KING'S College LONDON

Financial Statements

for the year to 31 July 2011

Contents

Chairman's foreword

I am pleased to present the Review and Accounts for King's College London for the year ended 31 July 2011.

The higher education sector is undergoing a period of unprecedented change both to the way it is funded and the way it is regulated. The College has spent much time over the year planning for these changes and in June 2011 the Council agreed a new strategy statement 'Investing in Strength', which sets out our strategic response to the changing economic and policy environment. I am confident the College is well prepared to respond to the twin challenges of higher fees and increased competition.

The College will charge fees of £9000 for all home undergraduate students next year supported by a generous financial aid package to ensure that all those who can benefit from the King's experience are able to do so. In July 2011, the Office for Fair Access approved the College's access agreement, which sets out our commitment to reinvest 30% of the additional fee income to support our widening participation and access strategies.

I am pleased to report that in October 2011 the College, along with Imperial College, joined the Francis Crick Institute, a world leading centre of biomedical research. The College also participated in a review of King's Health Partners during the year and is considering options for improving the effectiveness of the consortium.

The College is at the early stages of establishing King's Cultural Partners which aims to take advantage of our strong links with London's cultural institutions and create a cultural hub in the re-developed East Wing of Somerset House which opens shortly.

We also saw the public launch of our fundraising appeal World questions: King's answers, and I am delighted that Sir John Major has agreed to chair our campaign board.

Given all these developments and initiatives I am pleased to report a surplus of £27.5m for the year. We have also retained our AA credit rating. This strong financial position will enable the College to continue its academic investment plan and to adapt to the new funding model which is being introduced over the next few years.

The Marquess of Douro
Chairman of Council

Council and Council committee membership 2010–11

Council

The Marquess of Douro MA OBE DL *[Chairman]*
Professor Sir Richard Trainor KBE FKC *[Principal]*
Mr Adam Boulton
Mrs Blondel Cluff
The Hon Sir David Foskett FKC *[from September 2010]*
Rt Revd Christopher Hill, Bishop of Guildford
Professor Keith Hoggart FKC
Professor Brian Holden-Reid FKC *[from September 2010]*
The Hon Mrs Isabelle Laurent
Professor Robert Lechler FKC
Professor Tak Lee FKC *[from September 2010 until June 2011]*
Professor Eeva Leinonen
Mr Chris Mottershead
Sir Michael Pakenham KBE CMG *[Vice-Chairman]*
Mr James Ritblat
Mr Andrew Summers CMG *[from September 2010]*
Mr Rory Tapner FKC *[Honorary Treasurer]*
Mr Ryan Wain *[until June 2011]*
Ms Fields Wicker-Miurin OBE FKC *[until June 2011]*
Veena, Lady Williams of Mostyn
Professor Alison Wolf *[from September 2010]*

Chairman's Committee

The Marquess of Douro MA OBE DL *[Chairman]*
Professor Sir Richard Trainor KBE FKC *[Principal]*
Mr Adam Boulton
Professor Keith Hoggart FKC
Professor Robert Lechler FKC
Professor Eeva Leinonen
Mr Chris Mottershead
Sir Michael Pakenham KBE CMG *[Vice-Chairman]*
Mr James Ritblat
Mr Rory Tapner FKC *[Honorary Treasurer]*
Ms Fields Wicker-Miurin OBE FKC *[until June 2011]*

Finance Committee

Mr Rory Tapner FKC *[Chairman; Honorary Treasurer]*
Professor Sir Richard Trainor KBE FKC *[Principal]*
Mr Tony Collyer
Mr Ian Creagh
Professor Simon Howell FKC *[until June 2011]*
Mr Michael Kier
Mr Stephen Large
The Hon Mrs Isabelle Laurent
Mr Richard North
Mr Michael Urmston

Audit and Compliance Committee

Ms Fields Wicker-Miurin OBE FKC *[Chairman until June 2011]*
Mr Andrew Summers CMG *[from March 2011; Chairman from June 2011]*
Professor Stephen Challacombe FKC *[until June 2011]*
Professor Chris Hamnett *[until June 2011]*
Professor Brian Holden-Reid FKC *[from June 2011]*
Mr Keith Little
Mr Paul Mitchell

Investment Subcommittee

Mr Patrick Disney FKC *[Chairman]*
Professor Sir Richard Trainor KBE FKC *[Principal]*
Mrs Blondel Cluff *[from March 2011]*
Mr John Harrison
Mr Patrick Johns
Mr Stephen Large
Mr Mark Laurence
Mr David Potter FKC

Estates Strategy Committee

Mr James Ritblat *[Chairman]*
Professor Sir Richard Trainor KBE FKC *[Principal]*
Mr Ian Caldwell
Mr Ian Creagh
Mr David Cripps
Mr Ian Ellis *[from November 2010]*
Professor Keith Hoggart FKC
Mr Stephen Large
Professor Robert Lechler FKC

Operating and financial review for the year ended 31 July 2011

Operating highlights

The 2010–11 academic year has been one of unprecedented change both within the College and externally.

In the light of the increasingly concentrated research funding, and of the new UK student fee structure and other government policy innovations embodied in the June 2011 Higher Education White Paper, and taking into account shifts in the configuration of international power (with the rise of China, India and Brazil) since the publication of the College's strategic plan 2006–16, King's agreed an updated strategy statement in June 2011 titled 'Investing in Strength'. The thrust of this statement is to accelerate improvements in the quality of the College's research, teaching and innovation. It identifies ways in which King's can differentiate itself in the increasingly competitive higher education market, building on the College's mission 'in service to society'.

In the recent past there has been vigorous forward movement in the interdisciplinary areas of health, public policy, cultural and creative industries, and professional education. Examples include the Centre for Military Health Research, the Centre for the Humanities and Health, and the Health Policy and Evaluation Institute. As regards the College's estate, the East Wing of Somerset House has been acquired and is being redeveloped in conjunction with Somerset House Trust as a new home for the Law School and an innovative cultural hub. King's has also reshaped its Professional Services to be more closely aligned to the needs of academic endeavour.

The College continued negotiations to join the partnership behind the Francis Crick Institute (FCI), signing the accession agreement in October 2011. Formerly known as the UK Centre for Medical Research and Innovation, the FCI will be a world-leading centre of biomedical research and innovation, promoting connections among researchers, across disciplines and between academic institutions, healthcare organisations and businesses. The Institute is due to open in 2015 and will be a charity supported by the Medical Research Council, Cancer Research UK, the Wellcome Trust, University College London, Imperial College London and King's. In addition to healthcare and biomedical sciences, the FCI will focus on physics, computing, engineering, imaging and chemistry.

There has been much progress in the further development of King's Health Partners (KHP), the partnership between the College, Guy's and St Thomas', King's College Hospital and South London and Maudsley NHS Foundation Trusts. KHP has created an organisation and structure where world-class research, teaching and clinical practice are brought together for the benefit of patients. During the year a mid-term review was undertaken to identify opportunities for greater integration between the partners (including the possibility of a more academic ethos), and recommendations arising from this work are being taken forward through a more detailed feasibility study.

The College's proximity to 'Cultural London' has led to exciting links with a number of the capital's key cultural institutions. These links will be expanded and deepened under the King's Cultural Partners (KCP) initiative. A new Cultural Quarter will be located within the landmark East Wing of Somerset House, seeking in particular to create new forms of engagement with the artistic, creative, heritage and policy sectors. Its purpose will be to generate and test fresh ideas, to stimulate new partnerships and to foster previously unreached audiences to enhance the College's reserves of knowledge and expertise. King's Cultural Quarter will be animated by a shared commitment to the principles of influence, engagement and excellence.

Following the Research Assessment Exercise (RAE) 2008, in which the College retained its position as the sixth-largest recipient in England and Wales of resulting quality-related research income from the Higher Education Funding Council of England (HEFCE), steps were taken to bring more focus to the research effort throughout King's, setting out a plan for improvement in each area. With an eye to performance in the forthcoming Research Excellence Framework (REF) in 2014, the plan is being implemented, combined with a new strategy for further enhancing excellence in learning and teaching. This concentrates on improving infrastructure, with particular reference to libraries, social and study areas and information technology resources; processes for providing student assessment and feedback; and development of e-learning content.

On 3 November 2010, the College publicly launched an imaginative fund-raising campaign, World questions | KING'S *answers*, to raise £500 million by 2015 to support life-changing outcomes in three areas: Neuroscience & Mental Health, Leadership & Society and Cancer. This funding will enable the creation of academic posts and programmes, the construction of suitable facilities and the initiation of new student opportunities across the College's campuses. The Right Honourable Sir John Major KG CH is chairing the campaign board.

Meanwhile at the start of the academic year the *Sunday Times*, one of the world's most prestigious and influential newspapers, awarded King's the title of 'UK University of the Year 2010–11'. Designed to recognise all-round excellence, encompassing a range of aspects of research, teaching and the student experience, the accolade is compiled using a number of criteria including student satisfaction, research quality, academic peer review, entrance qualifications held by new students, degree results, student/staff ratios, drop-out rates and graduate employment levels. In every one of the criteria, King's improved on its previous position – the only university so to do.

Internationalisation: King's Worldwide
'King's Worldwide' has been established to act as the central hub for the organisation of international activity across the College, co-ordinating with Academic and Professional Services and promoting the exchange and dissemination of information on a global scale. As the office that oversees the formulation and implementation of the College's international strategy, King's Worldwide supports the development of international collaborations, particularly those involving the College's seven strategic partner universities: the University of Hong Kong; the National University of Singapore; Jawaharlal Nehru University (New Delhi); the University of São Paulo; the University of North Carolina at Chapel Hill; the University of California, San Francisco; and the Renmin University of China. It serves as the central point of contact for academic departments looking to develop new partnerships with international institutions.

King's has established institutes of Brazilian, Indian and Chinese studies to bring together teaching, research and cultural activities. Programmes focusing on the contemporary world and the future significance of those regions enable the College's staff and students to engage with their counterparts there. Further centres are under consideration for the coming year.

Teaching and learning
In the 2011 National Student Survey (NSS) published in August 2011, overall student satisfaction with studies at King's was 84% (2010: 86%), 1% higher than the national average. Even more intensively than in previous years, a systematic analysis of the results of the NSS and graduate student surveys is being undertaken by the Vice-Principal (Education) with heads of Schools and Professional Services to produce action plans for responding to the issues raised by students. These detailed plans, along with examples of good practice, will continue to be shared across King's with reports on progress made to the Academic Board, the College Education Committee and the College Committee. Improving the quality of the student experience will remain a priority for the College in the new academic year.

During 2010–11 a number of strategies and projects have been looking at ways of articulating, evaluating and implementing good practice in relation to the student experience, including the College-wide Assessment and Feedback Project, responses to the institutional audit report recommendations of the Quality Assurance Agency (QAA) for Higher Education, the College employability strategy and its widening participation and technology-enhanced learning initiatives. Student survey outcomes, both national and local, continue to be strong drivers for enhancement. A project focusing on improving learning and teaching spaces has included the refurbishment of the Franklin-Wilkins Library at Waterloo, the Greenwood Lecture Theatre at the Guy's Campus and the Arthur Lucas Lecture Theatre at the Strand.

Building on the HEFCE-funded King's-Warwick Project, the College has launched a follow-up: the King's Experience Project. It aims to ensure that the College offers a distinctive and excellent learning experience to all students, making best use of its existing strengths, including its research-intensive nature, its position at the heart of a capital city and its wide range of disciplinary and professional groups. The project will enable King's to draw together a number of existing and planned initiatives, within and alongside the curriculum, to present a portfolio of opportunities in a coherent and accessible way. Innovative approaches to learning will be encouraged including, where appropriate, the creative use of learning technologies. A strong web presence, active student induction and a personal tutor system will ensure that individuals are enabled to take the greatest possible advantage of the College's provision.

The College's more traditional ways of teaching and learning are being strengthened by the introduction of a technology-enhanced learning strategy, including benchmarks for delivering education that outline both baseline and more advanced requirements for engagement with technology by all academic programmes. To support this King's-wide agenda a decision was made to adopt a different open-source Virtual Learning Environment (VLE), Moodle, which offers greater functionality and ease of use than the College's current platform, Blackboard. Migration of all existing activity to the new VLE will be completed by summer 2012.

In July 2011 the Office for Fair Access (OFFA) approved the College's Access Agreement setting out the King's strategy, investment and benchmarks for widening participation and fair access. The College's widening participation office will lead and co-ordinate delivery of this important agenda. Following OFFA guidelines, King's proposes in the first instance to reinvest 30% of its additional fee income towards its widening participation and fair access responsibilities. The central themes of the College strategy are access to the professions; furtherance of the success of the Extended Medical Degree Programme; partnerships with schools, other universities, charities and community organisations; progression agreements with key partners; a subject focus on science, technology, engineering and medicine or maths (STEM); and enhanced support for students to enable them to benefit fully from their education and to equip them for employment after graduation.

