Kingston University London

Financial Statements 2009-10

Contents

OPERATING AND FINANCIAL REVIEW

(REPORT OF THE GOVERNING BODY)

2009/10 FINANCIAL STATEMENTS

1. Institution's Strategy and objectives

1.1 Vision and mission

The University's current mission statement is:

The mission of Kingston University is to promote participation in higher education, which it regards as a democratic entitlement, to strive for excellence in learning, teaching and research; to realise the creative potential and fire the imagination of all its members; and to equip its students to make effective contributions to society and the economy.

1.2 Strategic Plan

The University's strategic plan to 2012/13 identifies three cross cutting themes as well as covering the University core areas.
The cross-cutting themes are:

- Comprehensive scope
- Academic focus
- Fitness for purpose

The core areas are:

- Learning and teaching and the curriculum
- Research and enterprise
- Student experience
- Management and organisation

Within these areas clear objectives have been articulated along with the indicators of success. The strategic plan was approved by the institutions Governing Body at its meeting of January 2009 and operational and implementation plans were presented to the Board of Governors at its meeting of 25 November 2009.
An interim update on the progress in implementing the Plan was considered by the Board of Governors in July 2010 and a further update to the operational plan will be presented in November 2010.

1.3 Financial Strategy

The University's financial strategy seeks to ensure that resources are deployed to achieve the University's strategic aims and objectives whilst ensuring continuing financial viability. The strategy has been revised to ensure alignment with the new strategic plan and to reflect the projected economic and financial environment and was presented to the Governing Body in November 2009. The strategy provides expected levels of achievement for the following:

- Annual surplus – historic cost surplus of 2% of funding and fee income
- Net liquidity (days) - 70
- Current ratio – no less than 1.5
- Cash flow as a percentage of income – no less than 5%
- Annualised servicing costs – no more than 4% of income
- Staff costs as a percentage of income – 58%
- Capital /maintenance costs – within 7% of insurable value

The University also produces a ten year financial plan reflecting the expected performance.

2. Public Benefit Statement

Kingston University's legal status is that of a higher education corporation but it is also an exempt charity and subject to monitoring by the Higher Education for England (HEFCE) in its role as principal regulator under the terms of the Charities Act 2006. The Act requires the University to clearly demonstrate the public benefits it provides and that these are related to the aims of the University.

As both a charity and a higher education corporation the University's primary purpose is the advancement of education although there are other areas of engagement that contribute to public benefit.

The governing body 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.

The mission of Kingston University is to promote participation in higher education, which it regards as a democratic entitlement; strive for excellence in learning, teaching and research; realise the creative potential and fire the imagination of all its members; and equip its students to make effective contributions to society and the economy.

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. We are as proud of our past as a polytechnic, from which our enduring commitments to widening participation and vocational preparation/professional formation are derived, as we are ambitious for our future as a university with a growing research reputation and international presence.

Kingston 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. Our geographical position enlarges this civic role. As the only large multi-faculty university in south-west London, we continue 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.

Kingston University has a clear and inclusive commitment to widening participation being part of the mission statement of the university and a significant principle in Kingston's comprehensive philosophy and character. Our widening participation strategy is guided in principle by both the Office for Fair Access (OFFA) Access Agreement and HEFCE Widening Participation Strategic Assessment (WPSA). The University has agreed that the following groups will be the focus of the Widening Participation Strategic Assessment: BME groups; vocational learners; lower socio-economic groups; disabled students; care leavers.

The university can report that all students with family incomes under £39,305 who have been eligible and applied into the scheme have received a bursary from the university in 2009/10. In 2009/10 bursaries were issued to some 7,300 students with a value of almost £5.1M. This represents 20% of the University's fee income. The total cost of the widening participation unit has been budgeted for the 2010-2011 academic year a total of £878,737.

These various elements of the Access Agreement are inherently linked to activity within the University that supports fairer access routes for students from our WPSA target groups. Three areas of work in which we are particularly proud of our achievements are with our Compact Scheme, Care Leavers Compact Scheme and International Mobility Bursary Scheme. The Compact Scheme students receive a minimum of £300 additional bursary per year and the increased sum of £1000 per year has been an integral part of our work with care leavers.

A brief summary of the general nature and intent of our work is offered here and ranges from specific advice and guidance to aspirational activities and academic and practical support. Last year the team was involved with over 10,000 students based at the university campus and with 72 schools and colleges. This included 1,800 on campus and 9,184 in schools. In addition to this we deliver talks about a range of HE related issues, including advice on writing applications and a clear guide to student finance. Last year we delivered 30 talks to over 1,480 students and their guardians at 14 separate institutions.

