

**Kingston
University**
London

Annual Accounts 2011–12



Financial Statements 2011-12

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OPERATING AND FINANCIAL REVIEW

(REPORT OF THE GOVERNING BODY)

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1. Institutions Strategy and objectives

1.1 Vision and mission

The University's new strategic plan is driven by key vision, purpose and value statements.

Our Vision:

To be internationally recognised for a creative approach to education that has practical outcomes which benefit people and communities.

Our Purpose:

To develop potential, transform lives and improve the world around us. To be led by learning in all that we do: enabling others to learn, continually learning ourselves and pushing the boundaries of learning through teaching, research and enterprise, and professional practice.

We Value:

Rigour, curiosity, excellence and originality;
Innovation, creativity and enterprise;
Consideration, courtesy and collegiality; and
Breadth, diversity and individuality.

1.2 Strategic Plan

Under the leadership of the Vice-Chancellor Professor, Julius Weinberg, the University has responded to the significant changes in the HE environment by producing a new strategic plan. Following extensive consultation with internal and external stakeholders the new strategic plan "Led by Learning" was developed and following approval by the Board of Governors was launched in March 2012. This has key goals under the headings:

- "Learning enquiry and practice";
- "Enriching lives"; and
- "Respect for individuals, communities and environment".

This overarching strategy is underpinned by separate core academic strategies for Education, Research and Enterprise.

With a further six supporting strategies dealing with People, Finance, Estates, Communications, Information, and Civic Engagement.

1.3 Financial Strategy

A new Financial Strategy was approved by the Board of Governors on 14 March 2012 to support Led by Learning. The aim of the strategy is to ensure that the full economic costs of the University are covered by the sources of income, that sufficient reserves are maintained over the period of the strategy and that the liquidity position will meet the operating requirements of the University.

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The strategy defines a number of Key Performance Measures (KPM's) that are used to assess performance. Four of these measures are denoted Key Performance Indicators (KPI's) and these four are proposed as front-line mandatory ratios in determining success in achieving the financial strategy:

- Historic cost surplus as a percentage of fees and funding [4% in any one year and 5% rolling three year basis];
- Annualised servicing costs of no more than 4% per annum;
- External borrowing as a multiple of EBITDA. A new measure where the ceiling to be determined in coming months; and
- Net liquidity days of at least 90 days.

2. Public Benefit Statement

Kingston University's legal status is that of a higher education corporation but it is also an exempt charity under the Education Reform Act 1988 and subject to monitoring by the Higher Education for England (HEFCE) in its role as principal regulator under the terms of the Charities Act 2011. The Act requires the University to clearly demonstrate the public benefits it provides and that these are related to the aims of the University. The University has had due regard to the Charity Commission's guidance on public benefit.

As both a charity and a higher education corporation, the University makes a significant contribution to several of the charitable purposes set out in the Charities Act 2011. In addition to the advancement of education (which relates directly to the primary purpose of the University) these include:

- The advancement of the arts, culture, heritage or science;
- The advancement of health or the saving of lives;
- The advancement of citizenship or community development;
- The advancement of amateur sport and
- The advancement of environmental protection or improvement.

The governing body, and its members, is aware of its responsibilities in relation to its charitable purposes, which it discharges through its decisions in determining the educational character and mission of the University, and in relation to the effective and efficient use of resources. It has considered the new Financial Memorandum and the role of the Principal Regulator on a number of occasions and recently reviewed its Strategic Plan.

To realise this ambition, Kingston has developed as a comprehensive university – with a wide range of subjects taught at all levels, and with a diverse student body. The University is proud of its past as a polytechnic, from which enduring commitments to widening participation and vocational preparation/professional formation are derived. It is ambitious for its future as a university with a growing research reputation and international presence.

Kingston University has also developed as a civic university, working closely with the Royal Borough of Kingston upon Thames and the wider community (notably in terms of economic development, sustainability, cultural strategy and civic engagement) and with local schools and colleges. The geographical position enlarges this civic role. As the only large multi-faculty university in south-west London, the University continues to play a central role in the provision of higher education in a sub-region with a population of 1.5 million, larger than any city outside the capital.

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Kingston University has a clear and inclusive commitment to widening participation. The University has a rich tradition of encouraging and supporting non-traditional students into and through higher education. For many years, students have chosen Kingston because of its commitment to high quality education which recognises and values diversity.

Widening Participation Institutional Priorities for 2012-13

The university can report that all students with family incomes under £39,796 who have been eligible and applied into the scheme have received a bursary from the University in 2011/12. In 2011/12 bursaries were issued to some 8,019 students with a value of just over £5.8m. This represents 21.5% of the University's fee income.

Investment in outreach, retention and financial support is considerable and it is anticipated that this will increase to nearly £7 million in 2013-14 academic year.

The Kingston Scholarship Scheme will be the cornerstone of the approach to providing financial support for Kingston students. This will encompass:

- engagement with the National Scholarship Programme;
- Kingston Scholarships aimed at First Generation entrants from low-income backgrounds;
- renewed and expanded commitment to Looked After Children; and
- International Mobility Bursaries which have proved effective in attracting more students from widening participation backgrounds to study abroad as part of their programme of study.

The University's approach to the management of widening participation reflects its objective to embed the work. The Head of Widening Participation is a senior staff member who reports to the Director of Academic Development (ADC) who is managed by the PVC for Education. The Head of Widening Participation strategically manages the Educational Liaison Team which is situated alongside the University's undergraduate recruitment team. The Education Liaison Team delivers all of the university's widening participation outreach work. The progress of WPSA (the Widening Participation Strategic Assessment) targets will be monitored by the University's Quality Enhancement Committee.

These goals are clearly acknowledged in the new strategic plan.

A key purpose of our new strategy is to continue to develop potential and transform lives. We will develop strategies to support all who can benefit from a Kingston University education, regardless of background, so that they can participate fully and complete it successfully. Therefore, Led by Learning makes a clear commitment to support all who can benefit from a Kingston University education, regardless of background.

(Led by Learning)

As a University that already values an inclusive education model, HEFCE's introduction of the Widening Participation Strategic Assessment (WPSA) process gave Kingston University a platform to position itself within the current WP (Widening Participation) higher education landscape.

The University has sought to develop existing good practice and create new approaches to meet the demands of government policy while still serving our broad educational community. It has used the WPSA to define six over-arching priorities and commitments:

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1. Cutting-edge practice in partnerships;
2. Embedding WP as a shared commitment to promoting the success of all students;
3. Putting students first by providing a supportive and inclusive curriculum;
4. Financial commitment to widen participation by funding effective and efficient schemes;
5. Recognising the value of collaborative partners where provision often encourages the participation of WP students; and
6. Using data to identify the impact of measures to widen participation and validate approaches at all stages of the student lifecycle.

The six commitments are applied across clearly defined target groups facing specific barriers to learning, and across the student lifecycle, ensuring that fair access leads to equal opportunity.

Data from a range of sources is valued that enables the University to derive a clear picture of the real student experience. Data is used:

- for formal reporting and evaluation purposes;
- for understanding the ramifications of University policy on WP cohorts;
- for identifying gaps in existing practice; and
- to assess the success of new projects in terms of student outcomes and value.

A programme of activities which will ensure the effective transition of entrants to the University as well as their subsequent retention, attainment and employability will complement the Kingston Scholarship Scheme. The need for these measures has been informed by an evaluation of the access and retention record. Initiatives will be used which draw upon best national and international practice and which have been piloted successfully at the University. The nationally recognised compact scheme will be extended and, using "legacies" from both Aim Higher and Lifelong Learning Networks, prospective students will be provided with the best possible advice and guidance over their choice of course. They will be treated fairly after having made an application and, should they accept a place at the university, they will be invited to participate in a summer school prior to entry which will encourage their subsequent engagement in university life, both academic and social.

The University has developed and published work over the past ten years on a number of approaches to improving the first year experience. This work will now be further increased by the launch of a university first year Academic Mentoring Programme whereby 2nd year students will be trained by senior undergraduate and post graduate students to work with groups of first year students as they navigate their first academic year of study. The second year mentors will have successfully mastered the challenges of the discipline, the learning, teaching and assessment regime, and the challenges of combining work, study and a social life and will share their experiences as well as strategies and approaches in a structured programme based around the crucial occasions of the academic calendar. This approach builds on the rich history of the university's approach to working with undergraduates and postgraduates as "academic partners" in the learning and teaching and research process, work which has been demonstrated also to have a positive effect on the attainment and employability of the "academic partners" themselves.

Kingston University has a clear commitment to partnership work and collaboration with other universities both regionally and nationally, as well as schools and colleges within our region. It is recognised that collaborative work is often the most effective way of working with potential students and this is a further strategy for ensuring that the good work developed by Aim Higher and Lifelong Learning Networks is continued.

Our record and longstanding commitment to widening participation is supported by the wide range of widening participation initiatives we are involved with to support both potential learners and those who have chosen and are studying at Kingston University. Through our WP and TESS (Teaching Enhancement and Student Success) funds we work to support students throughout the student lifecycle and into employment. Therefore our key widening participation priorities will be to provide information, advice and guidance to prospective students, raise aspirations and attainment levels through a range of pre entry and transitional initiatives; to support retention and achievement and employment and career opportunities as well as enhance the student experience through academic, employment, social and cultural opportunities.

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The priorities and approach recognises the importance of data in identifying the impact of measures to widen participation and validates approaches at all stages of the student lifecycle. The data analysis indicates that the measures to widening access at the university have been successful in attracting students from lower social classes (and preparing their successful transition to university), although there remains an issue of participation of students from lower participation neighbourhoods. It is proposed that the university will maintain this approach with the work funded through the widening participation allocation.

The Education Liaison team (who are the main contact for Care Leaver support) have been working closely with internal departments, local authorities, schools and colleges and other external agencies in identifying potential students to the University who have been in local authority care. The team works in conjunction with two other classes (and preparing their successful transition to university), although there remains an issue of participation of students from lower participation neighbourhoods. It is proposed that the university will maintain this approach with the work funded through the widening participation allocation.

HEIs and Aim Higher London South to host experience days for Looked After Children in regional schools and colleges, current Care Leaver undergraduates assist with outreach work for Looked After Children programmes in schools and at pre-enrolment events for those leaving care to come to the University.

The Education Liaison Team is continuing its work with Royal Borough of Kingston (RBK) after a successful pilot initiative to engage young people in education. The focus has been placed on students working Year 10 pupils in schools within the Kingston Borough, who all have free school meals (fsm) status. In the last academic year the project was expanded to include Year 5 and 6 pupils on our primary schools activity. These cohorts have been selected as a key priority for RBK as these students consistently underachieve in comparison to their non-fsm peers. The project takes a similar format to other Education Liaison activities and sees pupils working closely with our student ambassadors. Pupils engage in activities regarding student life, qualifications and progression routes for their futures, as well as study skills for exam success. In the younger age group they find out about university, meet students, engage in group work and have a mini graduation ceremony.

The Student Associates Scheme (SAS) has been set up to help students who are considering teaching as a career and would like to make a difference in a school and get the 'feel' of teaching while they're still at university. Kingston University has now been running the scheme for three years, during which time 154 students have been placed in 38 schools across the Aim Higher London South region.

At Kingston University there is team of 88 Student Ambassadors who support the Recruitment and Outreach team's activities. The Student Ambassadors are current undergraduate and postgraduate students studying at the University. The recruitment takes place across all faculties, courses, ethnic groups and fee statuses (ie both home and international). This ensures that the Ambassadors reflect the diverse population of the University, as well as the pupils we work with in schools and colleges. They work on a large number of activities throughout the year both on campus and in schools, with pupils in Year 5 up to and including those starting at the University as undergraduates. The team has also been supporting Reading Force, a family reading project for schools with high numbers of pupils from Armed Services families.

This year the University's Compact Scheme moved from working with partner schools and colleges to accepting applications nationally from prospective students who met the eligibility criteria. As part of this expansion of the scheme a new 3 day summer school was piloted for Compact students who made Kingston their first choice and was aimed at aiding the transition to the University, increasing confidence and having an impact on their first year experience. Current students on the existing Compact Scheme facilitated activities and supported participants, along with departmental and faculty staff.

Students and staff at the University have opportunities to take part in a range of extracurricular voluntary activities. The majority of this activity takes place in the local community, but occasionally volunteers travel further afield to London and the surrounding areas. The volume, variety and quality of volunteer activity have gone from strength to strength and the University now sees an average of over 300 volunteers active within 50 partner organisations, contributing around 3,700 hours to the community each year.