In recognition of the increasing importance of the need for undergraduates to be prepared for the world of work, the College employability strategy has been articulated. It is based on a three-tiered model consisting of career-development learning embedded in the curriculum via such opportunities as internships and study abroad; extra- and co-curricular activities, including leadership training and volunteering; and recognition and reward structures that highlight and celebrate individual achievements. A major objective is to improve the College's graduate-destination ratings.

Research

During the course of the year King's continued to advance its strategic research ambitions. The REF, the new system for assessing the quality of research in UK higher education institutions (HEIs), replaces the RAE and will be completed in 2014. Efficiencies delivered through the Academic and Financial Sustainability (A&FS) programme have enabled the College to make important appointments in some key disciplines and it plans to invest further in areas of strength and improve quality over the coming year.

The forward order book of new and renewed research awards shows a pleasing 18% year-on-year growth, which bodes well for 2011–12 and beyond. Key successes during the year include the following:

- In September 2010, the College's Department of Education & Professional Studies led a co-ordinating team of educational researchers for the Targeted Research Initiative on Science and Mathematics Education. The study will help to find fresh ways to encourage children and young people to engage better with science and mathematics.
- In October 2010 the science minister, David Willetts, and the health minister, Lord Howe, announced that King's will be one of nine universities involved in a world-first initiative to deliver new treatments and medicines to patients faster. The government's Therapeutic Capability Clusters programme will bring together the life sciences industry, clinicians and academics to work on experimental medicine studies to develop improved methods of diagnosing and treating a range of diseases.
- In November 2010, it was confirmed that the King's Centre for e-Research will play a key role in the design and implementation of the European Holocaust Research Infrastructure, a major €7 million programme funded by the EU which will bring together Holocaust archives from around the continent and elsewhere. The aim is to create a cohesive body of integrated materials that will be made available online to the public.
- The King's Centre for Military Health Research was awarded a £347,000 grant from the Economic and Social Research Council (ESRC) in November 2010 for a project titled, 'Are the armed forces understood and supported by the public? British social attitudes towards the military and contemporary conflict.' A significant study of the public's perception of the armed forces, it will run from January 2011 to January 2013.
- In November 2010, it was announced that King's will receive €800,000 of funding from an EU Marie Curie Initial Training Network award, enabling a team of leading computer scientists in the Department of Informatics to develop software that will make websites and internet-based services more flexible, reliable and secure under pressure.
- KHP was awarded the Alzheimer's Research Trust's largest-ever single grant of £715,000 in early December 2010. It will fund ambitious studies at the Institute of Psychiatry and the South London and Maudsley NHS Foundation Trust which will attempt both to identify genes that increase the risk of developing Alzheimer's and to develop a blood test to diagnose the disease.
- In January 2011, the Institute of Psychiatry secured £4.7 million of research funding from the Department of Health to study how to improve cancer survival rates.
- Also in January, the ESRC awarded around £5.2 million to support graduate studentships and training in the social sciences at the King's Interdisciplinary Social Science Doctoral Training Centre.
- In February 2011 the Medical Research Council (MRC) awarded a £2.1 million grant to the MRC Centre for Transplantation to fund a three-year clinical study into the efficacy of the drug Mirococept in protecting donor kidneys and improving the prospects of renal transplant patients.
- King's received a donation of nearly £3 million in February 2011 to transform end-of-life and palliative care across the world. The money will be used to identify and train future leaders in this field as well as initiating much-needed research.
- In March 2011 an independent review compiled by Professor Alison Wolf, Sir Roy Griffiths Professor of Public Sector Management at King's, was published by the Department of Education. It observes that the low-level vocational courses taken by many young people have little or no value in the labour market and suggests funding should be focused more on high-quality apprentice schemes. Education Secretary Michael Gove

hailed the report as 'brilliant and ground-breaking', immediately accepting four of its recommendations.

- On 24 March 2011 Lord Howe opened a new suite of state-of-the art facilities dedicated to clinical and biomedical research and drug trials at Guy's Hospital. The Experimental Medicine Hub is a pioneering collaboration between the College, Guy's and St Thomas', King's College Hospital and South London and Maudsley NHS Foundation Trusts and the biopharmaceutical services company Quintiles. It brings together a vital critical mass of research activity in one location so that medical breakthroughs can benefit patients at the earliest possible opportunity.
- It was announced in April 2011 that King's and Imperial College London will become partners in the world-leading medical research organisation the FCI, and the agreement was signed in October. The goal of the Institute is to understand better how living things work and use that knowledge for the benefit of humanity, finding ways to prevent and treat such diseases as cancers, heart disease and stroke; infectious illnesses including influenza, tuberculosis and malaria; disorders of the immune system; and neurodegeneration. Its pioneering research laboratories will employ a staff of 1,500, strengthening the UK's reputation as an international centre for excellence in medical science and helping to maintain the country's competitiveness in science and healthcare.
- King's was awarded a prestigious Industry Interchange Award from the Biotechnology and Biological Sciences Research Council in May 2011 to work in collaboration with the Nestlé Research Centre to understand the interactions between genes and ingredients in food, and how they can affect human health. Researchers will be examining the molecular mechanisms at the basis of protein function, genetic variation due to environmental factors, and their relevance to nutrition, exercise and other lifestyle factors.
- In June 2011 an IDBS-led consortium including King's, the University of Manchester and Quantix was awarded funding of £1.5 million from the Technology Strategy Board, a business-led government body sponsored by the Department for Business, Innovation and Skills. The collaborative group will receive an additional £1.5 million committed by the commercial partners, enabling the development of an innovative information technology platform, Acropolis, which will provide the essential information technology and informatics infrastructure to support stratified medicine research and cross-organisational collaboration.
- In August 2011 a pledge from the Department of Health of a total of more than £112 million over five years for KHP crowned an outstanding year of achievement. It will fund a new Biomedical Research Unit for Dementia based at the Maudsley Hospital and King's College Hospital and ongoing work at two National Institute for Health Research (NIHR) Biomedical Research Centres. Included in the award is £48.8 million for the South London and Maudsley NHS Foundation Trust and the Institute of Psychiatry to run the Specialist Biomedical Research Centre for Mental Health for five years from 1 April 2012. Announcing the funding, the prime minister, David Cameron, said: 'This unprecedented investment into the development of innovative medicines and treatments will have a huge impact on the care and services patients receive and help develop the modern, world-class health service patients deserve'.

Public benefit and service to society

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 role as principal regulator on behalf of the Commission.

The beneficiaries of the College's activities during the year included the following:

- The College's undergraduate, graduate taught and graduate research students, who benefit from the education provided by King's in their development as individuals and in their employment prospects. In a survey undertaken six months after students graduate, which allows comparison between institutions on the percentage of students in employment or further study, King's scored 91% (joint first with Cambridge).
- Society at large (reflected in the College's mission 'in service to society'), which benefits in particular from the advancement of research by King's on its own and in partnership with other bodies. For instance, patients benefit from the translational research in biomedicine carried out in the College's Health Schools, examples of which have been described above.

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. During the year the College Council reviewed this strategy in the light of the changing financial and global situation and approved a new strategy statement, 'Investing in Strength', which sets out how the College will seek to achieve its charitable objects in the remainder of the planning period to 2016. It commits King's to building on its areas of existing strength, ensuring that research and teaching are of the highest quality, developing the College's distinctiveness and interdisciplinary nature, and taking forward collaborations with other bodies.

The progress in 2010–11 towards achieving the College's strategic goals is described in detail in other parts of this 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 'in service to society'.

Benefit and service related to teaching and learning

The College is a significant and expanding teaching institution, with a headcount of over 23,000 undergraduate and graduate students during the year. Student recruitment targets set in the 2006–2016 Strategic Plan, particularly in relation to graduate taught students, have largely been met. King's has no difficulty in attracting highly qualified applicants from every region of the UK and across the globe, and it continued to experience increases in applications at undergraduate and graduate levels in the year under review from both UK/EU and overseas students.

The College's commitment to the highest standards in learning, teaching and academic quality was affirmed through a judgment of 'confidence' – the highest that can be obtained – in the most recent institutional audit of King's by the QAA published in April 2010. During the year the College approved a new Learning, Teaching and Assessment Strategy to build on this success, setting out how it will provide students with an excellent and distinctive learning experience within a research-intensive curriculum. King's continued to perform above the sector in undergraduate student satisfaction as measured in the NSS. While the 2011 NSS showed some slippage, with the College's overall score falling back to 84%, King's remained above the sector average of 83%. The College's results in satisfaction surveys for graduate taught and research students continued to improve in 2010–11 and its performance was comparable to that of its Russell Group peers.

King's recognises that tuition fees are a potential barrier to access by students and has long had measures in place to address this. During the year under review the College continued to provide undergraduate students with a range of financial support under its Access Agreement with OFFA, including bursaries and scholarships that go significantly beyond statutory requirements. (For example, all UK and EU students in receipt of the state maintenance grant in 2010–11 were eligible for a King's myBursary, while students getting the full maintenance grant were awarded a bursary of four times the statutory minimum.) King's also provided a range of scholarships, studentships and bursaries for graduate students.

As noted above, in July 2011 OFFA approved a new Access Agreement, which will apply to the College's undergraduate intake from 2012, when King's will charge tuition fees of £9,000 for UK and EU students. The College intends to invest 30% of its additional fee income towards its widening participation and fair access responsibilities, with financial support for students projected to absorb 80–85% of the investment by 2014–15. King's will participate in the National Scholarship Programme with a matched £3,000 fee waiver, which will be means tested. The existing myBursary and myScholarship programmes will be phased out and replaced with a range of other means-tested support, including the STEM Enterprise Scholarship (a fee waiver and bursary for eligible students pursuing science, technology, engineering and maths), the King's Living Bursary (assistance of up to £1,000 towards living costs, available to all students in receipt of a maintenance grant) and the King's Student Fund (a discretionary grant of up to £3,000 for students in financial need who are unable to access help from other sources).

The College has a long-standing commitment to the principle of widening participation and to ensuring the diversity of its student body. During the period 2007–2009 approximately 75% of the College's intake was state-school educated, with 42% defining themselves as non-white, and the 2012–13 Access Agreement commits King's to expanding both categories. In 2010–11 the College continued to pursue partnership working with a range of bodies, including Aspire Aimhigher (a collaboration of schools, universities, boroughs and colleges working to raise aspiration and attainment among under-represented groups), the charity IntoUniversity (which provides local learning centres in London inspiring disadvantaged young people to achieve), Realising Opportunities (a collaboration of King's and 11 other research-intensive universities to promote fair access and social mobility) and the Harris Federation (primary and secondary school academies working to transform educational opportunities for communities in and around London). The College has embedded several progression agreements and will continue to develop progression routes to King's.

The College's six-year Extended Medical Degree Programme, 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, and in the period of the 2012–13 Access Agreement King's will build on it by developing an Access to Professions programme offering first-year fee waivers to means-tested students pursuing eligible professional programmes, with priority given to students from partnership schools and colleges.

Benefit and service related to research

King's is among the top research universities in the UK and in 2010–11 was the sixth-largest recipient in England and Wales of quality-related research funding from HEFCE. In the 2008 RAE 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. With its NHS partners, King's is home to six MRC research centres, two NIHR Biomedical Research Centres and an NIHR Research Centre for Patient Safety and Service Quality, and it has secured funding for a new NIHR Biomedical Research Unit for Dementia. Efforts during the year have focused on addressing research performance in preparation for the REF 2014, and in line with this the College's strategic review, 'Investing in Strength', commits it to ensuring that all existing and new academic staff perform at 3* or 4* level.

The College has long-standing partnerships with three NHS Foundation Trusts and continued its engagement with them during 2010–11 via King's Health Partners (KHP), a Department of Health-accredited Academic Health Sciences Centre in which King's is the academic partner. KHP's objective 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. Implementation of KHP's operational structures through Clinical Academic Groups working across the partner organisations continued during the year. The College also entered into a collaboration with three registered charities associated with its NHS Trust partners to ensure a more effective delivery of fund-raising operations around mutual support for KHP, enabling King's and the other organisations to better achieve their objects. The College retains a separate fund-raising function in support of its non-KHP activities.

This Operating and Financial Review has already mentioned the discussions during the year leading up to the College's membership of the FCI, which King's and Imperial College London formally joined in October 2011. The FCI, a registered charity, is a partnership of King's, Imperial College London, University College London, the Wellcome Trust, the Medical Research Council and Cancer Research UK, establishing a world-leading interdisciplinary medical research centre which will open in 2015.

King's is committed to innovation based on partnership with external organisations as a way of delivering societal benefit and, as noted above, it experienced strong growth in new and renewed research awards during the year. Consistent with its obligations as a charity, the College maintains codes of practice for staff on intellectual property, commercialisation, contract work and consultancy, and it uses its innovation-support subsidiary company, King's College London Business Ltd, to lead in these areas.

Value added

Located at the heart of London, the College has continued to pursue partnerships with major cultural institutions such as the British Museum, the British Library, Tate Modern, the Southbank Centre and Shakespeare's Globe. During the year the King's executive approved King's Cultural Partners (KCP), an initiative designed to create a step-change in the College's engagement with the cultural sector. The College attracts large numbers of the public – especially but by no means only King's alumni – to a range of lectures and other public events held on the College's five campuses.