Recognised for our commitment to supporting care leavers by the Frank Buttle Trust, we have been honoured as one of the first six universities to receive their prestigious kite mark. Work in this area has included building cross-borough relationships between care workers, substantially increasing the number of declared students from care and offering support and guidance to other HEIs.

All of the University's educational activity is underpinned by research informed teaching and this assists students in their employability and development of skills to support them in entering the workforce. For example, the Faculty of Health and Social Care Sciences is a partnership between Kingston University and St George's, University of London and is one of the leading providers of health and social care education in the UK. It is proud to be playing a pivotal role in shaping the future workforce for London and has more than 4,000 students on courses in nursing, midwifery and child health, paramedic science, radiography, rehabilitation sciences and social work as well as a range of continuing professional development programmes. The Faculty works closely with employers to continually develop its portfolio of courses and its research and enterprise activities. Operating in a climate of continuing change, it has responded proactively and innovatively to new health and social care policy initiatives to deliver programmes that are at the cutting edge of professional development.

At Kingston University we have a team of around 80 Student Ambassadors who support the Recruitment and Outreach team's activities. The Student Ambassadors are current undergraduate and postgraduate students studying at the University. We recruit 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.

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 300 volunteers active within 70 partner organisations, contributing around 7,000 hours to the community each year. In the area of sustainability staff and students have been working with the local community since May 2008 and in that time there have been 21 events on 88 days with 1,426 people attending or participating and 550 volunteer hours from our students and staff and 30 stakeholder beneficiary organisations.

The University's Sport and Recreation Service provides opportunities for students to get involved in developing their sporting knowledge and put this into 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 has introduced a 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, 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. Dorich House 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 2009/10, 84.1% of its income (82.6% in 2008.09) came from funding agencies grants, tuition fee income and education contracts. The major proportion of this income 85% (84% in 2008.09) 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 the Higher Education Funding Council, who will determine the number of students eligible for funding. Whilst the University has consistently met its student recruitment numbers and applications to the University remain buoyant, the current funding arrangements necessitate the university meeting student number controls in order to avoid financial penalties. The Higher Education Funding Council exercises much of this regulation through the Financial Memorandum. Income from overseas students represents 13.7 % of funding and fee income (13.3% 2008.09). This source of income has grown consistently over recent years in a very competitive market. Applications remain buoyant even with tighter controls over the issue of visas. The main growth has been in postgraduate students with a decline in undergraduate applications. The University has recently entered into a contract that will contribute to a more consistent flow of undergraduate students. Income From NHS funding contracts represents 4.7% (5.4% 2008.09) of funding and fee income and is delivered through the Faculty of Health and Social Care Sciences; a joint arrangement between the University and St Georges University of London. The contracts are with NHS London Strategic Health Authority and the level of student recruitment is determined annually.

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), Kingston University Innovations Limited (KUIL), Hadleigh Products Limited (HPL) and Kingston University Press Limited (KUPL). HPL entered into Members Voluntary Liquidation in July 2010. The liquidation is due to be completed on 30 November 2010. 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. KUIL was established to hold investments in spin out and spin in activities. HPL existed to handle a range of property transactions. Kingston University Press Limited was established to handle the printing and publishing activity of the University. KUPL commenced trading during the year as a publishing company for academic literature. 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 2010 is summarised as follows:

	2009/10 £000's	2008/09 £000's
Total income	205,869	193,773
Total expenditure	189,724	182,313
Taxation	104	106
Surplus for the year after tax	16,041	11,354
Cash flow from operating activities	24,393	21,869
Cash at bank and in hand	96,841	85,996
Increase in net assets excluding pensions liability	18,452	11,000
Increase in total reserves excluding pension liability	18,968	12,728

At £12.0m the increase in income is lower than recorded in recent years largely as a result of 2008/09 being the third year following the introduction of variable fees. Allowing for this the income growth from other sources is similar. Funding and fee income increased by £13.1m and other income by £1.5m. Research income decreased by £249K but the major adverse movement was in income from endowments and interest receivables which decreased by £2.3m entirely due to the market rates in investments. Recurrent grant, including research, increased by £5.4m, but reductions in HEFCE specific grants (£523K), TDA grant (£371K) and related deferred capital grant (£1.7m) brought the overall increase to £2.9m. The recurrent grant does however include the 2008/09 hold back accrual written back into the 2009/10 financial statements impacting the increase by £1.3m.

Fee income from full-time Home/EU students increased by 17.7%, £7.5m with part-time Home/EU increasing by 12.6%, £630k. Fee income from full-time overseas students whilst not achieving the level of 2008/09 still grew by 12.3%, £2.4m and was slightly better than planned.