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The University's Student Well Being; Sports & Active Lifestyles Service provides opportunities for students to get involved in developing their sporting knowledge and put this in to action by delivering coaching in the local community. It runs a sports specific volunteering programme, placing qualified student coaches in local schools with the aim of:

- increasing active participation in sport within the local community;
- raising awareness of further and higher education through sport;
- increasing the number of students volunteering in sports-related activities;
- increasing the coaching and participation opportunities for students in sport; and
- increasing the experience and leadership skills of students and encouraging them into the sports sector.

The University also has Sports Performance Programme to assist talented sports people at the University in balancing their sporting and academic commitments. Elements of the programme are also available to talented athletes living or working locally who are not studying at the University.

Adjoining the University's Knights Park campus, the Stanley Picker Gallery is on a small island in the Hogsmill River. It works with artists, designers and students to put on a broad programme of exhibitions and events. For example, recent exhibitions have included Urban Landscape Photography, Characters in Search of an Author and The Tourists. The gallery aims to engage with audiences within the University and the wider community and encourage and assist the development of research in the arts.

The University owns and runs Dorich House Museum (the Museum), which is the former home of the internationally acclaimed Estonian Sculptor Dora Gordine (1895-1991) and holds the major collection of her bronzes, paintings and drawings, and a superb collection of Russian Imperial Art, gathered by her husband, the Hon. Richard Hare. The house became a museum in 2004, and was awarded Full Accreditation status in 2009 under the MLA Museum Accreditation Scheme which sets nationally agreed standards for all museums in the UK. The Museum is open for visits by school groups by appointment. The Museum welcomes all age groups for sketching and organises specialised sessions on request.

3. Regulatory and competitive environment

The University's main sources of income reveal the nature of the regulatory and competitive environment in which it operates. In 2011/12 84.3% of its income (83.9% in 2010/11) came from funding agencies grants, tuition fee income and education contracts. The major proportion of this income, 77.5% (77.2% in 2010/11) relates to teaching income, both funding and fees, for the provision of education to full time UK and EU students. The student numbers are regulated through contracts with the funding agencies, mainly HEFCE, who will determine the number of students eligible for funding. The current funding arrangements necessitate the University meeting student number controls in order to avoid financial penalties. HEFCE exercises much of this regulation through the Financial Memorandum. There has been a reduction in income from overseas students by £1.5m in 2011/12 compared with last year. This reduction reflects a sector trend caused by increased controls by the government over the issue of visas. Income from overseas students represents 13.8% of funding and fee income (2010/11: 14.3%).

Kingston University, through its joint arrangement with St George's, University of London to operate the Faculty of Health and Social Care Sciences, submitted a tender to NHS London to develop and deliver innovative training programmes in pre-registration Adult Nursing and Physiotherapy that are demonstrably high quality and meet the demands of healthcare services across London and the increasing expectations of the patients and carers they serve. The contract was awarded at capacities in line with those submitted in the tender. Pricing followed that of existing contracts. Following the submission on 14 November 2011, the faculty were advised that it was successful on 16 December 2011. Subsequent contract negotiations were successful and the contracts were signed on 5 April 2012, to commence service on 1 September 2012 with provisions for duration and extensions for the next three years. This is co-terminus with the previous contracts. The faculty also deliver three other branches of nursing: Mental Health, Child and Learning Disability; Midwifery; Radiography and Continuing Personal and Professional Development (CPPD) for NHS London.

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4. Analysis of Financial position

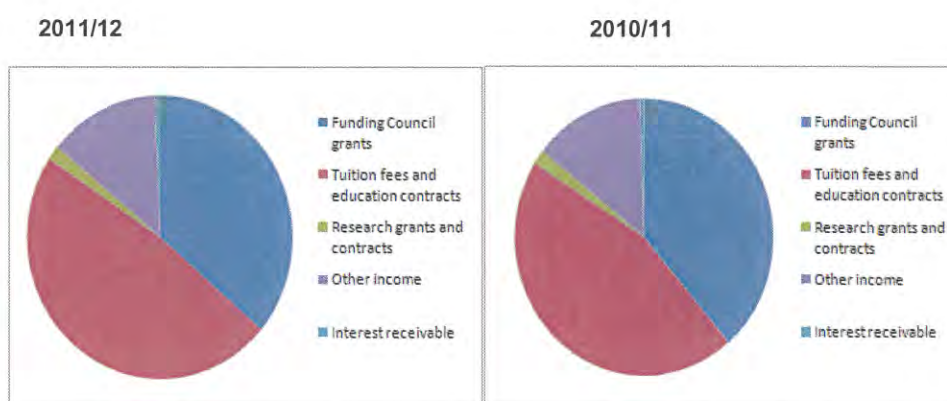
The Financial Statements comprise the results of the activities channelled through the University as a legal entity and give the consolidated results of the University and its subsidiary companies – Kingston University Service Company Limited (KUSCO), Kingston University Enterprises Limited (KUEL), Kingston University Campus Enterprises Limited (KUCEL), and Kingston University Press Limited (KUPL). KUSCO was established to provide certain support services to the University and its subsidiaries. KUEL exists to undertake activities which, for legal or commercial reasons are more appropriately channelled through a limited company. KUCEL was established to further develop conference and vacation letting activity. KUPL was established to handle the printing and publishing activity of the University. It has been decided that the activity in KUPL is to be transferred to the University and the company is in the process of being wound up. The statements also include an apportionment of the activities of a joint arrangement with St. George's University of London engaged in health and social care education.

Overview of the financial result for the year

The University's financial performance for the year to 31 July 2012 is summarised as follows:

	<u>2011/12</u> £000's	<u>2010/11</u> £000's
Total income	203,330	210,118
Total expenditure	192,476	190,176
Surplus for the year after tax	10,854	19,942
Cash flow from operating activities	24,578	27,459
Cash at bank and in hand	101,876	97,218
Increase in net assets excluding pensions liability	9,301	18,610
Increase in total reserves excluding pension liability	12,452	18,966

The total income of £203m is mainly received from two sources; HEFCE income and tuition fees. An analysis of the income is shown in the chart below:



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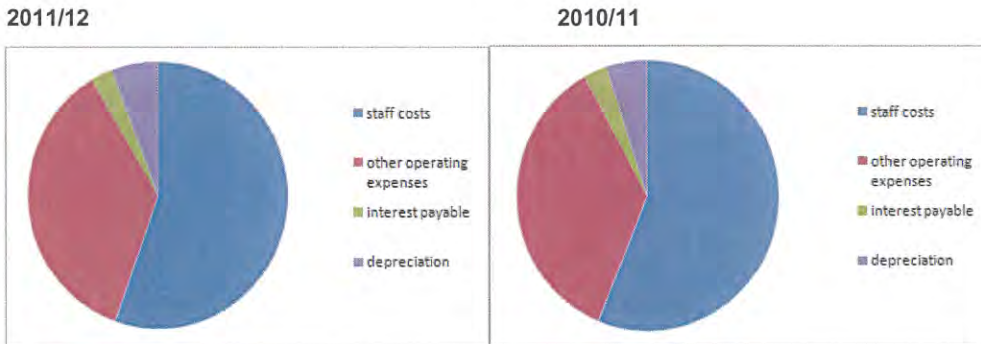
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The decrease in income compared with last year of £6,788k is analysed as follows:

	£m
Decrease in HEFCE grant	(7.8)
Increase in tuition fees and education contracts	2.7
Decrease in Other Income	(1.8)
Other movements	(0.1)
Total decrease in income	(6.8)

The decrease in HEFCE funding results mainly from the University's share of sector funding reductions (£5.4m), and modernisation funding of £1.8m received in 2010/11 which was a specific allocation for one year only. The increase in tuition fees and education contracts of £2.7m results mainly from an increase in tuition fees from home/EU students (£2.6m), an increase in income from the NHS contract (£1.3m) and a decrease in income from overseas students (£1.5m). The decrease in other income of £1.8m results mainly from a reduction in income from UK public bodies of (£0.8m) and a decrease from sundry income streams of £0.3m.

Total expenditure increased by £2.3m which included an increase in other operating expenses of £2.4m and an increase in the depreciation charge of £1.4m. Set against these increases was a reduction in interest payable of £0.3m. An analysis of expenditure over the two year period is shown as follows:



There was no change in the overall staff cost this year of £105.5m. Staff FTEs decreased by 53 and exit costs charged in the year amounted to £1.8m.

Other operating costs increased by £2.4m. This increase reflects inflationary increases of approximately 5% set off with a reduction in franchising costs of £1.4m resulting from application of controls on recruitment with partner colleges.

Interest payable has reduced by £0.25m due to a reduced adjustment for the pension scheme in accordance with FRS17.

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Capital expenditure

Expenditure in the year on fixed assets totalled £15.3m, £12.1m of which was on freehold buildings. The improvements to the estate continue to be carried out in accordance with the Campus Development Plan (CDP). This year the new Kingston Hill Business School building was opened on 29 February 2012 and a major refurbishment project at Knights Park including the Learning Resources was opened on 15 February 2012. The completion of these projects concludes the first stage of the campus development plan which represents an investment of £44m in new projects. The financial plan includes a further £74m allocation for the next phase of improvements and for which feasibility work is being undertaken.

In addition to the major projects mentioned above, the University has set aside annual expenditure of over £6m per annum to ensure that the estate is properly maintained. Expenditure in the year included roof replacement works at the Law School on the Kingston Hill site (£270,000), fire door replacement (£422,000), lift refurbishment £875,000 and general redecoration (£221,000).

Treasury Management

The following indicators show the changes in liquidity, borrowing and reserves.

	<u>2011/12</u>	<u>2010/11</u>
Cash flow as a percentage of income	12.1%	13.1%
Net liquidity (days)	205	196
Current ratio	3.1	3.3
External borrowing as a percentage of income	24.5%	25.6%
Discretionary reserves (excluding pension assets liability) as a percentage of total income	69.7%	61.2%

Cash generated from operations amounted to £24.5m (£27.4m in 2010/11) with a year-end cash balance of £101.9m (£97.2m in 2010/11). Average cash balance over the year amounted to just under £100m. The treasury management policy specifies the parameters within which surplus funds can be invested in terms of financial standing of the institutions and monetary value and there is a clear process to handle variations to this policy when it is necessary. All excess balances are invested with secure UK and European banks over a range of deposits from call accounts to 12 month placements.

The University's long term debt amounts to £49.9m which is summarised in the table below:

	Rate	Outstanding amount £m	Repayment date
Barclays Loan	4.84%	40.2	30.9.20
Finance leases	7.5%	9.7	1.4.19 to 1.4.22

The Barclays loan was entered into to fund the first stage of the campus development plan which is now substantially complete. The finance leases relate to financing schemes in relation to three halls of residence, Middle Mill, Kingston Bridge House and Chancellors.

In addition to the above commitment, the University has entered into a PFI contract for the renovation and running of the Clayhill halls of residence. The university pays a unitary charge of £2.1m per annum which escalates by no more than 3% per annum. The renovation costs relating to this agreement are not included on the balance sheet in accordance with FRS5.

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Financial outlook

The university has generated substantial surpluses for the last five years as shown in the table below:

£m	2007/08	2008/09	2009/10	2010/11	2011/12
Historical cost Surplus	11.6	12.0	16.7	20.6	11.6
Cash generated from operations	21.8	21.9	24.3	27.4	26.1

The reduction in surplus this year results mainly from the reduction in HEFCE grant of £7.2m as part of national funding reductions. The projection for 2012/13 includes the effect of new fees for first year entrants where the University is charging an average fee (net of fee waivers) of £7,870.

The Board of Governors approved a methodology for a review of the going concern of the University at its meeting in July 2012. The review was undertaken in accordance with recommendations from the Financial Sustainability Strategy Group as included in the report "Assessing the sustainability of higher education institutions" prepared by JM Consulting. This recommends an internal review of sustainability to be undertaken by the Governing Body with reference to be made in the annual report that such a review has taken place.

The recruitment levels for home /EU and overseas students are being closely monitored and the University plans to meet the Financial Strategy target surplus level of 4% minimum fee and funding income for 2012/13.

5. Performance and operation of the University

The University monitors performance across the range of its activity by maintaining a suite of performance indicators that are connected to Kingston's strategic objectives. The Board of Governors agreed a set of 10 Key Performance Indicators (KPIs) in 2006 and these were reviewed in 2009 in the light of CUC guidance on the use of performance indicators in University governance.

Performance of the University in 2011/12 is benchmarked by these 10 indicators, which are reported annually to the Senior Management Group, the Executive Board and the Board of Governors. They are also reported in greater detail in the annual Review of Progress, where they are supported by a richer suite of performance indicators and context statistics.

Following the launch of the new "Led by Learning" strategic plan, a new structure of performance indicators is being implemented. This system will include further University-level performance indicators and progress in 2012/13 will be compared to the targets for these metrics. For 2011/12, performance and operation of the University will be judged through reference to the existing suite of 10 indicators.

