises	6,804	12,163	38,224	–	57,191
Administration and central services	24,474	48	6,982	–	31,504
Staff and student facilities	3,051	235	3,697	–	6,983
General education expenditure	924	–	7,980	–	8,904
Services rendered to NHS and related bodies	4,752	–	2,224	–	6,976
Self-financing activities	8,884	–	8,459	–	17,343
Pension costs	(252)	–	–	–	(252)
Restructuring provision	9,300	–	–	–	9,300
Other	386	93	2,246	7,828	10,553
Total per Income and Expenditure Account	314,928	23,476	146,679	12,499	497,582

The depreciation charge has been funded by:	
Deferred capital grants released *(note 21)*	15,931
General income	7,545
	23,476

Notes to the accounts *continued*

For the year ended 31 July 2010

12. TANGIBLE ASSETS

Consolidated	Land and buildings Freehold £000	Long leasehold £000	Short leasehold £000	Plant £000	Furniture and equipment £000	Leased equipment £000	Assets in the course of construction £000	Total £000
Cost								
At 1 August 2009	323,552	308,616	7,737	2,980	73,916	22,026	28,787	767,614
Additions	91	277	2	354	8,200	–	24,168	33,092
Transfers	13,019	4,158	–	9,450	8,445	–	(35,072)	–
Disposals	–	–	–	–	(2,257)	(293)	–	(2,550)
At 31 July 2010	336,662	313,051	7,739	12,784	88,304	21,733	17,883	798,156
Depreciation								
At 1 August 2009	46,721	46,828	4,165	322	54,673	4,641	–	157,350
Charge for year	5,024	4,895	339	864	10,905	1,449	–	23,476
Eliminated on disposals	–	–	–	–	(2,257)	(293)	–	(2,550)
At 31 July 2010	51,745	51,723	4,504	1,186	63,321	5,797	–	178,276
Net book value								
At 31 July 2010	284,917	261,328	3,235	11,598	24,983	15,936	17,883	619,880
At 1 August 2009	276,831	261,788	3,572	2,658	19,243	17,385	28,787	610,264

College	Land and buildings Freehold £000	Long leasehold £000	Short leasehold £000	Plant £000	Furniture and equipment £000	Leased equipment £000	Assets in the course of construction £000	Total £000
Cost								
At 1 August 2009	324,053	309,343	7,749	2,980	73,855	22,026	28,801	768,807
Additions	91	277	2	354	8,196	–	24,244	33,164
Transfers	13,075	4,172	–	9,463	8,445	–	(35,155)	–
Disposals	–	–	–	–	(2,231)	(293)	–	(2,524)
At 31 July 2010	337,219	313,792	7,751	12,797	88,265	21,733	17,890	799,447
Depreciation								
At 1 August 2009	46,721	46,828	4,165	322	54,635	4,641	–	157,312
Charge for year	5,024	4,894	339	864	10,892	1,449	–	23,462
Eliminated on disposals	–	–	–	–	(2,231)	(293)	–	(2,524)
At 31 July 2010	51,745	51,722	4,504	1,186	63,296	5,797	–	178,250
Net book value								
At 31 July 2010	285,474	262,070	3,247	11,611	24,969	15,936	17,890	621,197
At 1 August 2009	277,332	262,515	3,584	2,658	19,220	17,385	28,801	611,495

The total amount of interest included in assets above amounted to £1,740,000 (2009 – £1,740,000). Included within freehold and long-leasehold land and buildings are a number of properties which are shared with third parties where title documentation may not exist at the present time. The net book value of these are £1,821,000 and £50,667,000 respectively.

Included in the above are assets with a net book value of £404,219,000 (2009 – £372,945,000) funded by capital grants (*note 21*).

Notes to the accounts *continued*

For the year ended 31 July 2010

13. HERITAGE ASSETS

The College holds heritage assets that are not capitalised because cost or acquisition values are unavailable for the majority of the assets and the benefit of a professional valuation would be outweighed by the related costs. Any valuation would necessarily be imprecise and prey to changing fashions and fluctuating market trends because of the unique nature of the assets.