Total expenditure increased by £7.4m, staff costs representing £5.3m of the increase. Staff FTE's increased over the year by 5.9%. General and professional staff increased by 6.9% with Executive Senior staff, academic staff and other groups by 4.5%. The 0.5% pay award along with incremental progression resulted in an overall increase in staff costs of 5.4%. The change in capitalisation levels in 2008/09 distorts the comparison with 2009/10 with the inclusion of academic and administrative equipment. Other items of other operating expenses grew by £5.5m, the major areas being residencies and catering £1.3m largely matched by income, other academic expenses £2.2m (including bursaries of £0.8m) and repairs and maintenance £1.5m (in line with the planned preventative maintenance programme).

The increase in interest payable is largely driven by the FR17 adjustment of £4m.

Again during 2009/10 there were significant budget underspends operating /amounting to £ 4.7m and cost implications of increased student recruitment. The University is currently reviewing the impact this may have on levels of expenditure in 2010/11.

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

	2009/10	2008/09
Cash flow as a percentage of income	11.8%	11.3%
Net liquidity (days)	195	181
Current ratio	3.3	3.1
External borrowing as a percentage of income	28.1%	31.5%
Discretionary reserves (excluding pension assets liability) as a percentage of total income	52.4%	46.0%

The University continues to generate substantial cash from operating activities to support its investment in infrastructure and academic developments. 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. The University operates a robust debt recovery process resulting in low levels of default and debt provisioning. The University did not make any further borrowing in 2009/10 and details of all obligations are stated in notes 14 and 15 of the financial statements.

5. Performance and operation of the University

The University monitors performance across a range of its activity. The Board of Governors agreed a set of 10 KPIs in 2006. These include a number of student related indicators covering achievement of student number targets, widening participation, student achievement, employment, and satisfaction. They also cover research grant and contract income, staff, and financial performance. The Board of Governors reviewed the KPIs, in 2009 in the light of the CUC guidance and agreed that they were still appropriate. The Board agreed to replace the staff SSR indicator with another one to be decided by the Employment Committee, and to introduce an estates indicator. The indicators are not hierarchical but are representative of the main areas of the strategic plan. They are reported annually to the Senior Management Group, the Executive Board and the Board of Governors, The KPIs are reported in a Review of Progress document which reports on a much wider range of indicators and includes trend analysis and comparison with comparator groups which also include a regional group, the average of new universities and the average of all HEIs.

The KPIs are drawn as appropriate from nationally published data including the HEFCE PIs which allows them to be benchmarked. This means that some of the indicators use the previous year's data where that is the only nationally available data. The KPI report includes information on the extent to which the KPI achieves or does not achieve its target and shows the movement of the indicator compared with the previous year.

A summary of the KPIs reported in 2010 is included in the table below:

	Key Performance Indicator	What is being measured?	Target Definition	This year: Target	This year: Actual	This year: Variation 2009/10	Last year: Target	Last year: Actual	Last year: Variation 2008/9
1	Student Numbers	a) HEFCE Funded HEU Target	Minimum FTE required to avoid financial clawback 2009/10 (HESES)	12,691 FTE	14,362 FTE	+1,671 FTE	13,057 FTE	13,555 FTE	+498 FTE
		b) UG	Target growth in Business Plan prepared in 2008/09	+678	+1,100	+422	+447	+756	+309
		c) PGT		+181	+362	+180	+121	+323	+202
		d) HEU		+808	+1261	+453	+488	+891	+403
		e) OS		+110	+313	+203	+100	+242	+142
2	Widening Participation	Young FTS UG entrants 2008/09	a) % State school / college intake benchmark	92.9%	96.5%	+3.6%	92.3%	95.6%	+3.3%
			b) % Social Class IIIM, IV, V benchmark	38.2%	40.5%	+2.3%	35.9%	37.3%	+1.4%
			c) % Low Participation neighbourhoods benchmark	6.9%	5.6%	-1.3%	6.8%	6.5%	-0.3%
3	Progression to Degree Award	FT First Degree Entrants starting course in 2007/08 and activity in 2008/09	% projected to achieve Degree award benchmark	71.70%	69.80%	-1.9%	70.6%	72.9%	+2.3%
4	Employment	Leavers obtaining First Degrees from Full-time courses 2008/09	% Employed or Further Study benchmark	84.9%	82.4%	-2.5%	87.7%	88.5%	+0.8%
5	National Student Survey	Average score across six NSS categories for final year FT UG students	Average Score for New Universities	74.4%	73.3%	-1.1%	74.0%	72.6%	-1.4%
6	Research Grant and Contract Income	Growth in Research Grant & Contract Income (£000s) between 2007/08 and 2008/09	Until specific targets are set, monitoring is against previous year's Research Grant and Contract Income (£000s)	2,720	2,917	+197	2,923	2,720	-203
7	Student:Staff Ratio	Student:Staff Ratio (SSR) as published by Times Good	Average of Comparator Group 2008/09	19.0	20.0	-1.0	18.6	19.1	-0.5
8	Historic cost surplus as % of turnover	Actual final position for 2008/09 compared with target in the budget	Target for 2008/09	2.5%	6.2%	+3.7%	+1.7%	+6.9%	+5.2%
9	Cash generated from operations	Actual final position for 2008/09 compared with target in the budget	Target for 2008/09	£8.7m	£21.9m	£13.1m	£8.8m	£21.8m	+£13m
10	Estates Investment	Capital and Maintenance Expenditure Total as a percentage of Insurance Replacement Value (Non-residential estate)*	Norm for 2008/09	3.5% to 4.5%	3.8%	0%	New in 2009/10	New in 2009/10	New in 2009/10