King's is committed to the principles of equality and diversity of opportunity and to compliance with the Equality Act 2010; it revised its policies and action plans in these areas during 2010–11. The College maintains a Disability & Dyslexia Service to provide support to disabled students and staff and enable inclusivity and accessibility. 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 2010–11 the College fulfilled its educational and research mission, bringing direct benefit to its members and to society at large. Although performance in league tables over the year was variable (in some cases reflecting changes to methodology), King's rose in the Times Higher Education World University Rankings (published in October 2011) from 77th to 56th based on 13 performance indicators designed to capture the full range of university activities, making it the eighth-highest-ranked UK university and underscoring the value of its activities over the previous year.

Academic and financial sustainability

In 2008–9 King's started a programme of strategic and tactical changes to ensure its long-term sustainability in the light of a worsening economic environment. The A&FS project recognised that cost reduction and realignment would be required to ensure financial sustainability and that cost savings would be necessary to fund investment in academic quality and sustainability.

The College provided £15 million over the two years 2008–9 and 2009–10 to support the cost adjustments identified by the A&FS project. Total restructuring costs incurred in the year to 31 July 2011 were £5.5 million.

Restructuring costs	**£000**
Provision brought forward	7,686
Utilised in year	(5,476)
Provision carried forward	2,210

A number of individuals have left King's during the year, with further departures scheduled over the next 18 to 24 months. The savings targets set at the beginning of the project have been delivered through a combination of strategic realignment, performance management 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 the College to continue to invest in areas of strategic priority. Some of the major successes include the following:

- A new Department of Biomedical Engineering has been established within the Division of Imaging Sciences to provide ground-breaking engineering research and teaching to augment and enhance the existing international reputation of the division. There is a close and vital relationship between problem solving in clinical and biomedical application areas and methodological research in biomedical engineering technologies and information processing.
- In June 2010 the College announced plans to launch a Centre for Stem Cells & Regenerative Medicine to be led by Professor Fiona Watt, former president of the International Society of Stem Cell Research. Based at Guy's Hospital, the centre will bring together the cutting-edge stem cell research currently taking place across the College and its partner NHS Trusts, as part of KHP. Through the centre, King's aims to drive collaboration between scientists and clinicians to translate the potential of stem cells into clinical reality for patients.
- On 1 August 2010 the School of Natural & Mathematical Sciences was established and since then a number of significant academic appointments have been made across a range of disciplines. Research groups have been set up and new undergraduate and graduate programmes are under development.
- King's is nearing completion of the £22.7 million scheme to develop the East Wing of Somerset House, with a planned end-date of January 2012. It will accommodate the College's School of Law and provide space for continuing education and for arts and cultural activities.

Financial highlights

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 Business 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.

Results

Total income increased by 3.2% to £524.1m while total expenditure remained flat at £496.6m, generating a surplus for the year of £27.5m.

	2010–11 £000	**2009–10 £000**
Income	524,110	508,045
Expenditure	496,605	497,582
Surplus on normal operations	27,505	10,463
Taxation	(2)	(2)
Surplus after taxation	27,503	10,461
Surplus as a % of income	5.2%	2.1%

This is an excellent result which puts the College in a strong position as it enters a future of many uncertainties. It reflects the effects of the continued emphasis on academic and financial sustainability, tight control over recruitment, careful vacancy management, targeted student recruitment and focused investment in areas of academic strength.

There has been tight control of the balance sheet, with careful prioritisation of the capital investment plan. The excellent financial result for the year will enable King's to set aside funds to proceed with a number of important capital projects that had been under threat because of the timing of the withdrawal of HEFCE capital funding.

Liquidity measures remain strong, with cash balances up by £8.8m (3.9%) and net assets up by £43m (6.3%) compared to the previous year. Standard & Poor's continues to assess the College's credit rating as AA.

Despite a £4.7m (3%) year-on-year decline in income from HEFCE, total revenues increased by 3.2%, due largely to strong performance in fee income. Continued cost savings arising from the A&FS project were reinvested in areas of strategic growth. While the overall cost base remained flat, after adjusting for one-off costs and provisions charged in the previous year, underlying expenditure increased by 2% on a like-for-like basis.

The £27.5m surplus on normal operations benefited from a £3m surplus on departmental activities and £700,000 surplus on property disposals. After adjusting for these items, the underlying surplus on operating activities was £23.8m compared with a £16.4m operating surplus the previous year.

	2010–11 £000	2009–10 £000
Surplus on operating activities	23,789	16,396
Impact of FRS17	20	252
Surplus on departmental activities	2,998	3,860
Scoping costs of cancelled chemical medicine capital project written off	–	(745)
Surplus on disposal of property	698	–
Provision for restructuring costs	–	(9,300)
Surplus on normal activities	27,505	10,463

The movement in respect of the pensions accounting standard FRS17 relates to the Local Government Pension Scheme (LGPS) for 2010–11. At the year end the College transferred the Federated Pension Scheme (FPS) to the Superannuation Arrangements of the University of London (SAUL), and no FRS17 valuation was prepared. The £2.8m transfer payment to SAUL is included in expenditure but is offset by release of a matching provision from the FPS pension reserve so that there was no net impact of the FPS transfer on the result for the year.

The surplus on disposal of property relates to a number of small property transactions during the year. In August 2011 the College resolved the long-running contractual dispute with Barratt Homes relating to the redevelopment of the Hampstead Campus, although resolution was too late for the £4.6m compensation payment to be reflected in this year's accounts.

Income growth and diversification

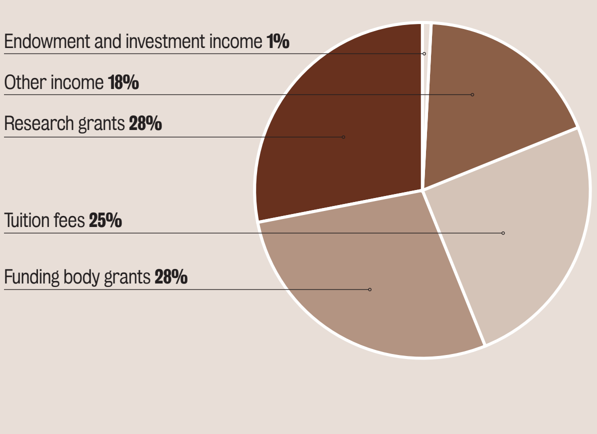
Total income was £524.1m (2009–10 £508m), some £16.1m or 3.2% higher than the previous year. There was a £4.7m (3%) reduction in the funding the College received from HEFCE, which was broadly in line with expectations, but it was more than offset by increases elsewhere, principally tuition-fee income, up by £12.3m (10%).

Although some of the increase reflects changes in fee levels, most is due to growth in overseas (i.e. non-EU) student numbers, particularly at undergraduate level across arts and sciences programmes. The number of students enrolled from overseas increased by 11% year on year and comprised about 19% of the total number of students. Applications were very strong and showed the following growth compared to the previous year:

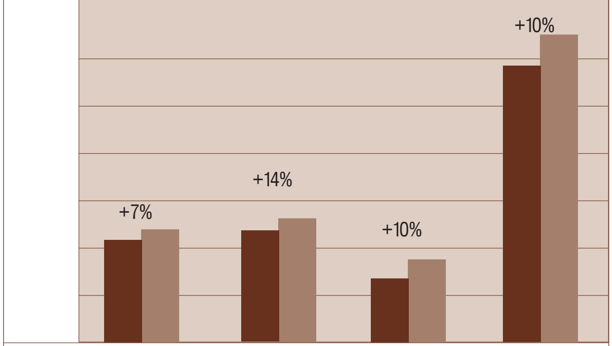
Year-on-year change in applications from 2009 to 2010	UK/EU	Overseas
Undergraduate	+14%	+10%
Graduate taught	+22%	+30%
Graduate research	+6%	+21%

Income from the NHS teaching contract is partly dependent on retention and the number of students, both of which are higher than the previous year.

Income



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
2009–10	41,958	43,688	32,754	118,400
2010–11	44,849	49,705	36,192	130,746

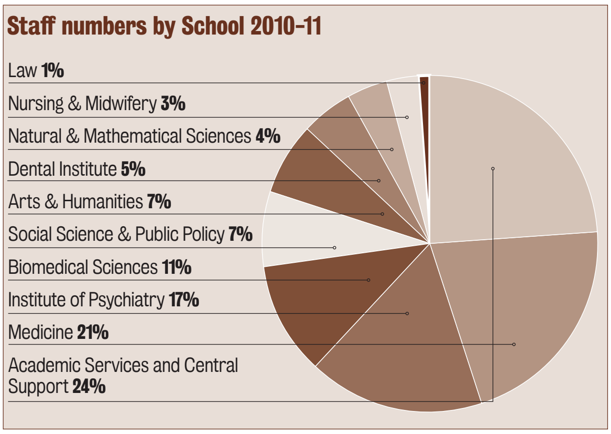
Student numbers (full-time equivalent, 1 December)	2010–11	2009–10	Change
Undergraduate	13,286	12,995	291
Graduate taught	5,055	4,972	83
Graduate research	2,009	1,819	190
	20,350	19,786	564

Total income from research grants and contracts increased by 2% or £3m, with the strongest rates of growth reported in EU and overseas grants and contracts. The largest absolute growth, of £1.2m, was in income received from the Research Councils, which attracts full economic costs (fEC) overhead recovery. There were small reductions in the income received from UK industry, government and charities. New contracts agreed during the year – the forward order book – show a £25.9m (18%) year-on-year growth, although mainly in sectors where fEC is not available.

	2010–11 £000	2009–10 £000
Research grant income	147,099	144,053
Research grant expenditure	121,782	120,741
Overhead recovery	25,317	23,312
Overhead recovery as a % of income	17.2%	16.2%

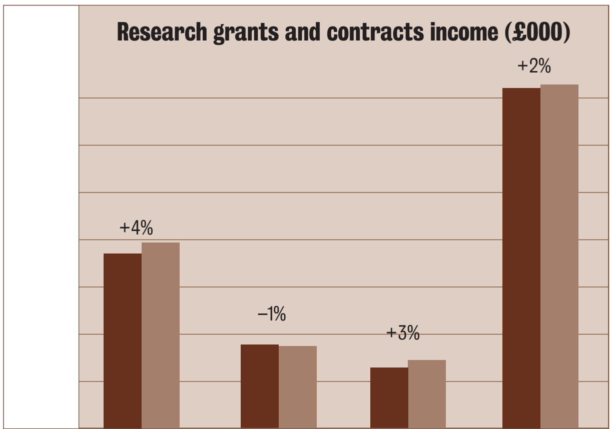
Patterns of expenditure

Total expenditure was virtually flat year on year, showing a decrease of £1m. After adjusting for one-off items (last year a £9.3m charge was made to the restructuring fund), the underlying pay bill rose by £2.3m (0.3%). This reflects tight control over recruitment and vacancy management together with modest pay awards. The impact of the A&FS programme continued to affect overall staff numbers, albeit at a more modest pace than in 2009–10, balancing the need for cost management with investment in capacity-building and quality enhancement.

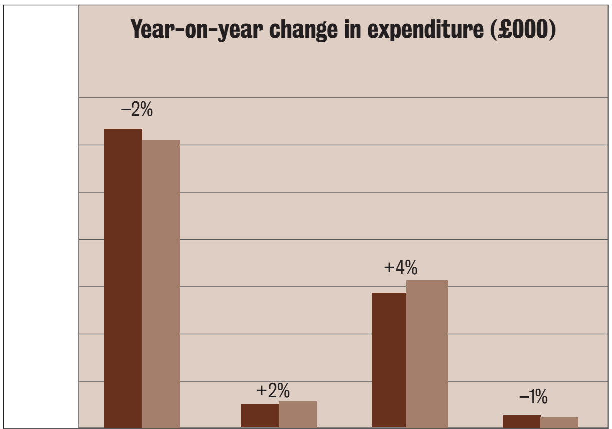


Total staff numbers increased during the year from 5,028 to 5,140 full-time equivalent posts. The rise in staff numbers relates mainly to staff funded from research contracts and other matched funding sources or specific income streams. However, and notwithstanding the overall increase in headcount, the salaries and wages bill increased by only £900,000.