Heritage assets include an internationally significant and continually expanding range of archival and printed sources, exhibits and pictures. These resources are available for use by the staff and students of King's, the wider academic community and any member of the public who has an interest in the College's holdings. Items may be acquired by gift, bequest, exchange or purchase on the open market.

King's aims to preserve all material in perpetuity in its original format. Surrogate copies may be created for dissemination or where items are of exceptional rarity or delicacy. All preservation and conservation costs are charged to the Income and Expenditure Account as incurred.

The principal collections are:

Archives

These comprise not only the archives of the College, but also those of organisations that it has founded or with which it has merged. Additionally, they contain the research papers of former staff and students, including Maurice Wilkins, Eric Mottram and Sir Charles Wheatstone.

The Liddell Hart Centre for Military Archives is a leading repository for research into modern defence policy in Britain. Private papers of over 700 senior defence personnel who held office from 1900 onwards form the core of this collection.

The archives consist of some 5 million documents.

Special Collections

The Foyle Special Collections Library houses maps, slides, sound recordings and manuscripts as well as over 150,000 printed works. Ranging in date from the fifteenth century to the present day and covering all subject areas, the collections are particularly strong in medicine, science, voyages and travels, the history of Greece and the Eastern Mediterranean, European military and diplomatic history, the history of the British Empire, twentieth-century Germany and Jewish and Christian theology.

The largest section, the FCO Historical Collection, comprises material from the former library of the Foreign and Commonwealth Office, transferred to King's in 2007, and contains over 60,000 items. Topics it covers in depth include: exploration, discovery and travel; war and cold war; diplomacy and peace-keeping; the growth, rule and decline of empires; colonial emigration and settlement; the growth and abolition of the Atlantic slave trade; trade, transport and communication; and anthropology and natural history.

Gordon Museum

The Gordon Museum has a large and growing teaching collection of approximately 8,000 pathological specimens with specialised sub-areas on such subjects as Forensic Medicine and HIV/AIDS. It also houses a number of important historic collections: the Joseph Towne Anatomical and Dermatological wax models, the Lam Qua paintings and specimens and artefacts acquired by Thomas Hodgkin, Thomas Addison, Richard Bright and Sir Astley Cooper. Further information on these collections is available on the College website, www.kcl.ac.uk.

14. INVESTMENTS

	Consolidated		College	
	2010 £000	2009 £000	2010 £000	2009 £000
Investment in subsidiary companies at cost	–	–	–	–
Other fixed asset investments	48	48	48	48
	48	48	48	48

The College owns 100% of the issued ordinary share capital of King's College London Business Limited (for research administration, business development and consultancy), College Facilities Limited (for construction services), Doublerace Limited (dormant and not consolidated) and Closeworld Limited (dormant and not consolidated).

All of these companies are registered in England and their operating activities are in the United Kingdom.

Notes to the accounts *continued*

For the year ended 31 July 2010

15. ENDOWMENT ASSET INVESTMENTS

	Consolidated and College	
	2009–10	2008–9
	£000	£000
Balance at 1 August	103,682	110,780
Additions	42,822	18,158
Disposals	(25,773)	(31,404)
Revaluation	10,147	(7,984)
Increase in cash balances	(15,645)	14,132
Balance at 31 July	115,233	103,682
Fixed interest stocks	23,488	14,181
Equities	81,944	64,055
Bank balances	9,801	25,446
Total endowment asset investments	115,233	103,682
Fixed interest and equities at cost	99,576	82,638

16. DEBTORS

	Consolidated		College	
	2010	2009	2010	2009
	£000	£000	£000	£000
Trade debtors	16,783	15,040	16,783	15,040
Other debtors	3,038	3,175	2,937	2,309
Research grant debtors	18,632	17,582	18,632	17,582
Research grant work in progress	12,871	12,000	12,871	12,000
Prepayments and accrued income	1,217	1,224	1,217	1,224
Amounts owed by Group undertakings	–	–	2,425	798
	52,541	49,021	54,865	48,953

17. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Consolidated		College	
	2010	2009	2010	2009
	£000	£000	£000	£000
Trade creditors	18,566	18,280	17,881	16,404
Payments received on account	71,376	68,107	71,356	67,898
Other creditors and accruals	40,037	30,211	39,169	29,114
Social security and other taxation payable	7,856	6,989	7,854	6,985
Amounts owed to Group undertakings	–	–	–	26
Obligations under finance leases *(note 19)*	2,203	2,210	2,203	2,210
Current element of long-term liabilities *(note 19)*	3,170	3,016	3,170	3,016
	143,208	128,813	141,633	125,653

Notes to the accounts *continued*

For the year ended 31 July 2010

18. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Consolidated		College	
	2010 £000	2009 £000	2010 £000	2009 £000
Obligations under finance leases *(note 19)*	35,898	35,332	35,898	35,332
Term deposits for loan repayments	(24,658)	(23,656)	(24,658)	(23,656)
	11,240	11,676	11,240	11,676
Loans *(note 19)*	161,711	162,167	161,711	162,167
Total long-term borrowings	172,951	173,843	172,951	173,843
Capital goods scheme VAT	–	564	–	564
Total	172,951	174,407	172,951	174,407

Loans are secured on a portion of the freehold land and buildings of the College.
Term deposits for loan repayments are investments held specifically for the future repayment of loans.

19. BORROWINGS

	Consolidated and College			
	Finance leases		Loans	
	2010 £000	2009 £000	2010 £000	2009 £000
Obligations under finance leases fall due and loans are repayable as follows:				
Between one and two years	2,203	2,210	3,330	3,170
Between two and five years	26,450	26,455	10,925	10,452
Total between one and five years	28,653	28,665	14,255	13,622
Over five years	7,245	6,667	147,456	148,545
Total over one year *(note 18)*	35,898	35,332	161,711	162,167
Within one year *(note 17)*	2,203	2,210	3,170	3,016
	38,101	37,542	164,881	165,183

Loans with interest rates between 6.75% and 9.60% amounting to £41,711,000 are repayable by instalments falling due between 1 August 2011 and 17 September 2027.

On 27 April 2001, the College issued £60m Senior Notes (Notes) with a fixed interest rate of 6.22%. The principal amount is repayable on 27 April 2031. Interest payments are semi-annual, on 27 April and 27 October. The College, at its option, may prepay at any time all or part of the Notes, in an amount not less than 10% of the aggregate principal amount of the Notes then outstanding, at 100% of the principal amount so prepaid, plus the discounted value of the remaining scheduled payments with respect to the principal amount.

As at the year end, it is the College's intention to hold the Notes until its final maturity date.

On 16 May 2008, the College received a £60m secured loan with a fixed interest rate of 4.855%, repayable on 16 May 2048. At 31 July 2010, the College had an interest-rate swap agreement in place with a notional amount of £60m, which enabled the College to benefit from the interest rate differential between 1- and 3-month LIBOR, providing a 0.20% benefit against the swapped loan rate of 4.855%.

Notes to the accounts *continued*

For the year ended 31 July 2010

20. PROVISIONS FOR LIABILITIES AND CHARGES

	Consolidated and College £000
At 1 August 2009	5,700
Utilised in year	(7,314)
Transfer from Income and Expenditure Account	9,300
At 31 July 2010	7,686

The provision relates to restructuring costs arising in order to achieve the College's Strategic Plan.

As explained in the Statement of Principal Accounting Policies, note 12, no provision has been made for the deferred tax on the grounds that the subsidiary companies transfer their taxable profits by gift aid to the College and therefore no deferred tax assets or liability will be realised.