Key	
Performance better than target	(green)
Performance worse than target	(red)
Positive variation on previous year	⬆
Negative variation on previous year	⬇
No variation on previous year	⬌

Progress on specific KPIs:

Employability

The University has produced a new Employability Strategy. The implementation of this strategy, together with more detailed analysis of the wider range of underlying data that will now be available through the new Data Warehouse, will be the main focus for the new Graduate Outcomes Committee this year.

Research

Research Grant and Contract Income rose by 7% between 07/08 and 08/09 taking it back to the 06/07 level (**KPI 6).** However, the gap widened between Kingston and the comparator group averages with Kingston's figure being 38% of the comparator group average (see 9.1/9.2).

The Research Committee has agreed that the target for 2010/11 should be an increase of 10% of income, rather than the previously agreed 5%, based on new awards.

6. Achievements and successes

The University has consistently achieved against its strategic objectives through to 2009/10. The main achievements have covered a range of areas. For student growth there is evidence of continuing popularity as evidenced by continuing growth in applications. This has resulted in sustained student growth for both home and overseas students and a substantial increase in the number of both home and international postgraduate students. There continues to be a continuing commitment to widening participation exceeding most of our benchmarks for recruitment.

In terms of academic development there continue to be new portfolio developments in a broad range of subjects and across all levels (foundation degrees, undergraduate, postgraduate). There is a more confident research culture as demonstrated by our success in the 2008 Research Assessment Exercise. There is a continuing commitment to collaboration with the other institutions with a more focussed approach to key strategic partnerships.

In terms of infrastructure the first stage of the campus development plan is nearly complete at a cost of £44m. 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. There was a high level of participation in the staff survey conducted in 2009/10.

7. Sustainability

Kingston University is actively engaged in sustainability and recently won a 2010 Green Gown award for 'Continuous Improvement in Institutional Change for Sustainability'. It was the first university to attain phase three of BS8555 (the phased approach to environmental management systems) and also enhanced its position in the 2010 People and Planet Green League table from 46th to 15th.

Performance improvement has occurred against a number of key areas including:

- An increase in the university's recycling rate from 11% in 2006 to 32% in 2009. It also runs an end of term donation scheme from halls of residents which diverts approximately 5 tonnes from landfill every year where 79% of all items donated are reused within a 12 mile radius.
- An absolute carbon emissions reduction of 2% from 2008 to 2009 and a relative reduction of 13.6% in $KgCO_2$ per £ of income since its 2005 baseline.
- Implementation of water efficiency and rain water harvesting projects saving over £80,000 per annum in water costs.
- An overall decrease in single occupancy car use of 11% for staff and 5% for students since travel surveys started in 2000. Staff single occupancy car rates stand at 45% and student single occupancy car rates are at 16%.
- The use of BREEAM for new buildings and major refurbishment projects to reduce their environmental impact.
- Establishment of a biodiversity policy and action plan which has now implemented over 240 hours of volunteering on over 12 projects around university sites.
- A sustainable procurement policy and sustainable food policy, including maintaining Fairtrade University status since 2006.
- Working with the local community since May 2008 there have been 21 events on 88 days with 1,426 people attending or participating and 550 volunteer hours from our students and staff and 30 stakeholder beneficiary organisations.

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

8. Employment

We know that our people and culture 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. For instance: we offer staff leadership and management development, a core development programme and sponsorship scheme designed to equip staff with the professional skills for their career development; and staff have taken part in mentoring schemes. Teaching fellowship programmes and those gaining success in the post-graduate Certificate in Teaching and Learning have been recognised for their achievements in the annual Staff Celebration Event. Staff are able to access our Harassment Contact Scheme and there is also an employee assistance programme for confidential guidance and advice.