Average staff (full-time equivalent)	2010–11	2009–10
Academic/clinical (including staff on research grants)	2,922	2,801
Administrative and related staff	794	803
Technical	329	331
Clerical	925	890
Other	170	203
Total	5,140	5,028



	Research councils and UK charities	UK government and health authorities	Industry, overseas and others	Total research grants and contracts
2009–10	77,130	38,075	28,848	144,053
2010–11	79,971	37,436	29,692	147,099



	Staff costs	Depreciation	Other operating costs	Interest payable
2009–10	314,928	23,476	146,679	12,499
2010–11	307,698	23,946	152,600	12,361

Capital investment programme
During the year King's continued to review and develop its long-term capital programme. Over the period 2010–11 to 2017–18 the College plans to invest some £430.2m, with the investment spread as follows:

Capital investment	2010–11 to 2017–18 £m
Teaching- and learning-focused	
Strand Campus	36.2
College-wide student teaching space improvement	50.0
Residences and sports grounds	101.0
	187.2
Research-focused	
Denmark Hill	61.4
Guy's	29.5
St Thomas'	33.9
Francis Crick Institute	40.0
	164.8
Infrastructure	
Power efficiency	26.6
Long-term maintenance	24.6
College-wide technology	20.0
VAT provision	7.0
	78.2
Total	430.2

The £187.2m of planned expenditure on student and teaching facilities over the period 2010–11 to 2017–18 assumes provision of new student residences and a £40m project to refurbish King's College Hall at Champion Hill, which is due to begin in summer 2012. The College is currently nearing completion of the £22.7m scheme to develop the East Wing of Somerset House, which is expected to be finished in January 2012 and will accommodate the College's School of Law and provide space for continuing education and for arts and cultural activities.

King's is in the second year of an £18m, five-year investment programme in teaching rooms and audio-visual equipment. During 2010–11 it included refurbishment of the Greenwood Theatre and the Franklin-Wilkins Library. The College is planning a further stream of teaching and learning investment from 2012.

Investments that are primarily but not exclusively research-focused include the construction of the Maurice Wohl Neuroscience Institute at Denmark Hill, which will bring together neuroscience clinicians and scientists in one location. This £37m project started on site during the year and is due for completion in April 2013. A further £19m is being invested with the College's Trust partners in a Clinical Research Facility at Denmark Hill that is expected to be completed at the end of 2011.

King's continues to invest in upgrading infrastructure, including ongoing work on the Collaborative Campus programme to update technology across the College. £20m of investment is planned up to 2017–18. In addition, King's is maintaining and upgrading existing basic infrastructure as well as investing to realise carbon savings in line with the College carbon management programme.

Fund-raising
As indicated above, during the past year the College publicly launched the World questions | KING'S *answers* campaign, one of the biggest and most imaginative fund-raising appeals in higher education. King's raised a total of £18.3m of new cash and pledges during the year. While just short of the £19.7m target, this was an excellent outturn and ensured that the public campaign got off to the best possible start.

Fund-raising income	£000
Neuroscience & mental health	5,904
Leadership & society	3,897
Cancer	1,012
People and facilities	5,101
KHP partner priorities	2,385
	18,299

The College is grateful to all its friends and supporters, thanking those who have generously given donations, whether small or big. Some of the larger gifts and pledges received during the year included:

- a £5m gift from the Dr Mortimer and Theresa Sackler Foundation to support translational neurodevelopment
- £3.5m funded by the Avantha Group and its chief executive officer Mr Gautam Thapar for the Avantha Chair at the King's India Institute, which opened in September 2011.

In January 2011 the King's and KHP fund-raising teams merged to create a single entity in order to realise shared potential fully and create a stronger and more advanced fund-raising office. The resulting larger team allows more specialised functions and supports a broader remit, serving both KHP and the wider College well. The primary goal of the integration is to maximise private philanthropic gifts in support of the core mission of both KHP and the College: to support innovative world-class research and improved patient care and outcomes, and to enhance the teaching and learning experience.

Endowment asset investments
The College's investments achieved a return of +8.6% for the year to 31 July 2011, slightly underperforming the policy

benchmark of +9.8%. This lag in performance related mainly to UK equity, where the College's need for income meant an above-benchmark weighting to high-yielding sectors, which underperformed lower-yielding sectors.

Performance for the year to 31 July 2011	
Actual performance	+8.6%
Policy benchmark	+9.8%
Value added	–1.2%

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 large stock market fluctuations. King's therefore continues to be restricted to spending income only and this is reflected in the asset allocation policy.

During the year the Investment Subcommittee, taking advice from its investment consultants, Cambridge Associates, restructured the portfolio to make greater use of passive funds to reduce running costs. This approach enabled the Subcommittee to focus more on strategy and asset allocation, where most value can be added. Income analysis for the new portfolio indicates that the total expense ratio reduced to 0.37% (from 0.98%) and the gross income yield increased to 3.6% (from 3.2%). The transition plan involved selling the College's holdings in the Schroders Charity Equity Fund and its overseas holdings in GMO, Harding Loevner and Oldfield Partners. Additionally, the Cazenove ARTC Hedge Fund, UBS Eurocore Property Fund, M&G Corporate Bond Fund and part of the College's holding in the PIMCO Global Bond Fund were sold. Proceeds were invested in low-cost tracker funds with BlackRock, and a small amount was placed in the Payden & Rydel Global Inflation-Linked Bond Fund. The transaction costs of the restructuring were £28,000, representing 0.02% of the portfolio.

Changes in the asset allocation are as follows:

Changes to asset allocation	New policy %	Former policy %
UK equity	35	40
Global equity	20	10
Emerging markets equity	5	–
Hedge funds	–	5
Private equity	–	5
Property	10	10
Global inflation-linked bonds	5	–
Fixed income	25	30
	100	100

Working capital management

Net current assets	31 July 2011 £000	31 July 2010 £000	Change £000
Cash at bank	234,174	225,414	8,760
Debtors	54,942	52,541	2,401
Current assets	289,116	277,955	11,161
Creditors < 1 year	(156,775)	(143,208)	(13,567)
Net current assets	132,341	134,747	(2,406)

Cash at the bank has risen by some £9m and cash generated from operations was some £43m. Expenditure on tangible fixed assets was £49m, but this was partially offset by capital grants received of £21m. £5m was used to repay loans.

The actual position of liquid assets to annual expenditure excluding depreciation was 180 days, compared with a target of 90 days.

Debtors	31 July 2011 £000	31 July 2010 £000	Change £000
Trade debtors	14,487	16,783	(2,296)
Other debtors	5,483	3,038	2,445
Research grant debtors	20,183	18,632	1,551
Research grant work in progress	14,087	12,871	1,216
Prepayments and accruals	702	1,217	(515)
	54,942	52,541	2,401

Debtors have increased by 4.5% to £54.9m. Research debtors (invoiced and work in progress) have increased and represent 85 days' turnover, compared with 80 days in the previous year. The main area of increase is in EU grant funding, where there can be considerable delay in final settlement. The decrease in trade debtors is mainly attributable to two large debts that were outstanding at the end of last year: the Government Office in respect of recharges for the Thames Cancer Registry (£1.5m), and an amount owing from the Strategic Health Authority (£2.6m). This year there is no balance due from the Government Office and the sum outstanding from the Strategic Health Authority is down to £1.9m. The amount due from Guy's and St Thomas' NHS Trust has also decreased, but that from King's College Hospital has increased.

Creditors	31 July 2011 £000	31 July 2010 £000	Change £000
Trade creditors	21,881	18,566	3,315
Payments received on account	76,608	71,376	5,232
Other creditors and accruals	45,169	40,037	5,132
Social Security and taxation	7,551	7,856	(305)
Finance leases	2,236	2,203	33
Loans repayable within 1 year	3,330	3,170	160
	156,775	143,208	13,567

Creditors have increased by some 9.5%. The main increase in trade creditors is attributable to College Facilities Ltd, whose trade creditors rose to some £3m from £700,000 the previous year. Payments on account relate to income in advance of expenditure on research grants. Other creditors and accruals include £2.8m due to SAUL in respect of the FPS pension transfer and an increase of £2.7m in the balance on the Collaborators' Ledger, which represents money from the European Commission which is due to other institutions.

Treasury management

The College manages day-to-day cash flow through its principal bankers, Royal Bank of Scotland (RBS). Surplus cash is swept overnight from the current account to an interest-bearing deposit account currently paying base rate plus 40 basis points.

Cash in excess of day-to-day liquidity needs is managed for King's by Royal London Cash Management (RLCM), 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 ratings of AA- or better, with the exception of Lloyds, which has a rating of A+. The amounts are restricted to £15m per counterparty excepting 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. The approved counterparty list is continually kept under review and advice is taken from RLCM and Council members with relevant specialist knowledge.

For the year ended 31 July 2011 the average return on cash deposits was 0.6%, reflecting the exceptionally low base rate of 0.5%.

Long-term loans

There were no new loans taken out during the year.

Borrowings	Total in year to 31 July 2011 £000	Due < 1 year £000	Due > 1 year £000
Finance leases			
Lloyds Leasing (Stamford Street)	15,725	1,650	14,075
National Australia Bank (James Black Centre)	12,236	315	11,921
National Australia Bank (Strand)	10,359	271	10,088
Less deposits	(25,403)	–	(25,403)
Total leases	12,917	2,236	10,681
Loans			
RBS (Great Dover Street)	28,016	2,315	25,701
RBS	16,192	924	15,268
RBS (40 year)	59,911	–	59,911
King's College London Bond	59,717	–	59,717
Lambeth Baths Mortgage	496	26	470
South London and Maudsley NHS Foundation Trust	135	65	70
Total loans	164,467	3,330	161,137
Total borrowings	177,384	5,566	171,818

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 2011	31 July 2010	Limit
Borrowings as a % of income	33.8%	35.1%	50%
Borrowings to reserves	0.9	1.1	1.0

The College's financial strategy sets internal borrowing limits based on percentage of income and gearing. Both measures have improved from last year and are within target.

Net cash	31 July 2011	31 July 2010	Change
Cash and short-term investments	234,174	225,414	8,760
Borrowings	177,384	178,324	(940)
Net funds	56,790	47,090	9,700

The College's net cash position continues to improve.

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 FRS17, the schemes do not appear on the balance sheet although full disclosure is made in the notes to the accounts (see note 30 to the financial statements).

During the past year, USS consulted with its members on proposed reforms to address concerns over the sustainability of the scheme in the face of increased longevity, rising salaries and poor investment returns in recent years. In May 2011, the Joint Negotiating Committee of USS agreed a number of alterations, which were subsequently approved by the USS trustees in June 2011. The principal changes, which came into effect from 1 October 2011, were:

- an increase of the normal pension age to 65
- an increase in the members' contribution rate, for those in the final salary section, from 6.35% to 7.5% of pensionable salary
- limits on increases in benefits that accrue after 30 September 2011
- the introduction of flexible retirement from age 55
- a career-revalued benefits section for new entrants with a member contribution rate of 6.5%.

SAUL will be reviewing its position following the March 2011 triennial valuation, which has yet to report, and is likely to consult on similar changes. USS is also going through the valuation; it is expected that both pension schemes will be in deficit on their technical provisions at this date. The most recent funding positions of the schemes are set out here:

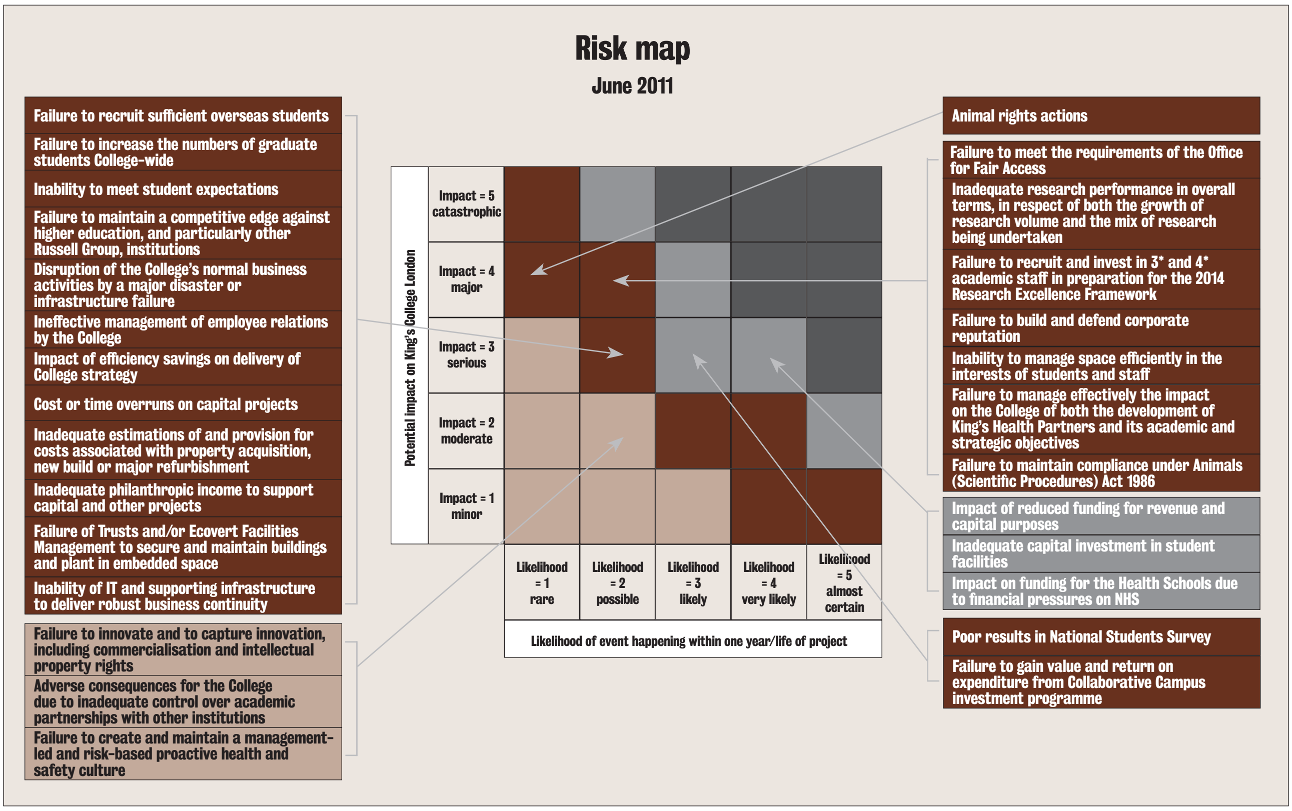
Pension scheme funding	31 March 2010	31 March 2009
USS		
Scheme specific	91%	75%
Historic funding basis	63%	52%
FRS17	80%	87%
Pension Protection Fund	112%	70%
Solvency/buy-out basis	57%	47%
SAUL		
Scheme specific	87%	79%
Historic funding basis	72%	65%
FRS17	–	–
Pension Protection Fund	96%	72%
Solvency/buy-out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

The College also participates in the NHS Pension Scheme (NHSPS), which is an unfunded multi-employer scheme open to employees who were members of NHSPS immediately prior to appointment at the College. Following the review of public-sector pensions by Lord Hutton, a number of changes are expected to this scheme. A consultation has already taken place on a proposal to increase contribution rates on a sliding scale for higher-paid employees. If accepted, this would see no change in contribution rates for those on salaries of £15,000 or less, but the highest paid could incur increases of up to 2.4%.