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Kingston University Review of Progress 2012 - Executive Summary

Key Performance Indicator	What is being measured?	Target Definition	This year			Last year			Key
			Target	Actual	Variation 2010/11	Target	Actual	Variation 2009/10	
1 Student Numbers	Old a) HEFCE Funded HEU Target	Old: Minimum FTE required to avoid financial clawback 2010/11 (HESES)	SNC 5,764	Actual SNC 5,637	-77 or 98.7%	12,691 FTE	14,362 FTE	+1,671 FTE	Performance better than target
	New a) Student Number Control (SNC) limit	New: Target to be within 95% and 101% of SNC limit							
	b) UG	Target growth in Business Plan prepared in 2010/11	3	239	236	+352	+304	-48	Performance worse than target
	c) PGT		154	-39	-193	+195	+151	-44	Positive variation on previous year
	d) HEU		-14	819	433	+418	+472	+54	Negative variation on previous year
	e) OS		125	-188	-313	+110	+48	-62	No variation on previous year
2 Widening Participation	Young FTS UG entrants 2010/11	a) % State school / college intake benchmark	93.8%	95.9%	+2.1%	93.9%	96.6%	+2.7%	
		b) % Social Class III, IV, V benchmark	36.2%	41.5%	+5.3%	36.2%	39.4%	+3.2%	
		c) % Low Participation neighbourhoods benchmark	8.2%	7.5%	-0.7%	7.7%	7.1%	-0.6%	
3 Progression to Degree Award	FT First Degree Entrants starting course in 2009/10 and activity in 2010/11	% projected to achieve Degree award benchmark	71.0%	71.9%	+0.9%	71.30%	70.40%	-0.9%	
4 Employment	Leavers obtaining First Degrees from Full-time courses 2010/11	% Employed or Further Study benchmark	86.3%	83.4%	-2.9%	86.4%	84.4%	-2.0%	
5 National Student Survey	2012 Average score across six NSS categories for final year FT UG students	Average Score for New Universities	78.0%	72.7%	-5.3%	75.6%	71.9%	-3.7%	
6 Research Grant and Contract Income	Growth in Research Grant & Contract Income (£000s) between 2009/10 and 2010/11	10% increase in new grants awarded, which would subsequently be reflected in Research Grant & Contract income (£000s)	3,529	3,550	+21	3,208	3,470	+262	
7 Staff engagement	Staff engagement as measured by staff survey 2012	Average of participating HEIs in 2010	75%	74%	-1%	75%	73%	-2%	
8 Historic cost surplus as % of turnover	Actual final position for 2010/11 compared with target in the budget	Target for 2010/11	6.6%	9.8%	+3.2%	2.7%	8.1%	+5.4%	
9 Cash generated from operations	Actual final position for 2010/11 compared with target in the budget	Target for 2010/11	£11M	£27M	+£16M	£9.5m	£24.2m	+£14.9m	
10 Estates Investment	Capital and Maintenance Expenditure Total as a percentage of Insurance Replacement Value (Non-residential estate)*	Norm for 2010/11	3.5% to 4.5%	9.9%	+5.4%	3.5% to 4.5%	8.3%	+3.8%	

Progress on specific KPIs

Recruitment

Undergraduate recruitment in 2011/12 was very strong, though the context of English Higher Education funding played a large part in this success through artificial restriction of total student numbers. Entry standards improved for undergraduates but, as anticipated, there was a decline in the recruitment of postgraduate students.

Employability

Although the fall in the proportion of Kingston graduates finding work or entering full time further study was arrested in 2011/12 (for the cohort that graduated in 2010/11), the University is still performing beneath expectations and is more than six percentage points below the sector average.

National Student Survey (NSS)

There was no significant improvement to NSS scores in the 2011/12 academic year, despite the sector as a whole showing further improvement. Kingston students did express some significant improvement in satisfaction with the way in which the University provides assessment and feedback, which is the only aspect of provision that is generally unsatisfactory on a national scale.

6. Achievements and successes

The University has consistently achieved against its strategic objectives through to 2011/12. The main achievements have covered a range of areas. For home/EU students the university continued to operate within its HEFCE contract range for the 2011/12, and did not incur claw-back from over-recruitment against student number control. The overseas recruitment did not achieve target although recruitment levels are consistent with the sector in a difficult environment caused by stringent procedures adopted by the UK Border Agency. There continues to be a continuing commitment to widening participation exceeding most of our benchmarks for recruitment.

Despite the national budgetary cuts and funding restraints really beginning to bite this year, we have continued to attract external research funding, in addition to the annual QR allocation. In two areas the targets for external award values announced have been exceeded, and another area shows a notable improvement in performance. This was aided by the success of the new Associate Dean for Research for the new SEC Faculty in attracting significant charitable funding from an application made even as she was starting at Kingston.

Success in attracting funding from EU sources has continued, with £864k awarded from EU sources, and over £0.5m each from both UK research council sources and UK charities. Most notable are three awards, each over £0.25m. Two are from the European Union, funding computing-based studies under their Framework Programme 7, and the third is a social sciences project funded by the UK Economic and Social Research Council (ESRC).

As part of a consortium including RHUL, Surrey, University of the Arts London, the RCA, Brighton, Central School of Speech and Drama and Roehampton University, we were successful in getting through the 'expression of interest' stage for the next AHRC Block Grant. The consortium submitted a proposal based on the idea of the practice based doctoral degree applied across the broad spectrum of the Arts and Humanities. A separate bid for a smaller, more focussed, block grant in Design was submitted jointly with the RCA and the University of the Arts London was also successful at the expression of interest stage. The full applications for both block grants will be submitted in January.

In terms of academic development, the academic year 2011/12 was the first full year of the newly created Faculty of Science, Engineering and Computing. This highly successful project was undertaken to create a single faculty from three individual faculties to consolidate and strengthen Kingston's already strong base in science, engineering, computing and mathematics. These subjects are an important element in the University's identity and distinguish us from many other universities. Bringing these faculties together gives greater critical mass, allowing us to take advantage of interdisciplinary opportunities and develop research potential. It will also allow us to respond to national initiatives on STEM subjects.

In terms of infrastructure the first stage of the campus development plan is nearly complete at a cost of £44m. The new Business School building costing £25m was opened in February 2012 and the refurbishment of Knights Park was completed by the same month. The next stage of the development of the estate is being planned with an improvement in the percentage of space being described as being in "good condition" according to the national Estates Management Statistics.

The Senior Management Team was further strengthened with the appointment of Lesley-Jane Eales-Reynolds on 2 July 2012 as Pro Vice-Chancellor (Education) who is leading on the development of Educational strategy across the organisation. In September 2012, Professor Steven Spier was appointed the new Dean of the Faculty of Art, Design and Architecture.

7. Sustainability

Led by Learning makes an explicit commitment to 'act ethically to minimise our impact on the environment and 'include issues relating to sustainability and ethics in the curriculum'. These clearly stated aims demonstrate KU's continuing commitment to respect our environment, embed sustainability and ethics in our core business operations (curriculum, research and corporate affairs), and empower our graduates to do so in their working lives. The appointment of a new Director of the Sustainability Hub in January 2012, reporting to PVC Corporate Affairs from September 2012 and working closely with the PVC Education evidences this commitment. Governance structures have been created in the form of KU-wide Implementation Groups to unite all staff in achieving these aims.

The KU KPI for sustainability is the People and Planet Green League. KU has always been placed around 20th in the UK, scoring well in curriculum and research indicators. In 2012, KU was placed 42nd, showing how other institutions are raising their standards, KU is committed to do the same to maintain the early lead in sustainability and be on the cutting edge of future developments in both our teaching, research and campus operations.

Key Performance Indicators are:

Waste and recycling: An increase in the recycling rate continued with the establishment of regular performance reporting including Scope 3 emissions requirements. Waste contract rationalisation has yielded both efficiency and financial savings. A 0.3 Head of Waste has been appointed within KUSCO;

Carbon emissions: KU remained legally compliant in relation to CRC and DEC and continued to reduce carbon emissions overall. The IT investment considered consolidation in dedicated data centres, thin client, innovative cooling systems and other energy efficient options;

Water: The metre reading regime continued to reduce water wastage. Rainwater harvesting, sensor controls and water pressure reduction are embedded projects and continued to deliver overall reductions;

Construction and development: The Campus Development Plan provided opportunities to make carbon reductions and embed sustainability. In Spring 2012, the Kingston Business School building achieved a BREEAM (Building Research Establishment Environmental Assessment Method) rating of 'Excellent'. Designed and constructed with sustainability and low energy use in mind, it has a ground source heat pump, rainwater harvesting, natural ventilation, a sedum roof and additional cycle stands. The Knights Park LRC also featured rainwater harvesting and solar thermal and photovoltaic panels providing 20% of its energy needs;

Biodiversity: We encouraged 766 volunteer hours from students, staff and local residents in 17 events and ongoing projects. Highlights included working with KUSCO and the Surrey Wildlife Trust to procure sustainable Christmas trees for the University. Volunteers cut down invasive Douglas Fir trees from an area of heath land habitat in Surrey and transported some back to KU for decorating the campus receptions;

Travel: A review of the Travel Plan has resulted in establishing an annual Travel Survey which is linked to the annual renewal of car parking permits. The survey captured car use to meet Scope 3 reporting requirements. Car parking management is being reviewed in light of new clamping legislation. The Travel Implementation Group has been established with representatives from across KU which will continuously review and ensure best practice.

Purchasing and Finance: The University's standard Terms & Conditions were amended to state that suppliers of goods/services must comply with KU strategies and help us to reduce environmental impact and periodically report performance. A **Fairtrade** University since 2006, we demonstrate continuous improvement in the range of our Fair Trade offerings; **Sustainable Food:** collaboration with Elior to reduce environmental impact means all our milk is organic, we source local and seasonal produce.

Engagement: We greened office practices in 10 'Green Impact' departmental teams; 5 teams achieving bronze, 1 silver, 3 working towards, 1 non-submission. We ran 24 Hub-led events and 6 partnership events involving 31 external organisations. We provided leadership, chairing the London Universities Environment Group and inputting into the Members Advisory Council of the Environmental Association of Universities and Colleges.

Curriculum and Research: We continued to conduct an annual curriculum audit and have expanded to research and alumni audits, we provided support to redesign and deliver undergraduate and postgraduate courses to embed ethics and sustainability (100% student satisfaction in 2 undergraduate courses).

Employability: we mentored 8 students in a 10 day sustainability work placement, 21 students received a day's training and auditing experience through Green Impact, we hosted a Green Growth Boot Camp and supported our students to win the Mayor's Low Carbon Prize 2012

For more information about sustainability at Kingston visit: www.kingston.ac.uk/sustainability

8. People

We know that our people have been and remain fundamental to the success of the University. We have shown recognition of that commitment to the University in a variety of ways; including in the way we seek to develop, support, reward and engage them.

For instance we offer a range of leadership and management development opportunities, alongside core and professional skills development programmes such as post-graduate Certificate in Teaching and Learning. In addition, change management, appraisal and culture have been identified as priority development areas for the next academic year. Members of staff also have a range of support mechanisms available to them, including a comprehensive employee assistance programme for confidential guidance and advice, as well as face-to-face counselling and our Harassment Contact Scheme. We continue to seek improvements in health & safety by focusing on providing both in-house occupational health services and 'wellbeing' events such as Health Fairs.

Because we value our people, we want to ensure that the total reward package they receive is competitive against external market comparisons. The HR team embarked on several strategic reward projects at the end of 2011 and are currently in the final stages of design of several new schemes to be launched later in 2012. A key part of our reward package are the statutory pension schemes that staff are entitled to join; the Teachers' Pensions Schemes (TPS) for academic staff and the Local Government Pension Scheme (LGPS) for support staff. We also support membership of the Universities Superannuation Scheme (USS) if employees were scheme members immediately prior to joining Kingston.

Ensuring that our diverse students and staff have equality of opportunity to take part and succeed is one of our key commitments. We want all those staff and students who choose to study and work with us to achieve their potential and have interesting futures. Recognising this commitment has meant that in 2011/12 we prioritised a range of student and staff projects to help us:

- Enhance our capability and commitment to equality and diversity;
- Identify, explore and address systemic and local discrimination, harassment and victimisation; and
- Raise aspirations and encourage the participation, attainment and progression of under-represented groups.

Strengthening staff engagement remains an important area for development with a KPI on staff engagement levels. Since our last survey in 2010 we have delivered several improvements in areas such as change, 'place to rest' and performance management. We continue to support an active group of Survey Champions who work with their local management teams on local engagement issues. We re-surveyed in April 2012 and achieved an improved response rate – one of the highest in the Sector. Key development themes are currently being identified by all faculties and departments and SMT have agreed to champion university wide development themes coming out of this activity.