Kingston University is committed to the fair and equal treatment of all individuals regardless of race, sex, disability, age, socio-economic category, sexual orientation, religion or belief. We seek to create a positive, inclusive and diverse working, learning and social environment, free from unfair discrimination, prejudice, intimidation and all forms of harassment. In this respect, during 2009/10, we delivered a range of projects to:

- ensure we raised awareness of diversity among our staff to develop practices which promote respect and foster a culture of inclusivity;
- understand more about the issues students and staff can face in relation to race, disability, gender, age, religion or belief, sexual orientation, socio-economic category and other barriers, to better address disadvantage and inequality; and
- encourage the participation, attainment and progression of under-represented groups.

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 media which include fortnightly e-bulletins, 'StaffSpace' which is a web based information service accessible to all staff, 'Yammer', an online discussion group, and poster campaigns. Strengthening staff engagement has been an important area for development in 2009/10 during which time the University has worked with an external supplier in carrying out an organisation wide staff survey, which achieved a high response rate. The Vice Chancellor has been personally involved, and hosted the initial open meetings. This project is proceeding positively and the action planning activity will continue into 2010/2011.

9. Principal risks and uncertainties

The principal risks and uncertainties are considered to be focussed on the outcome of the comprehensive spending review and the outcome of the Browne Review on student support arrangements. The resultant impact of budget cuts may affect the University's ability to maintain appropriate levels of service to students (including activity funded by the NHS contract). It could also impact on maintaining the current level of franchised provision with partner colleges. The Browne review and its potential implementation results in uncertainty about the level of variable fees and the continuation of the student support system. If fees increase substantially, the resultant increased student contribution may lead to more focus on League Tables. There continues to be increasing competition for international students from within and outside the UK with Possible Restrictions on student visas. For research funding nationally there is possible increased concentration of funding to research intensive institutions with potential reduction in funding to the University.

In terms of academic planning the outcome of the QAA review is uncertain with additional risks associated with failure to review the portfolio and develop new provision in an uncertain environment.

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 2009/10 represent a robust financial position that will greatly assist in managing the risks and uncertainties. The University's financial strategy articulates the expected financial results over the plan period which are modest compared with recent performance but deemed to be realistic given the future financial climate.

Over the last year, the University has been engaged in scenario planning which will contribute £1.6m of efficiency gains in 2010/11. A number of potential future income reduction scenarios were considered and outline plans produced by Faculties and Departments. During the course of 2010/11, a range of specific performance improvement projects will be developed along with more general plans for Faculties and Departments, with the view to reducing operating costs by £9m over 2011/12 and 2012/13. This level will be reviewed when the results of the comprehensive spending review and the Browne review on student funding arrangements have been made public.

11. Conclusion

The year 2009/10 has been another successful year both academically and financially. The plan for 2010/11 is for a surplus in excess of the financial strategy minimum and this will be achieved. Demand for the University's courses is still buoyant and the early indications are that recruitment will be managed to target. The extent of the future financial challenge is still unclear but the Governing Body is committed to ensuring academic quality, student satisfaction and financial viability into the future.

Grenville Collings
Chairman of the Board of Governors

Peter Scott
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 2009-2010 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;
- Kingston University has adequate resources to continue in 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 December 2003 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	Appointed 17/03/10
Dr George ALEXANDROU	
Mr Tony BEADLE	
Mr Chris BROOKS	Appointed 21/11/09
Mr David CARTER	
Mr Gren COLLINGS	
Cllr Stephen COOKSEY	Appointed 21/11/09
Ms Ann CORRIGAN	
Mr Stephen COX	Retired 20/11/09
Ms Sara DRAKE	
Mr TJ ESUBIYI	
Ms Deirdre FERRIER	Retired 20/11/09
Ms Lesley GRANGER	Appointed 21/11/09
Mr Robert GREEN	
Mr Frank KENNEDY	
Mr Stephen KING	
Prof Peter KOPELMAN	
Sir Roderic LYNE	
Ms Nona McDUFF	Appointed 25/11/09
Mr Phil MOLYNEUX	
Cllr Tim OLIVER	Retired 20/11/09
Cllr Derek OSBOURNE	
Mr David REARDON	
Ms Sue RIMMER	Appointed 21/11/09
Professor Peter SCOTT	
Mrs Christine SWABEY	Retired 20/11/09
Mr David TAYLOR	
Mr Colin WATTS	Retired 20/11/09
Dr Clarissa WILKS	
Mr Reza ZAIDI	Appointed 21/11/09 and Resigned 26/10/10

OF KINGSTON UNIVERSITY

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. In previous years the Board had ensured that it followed the Code in its approach to corporate governance. In that regard the Board will be preparing for a review of its effectiveness to be carried out in the Academic Year 2010-11. This will be the second such review that the Board has conducted.