21. DEFERRED CAPITAL GRANTS

	Consolidated and College		
	Funding Council £000	**Other grants and benefactions £000**	**Total £000**
At 1 August 2009			
Buildings	219,581	117,857	337,438
Plant	21,428	32	21,460
Equipment	6,108	7,939	14,047
Total	247,117	125,828	372,945
Cash received			
Buildings	27,728	6,584	34,312
Plant	766	3,064	3,830
Equipment	4,926	4,137	9,063
Total	33,420	13,785	47,205
Released to income and expenditure			
Buildings *(note 1)*	(5,619)	(2,576)	(8,195)
Plant *(note 1)*	(1,802)	(208)	(2,010)
Equipment *(note 1)*	(2,354)	(3,372)	(5,726)
Total *(note 11)*	(9,775)	(6,156)	(15,931)
At 31 July 2010			
Buildings	241,690	121,865	363,555
Plant	20,392	2,888	23,280
Equipment	8,680	8,704	17,384
Total	270,762	133,457	404,219

Notes to the accounts *continued*

For the year ended 31 July 2010

22. ENDOWMENTS

	Consolidated and College		
	Restricted permanent £000	Restricted expendable £000	Total £000
At 1 August 2009	94,028	9,654	103,682
Transfer	(3,499)	3,499	–
Additions	187	1,429	1,616
Change in value of endowment asset investments	8,842	1,305	10,147
Income for year	3,248	597	3,845
Transferred to Income and Expenditure Account *(note 5)*	(1,982)	(2,075)	(4,057)
At 31 July 2010	100,824	14,409	115,233
Endowment capital	97,111	15,758	112,869
Accumulated income	3,713	(1,349)	2,364
	100,824	14,409	115,233
Representing:			
Fellowships and scholarships	14,391	1,002	15,393
Prize funds	3,689	1,683	5,372
Chairs and lectureships	74,098	10,967	85,065
Other funds	8,646	757	9,403
	100,824	14,409	115,233

There are two material trusts included in endowments: the Dimbleby Endowment Fund used for cancer research, endowment capital £6,171,000 (2009 – £5,607,000), accumulated income £97,000 (2009 – £78,000); and the Newland-Pedley Fund, used for dental scholarship, endowment capital £5,714,000 (2009 – £5,192,000), accumulated income £32,000 (2009 – £60,000).

23. RESERVES

	Consolidated £000	College £000
Balance at 1 August 2009	150,197	151,443
Surplus after depreciation of assets at cost and tax	10,461	10,533
Actuarial loss on pension scheme liability	3,473	3,473
Balance at 31 July 2010	164,131	165,449
The reserves are allocated to:		
The income and expenditure reserve, which is nominally allocated to:		
Capital reserve	42,710	44,027
Departmental reserves	43,467	43,467
Revenue reserve	83,642	83,643
General reserves	127,109	127,110
Total income and expenditure reserve	169,819	171,137
Pension reserve	(5,688)	(5,688)
	164,131	165,449

Capital reserve

The capital reserve is equivalent to the amount by which the value of tangible fixed assets in the Balance Sheet exceeds long-term borrowings and deferred capital grants. The reserve is set aside to fund depreciation charges on assets that are not being funded by future cash flows.

Notes to the accounts *continued*

For the year ended 31 July 2010

24. CAPITAL COMMITMENTS

	Consolidated		College	
	2010 £000	2009 £000	2010 £000	2009 £000
Commitments contracted at 31 July	6,501	18,057	6,501	18,057
Authorised but not contracted at 31 July	105,213	111,032	105,213	111,032
	111,714	129,089	111,714	129,089

25. RECONCILIATION OF CONSOLIDATED OPERATING SURPLUS TO NET CASH FROM OPERATING ACTIVITIES

	2009–10 £000	2008–9 £000
Surplus before tax	10,463	739
Depreciation *(note 12)*	23,476	21,631
Deferred capital grants released to income *(note 21)*	(15,931)	(14,935)
Investment income *(note 5)*	(6,613)	(11,783)
Interest payable *(note 9)*	12,499	12,665
Pension scheme FRS17 income and costs	(252)	(63)
Increase in debtors	(3,520)	(8,856)
Increase in creditors	14,246	13,793
Decrease in capital goods scheme VAT *(note 18)*	(564)	(450)
Increase in provisions	1,986	5,631
Net cash inflow from operating activities	35,790	18,372