Effective communication with staff is highly important and the aim of the University is always to provide staff with timely and appropriate communication, and wherever possible to ensure that this is a two-way process. We are also very aware of the supportive role that communication can play in supporting organisational change. The University uses a variety of

(REPORT OF THE GOVERNING BODY)

2011-12 FINANCIAL STATEMENTS

communication channels which include a monthly newsletter from the Vice-Chancellor, fortnightly e-bulletins, 'Staff-Space' which is a web based information service accessible to all staff, 'Yammer', an online discussion group, and poster campaigns. We also have a good record of constructive industrial relations and constructive relationships with our recognised unions – University & College Union (UCU), UNISON, Royal College of Nursing (RCN) and Royal College of Midwives (RCM).

9. Principal risks and uncertainties

The new University strategy "Led by Learning" was approved by the board of Governors in 2012 and a new Strategic Risk Register is in the process of development. Working with the Senior Management Team and individual risk owners, the new register is expected to be presented to the Board at their meeting in November 2012.

The new risk register has been developed in close alignment with the objectives included in the "Led by Learning" strategy. However, the volatility of the environment in which the HE sector now operates presents the University with a number of external risks. These have been considered and preventative, or mitigating, actions put in place. These risks include:

- Possible substantial reduction in student demand for places due to many external influences;
- Compromise in quality and/or inability to recruit to target due to government policy changes and other contributing factors; and
- Reduction in international market due to UKBA policy changes.

These, and other, high level risks have required changes to the process by which risks are managed and reviewed within the University (including changes to emphasis in the role of the Audit and Risk Assurance committee and a requirement for all committees reporting to the board to demonstrate their emphasis on risk management). These process changes will enable University senior management to be aware of increasing probability and impact of risks and to take action to counter them.

The board and senior management have also requested a "risk tolerance" process to be implemented in order to establish levels of risk beyond which the institution would not wish to proceed with strategic developments.

10. Future Plans

The University is committed to maintaining its investment in academic developments and infrastructure despite the anticipated future financial challenges. The financial results for 2011/12 represent a robust financial position that will greatly assist in managing the risks and uncertainties. The University's new financial strategy requires a minimum surplus level of 4% fee and funding income which is expected to be achieved in 2012/13 and the recruitment levels are being carefully assessed.

One leading source of greater efficiency is a comprehensive systems and process review. The first stage, an internal assessment of support organisations is underway, and other relevant initiatives in marketing and in recruitment have started. This can be seen as preliminary work ahead of a thorough SMT discussion on a service provision model leading to a comprehensive analysis and implementation over an 18 month+ time frame.

11. Conclusion

The year 2011/12 has been another successful year both academically and financially. During the year the University has seen a further reduction in teaching grant of £7.7m and yet delivered a financial result equivalent to 7.66% fee and funding income. Sustained cash balances remain healthy at £102m at the year end.

The current financial year (2012/13) will be challenging with first year entrants being charged the new fees of between £8,500 and £9,000 per year for a full honours degree. There will be close monitoring of recruitment levels to determine the extent of future actions to adjust the university's cost base.



Sir Roderic Lyne
Chairman of the Board of Governors



Professor Julius Weinberg
Vice-Chancellor

RESPONSIBILITIES

OF THE BOARD OF GOVERNORS OF KINGSTON UNIVERSITY

In accordance with the Education Reform Act 1988, the Board of Governors is responsible for the administration and management of the affairs of Kingston University and its subsidiaries, including ensuring an effective system of internal control, and is required to present audited financial statements for each financial year.

The Board of Governors is responsible for ensuring that proper accounting records are kept that disclose at any time and with reasonable accuracy the financial position of the University and its subsidiaries, to enable it to ensure that the financial statements are prepared in accordance with the Education Reform Act 1988, applicable law and United Kingdom Generally Accepted Accounting Practice. In addition, within the terms and conditions of the Financial Memorandum agreed between the Higher Education Funding Council for England and the Board of Governors of Kingston University, the Board of Governors, 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 of Kingston University and its subsidiaries, and of the surplus or deficit and cash flows for that year.

Financial statements are published on Kingston University's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. Ensuring the maintenance and integrity of Kingston University's website is the responsibility of the Board of Governors. The Board of Governors' responsibility also extends to the ongoing integrity of the financial statements contain therein.

In relation to the preparation of the 2011/2012 financial statements, the Board of Governors 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, subject to any material departures disclosed and explained in the financial statements; and
 - Kingston University has adequate resources to continue its operations for the foreseeable future. For this reason the going concern basis continues to be adopted in the preparation of the financial statements.
- The Board of Governors has taken reasonable steps to:
- ensure that funds from the Higher Education Funding Council for England and Further Education Funding Council, and Teacher Training and Development Agency are used only for the purpose for which they have been given and in accordance with the Financial Memorandum dated 2010 with the Funding Council and any other conditions which the Funding Council may from time to time prescribe;
 - ensure that income has been applied in accordance with the Education Reform Act 1988;
 - ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources;
 - safeguard the assets of Kingston University and its subsidiaries and prevent and detect fraud; and
 - secure the economic, efficient and effective management of the resources and expenditure of Kingston University and its subsidiaries.

LIST OF BOARD OF GOVERNORS

OF KINGSTON UNIVERSITY

Ms Ann ALLEN	Resigned 31 March 2012
Dr George ALEXANDROU	Retired 20 November 2011
Mr Tony BEADLE	Retired 20 November 2011
Mr Chris BROOKS	
Mr David CARTER	
Cllr Stephen COOKSEY	
Dr James DENHOLM-PRICE	Appointed 21 November 2011
Mr Chris DINGLE	Retired 11 July 2012
Mr Sean KELLY	Appointed 11 July 2012
Professor Caroline GIPPS	Appointed 11 July 2012
Ms Sara DRAKE	Retired 20 November 2012
Mr Bruce FRASER	
Ms Lesley GRANGER	
Mr Robert GREEN	
Mr Frank KENNEDY	
Prof Peter KOPELMAN	
Sir Roderic LYNE	
Mr Neil MACINTOSH	
Ms Nona MCDUFF	Retired 20 November 2012
Dr Sunitha NARENDRAN	Appointed 21 November 2011
Cllr Derek OSBOURNE	
Ms Sue RIMMER	
Mr John RIPLEY	
Mr David TAYLOR	Retired 20 November 2011
Professor Julius WEINBERG	
Dr Clarissa WILKS	Retired 20 November 2011

As the governing body of Kingston University, we have 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 we are responsible, in accordance with the responsibilities assigned to the governing body in the instrument of Governance for 'Kingston University Higher Education Corporation' which provides for Kingston University's Articles of Governance and the Financial Memorandum with the HEFCE. The Board of Governors formally adopted the CUC Code of Practice at its meeting on 23 September 2009. During the period covered by these Statements, the Board of Governors has undertaken a review of its own effectiveness, in line with the guidance issues by the CUC. The Report concluded that '...governance is basically sound, and that appropriate arrangements are in place for providing the necessary oversight and assurance required by the various stakeholder bodies'. The Board has approved a detailed action plan to address the recommendations in the report and has already started to implement a number of steps including a reduction in the overall size of the Board and the changes to its committee structures. The Nominations & Governance Committee has been monitoring the action plan during the year and consider any substantive changes before making recommendations to the Board.

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 the achievement of policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically. This process has been in place during the Year ended 31 July 2012 and up to the date of approval of the financial statements, and accords with HEFCE guidance.

As the governing body, we have responsibility for reviewing the effectiveness of the system of internal control. The following processes have been established:

- a. We meet at regular intervals five times a year and consider the plans and strategic direction of the institution.
- b. We receive periodic reports from the chairman of the Audit Committee concerning, internal control, governance, value for money, risk management and data quality.
- c. The University has established a Risk Management Committee to oversee risk management, which met five times during the year, reporting to the SMT (Senior Management Team) and The Audit Committee.

- d. The Audit Committee meets four times a year and receives regular reports from the Head of Internal Audit (Managing director of Kingston City Group – Internal Audit Consortium), which include an independent opinion on the adequacy and effectiveness of the institution's system of internal control, together with recommendations for improvement.
- e. A regular programme of review exists to keep up-to-date the record of risks facing the organisation at both strategic and operational levels.
- f. A robust risk prioritisation methodology based on risk ranking has been established in the identification and evaluation of risks.
- g. A series of organisation-wide risk registers is maintained on an on-going basis by nominated risk managers across the institution.
- h. A programme of risk awareness training has also been started and will continue as part of the annual Risk Management programme.
- i. A system of key performance and risk indicators has been developed and incorporated in detailed strategic and operational monitoring modules, which derive from risk registers across the institution; these modules track the progress made with implementing agreed actions for the mitigation of identified risks.
- j. The process of risk management is fully embedded and integrated within the institution's planning processes, at both strategic (institutional) and operational (Faculty and Departmental) levels.

Our review of the effectiveness of the system of internal control is informed by Kingston City Group, which operates to standards defined in the HEFCE Audit Code of Practice and which was last reviewed for effectiveness by the HEFCE Audit Service in June 2008. Kingston City Group submits regular reports which include the Head of Internal Audit's independent opinion on the adequacy and effectiveness of the institution's system of internal control, with recommendations for improvement.

Our review of the effectiveness of the system of internal control is also informed by the work of the executive managers within the institution, who have responsibility for the development and maintenance of the internal control framework, and by comments made by the external auditors in their management letter, other reports and attendance at certain Audit Committee meetings.

INDEPENDENT AUDITORS' REPORT

TO THE

BOARD OF GOVERNORS OF KINGSTON UNIVERSITY

We have audited the financial statements of Kingston University for the year ended 31 July 2012 which comprise the Consolidated Income and Expenditure Account, Consolidated Statement of Total Recognised Gains and Losses, the Balance Sheets for the Group and the University, the Consolidated Cash Flow Statement 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 University's Governors, as a body, in accordance with paragraph 124B of the Education Reform Act 1988. Our audit work has been undertaken so that we might state to the University's Governors those matters we are required to state to them 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 University and the University's Governors as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of the University's Governing Body and Auditors

As explained more fully in the statement of responsibilities of the Board of Governors, the members of the Governing Body are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law, regulatory requirements and International Standards on Auditing (UK and Ireland) and the Audit Code of Practice issued by the Higher Education Funding Council for England. Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

In addition, we also report to you whether income from funding bodies, grants and income for specific purposes and from other restricted funds administered by the University have been properly applied only for the purposes for which they were received and whether income has been applied in accordance with the Statutes and, where appropriate, with the Financial Memorandum with the Higher Education Funding Council for England.

Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and the University's affairs as at 31 July 2012 and of the Group's surplus of income over expenditure for the year then ended;

INDEPENDENT AUDITORS' REPORT

TO THE

BOARD OF GOVERNORS OF KINGSTON UNIVERSITY

- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and the Statement of Recommended Practice: "Accounting for Further and Higher Education Institutions";
- the financial statements have been prepared in accordance with the requirements of the Education Reform Act 1988;
- income from the Higher Education Funding Council for England, Training and Development Agency for Schools, grants and income for specific purposes and from other restricted funds administered by the University have been applied only for the purposes for which they were received; and
- income has been applied in accordance with the University's statutes and where appropriate with the applicable Financial Memorandum with the Higher Education Funding Council for England.



BDO LLP
Statutory Auditor
Gatwick
United Kingdom

Date: 22 November 2012

(BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).)

CONSOLIDATED
INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 JULY 2012

	Notes	2011/12 £000s	2010/11 £000s
Restated			
INCOME			
Funding Council grants	2	73,531	81,298
Tuition fees and education contracts	3	97,875	95,154
Research grants and contracts	4	3,301	3,550
Other income	5	27,268	29,064
Endowment and investment income	6	1,355	1,052
Total income		203,330	210,118
EXPENDITURE			
Staff costs	7	105,516	105,532
Other operating expenses	8	70,706	69,568
Interest payable	9	5,187	5,439
Depreciation	10 & 11	11,067	9,637
Total expenditure		192,476	190,176
Surplus on continuing operations after depreciation of assets		10,854	19,942
Taxation		-	-
Surplus on continuing operations after depreciation of assets and tax	21	10,854	19,942

The income and expenditure account is in respect of continuing activities.