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 2010 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 six 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 Audit Committee as well as the University Executive.
d. The Audit Committee meets four times a year and receives regular reports from the Head of Internal Control (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 now 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 2010 which comprise the Income and Expenditure Account, the Balance Sheets for the Group and the University, the Consolidated Cash Flow Statement, the Statement of Total Recognised Gains and Losses, the Note of Historical Costs Surpluses and Deficits and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of The Board of Governors and auditors

As described in the Statement of Board of Governors Responsibilities the University's Board is responsible for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and the Statement of Recommended Practice on Accounting in Further and Higher Education Institutions.

Our responsibility is to audit the financial statements in accordance with relevant legal and 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.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Statement of Recommended Practice on Accounting in Further and Higher Education Institutions. We also report to you if, in our opinion, the information given in the Report of the Board of Governors is not consistent with the financial statements, the Board has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding the remuneration of the Board of Governors or other transactions is not disclosed.

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.

We read the other information contained in the Report of the Board and consider whether it is consistent with the audited financial statements. The other information comprises only the Corporate Governance Statement, the Statement of the Responsibilities of the Board of Governors and the Annual Review. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Our report has been prepared pursuant to the requirements of the University's statutes and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the University's statutes or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

Basis of opinion

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

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

INDEPENDENT AUDITORS' REPORT

TO THE

BOARD OF GOVERNORS OF KINGSTON UNIVERSITY

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the Group as at 31 July 2010 and of its surplus of income over expenditure for the year then ended;

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the University as at 31 July 2010 and of its surplus of income over expenditure for the year then ended;

- the financial statements have been properly prepared in accordance with the Statement of Recommended Practice: "Accounting for Further and Higher Education Institutions";

- income from the Higher Education Funding Council for England, grants and income for specific purposes and from other restricted funds administered by the University have been applied 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 Memorandums with the Higher Education Funding Council for England.

BDO LLP

BDO LLP
Chartered Accountants and Registered Auditor
Epsom, Surrey

Date: 25 November 2010

(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 2010

	Notes	2009/10 £000s	2008/09 £000s
INCOME			
Funding Council grants	2	83,574	80,818
Tuition fees and education contracts	3	89,512	79,259
Research grants and contracts	4	3,470	3,719
Other income	5	28,222	26,642
Endowment and investment income	6	1,091	3,335
Total income		205,869	193,773
EXPENDITURE			
Staff costs	7	103,548	98,380
Other operating expenses	8	69,351	68,990
Depreciation	9 & 10	8,810	8,530
Interest payable	11	8,015	6,413
Total expenditure		189,724	182,313
Surplus on continuing operations after depreciation of assets		16,145	11,460
Taxation		104	106
Surplus on continuing operations after depreciation of assets and tax	21	16,041	11,354

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

The notes on pages 22 to 51 form part of these financial statements

STATEMENT OF
TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 JULY 2010

	2009/10 £000s	2008/09 £000s
Surplus on continuing operations after depreciation of assets, disposal of assets and tax	16,041	11,354
Movement in restricted and endowment reserves	35	2
Adjustments associated with pension schemes:		
Actuarial gain/(loss) in respect of pension schemes	600	(21,415)
Changes in financial assumptions underlying the present value of the scheme liabilities	13,005	-
Total recognised gains and losses since last annual report	29,681	(10,059)

Reconciliation

Opening reserves and endowments	75,525	85,584
Total recognised gains and losses for the year	29,681	(10,059)
Closing reserves and endowments	105,206	75,525

The notes on pages 22 to 51 form part of these financial statements

CONSOLIDATED STATEMENT OF

HISTORICAL COST SURPLUSES AND DEFICITS

FOR THE YEAR ENDED 31 JULY 2010

	Notes	2009/10 £000s	2008/09 £000s
Surplus on continuing operations before taxation		16,145	11,460
Difference between historical cost depreciation and the actual charge for the period calculated on the re-valued amount	19 & 21	706	713
Historical cost surplus for the period before taxation		16,851	12,173
Historical cost surplus for the period after taxation		16,747	12,067

The notes on pages 22 to 51 form part of these financial statements

BALANCE SHEET

AS AT 31 JULY 2010

	Notes	Consolidated 2009/10 £000s	University 2009/10 £000s	Consolidated 2008/09 £000s	University 2008/09 £000s
Fixed Assets					
Tangible assets	9	168,946	163,636	164,477	154,554
Investments	9	115	6,356	85	9,326
Total fixed assets		169,061	169,992	164,562	163,880
Endowment Assets	10	1,488	1,488	1,451	1,451
Current Assets					
Stock	12	275	268	262	262
Debtors	13	7,610	8,457	6,829	9,276
Cash at bank and in hand		96,841	89,230	85,996	84,375
		104,726	97,955	93,087	93,913
Creditors: amounts falling due within one year	14	(31,088)	(30,498)	(30,370)	(30,194)
Net current assets		73,638	67,457	62,717	63,719
Total assets less current liabilities		244,187	238,937	228,730	229,050
Creditors: amounts falling due after more than one year	15	(57,951)	(57,951)	(60,946)	(60,946)
Net Assets excluding pension liability		186,236	180,986	167,784	168,104
Pension Liability	16	(59,727)	(56,899)	(70,417)	(67,483)
Net Assets including pension liability		126,509	124,087	97,367	100,621