During the year the College operated two closed defined-benefit schemes: the Federated Pension Scheme (FPS) and the Local Government Pension Scheme (LGPS). These are for staff who were employees of the former United Medical and Dental Schools of Guy's and St Thomas' Hospitals (UMDS) and Chelsea College, respectively, prior to the merger of those institutions with King's.

Following a review and a consultation of the membership, it was decided to transfer FPS into SAUL, subject to the approval of the trustees of both FPS and SAUL. On 31 July 2011 a transfer deed to that effect was signed. Benefits of former FPS members have been converted to the same basis as for other SAUL members with adjustment, where appropriate, to service credits to reflect any benefit differences between the schemes and ensure that the benefits in SAUL are, in actuarial terms, at least equivalent to those accrued under FPS.

In addition to the transfer of assets from FPS into SAUL, the College made an additional top-up contribution to SAUL of £2.8 million. However, in accordance with FRS17, a provision of £4.1 million had been made at the last balance sheet date which was released on the transfer of FPS to



SAUL. The balance of £1.3 million has been recognised as an actuarial gain in the Statement of Total Gains and Losses for the year.

An FRS17 liability of £1.1 million remains in the College balance sheet in respect of LGPS, full details of which are set out in note 30.

Risk management

College Council considered the progress made in relation to the management of risk at its meeting in June 2011. While many of the risks remain the same or have increased since the previous year, they have been subject to close monitoring and control at a corporate and managerial level. The following risk map summarises the key issues.

In recent history King's has had the benefit of relatively risk-free core block funding from HEFCE, but during the next five years the funding profile for the College will change significantly. From a point where just over 60% of teaching income comes from UK and overseas tuition fees, the proportion will rise by 2014–15 and beyond to between 85% and 95% of teaching income. This is both a threat, because of the College's diminishing ability to rely on core funding, and an opportunity that puts King's more in control of generating its own income.

The College has built forecasts based on information available at the time; however, any substantial changes to the pace and scale of HEFCE efficiencies – especially the teaching block grant – will have a knock-on effect on them.

With the partial deregulation of the undergraduate market, permitting the recruitment of an unlimited number of quality students (defined as an entry tariff of AAB at A level in certain subject areas), this is an increasingly competitive field, yet one in which King's is well positioned. The College is not seeking to increase the size of the student body aggressively, but it sees the opportunity to grow in strategic areas of academic strength. King's will, as always, put the interests of its students first and any proposed expansion will need to enhance the student experience.

Longer term (probably from 2015–16 and beyond), the impact of larger student loans on undergraduates may have an adverse impact on their willingness to progress to higher levels of study, given the increasing debt burden that would create. The College has a review programme in hand that will involve stringent testing of its graduate programmes against a number of criteria such as employability and links to careers in research.

Pay cost pressures continue to be a key variable. The collective pay bargaining arrangements have resulted in two years of very modest pay increases which, however, are under pressure given current inflation forecasts. King's is keeping tight control over recruitment, which is progressing only where it specifically supports academic strategy.

The impact of the most significant variables and their financial consequences are outlined below:

Key variables	Annual financial effect of 1% change in assumptions
Adverse changes in pace or scale of teaching block grant efficiencies	–£650,000 core block funding
Part deregulation of UK undergraduate market	+£1.2m gross tuition-fee income (before widening access support)
Graduate taught market	+/–£400,000 tuition-fee income
Pay costs	+/–£1.9m expenditure

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 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 include the following:

- investment in key corporate IT systems
- management of space
- marketing
- consultancy
- refurbishment and renovations
- facilities contracts
- security systems
- management of capital expenditure
- College procurement systems and preferred suppliers
- fund-raising
- College telephony services
- staff expenses
- intellectual property.

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, collaborative procurement, streamlining of the procurement process and preferred-supplier agreements. Members have noted a substantial upward trend in the percentage of King's 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.

The HEFCE Audit Code of Practice requires the Audit and Compliance Committee to comment on the internal control and risk-management systems within the College and on the arrangements for securing economy, efficiency and effectiveness. An opinion on the management and quality assurance of data provided to HEFCE, the Higher Education Statistics Agency and other public bodies is also required.

Based on the Audit and Compliance Committee's review of internal audit reports, the separate review of the system of internal controls, the external auditors' findings during their work and management's Letter of Representation, committee members were able to support the judgement of management that adequate internal control processes were in place, including those concerned with the control and quality of data, and that the College was seeking continual improvement in this respect. The Committee found that managers throughout King's were committed to ensuring that value-for-money issues were properly considered and that the College's dedicated procurement function was set up to ensure that the best possible prices were achieved from suppliers at all times. 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.

Sustainability

Assessment of sustainability is not new for the College; indeed, a major Academic and Financial Sustainability (A&FS) programme was launched in 2008 and is now firmly embedded. However, what is new is the combination of increased pressures related to funding, accountability, competition, student expectations, league tables and government requirements.

The College ensures its sustainability by focusing on five key areas:

- academic strategy
- financial strategy and financial health
- appropriate investment in physical, human and intellectual infrastructure
- governance and management
- review and monitoring.

The College Council agreed a new strategy statement in June 2011. Its thrust is to accelerate improvements in the quality of the College's research, teaching and innovation. It identifies ways in which King's can differentiate itself in the increasingly competitive higher education market, building on the College's mission 'in service to society'.

Specific areas for investment have been identified and they are being controlled and reviewed by a newly established Investment Working Group to ensure that the success of the A&FS programme is translated into future benefits to the College.

King's has a significant number of benchmarked measures used to monitor academic and financial health; they show that it is in a strong position. They include:

- Financial measures: net debt ratios, liquidity measures, working capital measures, debtor/creditor days and return on income.
- The student experience: satisfaction and experience surveys including the National Student Survey, the Postgraduate Taught Experience Survey and the Postgraduate Research Experience Survey; high staff/student ratios; widening participation measures; and employability after graduation. More detailed measures will become available as Key Information Sets are developed.
- Academic excellence: grants per principal investigator, research rankings and peer review.
- Efficiency: space utilisation and processing times.

A project is currently in hand to consolidate and refine a number of these measures and develop a small basket of key performance indicators that are closely linked to the strategy of King's, benchmarked against its competitors and monitored on a regular basis by the Principal's Central Team. A major value of the indicators will be to record progress against objectives, and since such information is built up over time it is likely that the project will take up to two years to embed fully.

Prospects and planning outlook

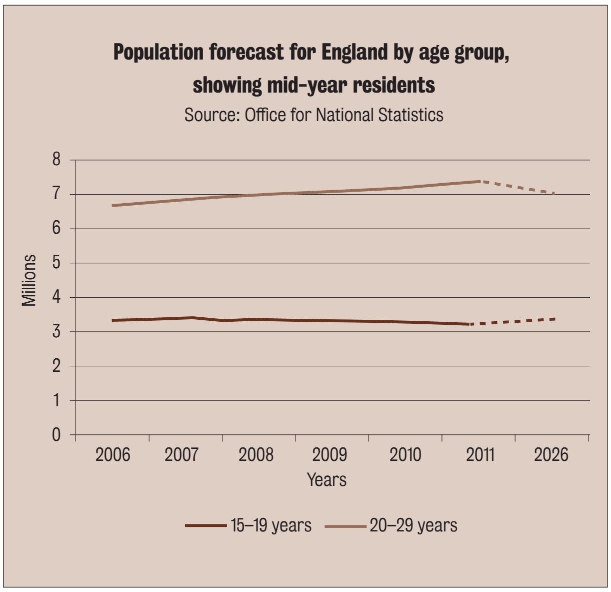
Economic environment

The fragile economic recovery appears to be under threat, and in a September 2011 report warning of a risk of double-dip recession the International Monetary Fund cut its 2012 gross domestic product (GDP) growth figures for the UK from 1.5%, forecast in June 2011, to 1.1%. Independent forecasters are predicting somewhat higher growth at 2%. Both expect UK growth to exceed that of the eurozone, where some forecast recession. Much depends on whether the outcome of the G20 financial summit held in early November improves the outlook for eurozone stability.

The UK higher education market is a net importer of mainland European students and the impact of higher fees, interest rates, consumer confidence and exchange-rate affordability may well influence the decision to study at home or overseas. Recovery in America, at best sluggish, is also affecting consumer confidence. Despite this, King's has not experienced slackening demand from these areas.

After the United States, the College's two largest markets are China and India where there has been annual GDP growth of about 9% over the past couple of years and the forecasts predict that it will continue for at least the next two years. Demand for top-quality tertiary education combined with the experience of living and working in London seems unlikely to be affected by economic circumstances in these regions.

The Office for National Statistics projects a small decline in the number of 20- to 29-year-olds in England by 2026 (taking migration into account) but a small uptick in the age group below that, representing potential students in the following two or three years. This seems to indicate a relatively stable market in total although press comments indicate that the proportion aspiring to participate in tertiary education may increase. In conclusion, even though it seems probable that the number of applications to HEIs will grow, changes within the sector mean that there will be increasing competition to enrol the best students.



Outlook for the higher education sector

The current period is one of unprecedented change for the higher education sector with not only huge cuts to public funding but also increasing competition as institutions vie for the very best students and new providers enter the market.

The reductions in public expenditure on higher education have been offset in part by the opportunity for all institutions to raise minimum UK and European undergraduate tuition fees to £6,000 and, for institutions able to meet demanding widening participation and access criteria, to a maximum of £9,000. In setting the level of fee needed to compensate for the loss of HEFCE funding, most institutions factored in both the additional costs needed to protect and enhance widening access commitments and the need for HEIs to fund their own capital investment commitments out of recurrent income in the light of the large and less well publicised cuts to capital funding. In practice, a total of 47 out of 123 English universities will charge the maximum fee across all courses in 2012–13. The new fee regime will inevitably lead to raised student expectations, which will require some institutions to increase their investment to improve either teaching or facilities, or both.

The Browne Review published in 2009 proposed a complete deregulation of home undergraduate education and, although this was not fully accepted by the coalition government, there has been a significant move towards a more competitive market environment with universities able to compete, in certain subject areas, for unlimited numbers of the best students, defined as those with grades of at least AAB at A level. The definition of high-quality students incorporates English A level equivalences and European International Baccalaureate qualifications. There is currently no indication as to whether the deregulated market will be expanded to include other European qualifications such as the German Abitur or the Italian Diploma di Maturità/Esame di Stato. Until this is clarified, these students will compete for places in the regulated market, which may affect the flow of students coming into the UK.

Institutions with a diversified income base and a reputation that enables them to compete for the best students and recruit top researchers should do well. There have been comments in the press about the possible development of an Ivy League group of elite universities in the UK. It is less easy to see a way forward for institutions that are less well capitalised and unable, for various reasons, to attract good students, especially if the fees they need to charge to compensate for cuts in funding are the same as those of the elite. Academic scholarships may be one solution.

Over time, HEFCE will remove all funding for arts, humanities and social science subjects (classified as funding bands D and C) and will provide money only for clinical subjects and possibly for science, technology, engineering and mathematics. The precise operation of the funding that will remain is unclear, as is the range of subjects it will cover. For some of the specialist arts-based HEIs the environment will be particularly challenging.