26. RETURNS ON INVESTMENTS AND SERVICING OF FINANCE

	2009–10 £000	2008–9 £000
Income from endowments *(note 22)*	3,845	4,196
Interest received *(note 5)*	2,556	8,268
Interest paid	(8,030)	(8,121)
Net cash (outflow)/inflow from returns on investments and servicing of finance	(1,629)	4,343

27. CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT

	2009–10 £000	2008–9 £000
Tangible assets acquired *(note 12)*	(33,092)	(34,349)
Endowment asset investments acquired *(note 15)*	(42,822)	(18,158)
Total tangible and investment assets acquired	(75,914)	(52,507)
Receipts from sale of tangible assets	–	6
Receipts from sale of endowment assets *(note 15)*	25,773	31,404
Deferred capital grants received *(note 21)*	47,205	36,236
Endowments received *(note 22)*	1,616	205
Net cash (outflow)/inflow from capital expenditure and financial investment	(1,320)	15,344

Notes to the accounts *continued*

For the year ended 31 July 2010

28. MANAGEMENT OF LIQUID RESOURCES

	2009–10 £000	2008–9 £000
Movement in endowment assets	15,645	(14,132)
Net cash movement from management of liquid resources *(note 15)*	15,645	(14,132)

29. ANALYSIS OF CHANGES IN CONSOLIDATED FINANCING DURING THE YEAR

	2009–10 £000	2008–9 £000
Borrowings repaid	(3,016)	(2,871)
Repayment of capital element of finance leases	(2,198)	(2,432)
Net cash outflow from financing	(5,214)	(5,303)

30. ANALYSIS OF CHANGES IN NET CASH

	At 1 August 2009 £000	Cash flows £000	Other changes £000	At 31 July 2010 £000
Cash at bank and in hand	182,142	43,272	–	225,414
Endowment asset investments *(note 15)*	25,446	(15,645)	–	9,801
	207,588	27,627	–	235,215
Debt due within one year	(5,226)	4,213	(4,360)	(5,373)
Debt due after one year	(173,843)	1,001	(109)	(172,951)
Net cash	28,519	32,841	(4,469)	56,891

31. PENSIONS

The two principal pension schemes in which the College participates are the Universities Superannuation Scheme (USS) and the Superannuation Arrangements of the University of London (SAUL). USS provides benefits based on final pensionable salary for academic and related employees of all UK universities and some other employers. SAUL provides similar benefits for non-academic staff. These are externally funded centralised defined-benefit schemes which are contracted out of the Second State Pension. The assets of the schemes are held in separate trustee-administered funds. It is not possible to identify the College's share of the underlying assets and liabilities of the schemes. Therefore contributions are accounted for as if the schemes were defined-contribution schemes and pension costs are based on the amounts actually paid in accordance with paragraphs 8–12 of FRS17.

Universities Superannuation Scheme (USS)

The latest actuarial valuation of the scheme was as at 31 March 2008 using the projected unit method. The assumptions that have the most significant effect on the result of the valuation and the valuation results are set out below.

		Past service	Future service
Valuation rate of interest		4.4%	6.4%
Salary scale increases per annum		4.3%	4.3%
Pensions increases per annum		3.3%	3.3%
Market value of assets at date of last valuation		£28,842m	
Value of past service liabilities at date of last valuation		£28,135m	
Deficit of assets at date of last valuation		£707m	
Proportion of members' accrued benefits covered by the actuarial value of the assets		103%	
Male members' mortality	PA92 MC YoB tables – rated down 1 year		
Female members' mortality	PA92 MC YoB tables – no age rating		

The College's contribution rate required for future service benefits alone at the date of the valuation was 16% of pensionable salaries and the trustee company, on the advice of the actuary, agreed to increase the College's contribution rate to 16% of pensionable salaries from 1 October 2009. The contribution rate prior to 1 October 2009 was 14% of pensionable salaries.