AS AT 31 JULY 2010

Deferred capital grants	17	21,289	21,289	21,841	21,841
Endowment					
Specific	18	1,488	1,488	1,451	1,451
Reserves					
Revaluation reserve	19	55,216	55,216	55,922	55,922
Restricted reserve	20	114	114	116	116
General reserve	21	108,128	102,879	88,454	88,774
Total reserves excluding pension liability reserve		163,458	158,209	144,492	144,812
Pension liability reserve		(59,726)	(56,899)	(70,417)	(67,483)
Total reserves including pension liability reserve		103,732	101,310	74,075	77,329
TOTAL		126,509	124,087	97,367	100,621

The notes on pages 22 to 51 form part of these financial statements

The financial statements on pages 16 to 51 were approved and authorised for release by the Governing Body on on 24 November 2010 and were signed on its behalf by:

Grenville Collings
Chairman of the Board of Governors

Peter Scott
Vice-Chancellor and Chief Executive

CONSOLIDATED
CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 JULY 2010

	Notes	2009/10 £000s	2008/09 £000s
Cash flow from operating activities	22	24,393	21,869
Returns on investments and servicing of finance	23	(2,243)	(1,027)
Capital expenditure and financial investment	24	(8,828)	(3,201)
Financing	25	(2,683)	86
Increase in cash in the period		10,639	17,727
Reconciliation of net cash flow to movement in net funds			
Increase in cash in the period		10,639	17,727
Movement in endowment asset		53	17
Change in net debt resulting from cash flows		2,683	(4,086)
Movement in funds in period		13,375	13,658
Net funds at 1 August		26,682	13,024
Net funds at 31 July	26	40,057	26,682

The notes on pages 22 to 51 form part of these financial statements

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 2010 and 2009. 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.

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 range between fifty and one hundred 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 - Mainframe	-	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.

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 will be effective from 1 April 2011.

It is expected that CPI will be significantly lower than RPI in future periods, thus reducing the pension scheme liability. The resultant credit of £X has been recognised as a change in actuarial assumption, leading to an actuarial gain in respect of the pension scheme in the Statement of total Recognised Gains and Losses for the year ended 31 July 2010.

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. The capital element of reimbursable inherited debt payments is credited direct to the revaluation reserve. 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.

2 *FUNDING COUNCIL GRANTS*

	2009/10 £000s	2008/09 £000s
Recurrent grant (including research element)	70,323	64,885
HEFCE specific grants	3,616	4,139
TDA	3,892	4,263
LSC (formerly FEFC) grant	395	350
Deferred capital grants released in year	5,348	7,181
	83,574	80,818

3 *TUITION FEES AND EDUCATION CONTRACTS*

	2009/10 £000s	2008/09 £000s
Full-time UK and EU students	49,964	42,424
Part-time UK and EU students	5,646	5,016
Channel Island students	466	466
Overseas full-time students	22,192	19,765
Overseas part-time students	1,082	1,034
NHS teaching contracts	8,301	8,690
Short course fees	1,861	1,864
	89,512	79,259

4 *RESEARCH GRANTS AND CONTRACTS*

	2009/10 £000s	2008/09 £000s
Research Councils	918	1,057
UK based charities	332	277
Other research grants and contracts	2,220	2,385
	3,470	3,719

NOTES TO THE ACCOUNTS
(continued)
Year ended 31 July 2010

5 *OTHER INCOME*

	2009/10 £000s	2008/09 £000s
Residencies and catering	15,999	15,016
Income from UK public bodies	3,912	3,441
Income from EU based organisations	251	272
Income from University shops	158	156
Income from sports facilities	268	284
Course validation fees/teaching contracts	1,607	1,489
Knowledge transfer partnerships	6	-
Nursery fees	145	145
Field trips	337	286
Graduation ceremonies	250	431
Sale of teaching materials	423	394
Release from deferred capital grant	111	177
Release from endowment reserve	-	16
Other income	4,755	4,535
	28,222	26,642

6 *ENDOWMENT AND INVESTMENT INCOME*

	2009/10 £000s	2008/09 £000s
Interest receivable	1,091	3,335
	1,091	3,335

7 *STAFF*

	2009/10 £000s	2008/09 £000s
Staff Costs		
Wages and salaries	85,082	80,915
Social security costs	7,008	6,699
Other pension costs	11,458	10,766
	103,548	98,380

Staff costs for the year include exceptional payments in respect of compensation for loss of office totalling £208,000 (2009 £978,000).