Increased levels of student debt will have both short- and longer-term impacts on students and on HEIs. An immediate effect will be the choice of more undergraduate and graduate students to reduce future debt by living at home. In practice this means that big city institutions will be better placed than campus universities with small catchment areas.

As the first cohort of new-regime undergraduates moves through the system and graduates, there is likely to be at least a temporary slackening of demand for graduate courses. Over time it is possible that numbers will pick up again as students become more accustomed to the increased debts that further study will bring. More probable is a split of the graduate market into two main camps: those on programmes directly contributing to better employability prospects; and those pursuing a clear path towards a career in academia and related fields. There is likely to be an increasing demand, from both undergraduates and graduates, for part-time and flexible learning opportunities that allow them to fund study through part-time work.

Competition for research income will intensify as those who fund it increasingly concentrate on the best research groups. At the last RAE, HEFCE government funding was granted only for research assessed at 3* and 4* – the highest levels of international excellence. Research Council funding will remain flat in cash terms, with medical research the most protected area, before possibly recovering later in the decade. Charitable, business and other sources of research income are likely to revive with the economy.

Planning outlook for King's

Inevitably there are some uncertainties about future funding, the deregulation of the UK undergraduate market and the impact of debt on the future of the graduate market, but the College continues to plan for various future scenarios using assumptions that are reviewed and tested on a regular basis.

King's is facing these uncertainties in a strong position. It was one of the first HEIs to take action to improve cost efficiency as the downturn in the economy began to bite and, by virtue of having done so, has a more flexible cost base than previously, with the headroom to invest selectively in areas of strategic growth. League-table rankings are high, research volumes are growing and King's continues to attract the very best students. Following OFFA approval of its widening access and participation arrangements, the College is able to charge UK and EU undergraduates the maximum £9,000 tuition fee. Liquidity measures are good, and King's has an excellent credit rating and a strong management team.

Various elements will come together during the first quarter of 2012 to clarify some of the uncertainties: the demand for undergraduate places will be clear, the HEFCE number controls will be confirmed and the College will receive confirmation of its block funding. Accordingly, King's has not published forecasts beyond 2011–12 in these accounts despite having prepared five-year forecasts on a number of assumptions.

	Actual 2009–10 £000	Actual 2010–11 £000	Budget 2011–12
Income	508,045	524,110	531,359
Expenditure	497,582	496,605	528,706
Surplus on normal operations	10,463	27,505	2,653
Surplus as a % of income	2.1%	5.2%	0.5%

Social and environmental

The College prioritises sustainability in many ways. Grouped into three broad categories, its commitment encompasses:

- campus: business strategies and operations
- academic and curriculum: the generation and transfer of knowledge
- community: the role of King's as a major employer with influence in local, national and international networks.

Campus

Under the stewardship of the Sustainability and Environmental Management Working Group, the College has made significant progress during this reporting period in managing the environmental impact of its campuses. Particular achievements include:

- becoming the first UK university to obtain BS EN 16001:2009 energy management certification
- earning a 2:1 classification and a ranking of 50 in the People & Planet Green League 2011 table
- obtaining the EcoCampus silver award for environmental management.

Underpinning these successes is the development of the College's first environmental strategy 2011–2016, supporting the strategic vision of King's. Further detail and analysis will be found in the College's first corporate social responsibility annual report, to be published in 2012.

Academic and curriculum

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 has multidisciplinary research activity on such issues as climate change, biodiversity loss and environmental health policy systems and strategies, and it continues to undertake cutting-edge academic work in these areas. Of particular note is the European Centre for Energy and Resource Security at the Department of War Studies, seeking solutions to a core problem of modern economies, societies and international relations.

Community

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, for example:

- The Extended Medical Degree Programme has been running for over 11 years and remains one of the most innovative schemes of its kind. The programme offers talented, underprivileged pupils from London boroughs the chance to achieve a degree through a six-year course with additional support in the first three years.
- Widening participation and fair admissions strategies, including links with the St Paul's Way Community Trust School; partnerships with Aspire Aimhigher, IntoUniversity and other charitable and educational bodies; and a very substantial intake from state-sector secondary schools, representing one of the highest of any Russell Group university in London.

Conclusions

Over the past decade King's has reinforced its position as a leading academic institution. In order to continue on this upward trajectory in a rapidly changing and competitive higher education landscape, it will need to anticipate and respond to the challenges and opportunities presented by the June 2011 White Paper on Higher Education. The College's new strategy statement, 'Investing in Strength', provides the framework within which King's will navigate these more turbulent times so as to emerge stronger, more coherent and justifiably confident as one of the world's leading HEIs.

During the next few years the College will frame its decision-making in the context of a flexible attitude towards the size and shape of the student body; an acceleration of improvements in the quality of teaching, research and innovation; increased internationalisation, particularly through partnerships in the higher education and commercial sectors; the development of the identity of King's as a promotional tool and as a focus for targeted local, national and international activities; and further elaboration of the interdisciplinary, applied ethos of the College encapsulated by its mission 'in service to society'. Throughout, King's will continue to control costs and target investments on areas of strength.

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 HEFCE, 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 2011 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 & Business Assurance 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 & Business Assurance, which operates to standards defined in the HEFCE Audit Code of Practice and which was last reviewed for effectiveness by the HEFCE Assurance Service in June 2009. The Department of Audit & Business Assurance 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 2011 was informed by the Audit and Compliance Committee, the work of the Department of Audit & Business Assurance 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 2011 which comprise Consolidated Income and Expenditure Account, the Consolidated Group and College Balance Sheets, the Consolidated Cash Flow Statement, the Statement of Consolidated Total Recognised Gains and Losses, the Accounting Policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the College 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

As explained more fully in the statement of Responsibilities of the College Council set out on page 24, the Council is responsible for the preparation of financial statements that give a true and fair view. Our responsibility is to audit, and express an opinion, on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion, the financial statements:

- give a true and fair view of the state of the affairs of the Group and College as at 31 July 2011 and of the Group's income and expenditure, recognised gains and losses and cash flows for the year then ended
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice
- have been prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education.

Opinion on other matters prescribed in the HEFCE Audit Code of Practice issued under the Further and Higher Education Act 1992

In our opinion, in all material respects:

- funds from whatever source administered by the College for specific purposes have been properly applied to those purposes
- income has been applied in accordance with the College's Statutes
- funds provided by HEFCE have been applied in accordance with the Financial Memorandum and any other terms and conditions attached to them.

Matters on which we are required to report by exception

- we have nothing to report in respect of the following matter where the HEFCE Audit Code of Practice issued under the Further and Higher Education Act 1992 requires us to report to you if, in our opinion: the statement of internal control included as part of the Corporate Governance Statement is inconsistent with our knowledge of the College and Group.

M G Fallon (Senior Statutory Auditor)
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 Forest Gate
Brighton Road, Crawley
West Sussex RH11 9PT

29 November 2011

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 £25,000 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 points 7 or 8 above. Other heritage assets – principally printed materials, pictures and objects of scientific interest – are, for individual items exceeding £25,000, capitalised at cost or valuation on acquisition, but only where a reliable valuation is available. Valuations reflect any impairment or restrictions on use of the assets by the College. No assets acquired prior to 1 August 2000 have been capitalised, as reliable information concerning their cost or value on acquisition is not available.

Descriptions of the principal heritage assets held are set out in note 12 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 2011

	Note	2010–11 £000	2009–10 £000
Income			
Funding body grants	1	147,211	151,889
Tuition fees and education contracts	2	130,746	118,400
Research grants and contracts	3	147,099	144,053
Other operating income	4	93,561	87,090
Endowment and investment income	5	5,493	6,613
Total income		524,110	508,045
Expenditure			
Staff costs	6	307,698	314,928
Other operating expenses	10	152,600	146,679
Depreciation	11	23,946	23,476
Interest payable	8	12,361	12,499
Total expenditure	10	496,605	497,582
Surplus on ordinary activities		27,505	10,463
Taxation	9	2	2
Surplus after depreciation of assets at cost and tax	22	27,503	10,461

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.

The notes on pages 32 to 48 form part of the financial statements.

Statement of Consolidated Total Recognised Gains and Losses

For the year ended 31 July 2011

	Note	2010–11 £000	2009–10 £000
Surplus after depreciation of assets at cost and tax		27,503	10,461
Change in value of endowment asset investments	21	5,799	10,147
Endowment income movement for the year	21	563	(212)
New endowments	21	3,078	1,616
Actuarial gain on pension schemes	30	1,758	3,473
Total recognised gains relating to the year		38,701	25,485

Reconciliation

	2010–11 £000	2009–10 £000
Opening reserves and endowments	279,364	253,879
Total recognised gains for the year	38,701	25,485
Closing reserves and endowments	318,065	279,364

The notes on pages 32 to 48 form part of the financial statements.

Consolidated and College Balance Sheets

As at 31 July 2011

	Note	Consolidated 2011 £000	Consolidated 2010 £000	College 2011 £000	College 2010 £000
Fixed assets					
Tangible assets	*11*	644,979	619,880	646,359	621,197
Investments	*13*	48	48	48	48
		645,027	619,928	646,407	621,245
Endowment asset investments	*14*	124,673	115,233	124,673	115,233
Current assets					
Debtors	*15*	54,942	52,541	54,601	54,865
Cash at bank and in hand		234,174	225,414	231,102	221,516
		289,116	277,955	285,703	276,381
Creditors: amounts falling due within one year	*16*	(156,775)	(143,208)	(153,369)	(141,633)
Net current assets		132,341	134,747	132,334	134,748
Total assets less current liabilities		902,041	869,908	903,414	871,226
Creditors: amounts falling due after more than one year	*17*	(171,818)	(172,951)	(171,818)	(172,951)
Provisions for liabilities and charges	*19*	(2,210)	(7,686)	(2,210)	(7,686)
Net assets excluding pensions liability		728,013	689,271	729,386	690,589
Net pensions liability	*30*	(1,140)	(5,688)	(1,140)	(5,688)
Total net assets including pensions liability		726,873	683,583	728,246	684,901
Deferred capital grants	*20*	408,808	404,219	408,808	404,219
Endowments					
Restricted permanent	*21*	109,555	100,824	109,555	100,824
Restricted expendable	*21*	15,118	14,409	15,118	14,409
		124,673	115,233	124,673	115,233
Reserves					
Capital reserve	*22*	64,353	42,710	65,733	44,027
General reserves excluding pension reserve	*22*	130,179	127,109	130,172	127,110
Pension reserve	*22*	(1,140)	(5,688)	(1,140)	(5,688)
		193,392	164,131	194,765	165,449
Total funds		726,873	683,583	728,246	684,901

The financial statements on pages 26 to 48 were approved by the Council on 29 November 2011 and signed on its behalf by:

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

Consolidated Cash Flow Statement

For the year ended 31 July 2011

	Note	2010–11 £000	2009–10 £000
Net cash inflow from operating activities	24	43,610	35,790
Returns on investments and servicing of finance	25	(1,992)	(1,629)
Capital expenditure and financial investment	26	(25,646)	(1,320)
Cash inflow before use of liquid resources and financing		15,972	32,841
Management of liquid resources	27	(1,959)	15,645
Financing	28	(5,253)	(5,214)
Increase in cash	29	8,760	43,272

Reconciliation of net cash flow to movement in net cash

	Note	2010–11 £000	2009–10 £000
Increase in cash in the year		8,760	43,272
Cash inflow/(outflow) from liquid resources		1,959	(15,645)
Decrease in debt		940	745
Movement in net cash in the year		11,659	28,372
Net cash at 1 August		56,891	28,519
Net cash at 31 July	29	68,550	56,891

The notes on pages 32 to 48 form part of the financial statements.

Notes to the accounts

For the year ended 31 July 2011

1. FUNDING BODY GRANTS

	2010–11 £000	2009–10 £000
Higher Education Funding Council for England grants		
Recurrent grant	129,558	133,724
Specific grants	4,513	5,593
Deferred capital grants released in the year:		
Buildings *(note 20)*	5,672	5,619
Plant *(note 20)*	2,076	1,802
Equipment *(note 20)*	2,604	2,354
	144,423	149,092
Joint Information Systems Committee grants	1,525	1,389
Training and Development Agency for Schools		
Recurrent grant	1,263	1,289
Specific grants	–	119
	1,263	1,408
Total funding body grants	147,211	151,889

2. TUITION FEES AND EDUCATION CONTRACTS

	2010–11 £000	2009–10 £000
Full-time students charged home fees	44,849	41,958
Full-time students charged overseas fees	49,705	43,688
Regional health authorities contracted student fees	21,161	20,836
Part-time fees	6,192	5,587
Special and short course fees	8,575	6,166
Research training support grants	264	165
	130,746	118,400

3. RESEARCH GRANTS AND CONTRACTS

	2010–11 £000	2009–10 £000
Research Councils	36,727	35,498
UK central government, local authorities, health and hospital authorities	37,436	38,075
UK industry, commerce and public corporations	9,133	9,870
UK charitable bodies	43,244	41,632
EU government and other bodies	11,288	10,173
Overseas non EU	8,795	8,107
Other	476	698
	147,099	144,053

Notes to the accounts *continued*

For the year ended 31 July 2011

4. OTHER OPERATING INCOME

	2010–11 £000	2009–10 £000
Academic departments costs reimbursed by NHS	15,801	16,549
Clinical excellence awards reimbursed by NHS	8,346	8,473
Residences, catering and conferences	17,932	16,473
Services rendered to NHS and related bodies	7,551	7,431
Self-financing activities	21,210	21,842
Released from deferred capital grants	2,042	1,848
Other income	20,679	14,474
	93,561	87,090

5. ENDOWMENT AND INVESTMENT INCOME

	2010–11 £000	2009–10 £000
Transferred from restricted permanent endowments *(note 21)*	2,131	1,982
Transferred from restricted expendable endowments *(note 21)*	1,438	2,075
Other interest receivable	1,924	2,556
	5,493	6,613

6. STAFF

	2010–11 £000	2009–10 £000
Staff costs:		
Wages and salaries	255,530	254,630
Social security costs	20,357	19,868
Other pension costs *(note 30)*	31,811	31,130
Restructuring costs	–	9,300
	307,698	314,928
Emoluments of the Principal:		
Other emoluments	267	267
Benefits-in-kind	5	5
	272	272
Pension scheme contributions	49	48
Total emoluments of the Principal	321	320

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.