**STATEMENT OF
TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 JULY 2012**

	2011/12 £000s	2010/11 £000s
Surplus on continuing operations after depreciation of assets, disposal of assets and tax	10,854	19,942
Movement in restricted and endowment reserves	197	176
Adjustments associated with pension schemes:		
Actuarial (loss) in respect of pension schemes	(18,954)	(2,686)
Total recognised gains and losses since last annual report	<u>(7,903)</u>	<u>17,432</u>
 Reconciliation		
Opening reserves and endowments	122,652	105,220
Total recognised gains and losses for the year	(7,903)	17,432
Closing reserves and endowments	<u>114,749</u>	<u>122,652</u>

**CONSOLIDATED STATEMENT OF
HISTORICAL COST SURPLUSES AND DEFICITS
FOR THE YEAR ENDED 31 JULY 2012**

	Notes	2011/12 £000s	2010/11 £000s
Surplus on continuing operations before taxation		10,854	19,942
Difference between historical cost depreciation and the actual charge for the period calculated on the re-valued amount	19 & 21	708	708
Historical cost surplus for the period before taxation		11,562	20,650
Historical cost surplus for the period after taxation		11,562	20,650

BALANCE SHEET

FOR THE YEAR ENDED 31 JULY 2012

		Consolidated 2011/12 £000s	University 2011/12 £000s	Consolidated 2010/11 £000s	University 2010/11 £000s
	Notes				
Fixed Assets					
Tangible assets	10	188,154	183,057	183,827	178,584
Investments	10	115	6,258	115	6,356
Total fixed assets		188,269	189,315	183,942	184,940
Endowment Assets	11	1,858	1,858	1,661	1,661
Current Assets					
Stock	12	282	280	282	275
Debtors	13	8,816	9,281	8,738	9,267
Cash at bank and in hand		101,876	94,610	97,218	89,641
		110,974	104,171	106,238	99,183
Creditors: amounts falling due within one year	14	(35,821)	(35,137)	(32,274)	(31,362)
Net current assets		75,153	69,034	73,964	67,821
Total assets less current liabilities		265,280	260,207	259,567	254,422
Creditors: amounts falling due after more than one year	15	(51,133)	(51,133)	(54,721)	(54,721)
Net Assets excluding pension liability		214,147	209,074	204,846	199,701
Pension Liability	16	(82,800)	(78,924)	(62,245)	(59,496)
Net Assets including pension liability		131,347	130,150	142,601	140,205

BALANCE SHEET (continued)
FOR THE YEAR ENDED 31 JULY 2012

Deferred capital grants	17	16,600	16,600	19,949	19,949
Endowment					
Specific	18	1,858	1,858	1,661	1,661
Reserves					
Revaluation reserve	19	53,800	53,800	54,508	54,508
Restricted reserve	20	116	116	117	117
General reserve	21	141,772	136,700	128,611	123,466
Total reserves excluding pension liability reserve		195,688	190,616	183,236	178,091
Pension liability reserve	16	(82,800)	(78,924)	(62,245)	(59,496)
Total reserves including pension liability reserve		112,888	111,692	120,991	118,595
TOTAL		131,347	130,150	142,601	140,205

The financial statements on pages 22 to 57 were approved and authorised for release by the Governing Body on 21 November 2012 and were signed on its behalf by:

Sir Roderic Lyne
Chairman of the Board of Governors

Professor Julius Weinberg
Vice-Chancellor and Chief Executive

CONSOLIDATED
CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 JULY 2012

		2011/12 £000s	2010/11 £000s
	Notes		
Cash flow from operating activities *	22	24,578	27,459
Returns on investments and servicing of finance	23	(2,703)	(3,123)
Capital expenditure and financial investment	24	(13,928)	(21,053)
Financing	25	(3,289)	(2,906)
Increase in cash in the period		4,658	377
Reconciliation of net cash flow to movement in net funds			
Increase in cash in the period		4,658	377
Movement in endowment asset		214	188
Change in net debt resulting from cash flows		3,285	2,999
Movement in funds in period		8,157	3,564
Net funds at 1 August		43,827	40,263
Net funds at 31 July	26	51,984	43,827

The notes on pages 28 to 57 form part of these financial statements

NOTES TO THE ACCOUNTS

Year ended 31 July 2012

1. STATEMENT OF ACCOUNTING POLICIES

The financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP) Accounting for Further and Higher Education July 2007 and applicable UK accounting standards.

a Basis of Accounting

The Financial Statements are prepared on the historical cost basis, as modified by the revaluation of land and buildings.

b Basis of Consolidation

The consolidated financial statements include the financial statements of the University and all its subsidiary undertakings for the financial years 31 July 2012 and 2011. The consolidated financial statements exclude the financial statements of the Kingston University Students' Union as the Union does not constitute a subsidiary or quasi-subsidiary undertaking under the definitions of Financial Reporting Standards 2 and 5.

The University entered into a joint arrangement with St George's Hospital Medical School on 1 January 1996. Under the terms of the joint arrangement, assets and liabilities are divided equally and 50% of the value of the appropriate assets and liabilities has been included in the Balance Sheet of the University. The arrangement has been accounted for as a joint arrangement that is not an entity in compliance with FRS9. The basis of apportionment of the income and expenditure is in proportion to the awards granted by each institution.

c Tangible Fixed Assets

Land and Buildings

Freehold land is stated at a clear site land value based upon a valuation report prepared by the Chartered Surveyors, Dunphys, as at 31 July 1993. Assumptions made in preparing the report include planning permission for development for a use prevailing in the vicinity of each site and no unusual costs in developing any of the sites. Given the specialist nature of the usage of the land, these assumptions give a best approximation of existing use land value.

Freehold Buildings inherited from the Local Authority on 1 April 1989 are stated in the accounts at depreciated replacement cost in accordance with the Royal Institute of Chartered Surveyors' Guidance notes concerning asset valuation. This value is based upon a valuation report prepared by the Chartered Surveyors, Dunphys, as at 31 July 1993. Under the transitional provisions of FRS15 the valuation has not been updated since this date.

All other buildings are shown in the accounts at cost less accumulated depreciation.

Other Tangible Fixed Assets

Other tangible fixed assets are stated at cost less accumulated depreciation.

The historical cost of tangible fixed assets included in the balance sheet at valuation is not available and therefore cannot be disclosed.

NOTES TO THE ACCOUNTS
(continued)
Year ended 31 July 2012

d Depreciation

Land is held freehold and is not depreciated as it is considered to have an indefinite useful economic life.

Freehold buildings are depreciated on a straight line basis over the estimated remaining useful economic life of each asset. The useful economic lives of main buildings are fifty years. Minor works projects are deemed to have a useful economic life between five and fifteen years.

Plant, machinery and other equipment has a capitalisation threshold of £10,000 and is depreciated on a straight line basis as follows:

Major Plant	-	10 years
Fixtures & Fittings	-	6 years
Minor Plant	-	5 years
Vehicles	-	5 years
Educational Equipment	-	5 years
Computer Equipment - Servers	-	5 years
Computer Equipment - Minor	-	3 years

The Dorich art collection is not depreciated as it is considered that the carrying value of the asset will continue to be at least equal to the residual value of the asset.

e Investments

Other investments are shown at cost less any provision for impairment.

f Stocks

Stocks are stated at the lower of cost and net realisable value.

g Recognition of income

The recurrent grant from HEFCE, other funding council grants and the NHS contracts income represent the funding allocation that is attributable to the current financial year and is credited directly to the Income and Expenditure account.

Tuition fees represent student fees received and receivable, attributed to the current accounting period.

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

Income from other services rendered is included to the extent of completion of contract or services concerned and is measured at the fair value of the consideration receivable.

Income used to acquire tangible fixed assets is credited to deferred capital grants and released to the Income and Expenditure Account over the estimated useful lives of the relevant assets.

The University acts as an agent in collection and payment of training bursaries from the Training and Development Agency and of Access Funds from the HEFCE. Related payments received from the Training and Development Agency and the HEFCE and subsequent disbursements to students are excluded from the Income and Expenditure Account and are shown separately in Note 31 to the accounts.

NOTES TO THE ACCOUNTS
(continued)
Year ended 31 July 2012

h Taxation Status

The University 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 Para 1 of Schedule 6 to the Finance Act 2010. Accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by Sections 478 – 488 of the Corporation Tax Act 2010 (CTA 2010) (formerly enacted Section 505 of the Income and Corporation Tax Act 1988 (ICTA)) 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.

All subsidiary companies are liable to Corporation Tax and Value Added Tax in the same way as any other commercial organisation. The University's principal activities are exempt from Value Added Tax, but certain ancillary supplies and services are liable to Value Added Tax at various rates. Expenditure includes irrecoverable Value Added Tax charged by suppliers to the University.

i Operating Leases

Rental costs under operating leases are charged to expenditure in equal annual amounts over the period of the lease.

j Pension Costs

The University contributes to a number of defined benefit pension schemes and accounts for the costs in relation to these schemes in accordance with FRS17 (Retirement benefits).

Where the University is unable to identify its share of the underlying assets and liabilities in a defined benefit pension scheme on a reasonable and consistent basis, it accounts as if the scheme were a defined contribution scheme, so that the cost is equal to the total contributions payable in the year.

For other defined benefit schemes, the assets of each scheme are measured at fair value, and the liabilities are measured on an actuarial basis using the projected unit method and discounted at an appropriate rate of return. The University's share of the surplus or deficit of the scheme is recognised as an asset or liability on the balance sheet. The current service cost, being the actuarially determined present value of the pension benefits earned by employees in the current period, and the past service costs are included within staff costs. Interest Payable includes the net of the expected return on assets, being the actuarial forecast of total return on the assets of the scheme, and the interest costs being the notional interest cost arising from unwinding the discount on the scheme liabilities. All changes in the pension surplus or deficit due to changes in actuarial assumptions or differences between actuarial forecasts and the actual out-turn are reported in the statement of total recognised gains and losses.

On 22 June 2010 it was announced in the Chancellor's Emergency Budget that increases to public sector pensions will in future be linked to the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI). These revised pension increase were effective from 1 April 2011.

k Finance Leases

Assets held under finance leases arising from lease and lease-back transactions are shown at cost and depreciated over their estimated useful lives.

The finance charges are allocated over the period of the lease in proportion to the amount of capital outstanding.

l Endowment Assets

Assets donated to the University are included in the Income and Expenditure Account for the year at valuation, and subsequently transferred to specific reserves and released where appropriate in accordance with depreciation charged in the Income and Expenditure Account.

m Reserves Policy

Revaluation Reserve: Upon achieving corporate status under the 1998 Education Reform Act the original value of the inherited assets and liabilities was transferred to capital reserves. Revaluation of inherited land and buildings was carried out in July 1993. The revaluation reserve includes these elements. A transfer is made from the revaluation reserve to the income and expenditure reserve, for an amount equivalent to the difference between historical cost depreciation and the actual charge for the period.

Restricted Reserves: This reserve is used for prize funds where donations have been given for a specific use.

NOTES TO THE ACCOUNTS
(continued)
Year ended 31 July 2012

2 FUNDING COUNCIL GRANTS

	2011/12 £000s	2010/11 £000s
Recurrent grant (including research element)	64,735	70,573
HEFCE specific grants	1,014	2,448
TDA	3,578	3,774
LSC (formerly FEFC) grant	380	355
Deferred capital grants released in year	3,824	4,148
	73,531	81,298

3 TUITION FEES AND EDUCATION CONTRACTS

	2011/12 £000s	2010/11 £000s
Full-time UK and EU students	55,405	53,122
Part-time UK and EU students	6,249	5,938
Channel Island students	328	378
Overseas full-time students	22,412	23,571
Overseas part-time students	936	1,231
NHS teaching contracts	10,208	8,899
Short course fees	2,337	2,015
	97,875	95,154

4 RESEARCH GRANTS AND CONTRACTS

	2011/12 £000s	2010/11 £000s
Research Councils	1,064	946
UK based charities	291	275
Other research grants and contracts	1,946	2,329
	3,301	3,550

NOTES TO THE ACCOUNTS
(continued)
Year ended 31 July 2012

5 OTHER INCOME

	2011/12 £000s	2010/11 £000s
Residencies and catering	17,047	16,492
Income from UK public bodies	3,391	4,146
Income from EU based organisations	215	239
Income from University shops	173	171
Income from sports facilities	223	284
Course validation fees/teaching contracts	1,163	1,565
Nursery fees	160	152
Field trips	380	302
Graduation ceremonies	279	272
Sale of teaching materials	565	618
Release from deferred capital grant	89	96
Release from endowment reserve	-	-
Other income	3,583	4,727
	27,268	29,064

6 ENDOWMENT AND INVESTMENT INCOME

	2011/12 £000s	2010/11 £000s
Interest receivable	1,355	1,052
	1,355	1,052

7 STAFF

	2011/12 £000s	2010/11 £000s
Staff Costs		Restated
Wages and salaries	85,037	85,658
Social security costs	7,264	7,274
Other pension costs	13,215	12,600
	105,516	105,532

There were no costs included in respect of compensation for loss of office for employees earning over £100,000 (2011: £271,000)

NOTES TO THE ACCOUNTS
(continued)
Year ended 31 July 2012

7 STAFF continued

Vice-Chancellor and Chief Executive

2011/12 £000s	2010/11 £000s
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The emoluments of the Vice-Chancellors serving in the year were as follows:

Current Vice Chancellor

Emoluments	190	63
Employer's contribution to pension fund	30	10

Former Vice-Chancellor

Emoluments	-	86
Employer's contribution to pension fund	-	12
	220	171

Executive Managers

	2011/12 No.	2010/11 No.
£160,001 - £170,000	1	-
£150,001 - £160,000	-	1
£140,001 - £150,000	-	-
£130,001 - £140,000	-	1
£120,001 - £130,000	1	1
£110,001 - £120,000	4	3
£100,001 - £110,000	2	3

The average number of persons employed by the University during the year, expressed as full-time equivalents was:

	2011/12 No.	2010/11 No.
Executive, senior and academic staff	913	926
Research, language and teaching assistants	51	44
General and professional staff	1,180	1,227
	2,144	2,197

The total sum of £2.9k was claimed as expenses by six members of the Board of Governors during 2011/12.