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

Notes to the accounts *continued*

For the year ended 31 July 2010

31. PENSIONS *(continued)*

Superannuation Arrangements of the University of London (SAUL)

The latest actuarial valuation was carried out as at 31 March 2008 using the projected unit credit method in which the actuarial liability makes allowance for projected earnings. The following assumptions were used to assess the past service funding position and future service liabilities.

	Past service	Future service
Investment returns on liabilities per annum before retirement	6.90%	7.00%
Investment returns on liabilities per annum after retirement	4.80%	5.00%
Salary scale increases per annum	4.85%	4.85%
Pensions increases per annum	3.35%	3.35%
Market value of assets at date of last valuation	£1,266m	
Proportion of members' accrued benefits covered by the actuarial value of the assets	100%	

Based on the strength of the employer covenant and the trustee's long-term investment strategy, the trustee and the employers agreed to maintain employer and member contributions at 13% and 6% of salaries respectively following the valuation.

A comparison of SAUL's assets and liabilities calculated using assumptions consistent with FRS17 revealed SAUL to be in surplus at the last formal valuation.

The next formal actuarial valuation is due as at 31 March 2011, when the above rates will be reviewed.

Federated Pension Scheme (FPS) and London Government Pension Scheme (LGPS)

The pension scheme offered to non-academic staff at the United Medical and Dental Schools of Guy's and St Thomas' Hospitals (UMDS) was the Federated Pension Scheme (FPS). The pension scheme offered to staff at the former Chelsea College was the Local Government Pension Scheme (LGPS). No new members are admitted to these schemes.

FPS and LGPS are defined-benefit schemes; the last triennial valuations were undertaken on 31 March 2006 and 31 March 2007 respectively.

For the purposes of reporting under FRS17, projected unit method valuations were carried out as at 31 July 2010. The assumptions used and the valuation results are set out below.

	Federated Pension Scheme		Local Government Pension Scheme	
	31 July 2010	**31 July 2009**	**31 July 2010**	**31 July 2009**
Price increases per annum (RPI)	3.15%	3.50%	3.20%	3.60%
Price increases per annum (CPI)	2.65%	n/a	2.70%	n/a
Salary increases per annum	4.40%	4.75%	4.70%	5.10%
Pension increases per annum	2.65%	3.50%	2.70%	3.60%
Deferment increases per annum	3.00%	3.50%	2.70%	3.60%
Discount rate per annum	5.40%	6.00%	5.40%	6.00%
Expected return on assets	6.62%	7.23%	4.70%	4.80%
Post-retirement mortality assumption	SAPS S1 Light mc 1% underpin	PxA92(b=yob)mc	PMA/PFA92	PMA/PFA92

Total expense recognised in the Income and Expenditure Account

	Federated Pension Scheme		Local Government Pension Scheme	
	31 July 2010	**31 July 2009**	**31 July 2010**	**31 July 2009**
	£000	**£000**	**£000**	**£000**
Current service cost	655	730	10	8
Interest cost on obligation	2,690	2,779	352	367
Expected return on scheme assets	(2,729)	(2,644)	(165)	(189)
Past service cost	–	–	(391)	–
Total Income and Expenditure charge	616	865	(194)	186
Expected employer contribution to the scheme in the year to 31 July 2011	955		72	

Notes to the accounts *continued*

For the year ended 31 July 2010

31. PENSIONS *(continued)*

Expected return on assets

Fair value of assets and the net expected return on assets by category:

	Federated Pension Scheme				Local Government Pension Scheme			
	31 July 2010		31 July 2009		31 July 2010		31 July 2009	
	Rate of return	£000	Rate of return	£000	Rate of return	£000	Rate of return	£000
Equities	7.80%	26,729	8.00%	28,901	7.30%	527	7.70%	338
Property	5.80%	2,183	6.00%	1,261	–	–	–	-
Insured annuity contracts	5.40%	1,171	6.00%	1,246	–	–	–	-
Bonds	5.00%	13,923	5.00%	5,563	–	–	–	-
Cash flow matching	–	–	–	–	4.30%	3,488	4.50%	3,195
Cash and other	0.50%	954	0.50%	1,159	3.00%	41	3.00%	25
Total fair value of assets		44,960		38,130		4,056		3,558
Value of liabilities (defined-benefit obligation)		(49,106)		(45,060)		(5,113)		(5,330)
Value of unfunded obligations		–		–		(485)		(711)
Recognised pension liability		(4,146)		(6,930)		(1,542)		(2,483)

Changes in the present value of the defined-benefit obligation

	Federated Pension Scheme		Local Government Pension Scheme	
	2009–10 £000	2008–9 £000	2009–10 £000	2008–9 £000
Opening defined-benefit obligation	45,060	44,307	6,041	5,657
Current service cost	655	730	10	8
Interest cost on obligation	2,690	2,779	352	367
Actuarial loss/(gain) on obligation	2,430	(886)	(37)	389
Past service gain	–	–	(391)	–
Member contributions	177	182	3	3
Unfunded benefits paid	–	-	(52)	(52)
Benefits paid	(1,906)	(2,052)	(328)	(331)
Closing defined-benefit obligation	49,106	45,060	5,598	6,041

Changes in the fair value of scheme assets

	Federated Pension Scheme		Local Government Pension Scheme	
	2009–10 £000	2008–9 £000	2009–10 £000	2008–9 £000
Opening fair value of scheme assets	38,130	39,427	3,558	3,982
Expected return	2,729	2,644	165	189
Actuarial gain/(loss)	4,889	(3,061)	586	(357)
Employer contributions	941	990	72	72
Member contributions	177	182	3	3
Contributions in respect of unfunded benefits	–	–	52	52
Unfunded benefits paid	–	–	(52)	(52)
Benefits paid	(1,906)	(2,052)	(328)	(331)
Closing fair value of scheme assets	44,960	38,130	4,056	3,558

Notes to the accounts *continued*

For the year ended 31 July 2010

31. PENSIONS *(continued)*

Total amounts recognised in the Statement of Total Recognised Gains and Losses

	Federated Pension Scheme		Local Government Pension Scheme	
	2009–10 £000	2008–9 £000	2009–10 £000	2008–9 £000
Pension scheme liability at 1 August	(6,930)	(4,880)	(2,483)	(1,675)
Current service cost	(655)	(730)	(10)	(8)
Employer contributions	941	990	72	72
Past service saving due to change from RPI to CPI	2,539	–	391	–
Contributions in respect of unfunded benefits	–	–	52	52
Net return on assets	39	(135)	(187)	(178)
Actuarial (loss)/gain on obligation	(3,564)	886	(160)	(389)
Experience (loss)/gain	(1,405)	–	197	–
Actuarial gain/(loss) on assets	4,889	(3,061)	586	(357)
Pension scheme liability at 31 July	(4,146)	(6,930)	(1,542)	(2,483)

Actual return on scheme assets

	Federated Pension Scheme		Local Government Pension Scheme	
	31 July 2010 £000	31 July 2009 £000	31 July 2010 £000	31 July 2009 £000
Actual return on scheme assets	7,618	(417)	751	(168)
Expected return on scheme assets	2,729	2,644	165	189
Actual less expected return on scheme assets	4,889	(3,061)	586	(357)

History of experience gains and losses Federated Pension Scheme

	31 July 2010 £000	31 July 2009 £000	31 July 2008 £000	31 July 2007 £000	31 July 2006 £000
Fair value of scheme assets	44,960	38,130	39,427	43,419	40,183
Value of liabilities (funded obligations)	(51,645)	(45,060)	(44,307)	(41,751)	(48,106)
(Deficit)/surplus	(6,685)	(6,930)	(4,880)	1,668	(7,923)
Experience (loss)/gain on liabilities	(1,405)	–	(246)	2,135	–
Experience gain/(loss) on assets	4,889	(3,061)	(6,517)	1,213	2,444