	2010–11 Number	2009–10 Number
Average staff numbers, expressed as full-time equivalents:		
Academic/clinical, including research contract staff	2,923	2,801
Administrative and related staff	794	803
Technical	329	331
Clerical	925	890
Other	170	203
	5,141	5,028

Notes to the accounts *continued*

For the year ended 31 July 2011

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:

	2010–11 Clinical academic	2010–11 Other academic and related	2010–11 Total number	2009–10 Total number
£100,001 – £110,000	21	9	30	31
£110,001 – £120,000	17	6	23	27
£120,001 – £130,000	14	8	22	25
£130,001 – £140,000	13	5	18	23
£140,001 – £150,000	17	3	20	14
£150,001 – £160,000	14	2	16	17
£160,001 – £170,000	10	1	11	8
£170,001 – £180,000	11	3	14	17
£180,001 – £190,000	4	–	4	5
£190,001 – £200,000	7	–	7	9
£200,001 – £210,000	4	–	4	2
£210,001 – £220,000	5	–	5	7
£220,001 – £230,000	3	–	3	3
£230,001 – £240,000	3	–	3	3
£240,001 – £250,000	–	–	–	–
£250,001 – £260,000	1	–	1	–
£260,001 – £270,000	1	–	1	1
£270,001 – £280,000	–	1	1	1

The accounts include five severance payments for higher-paid employees (including the cost of additional pension benefits purchased by the College) amounting to £494,000 for 2011 (2010 – nine, £646,000).

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 £1,000 (2010 – £7,000) were paid to or on behalf of three members in respect of their duties of Council. In addition, the College paid a contribution of £12,000 (2010 – £12,000) towards the costs of the Chairman's office.

8. INTEREST PAYABLE

	2010–11 £000	2009–10 £000
Loans not wholly repayable within five years	10,805	10,743
Finance leases	1,556	1,756
	12,361	12,499

Notes to the accounts *continued*

For the year ended 31 July 2011

9. TAXATION

	2010–11 £000	2009–10 £000
UK corporation tax payable on the profits of subsidiary companies	2	2

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.

10. ANALYSIS OF 2011 EXPENDITURE BY ACTIVITY

	Staff costs £000	Depreciation £000	Other operating expenses £000	Interest payable £000	2010–11 Total £000	2009–10 Total £000
Academic departments	139,088	3,759	17,442	–	160,289	152,459
Academic departments costs reimbursed by NHS	15,256	–	545	–	15,801	16,549
Clinical excellence awards reimbursed by NHS	8,304	–	–	–	8,304	8,459
Academic services	17,655	2,803	11,290	–	31,748	34,349
Research grants and contracts	73,338	4,322	44,122	–	121,782	120,740
Residences, catering and conferences	4,029	31	9,112	4,792	17,964	16,524
Premises	6,795	12,740	30,851	–	50,386	57,191
Administration and central services	24,255	48	7,984	–	32,287	31,504
Staff and student facilities	3,546	240	5,678	–	9,464	6,983
General education expenditure	1,078	3	10,571	–	11,652	8,904
Services rendered to NHS and related bodies	5,347	–	2,110	–	7,457	6,976
Self-financing activities	8,374	–	9,058	–	17,432	17,343
Pension costs	(20)	–	–	–	(20)	(252)
Restructuring provision	–	–	–	–	–	9,300
Other	653	–	3,837	7,569	12,059	10,553
Total per Income and Expenditure Account	307,698	23,946	152,600	12,361	496,605	497,582

The depreciation charge has been funded by:	
Deferred capital grants released *(note 20)*	16,716
General income	7,230
	23,946

Other operating expenses include:	2010–11 £000	2009–10 £000
External auditors' remuneration in respect of audit services:		
College financial statements	95	82
Subsidiary financial statements	8	8
External auditors' remuneration in respect of non-audit services:		
Consultancy	73	88
Research certifications	216	64
Other certifications	10	13

Notes to the accounts *continued*

For the year ended 31 July 2011

11. 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 2010	336,662	313,051	7,739	12,784	88,304	21,733	17,883	798,156
Additions	737	284	–	324	3,680	–	44,127	49,152
Transfers	5,390	2,817	–	6,465	1,001	–	(15,673)	–
Disposals	(178)	–	–	–	(2,898)	–	–	(3,076)
At 31 July 2011	342,611	316,152	7,739	19,573	90,087	21,733	46,337	844,232
Depreciation								
At 1 August 2010	51,745	51,723	4,504	1,186	63,321	5,797	–	178,276
Charge for year	5,139	4,957	315	1,317	10,769	1,449	–	23,946
Eliminated on disposals	(72)	–	–	–	(2,897)	–	–	(2,969)
At 31 July 2011	56,812	56,680	4,819	2,503	71,193	7,246	–	199,253
Net book value								
At 31 July 2011	285,799	259,472	2,920	17,070	18,894	14,487	46,337	644,979
At 1 August 2010	284,917	261,328	3,235	11,598	24,983	15,936	17,883	619,880

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 2010	337,219	313,793	7,752	12,797	88,263	21,733	17,890	799,447
Additions	737	284	–	324	3,677	–	44,184	49,206
Transfers	5,390	2,824	–	6,465	1,001	–	(15,680)	–
Disposals	(178)	–	–	–	(2,877)	–	–	(3,055)
At 31 July 2011	343,168	316,901	7,752	19,586	90,064	21,733	46,394	845,598
Depreciation								
At 1 August 2010	51,745	51,723	4,504	1,186	63,295	5,797	–	178,250
Charge for year	5,139	4,957	315	1,317	10,760	1,449	–	23,937
Eliminated on disposals	(72)	–	–	–	(2,876)	–	–	(2,948)
At 31 July 2011	56,812	56,680	4,819	2,503	71,179	7,246	–	199,239
Net book value								
At 31 July 2011	286,356	260,221	2,933	17,083	18,885	14,487	46,394	646,359
At 1 August 2010	285,474	262,070	3,248	11,611	24,968	15,936	17,890	621,197

The total amount of interest included in assets above amounted to £1,740,000 (2010 – £1,740,000). Included within freehold and long-leasehold land and buildings are a number of properties that are shared with third parties where title documentation may not exist at the present time. The net book value of these are £1,837,000 and £51,753,000 respectively.

Included in the above are assets with a net book value of £408,808,000 (2010 – £404,219,000) funded by capital grants (*note 20*).

Notes to the accounts *continued*

For the year ended 31 July 2011

12. HERITAGE ASSETS

Heritage assets include a unique, 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 & 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. Although held by the College, this collection is owned by a separate company, King's College Foreign & Commonwealth Office Library Ltd, whih is independent of the College.

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.

King George III Collection
This collection of eighteenth-century scientific apparatus is on loan to the Science Museum. It consists of equipment assembled during the 1750s by the natural scientist and astronomer Stephen Demainbray for use in public lectures and apparatus commissioned in 1761 by King George III from the instrument maker George Adams for the entertainment and instruction of the royal family.

Further information on all of these collections is available on the College website, www.kcl.ac.uk.

No heritage assets were capitalised during the year as none exceeded the capitalisation threshold of £25,000. Earlier acquisitions 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 due to the unique nature of the assets.

Notes to the accounts *continued*

For the year ended 31 July 2011

13. INVESTMENTS

	Consolidated		College	
	2011 £000	2010 £000	2011 £000	2010 £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) and College Facilities Limited (for construction services). Both companies are registered in England and their operating activities are in the United Kingdom.

14. ENDOWMENT ASSET INVESTMENTS

	Consolidated and College	
	2010–11 £000	2009–10 £000
Balance at 1 August	115,233	103,682
Additions	94,613	42,822
Disposals	(92,931)	(25,773)
Revaluation	5,799	10,147
Increase in cash balances	1,959	(15,645)
Balance at 31 July	124,673	115,233
Fixed interest stocks	29,028	23,488
Equities	83,885	81,944
Bank balances	11,760	9,801
Total endowment asset investments	124,673	115,233
Fixed interest and equities at cost	105,916	99,576

15. DEBTORS

	Consolidated		College	
	2011 £000	2010 £000	2011 £000	2010 £000
Trade debtors	14,487	16,783	14,487	16,783
Other debtors	5,483	3,038	5,043	2,937
Research grant debtors	20,183	18,632	20,183	18,632
Research grant work in progress	14,087	12,871	14,087	12,871
Prepayments and accrued income	702	1,217	369	1,217
Amounts owed by Group undertakings	–	–	432	2,425
	54,942	52,541	54,601	54,865

Notes to the accounts *continued*

For the year ended 31 July 2011

16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Consolidated		College	
	2011 £000	2010 £000	2011 £000	2010 £000
Trade creditors	21,881	18,566	18,761	17,881
Payments received on account	76,608	71,376	76,608	71,356
Other creditors and accruals	45,169	40,037	44,097	39,169
Social security and other taxation payable	7,551	7,856	7,549	7,854
Amounts owed to Group undertakings	–	–	788	–
Obligations under finance leases *(note 18)*	2,236	2,203	2,236	2,203
Current element of long-term liabilities *(note 18)*	3,330	3,170	3,330	3,170
	156,775	143,208	153,369	141,633

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

	Consolidated		College	
	2011 £000	2010 £000	2011 £000	2010 £000
Obligations under finance leases *(note 18)*	36,084	35,898	36,084	35,898
Term deposits for loan repayments	(25,403)	(24,658)	(25,403)	(24,658)
	10,681	11,240	10,681	11,240
Loans *(note 18)*	161,137	161,711	161,137	161,711
Total long-term borrowings	171,818	172,951	171,818	172,951

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.

18. BORROWINGS

	Consolidated and College			
	Finance leases		Loans	
	2011 £000	2010 £000	2011 £000	2010 £000
Obligations under finance leases fall due and loans are repayable as follows:				
Between one and two years	2,236	2,203	3,506	3,330
Between two and five years	25,958	26,450	11,423	10,925
Total between one and five years	28,194	28,653	14,929	14,255
Over five years	7,890	7,245	146,208	147,456
Total over one year *(note 17)*	36,084	35,898	161,137	161,711
Within one year *(note 16)*	2,236	2,203	3,330	3,170
	38,320	38,101	164,467	164,881

Loans with interest rates between 6.75% and 9.60% amounting to £41,137,000 are repayable by instalments falling due between 1 August 2012 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.

Notes to the accounts *continued*

For the year ended 31 July 2011

18. BORROWINGS *(continued)*

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 2011, 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%.

19. PROVISIONS FOR LIABILITIES AND CHARGES

	Consolidated and College £000
At 1 August 2010	7,686
Utilised in year	(5,476)
At 31 July 2011	2,210

The provisions relate to restructuring costs arising in order to achieve the College's Strategic Plan.

As explained in the Statement of Principal Accounting Policies, note 13, 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.