All of the expenses were in respect of travel and subsistence. No remuneration is provided to governors for services provided as governors, or for any other services.

NOTES TO THE ACCOUNTS
(continued)
Year ended 31 July 2012

8 OTHER OPERATING EXPENSES

	2011/12 £000s	2010/11 £000s
		Restated
Residencies, catering and conferences	10,326	11,421
Staff development	1,541	1,690
Recruitment costs	381	363
Other employee costs	2,105	2,147
Teaching materials	3,018	3,052
Academic equipment	2,358	1,991
Franchising costs	8,305	9,706
Other academic expenses	16,290	15,528
Overseas recruitment costs	902	954
Agency costs	1,176	756
Administrative Equipment	1,770	1,312
Utilities	1,198	1,395
Repairs and general maintenance	4,077	3,815
Other premises expenses	660	927
Grant to Kingston University Students' Union	695	680
Rent	1,244	1,240
Rates	496	462
Auditors remuneration: audit services	70	89
Equipment hire	565	543
Other expenses	13,529	11,497
	70,706	69,568

Operating Lease Expenses included in the above are:

Land and buildings related	1,009	965
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9 INTEREST PAYABLE

	2011/12 £000s	2010/11 £000s
On loans payable within 5 years	-	-
On loans payable wholly or partly in more than 5 years	2,686	2,740
On finance leases	1,120	1,160
	3,806	3,900
On pension schemes	1,381	1,539
	5,187	5,439

NOTES TO THE ACCOUNTS
(continued)
Year ended 31 July 2012

10 **FIXED ASSETS**

Tangible Assets
CONSOLIDATED

Cost or Valuation

Balance as at 1 August 2011

Valuation

Cost

Additions

Disposals

Balance as at 31 July 2012

	Freehold Land £000s	Freehold Buildings £000s	Plant, Machinery, Equipment £000s	Total £000s
Balance as at 1 August 2011			-	70,749
Valuation	32,874	37,875	-	70,749
Cost	-	166,456	37,811	204,267
Additions	-	12,188	3,190	15,378
Disposals	-	-	(44)	(44)
Balance as at 31 July 2012	32,874	216,519	40,957	290,350

Depreciation

Balance as at 1 August 2011

Charge in year

Disposals

Balance as at 31 July 2012

Balance as at 1 August 2011	-	59,097	32,092	91,189
Charge in year	-	7,538	3,514	11,051
Disposals	-	-	(45)	(45)
Balance as at 31 July 2012	-	66,635	35,561	102,196

Net Book Value

As at 31 July 2012

32,874	149,883	5,397	188,154
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As at 31 July 2011

32,874	145,234	5,719	183,827
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NOTES TO THE ACCOUNTS
(continued)
Year ended 31 July 2012

10 **FIXED ASSETS (continued)**
UNIVERSITY

Cost or Valuation

Balance as at 1 August 2011

Valuation

Cost

Additions

Disposals

Balance as at 31 July 2012

	Freehold Land £000s	Freehold Buildings £000s	Plant, Machinery, Equipment £000s	Total £000s
Balance as at 1 August 2011			-	70,749
Valuation	32,874	37,875		196,546
Cost	-	159,725	36,821	15,378
Additions	-	12,188	3,190	(44)
Disposals	-	-	(44)	(44)
Balance as at 31 July 2012	32,874	209,788	39,967	282,629

Depreciation

Cost or Valuation

Charge in year

Disposals

Balance as at 31 July 2012

Cost or Valuation	-	57,626	31,084	88,710
Charge in year	-	7,538	3,368	10,906
Disposals	-	-	(44)	(44)
Balance as at 31 July 2012	-	65,164	34,408	99,572

Net Book Value

As at 31 July 2012

As at 31 July 2011

32,874	144,624	5,559	183,057
32,874	139,973	5,737	178,584

As at 31 July 2012 the University had accrued approximately £424,000 (2011:£962,000) in respect of capital expenditure. The net book value of freehold buildings includes £8,285,000 (2011:£8,476,000) in respect of assets acquired under finance leases. The depreciation charge on these assets is £191,000 (2011:£191,000).

Included in the net book value of freehold land and buildings are Exchequer Assets of £8,257,210 (2011:£8,515,859). These assets can be disposed of freely by the University, but initially the proceeds of any sale must be offered to the HEFCE. The HEFCE may allow the University to retain any proceeds and has the right to attach conditions to the use of these funds.

Previously the University depreciated some of its freehold buildings over a range of fifty to a hundred years. During the year, the useful life of these assets was reassessed to fifty years. This has resulted in an additional depreciation charge of £423k

NOTES TO THE ACCOUNTS
(continued)
Year ended 31 July 2012

10 **FIXED ASSETS** (continued)

INVESTMENTS

Shares in Subsidiary Undertakings £000s	Other Investments £000s	Total £000s
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CONSOLIDATED

As at 31 July 2012

	115	115
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As at 31 July 2011

	115	115
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UNIVERSITY

At 1 August 2011

	6,241	115	6,356
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Impairment

	98	-	98
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As at 31 July 2012

	6,143	115	6,258
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The investments consist of shares in the University's subsidiaries listed below, together with other unlisted investments.

Subsidiary

Percentage Owned Main Business

Kingston University Enterprises Limited	100%	Trading and consultancy
Kingston University Campus Enterprises Limited	100%	Vacation letting
Kingston University Service Company Limited	100%	Management of residencies and property services
Kingston University Innovations Limited	100%	Enterprise activity
Kingston University Press Limited	100%	Publishing activity

NOTES TO THE ACCOUNTS
(continued)
Year ended 31 July 2012

11 ENDOWMENT ASSETS
CONSOLIDATED AND UNIVERSITY

Freehold Buildings £000s	Art Collection £000s	Total £000s
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Dorich House building and art collection:

Cost or Valuation

Balance as at 1 August 2011 and 31 July 2012

1,129	382	1,511
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Depreciation

Balance as at 1 August 2011 and 31 July 2012

256	-	256
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Charge in year

16	-	16
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Balance as at 31 July 2012

272	-	272
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Net Book Value

Balance as at 31 July 2012

857	382	1,239
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Balance as at 31 July 2011

873	382	1,255
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Endowment Cash

Balance as at 31 July 2012

619

Balance as at 31 July 2011

405

Total Endowment Asset

Balance as at 31 July 2012

1,858

Balance as at 31 July 2011

1,661

IMPAIRMENT REVIEW

In accordance with FRS11 the University has conducted a review which concluded that there was no material impairment of fixed assets during 2011/12.

NOTES TO THE ACCOUNTS
(continued)
Year ended 31 July 2012

12 STOCK

	Consolidated 2011/12 £000s	University 2011/12 £000s	Consolidated 2010/11 £000s	University 2010/11 £000s
Refectory	75	75	56	56
Stamps and franking credits	58	58	81	81
Shop stock & books	31	29	41	34
Building materials	114	114	99	99
Branded merchandise	4	4	5	5
	282	280	282	275

13 DEBTORS

	Consolidated 2011/12 £000s	University 2011/12 £000s	Consolidated 2010/11 £000s	University 2010/11 £000s
Trade debtors	8,488	8,353	8,750	8,467
Provision for doubtful debts	(3,788)	(3,788)	(3,005)	(3,005)
	4,700	4,565	5,745	5,462
Amounts owed by subsidiary undertakings	-	912	-	868
Accrued income	1,224	1,028	1,332	1,332
Other debtors	730	715	274	265
Prepayments	2,162	2,061	1,387	1,340
	8,816	9,281	8,738	9,267

**14 CREDITORS - AMOUNTS FALLING
DUE WITHIN ONE YEAR**

	Consolidated 2011/12 £000s	University 2011/12 £000s	Consolidated 2010/11 £000s	University 2010/11 £000s
Amounts owed to subsidiary undertakings	-	219	-	118
Obligations under finance leases	722	722	660	660
Term loan facility	1,673	1,673	1,552	1,552
Trade creditors	6,580	6,494	5,905	5,820
Other creditors including tax and social security	10,185	10,006	10,334	10,165
Student deposits	563	563	611	611
Accruals	8,334	7,696	5,916	5,140
Tuition fees in advance	1,787	1,787	1,547	1,547
Deferred income	3,658	3,658	3,807	3,807
Deferred credit on revenue grants	2,319	2,319	1,942	1,942
	35,821	35,137	32,274	31,362

NOTES TO THE ACCOUNTS
(continued)
Year ended 31 July 2012

**15 CREDITORS - AMOUNTS FALLING
DUE AFTER MORE THAN
ONE YEAR**

	Consolidated 2011/12 £000s	University 2011/12 £000s	Consolidated 2010/11 £000s	University 2010/11 £000s
Obligations under finance leases	9,009	9,009	9,731	9,731
Term loan facility	38,433	38,433	40,183	40,183
Deferred income	3,018	3,018	3,134	3,134
Other loans	673	673	1,673	1,673
	51,133	51,133	54,721	54,721

Term Loans

	Consolidated 2011/12 £000s	University 2011/12 £000s	Consolidated 2010/11 £000s	University 2010/11 £000s
Balance at 1 August	41,734	41,734	43,173	43,173
Capital repayments	(1,552)	(1,552)	(1,439)	(1,439)
Total loans outstanding at 31 July	40,182	40,182	41,734	41,734

Obligations Term Loans

	Consolidated 2011/12 £000s	University 2011/12 £000s	Consolidated 2010/11 £000s	University 2010/11 £000s

Obligations under loans fall due as follows:

Within one year	1,673	1,673	1,552	1,552
In the second to fifth years inclusive	8,004	8,004	7,456	7,456
In over five years	30,430	30,430	32,727	32,727
	40,107	40,107	41,735	41,735

NOTES TO THE ACCOUNTS
(continued)
Year ended 31 July 2012

Obligations under Finance Leases

Consolidated 2011/12 £000s	University 2011/12 £000s	Consolidated 2010/11 £000s	University 2010/11 £000s
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Obligations under finance leases fall due as follows:

Within one year	1,807	1,807	1,781	1,781
In the second to fifth years inclusive	7,861	7,861	7,604	7,604
In over five years	8,326	8,326	10,391	10,391
	17,994	17,994	19,776	19,776
Less finance charges allocated to future periods	(8,263)	(8,263)	(9,384)	(9,384)
	9,731	9,731	10,392	10,392

Analysis of terms of repayment and rates of interest

For loans and leases falling due after more than five years

Lender	Value and type	Start date	Term	Interest rate
Roodhill Leasing (Middle Mill)	£4.1m lease	22/05/1997	01/04/2022	7.50%
Roodhill Leasing (Kingston Bridge House)	£3.4m lease	22/05/1997	01/04/2022	7.50%
Roodhill Leasing (Kingston Hill Chancellors)	£5.3m lease	22/09/1994	01/04/2019	7.50%
Barclays	£17m term loan	20/12/2005	30/09/2020	4.84%
Barclays	£35m term loan	31/07/2008	31/07/2031	5.35%

NOTES TO THE ACCOUNTS
(continued)
Year ended 31 July 2012

16 PENSION LIABILITY

The pension liability has been measured in accordance with the requirements of FRS17 and relates to the Local Government Superannuation Scheme (LGSS) and the London Pensions Fund Authority (LPFA).

Further information is given in note 30.