History of experience gains and losses Local Government Pension Scheme

	31 July 2010 £000	31 July 2009 £000	31 July 2008 £000	31 July 2007 £000	31 July 2006 £000
Fair value of scheme assets	4,056	3,558	3,982	4,075	4,284
Value of liabilities (funded obligations)	(5,598)	(6,041)	(5,657)	(5,580)	(5,898)
Deficit	(1,542)	(2,483)	(1,675)	(1,505)	(1,614)
Experience gain/(loss) on liabilities	197	–	17	20	(7)
Experience gain/(loss) on assets	586	(357)	64	(61)	(42)

The above statements are made in compliance with FRS17. However, under current legislation, the College's obligation to fund the pension schemes is defined by the Minimum Funding Requirement (MFR). At the time of the last actuarial valuation of the pension schemes and at the time the appropriate Schedule of Contributions was prepared following that valuation, the pension schemes had a MFR funding level in excess of 100%.

Notes to the accounts *continued*

For the year ended 31 July 2010

31. PENSIONS *(continued)*

National Health Service Pension Scheme (NHSPS)
The College also operates the National Health Service Pension Scheme, which is available to staff who immediately prior to appointment at the College were members of that scheme. This is a statutory, unfunded, multi-employer, defined-benefit scheme in which the College is unable to identify its share of the underlying liabilities and assets, and it is therefore accounted for on a contributions basis.

The total pension cost for the College and its subsidiaries was:

	Consolidated		College	
	2009–10 £000	2008–9 £000	2009–10 £000	2008–9 £000
Contributions to USS	22,152	19,268	21,885	19,027
Contributions to SAUL	3,877	3,902	3,877	3,902
Contributions to NHSPS	3,882	3,724	3,882	3,724
Contributions to other pension schemes	1,219	932	1,219	932
Total pension cost *(note 6)*	31,130	27,826	30,863	27,585

32. RELATED PARTY TRANSACTIONS

The College maintains a register of the interests of the members of Council and of its standing committees. The register is available for inspection under the Freedom of Information Act 2000.

Due to the nature of the College's operations and the composition of its Council and committees, it is possible that there will be transactions from time to time between the College and organisations with which members of Council and its committees have relationships. If such transactions do occur, they are conducted on an arm's-length basis and in compliance with the College's Financial Regulations and procurement policies.

In particular, the College enjoys a close working relationship with Guy's and St Thomas', King's College Hospital and South London and Maudsley NHS Foundation Trusts under the name of King's Health Partners – a collaboration that aims to combine the best of basic and translational research, clinical excellence and world-class teaching to deliver ground-breaking advances in physical and mental healthcare – which is accredited as an Academic Health Sciences Centre. As a consequence there are recharges between these institutions, as disclosed in these accounts, and senior staff of the College may also hold senior positions in these organisations.

As permitted under FRS8, no disclosure is made in respect of transactions between the College and its wholly owned subsidiaries.

33. ACCESS FUNDS AND TRAINING SALARIES

	Consolidated and College			
	Access funds		Training salaries	
	2009–10 £000	2008–9 £000	2009–10 £000	2008–9 £000
Balance underspent at 1 August	20	53	243	461
Funding Council and Training and Development Agency for Schools grants	303	325	1,653	1,492
Interest earned	–	2	–	–
	303	327	1,653	1,492
Disbursed to students	(278)	(348)	(1,900)	(1,710)
Administrative expenses	(10)	(12)	–	–
	(288)	(360)	(1,900)	(1,710)
Balance underspent/(overspent) at 31 July	35	20	(4)	243

Funding Council and Training and Development Agency for Schools grants are available solely for students. The College acts only as paying agent. The grants and related disbursements are therefore excluded from the Income and Expenditure Account.