20. DEFERRED CAPITAL GRANTS

	Consolidated and College		
	Funding Council £000	**Other grants and benefactions £000**	**Total £000**
At 1 August 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
Cash received			
Buildings	3,644	6,033	9,677
Plant	7,866	214	8,080
Equipment	1,546	2,002	3,548
Total	13,056	8,249	21,305
Released to income and expenditure			
Buildings *(note 1)*	(5,672)	(2,620)	(8,292)
Plant *(note 1)*	(2,076)	(208)	(2,284)
Equipment *(note 1)*	(2,604)	(3,536)	(6,140)
Total *(note 10)*	(10,352)	(6,364)	(16,716)
At 31 July 2011			
Buildings	239,662	125,278	364,940
Plant	26,182	2,894	29,076
Equipment	7,622	7,170	14,792
Total	273,466	135,342	408,808

Notes to the accounts *continued*

For the year ended 31 July 2011

21. ENDOWMENTS

	Consolidated and College Restricted permanent £000	Restricted expendable £000	Total £000
At 1 August 2010	100,824	14,409	115,233
Additions	2,145	933	3,078
Change in value of endowment asset investments	5,182	617	5,799
Income for year	3,535	597	4,132
Transferred to Income and Expenditure Account *(note 5)*	(2,131)	(1,438)	(3,569)
At 31 July 2011	109,555	15,118	124,673
Endowment capital	105,379	15,870	121,249
Accumulated income/(deficit)	4,176	(752)	3,424
	109,555	15,118	124,673

	At 1 August 2010 £000	Additions and transfers £0000	Change in market value £000	Income £000	Expenditure £000	At 31 July 2011 £000
Funds with income under £100,000						
Scholarships (154 funds)	15,393	1,100	768	602	(224)	17,639
Prize funds (258 funds)	5,372	27	274	164	(30)	5,807
Chairs and lectureships (173 funds)	63,658	1,917	3,171	2,315	(2,997)	68,064
Other funds (78 funds)	9,403	34	467	410	(114)	10,200
Funds with income over £100,000						
Dimbleby Endowment Fund	6,269	–	326	187	(185)	6,597
Newland-Pedley General Fund	11,657	–	614	352	(5)	12,618
Richard Dickinson USA Fund	3,481	–	179	102	(14)	3,748
	115,233	3,078	5,799	4,132	(3,569)	124,673

The Dimbleby Endowment Fund is used for cancer research.

The Newland-Pedley General Fund is used to support the Dental School.

The Richard Dickinson USA Fund is used to support research and training fellowships in dentistry.

Notes to the accounts *continued*

For the year ended 31 July 2011

22. RESERVES

	Consolidated £000	College £000
Balance at 1 August 2010	164,131	165,449
Surplus after depreciation of assets at cost and tax	27,503	27,558
Actuarial gain on pension scheme liability	1,758	1,758
Balance at 31 July 2011	193,392	194,765
The reserves are:		
Income and expenditure reserve, which is nominally allocated to:		
Capital reserve	64,353	65,733
Departmental reserves	45,722	45,722
Revenue reserve	84,457	84,450
General reserves	130,179	130,172
Total income and expenditure reserve	194,532	195,905
Pension reserve	(1,140)	(1,140)
	193,392	194,765

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.

23. CAPITAL COMMITMENTS

	Consolidated		College	
	2011 £000	2010 £000	2011 £000	2010 £000
Commitments contracted at 31 July	34,856	6,501	34,856	6,501
Commitments authorised but not contracted at 31 July	103,758	105,213	103,758	105,213
	138,614	111,714	138,614	111,714

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

	2010–11 £000	2009–10 £000
Surplus before tax	27,505	10,463
Depreciation *(note 11)*	23,946	23,476
Deferred capital grants released to income *(note 20)*	(16,716)	(15,931)
Investment income *(note 5)*	(5,493)	(6,613)
Interest payable *(note 8)*	12,361	12,499
Pension scheme FRS17 income and costs	(2,790)	(252)
Surplus on disposal of tangible fixed assets	(698)	–
Increase in debtors	(2,401)	(3,520)
Increase in creditors	13,372	14,246
Decrease in capital goods scheme VAT	–	(564)
(Decrease)/increase in provisions	(5,476)	1,986
Net cash inflow from operating activities	43,610	35,790

Notes to the accounts *continued*

For the year ended 31 July 2011

25. RETURNS ON INVESTMENTS AND SERVICING OF FINANCE

	2010–11 £000	2009–10 £000
Income from endowments *(note 21)*	4,132	3,845
Interest received *(note 5)*	1,924	2,556
Interest paid	(8,048)	(8,030)
Net cash outflow from returns on investments and servicing of finance	(1,992)	(1,629)

26. CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT

	2010–11 £000	2009–10 £000
Tangible assets acquired *(note 11)*	(49,152)	(33,092)
Endowment asset investments acquired *(note 14)*	(94,613)	(42,822)
Total tangible and investment assets acquired	(143,765)	(75,914)
Receipts from sale of tangible assets	805	–
Receipts from sale of endowment assets *(note 14)*	92,931	25,773
Deferred capital grants received *(note 20)*	21,305	47,205
Endowments received *(note 21)*	3,078	1,616
Net cash outflow from capital expenditure and financial investment	(25,646)	(1,320)

27. MANAGEMENT OF LIQUID RESOURCES

	2010–11 £000	2009–10 £000
Movement in endowment assets	(1,959)	15,645
Net cash movement from management of liquid resources *(note 14)*	(1,959)	15,645

28. ANALYSIS OF CHANGES IN CONSOLIDATED FINANCING DURING THE YEAR

	2010–11 £000	2009–10 £000
Borrowings repaid	(3,170)	(3,016)
Repayment of capital element of finance leases	(2,083)	(2,198)
Net cash outflow from financing	(5,253)	(5,214)

29. ANALYSIS OF CHANGES IN NET CASH

	At 1 August 2010 £000	Cash flows £000	Other changes £000	At 31 July 2011 £000
Cash at bank and in hand	225,414	8,760	–	234,174
Endowment asset investments *(note 14)*	9,801	1,959	–	11,760
	235,215	10,719	–	245,934
Debt due within one year	(5,373)	4,508	(4,701)	(5,566)
Debt due after one year	(172,951)	745	388	(171,818)
Net cash	56,891	15,972	(4,313)	68,550

Notes to the accounts *continued*

For the year ended 31 July 2011

30. 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 one 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.

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 (31 March 2008).

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

Notes to the accounts *continued*

For the year ended 31 July 2011

30. PENSIONS *(continued)*

Prices index for retirement benefits

Under the rules of the Local Government Pension Scheme, pensions are increased in line with Orders made under the Pensions (Increase) Act 1971, as was also the case for the Federated Pension Scheme prior to its transfer into SAUL. Following the government's July 2010 announcement changing the basis of future increases under the Act from the retail prices index (RPI) to the consumer prices index (CPI), a decrease in pension liabilities was recognised in the year to 31 July 2010 with the corresponding gain recognised as an actuarial gain in the Statement of Total Gains and Losses. In the light of the Urgent Issues Task Force Abstract 48 in December 2010 this accounting treatment was reviewed, and it was concluded that it remains appropriate for both schemes as the change does not represent an alteration to the scheme rules, but merely a change in the assumption of future pension increases.

Federated Pension Scheme (FPS)

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).

An agreement to merge FPS with SAUL was signed on 31 July 2011. On 31 August 2011 a payment of £2,770,000 was made to SAUL in order to bring the funding level of FPS up to that of SAUL.

As a result of the merger of the schemes and the deficit payment, the College's pension liability, which was £4,146,000 in respect of FPS at 31 July 2010 as measured on an FRS17 basis, has been eliminated. This gave rise to a credit of £2,770,000 to the Income and Expenditure Account, offsetting the £2,770,000 cost of the funding deficit that had accrued at 31 July 2011. The remaining balance on the pension liability of £1,376,000 was credited in the Statement of Recognised Gains and Losses.

Local Government Pension Scheme (LGPS)

The pension scheme offered to staff at the former Chelsea College was the Local Government Pension Scheme (LGPS). No new members are admitted to the scheme.

LGPS is a defined-benefit scheme; the last triennial valuation was undertaken on 31 March 2010.

For the purposes of reporting under FRS17, projected unit method valuations were carried out as at 31 July 2011. The assumptions used and the valuation results are set out below.

		31 July 2011	31 July 2010	31 July 2009
Price increases per annum (RPI)		3.5%	3.2%	3.6%
Price increases per annum (CPI)		2.7%	2.7%	n/a
Salary increases per annum		4.5%	4.7%	5.1%
Pension increases per annum		2.7%	2.7%	3.6%
Discount rate per annum		5.3%	5.4%	6.0%
Expected return on assets		4.6%	4.7%	4.8%
Life expectancy from age 65 years				
Retiring today	Males	19.9	21.0	
	Females	23.6	23.4	
Retiring in 20 years	Males	21.9	22.0	
	Females	25.5	24.2	

Total expense recognised in the Income and Expenditure Account	31 July 2011 £000	31 July 2010 £000
Current service cost	10	10
Interest cost on obligation	285	352
Expected return on scheme assets	(189)	(165)
Past service cost	–	(391)
Total Income and Expenditure charge	106	(194)
Expected employer contribution to the scheme in the year to 31 July 2012	74	

Notes to the accounts *continued*

For the year ended 31 July 2011

30. PENSIONS *(continued)*

Expected return on assets	**31 July 2011**		**31 July 2010**		**31 July 2009**	
Fair value of assets and the net expected return on assets by category:	**Rate of return**	**£000**	**Rate of return**	**£000**	**Rate of return**	**£000**
Equities	7.0%	855	7.3%	527	7.7%	338
Cash flow matching	4.0%	3,463	4.3%	3,488	4.5%	3,195
Cash	3.0%	(43)	3.0%	41	3.0%	25
Total fair value of assets		4,275		4,056		3,558
Value of liabilities (defined-benefit obligation)		(4,939)		(5,113)		(5,330)
Value of unfunded obligations		(476)		(485)		(711)
Recognised pension liability		(1,140)		(1,542)		(2,483)

Changes in the present value of the defined-benefit obligation	**2010–11 £000**	**2009–10 £000**
Opening defined-benefit obligation	5,598	6,041
Current service cost	10	10
Interest cost on obligation	285	352
Actuarial loss on obligation	(82)	(37)
Past service cost	–	(391)
Member contributions	3	3
Unfunded benefits paid	(53)	(52)
Benefits paid	(346)	(328)
Closing defined-benefit obligation	5,415	5,598

Changes in the fair value of scheme assets	**2010–11 £000**	**2009–10 £000**
Opening fair value of scheme assets	4,056	3,558
Expected return	189	165
Actuarial gain	300	586
Employer contributions	73	72
Member contributions	3	3
Contributions in respect of unfunded benefits	53	52
Unfunded benefits paid	(53)	(52)
Benefits paid	(346)	(328)
Closing fair value of scheme assets	4,275	4,056

Total amounts recognised in the Statement of Total Recognised Gains and Losses	**2010–11 £000**	**2009–10 £000**
Actuarial gains/(losses) on obligation	296	(160)
Experience (losses)/gains	(94)	197
Actuarial gains on assets	180	586
	382	623

The actuarial gains on pension schemes shown in the Statement of Recognised Gains and Losses of £1,758,000 consist of the £382,000 gain on LGPS and the £1,376,000 gain on FPS.

Notes to the accounts *continued*

For the year ended 31 July 2011

30. PENSIONS *(continued)*

Return on scheme assets	**31 July 2011 £000**	**31 July 2010 £000**
Actual return on scheme assets	369	751
Expected return on scheme assets	189	165
Actual less expected return on scheme assets	180	586

History of experience gains and losses

	31 July 2011 £000	**31 July 2010 £000**	**31 July 2009 £000**	**31 July 2008 £000**	**31 July 2007 £000**
Fair value of scheme assets	4,275	4,056	3,558	3,982	4,075
Value of liabilities (funded obligations)	(5,415)	(5,598)	(6,041)	(5,657)	(5,580)
Deficit	(1,140)	(1,542)	(2,483)	(1,675)	(1,505)
Experience adjustments on liabilities	(214)	197	–	17	20
Experience adjustments on assets	300	586	(357)	64	(61)

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 when the appropriate Schedule of Contributions was prepared following that valuation, the pension schemes had an MFR funding level in excess of 100%.

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.

Total pension cost for the College and its subsidiaries

	Consolidated		**College**	
	2010–11 £000	**2009–10 £000**	**2010–11 £000**	**2009–10 £000**
Contributions to USS	22,552	22,152	22,319	21,885
Contributions to SAUL	3,954	3,877	3,954	3,877
Contributions to NHSPS	3,871	3,882	3,871	3,882
Contributions relating to FPS	1,153	941	1,153	941
Contributions to other pension schemes	281	278	281	278
Total pension cost *(note 6)*	31,811	31,130	31,578	30,863

The contributions relating to FPS include the funding deficit cost and corresponding offsetting transfer of £2,770,000 from the net pension liability.

Notes to the accounts *continued*

For the year ended 31 July 2011

31. 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.

King's College London Students' Union (Union) is an independent charity registered with the Charity Commission, of which the President is also a member of College Council. The College makes an annual grant to the Union.

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

32. ACCESS FUNDS AND TRAINING SALARIES

	Consolidated and College			
	Access funds		Training salaries	
	2010–11 £000	2009–10 £000	2010–11 £000	2009–10 £000
Balance underspent/(overspent) at 1 August	35	20	(4)	243
Funding Council and Training and Development Agency for Schools grants	266	303	1,526	1,653
Interest earned	1	–	–	–
	267	303	1,526	1,653
Disbursed to students	(261)	(278)	(1,415)	(1,900)
Administrative expenses	(9)	(10)	–	–
	(270)	(288)	(1,415)	(1,900)
Balance underspent/(overspent) at 31 July	32	35	107	(4)

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.