LGSS 2012	LPFA 2012	Total 2012	Total 2011
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CONSOLIDATED

Opening balance	(59,496)	(2,750)	(62,246)	(59,727)
<u>Movement in year:</u>				
Current service cost	(6,384)	(196)	(6,580)	(5,012)
Contributions	6,395	393	6,788	6,720
Other finance (cost)	(1,275)	(106)	(1,381)	(1,539)
Actuarial gain / loss recognised in	(18,164)	(1,217)	(19,381)	(2,687)
Statement of total recognised gains and losses				
Closing balances	<u>(78,924)</u>	<u>(3,876)</u>	<u>(82,800)</u>	<u>(62,245)</u>

UNIVERSITY

Opening balance	(59,496)	-	(59,496)	(56,899)
<u>Movement in year:</u>				
Current service cost	(6,384)	-	(6,384)	(4,798)
Contributions	6,395		6,395	6,310
Other finance (cost)/gain	(1,275)		(1,275)	(1,433)
Actuarial gain / loss recognised in	(18,164)		(18,164)	(2,676)
Statement of total recognised gains and losses				
Closing balances	<u>(78,924)</u>	<u>-</u>	<u>(78,924)</u>	<u>(59,496)</u>

NOTES TO THE ACCOUNTS
(continued)
Year ended 31 July 2012

17 DEFERRED CAPITAL GRANTS

	Consolidated 2011/12 £000s	University 2011/12 £000s	Consolidated 2010/11 £000s	University 2010/11 £000s
Balance at 1 August	19,949	19,949	21,287	21,287
Movements:				
Grants received	475	475	2,809	2,809
Release to income and expenditure account - Funding Council Grants	(3,735)	(3,735)	(4,051)	(4,051)
Release to income and expenditure account - Other income	(89)	(89)	(96)	(96)
Balance at 31 July	16,600	16,600	19,949	19,949
Amount to be released within one year	(1,930)	(1,930)	(2,488)	(2,488)
Amounts to be released after more than one year	14,670	14,670	17,461	17,461

18 ENDOWMENTS

	Consolidated 2011/12 £000s	University 2011/12 £000s	Consolidated 2010/11 £000s	University 2010/11 £000s
Balance at 1 August	1,661	1,661	1,488	1,488
Transfer to income and expenditure account	(273)	(273)	(99)	(99)
Income received	470	470	272	272
Balance at 31 July	1,858	1,858	1,661	1,661

This endowment funds relate to the Dora Hare Estate - £1,293k; Phillip Russell Scholarship - £41k and others - £524k.

19 REVALUATION RESERVE

	Consolidated 2011/12 £000s	University 2011/12 £000s	Consolidated 2010/11 £000s	University 2010/11 £000s
Balance at 1 August	54,508	54,508	55,216	55,216
<u>Transfer to General Reserve:</u>				
Difference between historical cost depreciation and actual charge for the period calculated on re-valued amount	(708)	(708)	(708)	(708)
Balance at 31 July	53,800	53,800	54,508	54,508

NOTES TO THE ACCOUNTS
(continued)
Year ended 31 July 2012

20 RESTRICTED RESERVES

Consolidated and University

Balance at 1 August
Increase/ (Decrease) in restricted reserves
Balance at 31 July

Prize Fund £000s	Total £000s
117	117
(1)	(1)
116	116

21 MOVEMENT ON GENERAL RESERVE

Income and expenditure account reserve
at 1 August
Surplus retained for the year
Transfer from/(to) pension reserve
Transfer from revaluation reserve

Consolidated 2011/12 £000s	University 2011/12 £000s	Consolidated 2010/11 £000s	University 2010/11 £000s
128,611	123,466	108,128	102,879
10,854	10,832	19,942	19,957
1,599	1,694	(167)	(78)
708	708	708	708
141,772	136,700	128,611	123,466

22 NET CASH INFLOW FROM OPERATING ACTIVITIES *

Surplus before tax
Interest payable
Interest receivable
Release of capital grant
Depreciation
Loss on sale of assets
Increase in investments
(Increase)/decrease in stocks
(Increase)/decrease in debtors
(Increase)/decrease in creditors
Pension costs less contributions payable
Transfer of research grant to deferred credit
Release of revenue grant

2011/12 £000s	2010/11 £000s
10,854	19,942
5,187	5,439
(1,355)	(1,052)
(3,824)	(4,148)
11,067	9,637
-	-
-	-
(2)	(7)
769	(667)
1,713	(327)
(208)	(1,708)
2,319	1,942
(1,942)	(1,592)
24,578	27,459

*Prior year figures have been reanalysed to provide consistency with the current year.

NOTES TO THE ACCOUNTS
(continued)
Year ended 31 July 2012

23 RETURNS ON INVESTMENTS AND SERVICING OF FINANCE

	2011/12 £000s	2010/11 £000s
Interest receivable	1,101	767
Interest paid	(2,684)	(2,739)
Finance lease charges paid	(1,120)	(1,151)
	<u>(2,703)</u>	<u>(3,123)</u>

24 CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT

	2011/12 £000s	2010/11 £000s
Purchase of tangible fixed assets	(14,403)	(23,862)
Deferred capital grant received	475	2,809
	<u>(13,928)</u>	<u>(21,053)</u>

25 FINANCING

	2011/12 £000s	2010/11 £000s
Medium term loan repayments	(2,628)	(2,346)
New loans obtained	-	93
Loan repaid	-	-
Capital element on finance leases	(660)	(653)
	<u>(3,289)</u>	<u>(2,906)</u>

NOTES TO THE ACCOUNTS
(continued)
Year ended 31 July 2012

**26 ANALYSIS OF CHANGES IN
NET FUNDS**

At 1 August 2011	Cash flows	Other Non Cash Changes	At 31 July 2012
£000s	£000s	£000s	£000s
Cash at bank and in hand	97,218	4,658	101,876
Cash in endowment assets	405	214	619
Debt due within one year	(1,548)	1,628	(1,673)
Debt due after one year	(41,856)	997	(39,106)
Finance leases due within one year	(660)	661	(722)
Finance leases due after one year	(9,732)	-	(9,009)
	43,827	8,158	51,985

**27 ANALYSIS OF CHANGES IN FINANCING
DURING THE YEAR**

	Leases £000s	Loans £000s	Total £000s
Balance at 1 August 2011	10,391	43,405	53,796
Capital Repayments	(660)	(2,625)	(3,285)
New loans	-	-	-
Balance at 31 July 2012	9,731	40,780	50,511

28 OPERATING LEASE COMMITMENTS

At 31 July 2012 the Group was committed to making the following payments during the next year in respect of operating leases:

Leases which expire:

Within one year

In the second to fifth years inclusive

In more than five years

2011/12 Land and Buildings £000s	2010/11 Land and Buildings £000s
577	314
-	462
432	189
1,009	965

NOTES TO THE ACCOUNTS
(continued)
Year ended 31 July 2012

29 PRIVATE FINANCE TRANSACTIONS

The University has only one PFI scheme which is for the Clayhill Halls of Residence.	£000s
Estimated capital value of scheme	21,861
Project agreement date:	23/5/02
Completion of building project and commencement of unitary charge:	1/12/03
Contract end date:	30/11/38

A unitary charge is payable for a period of 35 years from the completion of the building project on 1st December 2003. The annual charge for 2011/12 was £2,805,422. Estimated annual payments in the future are not expected to be materially different.

30 PENSIONS

The two principal pension schemes for University staff are the Teachers Pension Scheme (TPS) and the Local Government Superannuation Scheme (LGSS). Whilst both are defined benefit schemes, the TPS is a national scheme and it is not possible to identify the University's share of underlying assets and liabilities.

Local Government Pension Scheme (LGPS)

A defined benefit pension scheme (LGPS) is operated on behalf of the employees of Kingston University, the figures disclosed below have been derived from the actuarial valuations carried out by Hymans Robertson LLP Limited as at 31 July 2012.

Reconciliation of present value of plan liabilities

	2011/12 £000s	2010/11 £000s
		Restated
At the beginning of the year	156,286	139,567
Current service cost	5,948	4,798
Interest cost	8,373	7,608
Actuarial losses	13,234	6,901
Benefits paid	(4,643)	(4,623)
Past service costs	435	-
Contributions by members	1,905	2,035
At the end of the year	181,539	156,286

The opening and closing balance of both the present value of plan liabilities and assets has been restated to reflect the correct level as per the actuarial report. The net impact of the assets and liabilities remains unchanged.

NOTES TO THE ACCOUNTS
(continued)
Year ended 31 July 2012

Reconciliation of present value of plan liabilities

2011/12 £000s	2010/11 £000s
	Restated
181,539	156,286
<u>181,539</u>	<u>156,286</u>

Schemes wholly or partly funded

Reconciliation of fair value of plan assets

2011/12 £000s	2010/11 £000s
	Restated
96,790	82,668
7,098	6,174
(4,930)	4,226
8,304	8,345
(4,647)	(4,623)
<u>102,615</u>	<u>96,790</u>

At the end of the year

The opening and closing balance of both the present value of plan liabilities and assets has been restated to reflect the correct level as per the actuarial report. The net impact of the assets and liabilities remains unchanged.

Reconciliation to balance sheet

2011/12 £000s	2010/11 £000s
(181,539)	(156,286)
102,615	96,790
<u>(78,924)</u>	<u>(59,496)</u>
-	-
<u>(78,924)</u>	<u>(59,496)</u>

Net liability

NOTES TO THE ACCOUNTS
(continued)
Year ended 31 July 2012

30 **PENSIONS** (continued)

The amounts recognised in profit and loss are as follows:

Included in Other Operating expenses:

	2011/12 £000s	2010/11 £000s
Current service cost	5,948	4,798
Past service cost	435	

Included in Interest payable:

Interest cost	8,373	7,608
Expected return on plan assets	(7,098)	(6,174)

	2011/12 £000s	2010/11 £000s
<hr/>		
	7,658	6,232
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Analysis of amount recognised in statement of total recognised gains and losses

Actual return less expected return on pension plan assets	(4,930)	4,226
Experience gains and losses arising on the scheme liabilities	(13,352)	(6,901)
Changes in assumptions underlying the present value of the scheme liabilities		

Actuarial (losses)/gains recognised in the statement of total recognised gains and losses

	2011/12 £000s	2010/11 £000s
<hr/>		
	(18,282)	(2,675)
<hr/>		

Narrative description of the basis used to determine the overall expected rate of return of assets:

Overall expected rate of return on plan assets is based upon historical returns of investment performance adjusted to reflect expectations of future long-term returns by asset class.

Actual return on plan assets

	2011/12 £000s	2010/11 £000s
<hr/>		
	2,168	10,730
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NOTES TO THE ACCOUNTS
(continued)
Year ended 31 July 2012

30 PENSIONS (continued)

Principal actuarial assumption used at the balance sheet date

2011/12	2010/11
%	%

Discount rates	4.1	5.3
Expected rate of return on plan assets	5.0	7.2
Future salary increases	4.5	5.2
Future pension increases	2.2	2.8
RPI inflation	3.0	3.7

Five year history

	2012 £000s	2011 £000s	2010 £000s	2009 £000s	2008 £000s
Present value of the plan liabilities	(181,539)	(156,286)	(137,970)	(131,282)	(107,517)
Fair value of the plan assets	102,615	96,790	81,071	63,799	61,990
Deficit on the pension plans	(78,924)	(59,496)	(56,899)	(67,483)	(45,527)
Experience adjustments arising on:					
Plan liabilities	(1,558)	290	1,240	(340)	1,140
Plan assets	(4,930)	4,360	7,510	(8,090)	(12,190)

The group's best estimate of the contributions expected to be paid in the year beginning 1 August 2012 is £6.19m.

The approximate split of the scheme assets and assumed rates of return adopted by the Employer for the purpose

of FRS17 is shown below:

	Long-term expected rate of return at 31	Asset split at 31 July 2012 (%)	Long-term expected rate of return at 31 July	Asset split at 31 July 2011 (%)
Equities	5.4	77.0%	7.9	78.0%
Property	3.7	4.0%	7.4	5.0%
Bonds	3.8	15.0%	8.6	14.0%
Cash/other	2.8	4.0%	1.5	3.0%
Total		100%	7.5	100%

NOTES TO THE ACCOUNTS
(continued)
Year ended 31 July 2012

30 **PENSIONS** (continued)

London Pension Fund Authority (LPFA) Pension Scheme

A defined benefit pension scheme (LPFA) is operated on behalf of the employees of KUSCO Limited, the figures disclosed below have been derived from the actuarial valuations carried out by Barnett Waddington as at 31 July 2012.

<i>Reconciliation of present value of plan liabilities</i>	2011/12 £000s	2010/11 £000s
At the beginning of the year	6,316	5,733
Current service cost	196	214
Interest cost	338	313
Actuarial losses	1,332	127
Benefits paid	(75)	(71)
Past service costs	-	-
At the end of the year	8,107	6,316

<i>Reconciliation of present value of plan liabilities</i>	2011/12 £000s	2010/11 £000s
Schemes wholly or partly funded	8,107	6,316
	8,107	6,316

<i>Reconciliation of fair value of plan assets</i>	2011/12 £000s	2010/11 £000s
At the beginning of the year	3,566	2,905
Expected rate of return on plan assets	232	206
Actuarial gains/(losses)	115	116
Contribution by group	446	469
Benefits paid	(128)	(130)
At the end of the year	4,231	3,566

NOTES TO THE ACCOUNTS
(continued)
Year ended 31 July 2012

30 **PENSIONS** (continued)

Reconciliation to balance sheet

Present value of funded obligations
Fair value of plan assets

2011/12 £000s	2010/11 £000s
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(8,107)	(6,316)
4,231	4,227

Plan deficit
Related deferred tax asset

(3,876)	(2,089)
-	-

Net liability

(3,876)	(2,089)
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The amounts recognised in profit and loss are as follows:

Included in other operating expenses:

Current service cost
Contributions received

196	214
(393)	(410)

Included in interest payable:

Interest cost
Expected return on plan assets

338	313
(232)	(206)
(91)	(89)

Analysis of amount recognised in statement of total recognised gains and losses

Actual return less expected return on pension plan assets
Experience gains and losses arising on the scheme liabilities
Changes in assumptions underlying the present value of the scheme liabilities

(188)	116
(284)	-
(745)	(127)

Actuarial (losses)/gains recognised in the statement of total recognised gains and losses

(1,217)	(11)
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NOTES TO THE ACCOUNTS
(continued)
Year ended 31 July 2012

30 PENSIONS (continued)

Cumulative amount of losses recognised in the statement of total recognised gains and losses

2011/12 £000s	2010/11 £000s
(2,734)	(1,517)
(2,734)	(1,517)

Narrative description of the basis used to determine the overall expected rate of return of assets

Overall expected rate of return on plan assets is based upon historical returns of investment performance adjusted to reflect expectations of future long-term returns by asset class.

Actual return on plan assets

2011/12 £000s	2010/11 £000s
43	322
43	322

Principal actuarial assumption used at the balance sheet date

	2011/12 %	2010/11 %
Discount rates	3.9	5.3
Expected rate of return on plan assets	5.2	6.2
Future salary increases	3.5	4.5
Future pension increases	1.8	2.7

Five year history

	2012 £000s	2011 £000s	2010 £000s	2009 £000s	2008 £000s
Present value of the plan liabilities	(8,107)	(6,316)	(5,733)	(5,419)	(4,597)
Fair value of the plan assets	4,231	3,566	2,905	2,485	2,495
Deficit on the pension plans	(3,876)	(2,750)	(2,828)	(2,934)	(2,102)
Experience adjustments arising on:					
Plan assets	115	116	79	(350)	(2,106)
Plan liabilities	(587)	-	-	-	490
	(472)	(20)	(221)	(350)	(1,616)

The group's best estimate of the contributions expected to be paid in the year beginning on 1 August 2012 is £477,000.

NOTES TO THE ACCOUNTS
(continued)
Year ended 31 July 2012

30. **PENSIONS** (continued)

Estimated asset allocation as at 31 July

	2012		2011	
	£000s	%	£000s	%
Equities	3,004	71	2,461	69
Target Return Portfolio	423	10	392	11
Alternative Assets	677	16	499	14
Cash	127	3	143	4
Other Bonds	-	-	71	2
	4,231	100	3,566	100

The pension liability as at 31 July 2012 and 31 July 2011 excluded the impact of bulk transfer of staff from the London Borough of Kingston, which is yet to be completed. We are unable to obtain an estimate of the impact of the transfer.

Teachers' Pension Scheme

Under the definitions set out in Financial Reporting Standard 17 - Retirement benefits, the Teacher's pension scheme (TPS) is a multi-employer pension scheme. As the TPS is underwritten by central government and the University has no future obligation to make contributions to the scheme, this is effectively a defined contribution scheme in so far as it affects the University. As a result, contributions to this scheme are accounted for as if the scheme was a defined contribution scheme.

The University has set out below the information available on the Scheme and the implications for the University in terms of the anticipated contribution rates.

The employers' contribution rates for the University's academic staff were 14.1% of pensionable salaries from 1 August 2011 to 31 July 2012.

The Teachers' Pension Scheme is a statutory, contributory, unfunded, defined benefit scheme. The regulations under which the TPS operates are the Teachers' Pensions Regulations 1997, as amended. Contributions are credited to the Exchequer on a "pay as you go" basis under arrangements governed by the Superannuation Act 1972. A notional asset value is ascribed to the Scheme for the purposes of determining contribution rates.

The last valuation of the TPS related to the period 1 April 2001 to 31 March 2004. The Government Actuary's report of October 2006 revealed that the total liabilities of the Scheme (pensions currently in payment and the estimated cost of future benefits) amounted to £166,500 million. The value of the assets (estimated future contributions together with the proceeds from the notional investments held at the valuation date) was £163,240 million. The assumed real rate of return is 3.5% in excess of prices and 2% in excess of earnings. The rate of real earnings growth is assumed to be 1.5%. The assumed gross rate of return is 6.5%.

As from 1 January 2008 and as part of the cost-sharing agreement between employers' and teachers' representatives, the standard contribution has been assessed at 19.75%, plus a supplementary contribution rate of 0.75% (to balance assets and liabilities as required by the regulations within 15 years): a Standard Contribution Rate (SCR) of 20.5%. This translates into an employee contribution rate of 6.4% and employer contribution rate of 14.1% payable. The cost-sharing agreement has also introduced effective for the first time from the 2008 valuation, a 14% cap on employer contributions payable. The 2008 valuation has not yet been completed.

The 2006 interim actuarial review, published in June 2007, did not recommend any changes to the SCR and concluded, as at 31 March 2006, and using the above assumptions, that the Scheme's total liabilities amounted to £176,600 million.

NOTES TO THE ACCOUNTS
(continued)
Year ended 31 July 2012

30. **PENSIONS** (continued)

Universities Superannuation Scheme

The institution participates in the Universities Superannuation Scheme (USS), a defined benefit scheme which is contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate trustee-administered fund. Because of the mutual nature of the scheme, the scheme's assets are not linked to individual institutions and a scheme-wide contribution rate is set. The institution is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17 "Retirement benefits", accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period.

The latest actuarial valuation of the scheme was at 31 March 2011. The valuation was carried out using the projected unit method. The assumptions which have the most significant effect on the result of the valuation are those relating to the rate of return on investments (i.e. the valuation rate of interest), the rates of increase in salary and pensions and the assumed rates of mortality. The financial assumptions were derived from market yields prevailing at the valuation date. An "inflation risk premium" adjustment was also included by deducting 0.3% from the market-implied inflation.

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

Standard mortality tables were used as follows:

Male members' mortality	S1NA (Light) year of birth tables – No age rating
Female members' mortality	S1NA (Light) year of birth tables – rated down 1 year

Use of these mortality tables reasonably reflects the actual USS experience but also provides an element of conservatism to allow for further improvements in mortality rates. The assumed life expectations on retirement at age 65 are:

Males (females) currently aged 65	23.7 (25.6) years
Males (females) currently aged 45	25.5 (27.6) years

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

The actuary also valued the scheme on a number of other bases as at the valuation date. On the scheme's historic gilts basis, using a valuation rate of interest in respect of past service liabilities of 4.4% per annum (the expected return on gilts) the funding level was approximately 68%. Under the Pension Protected Fund regulations introduced by the Pensions Act 2004 the Scheme was 93% funded; and on a buy-out basis (ie assuming the Scheme had discontinued on the valuation date) the assets would have been approximately 57% of the amount necessary to secure all the USS benefits with an insurance company.

NOTES TO THE ACCOUNTS
(continued)
Year ended 31 July 2012

30. **PENSIONS** (continued)

Surpluses or deficits which arise at future valuation may impact on the institution's future contribution commitment. A deficit may require additional funding in the form of higher contribution requirements, where a surplus could, perhaps, be used to similarly reduce contribution requirements. The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

Assumption	Change in assumption	Impact on scheme liabilities
Rate of investment return	Increase/decrease by 0.25%	Decrease/increase by £1.6 billion
Rate of salary growth	Increase/decrease by 0.25%	Increase/decrease by £0.6 billion
Rate of mortality	Members live one year longer than assumed	Increase by £0.8 billion

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

The next formal triennial actuarial valuation is due as at 31 March 2014. The contribution rate will be reviewed as part of each valuation and may be reviewed more frequently.

The trustee believes that over the long-term equity investment and investment in selected alternative asset classes will provide superior returns to other investment classes. The management structure and targets set are designed to give the fund a major exposure to equities through portfolios that are diversified both geographically and by sector. The trustee recognises that it would be theoretically possible to select investments producing income flows broadly similar to the estimated liability cash flows. However, in order to meet the long-term funding objective within a level of contributions that it considers the employers would be willing to make, the trustee needs to take on a degree of investment risk relative to the liabilities. This taking of investment risk seeks to target a greater return than the matching assets would provide whilst maintaining a prudent approach to meeting the fund's liabilities. Before deciding what degree of investment risk to take relative to the liabilities, the trustee receives advice from its internal investment team, its investment consultant and the scheme actuary, and considers the views of the employers. The strong positive cash flow of the scheme means that it is not necessary to realise investments to meet liabilities. The trustee believes that this, together with the ongoing flow of new entrants into the scheme and the strength of covenant of the employers enables it to take a long-term view of its investments. Short-term volatility of returns can be tolerated and need not feed through directly to the contribution rate although the trustee is mindful of the desirability of keeping the funding level on the scheme's technical provisions close to or above 100% thereby minimizing the risk of the introduction of deficit contributions. The actuary has confirmed that the scheme's cash flow is likely to remain positive for the next ten years or more.

The next formal triennial actuarial valuation is as at 31 March 2011 and will incorporate allowance for scheme benefit changes and any changes the trustee makes to the underlying actuarial assumptions. The contribution rate will be reviewed as part of each valuation and may be reviewed more frequently.

At 31 March 2011, USS had over 142,000 active members and the institution had 43 active members participating in the scheme.

The total pension cost for the institution was £391k (2010: £288k). This is *net of/includes £37k (2010: £36k) *prepaid/outstanding contributions at the balance sheet date. The contribution rate payable by the institution was 16% of pensionable salaries.

NOTES TO THE ACCOUNTS
(continued)
Year ended 31 July 2012

31 OTHER FUNDING

The University received additional funds from the funding councils (HEFCE and TDA) which it holds and distributes to either students or other educational partners.

	Access Funds (HEFCE) £	Life Long Learning (HEFCE) £	Graduate teachers (TDA) £
Balance as at 1 August 2011	20,295	13,278	1,498,217
Funds received	468,235	-	287,013
Disbursement of funds	(463,146)	(311)	(332,642)
Balance as at 31st July 2012	25,384	12,967	1,452,588

The unspent balance is held with creditors within deferred income and other creditors.

32 RELATED PARTY TRANSACTIONS

In the course of normal operations, related party transactions entered into by the University have been contracted on an arm's length basis during the year, in accordance with the University's financial regulations and procurement policy.

The University has taken advantage of the exemption which is conferred by the Financial Reporting Standard (FRS) 8 - Related Party disclosures that allows it not to disclose transactions with group undertakings 90% or more of whose voting rights are controlled within the group.

Transactions relating to franchised arrangements with South Thames College amounted to payments of £480k (2010/11: £787k), an organisation in which the principal Ms Sue Rimmer was a member of the Kingston University Governing Body from November 2009.

Grants were paid to Kingston University Students Union amounting to £693k (2010/11: £678k), an organisation in which the president, Mr C Dingle is a member of Kingston University Governing Body.

Transactions relating to franchised arrangements with St. Georges Hospital Medical School, an organisation in which the Principal, Professor Peter Kopelman is a member of the Kingston University Governing Body were as follows:

	2011/12 £000s	2010/11 £000s
Franchising income	74	356
Franchising costs	(353)	(365)
	(279)	(9)

33 CAPITAL COMMITMENTS - CONSOLIDATED & UNIVERSITY

Capital expenditure contracted that has not been provided for in the financial statements

Capital expenditure that has been authorised by the Governing Body but has not yet been contracted for

	2011/12 £000s	2010/11 £000s
Capital expenditure contracted that has not been provided for in the financial statements	5,028	8,688
Capital expenditure that has been authorised by the Governing Body but has not yet been contracted for	-	7,132
	5,028	15,820