7 *STAFF continued*

Vice-Chancellor and Chief Executive	2009/10 £000s	2008/09 £000s
Emoluments	200	205
Employer's contribution to pension fund	28	24
	228	229

Executive Managers	2009/10 No.	2008/09 No.
£140,001 - £150,000	1	-
£130,001 - £140,000	1	1
£120,001 - £130,000	-	-
£110,001 - £120,000	4	5
£100,001 - £110,000	3	4

The average number of persons employed by the University during the year, expressed as full-time equivalents was:	2009/10 No.	2008/09 No.
Executive, senior and academic staff	890	851
Research, language and teaching assistants	47	45
General and professional staff	1,242	1,161
	2,179	2,057

The total sum of £2k was claimed as expenses by six members of Board of Governors during 2009/10. All of the expenses were in respect of travel and subsistence.

8 *OTHER OPERATING EXPENSES*

	2009/10 £000s	2008/09 £000s
Residencies, catering and conferences	9,867	8,674
Staff development	1,650	1,438
Recruitment costs	529	776
Other employee costs	1,808	1,770
Teaching materials	2,960	2,663
Academic equipment	2,359	5,473
Franchising costs	10,935	10,327
Other academic expenses	14,694	12,520
Overseas recruitment costs	883	696
Agency costs	850	1,409
Administrative Equipment	2,055	3,963
Utilities	1,630	1,283
Repairs and general maintenance	4,132	2,589
Other premises expenses	1,172	1,394
Grant to Kingston University Students' Union	683	612
Rent	1,664	1,325
Rates	518	518
Auditors remuneration: audit services	61	52
Equipment hire	522	519
Other expenses	10,379	10,989
	69,351	68,990

Operating Lease Expenses included in the above are:

Land and buildings related	933	799

9 *FIXED ASSETS*

Tangible Assets
CONSOLIDATED

	Freehold Land £000s	Freehold Buildings £000s	Plant, Machinery, Equipment £000s	Total £000s
Cost or Valuation				
Balance as at 1 August 2009				
Valuation	32,874	37,875	-	70,749
Cost	-	133,192	33,699	166,891
Additions	-	11,203	2,074	13,277
Disposals	-	-	(46)	(46)
Balance as at 31 July 2010	**32,874**	**182,270**	**35,727**	**250,871**
Depreciation				
Balance as at 1 August 2009	-	46,430	26,733	73,163
Charge in year	-	5,995	2,799	8,794
Disposals	-	-	(32)	(32)
Balance as at 31 July 2010	-	**52,425**	**29,500**	**81,925**
Net Book Value				
As at 31 July 2010	**32,874**	**129,845**	**6,227**	**168,946**
As at 31 July 2009	**32,874**	**124,637**	**6,966**	**164,477**

9 ***FIXED ASSETS (continued)***

UNIVERSITY

Cost or Valuation	Freehold Land £000s	Freehold Buildings £000s	Plant, Machinery, Equipment £000s	Total £000s
Balance as at 1 August 2009				
Valuation	32,874	37,875	-	70,749
Cost	-	121,964	32,709	154,673
Additions	-	15,700	2,074	17,774
Disposals	-	-	(46)	(46)
Balance as at 31 July 2010	**32,874**	**175,539**	**34,737**	**243,150**
Depreciation				
Cost or Valuation	-	45,077	25,792	70,869
Charge in year	-	5,878	2,799	8,677
Disposals	-	-	(32)	(32)
Balance as at 31 July 2010	-	**50,955**	**28,559**	**79,514**
Net Book Value				
As at 31 July 2010	**32,874**	**124,584**	**6,178**	**163,636**
As at 31 July 2009	**32,874**	**114,762**	**6,917**	**154,553**

As at 31 July 2010 the University had accrued approximately £497,000 (2009:£932,000) in respect of capital expenditure. The net book value of freehold buildings includes £8,667,000 (2009:£8,859,000) in respect of assets acquired under finance leases. The depreciation charge on these assets is £191,000 (2009:£191,000).

Included in the net book value of freehold land and buildings are Exchequer Assets of £8,774,509 (2009:£9,033,158). 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.

9 *FIXED ASSETS (continued)*

INVESTMENTS

	Shares in Subsidiary Undertakings £000s	Other Investments £000s	Total £000s
CONSOLIDATED			
As at 31 July 2010		115	115
As at 31 July 2009		85	85
UNIVERSITY			
At 1 August 2009	9,241	85	9,326
Additions	6,000	30	6,030
Disposal	(9,000)	-	(9,000)
As at 31 July 2010	6,241	115	6,356

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

10 *ENDOWMENT ASSETS*

CONSOLIDATED AND UNIVERSITY

	Freehold Buildings £000s	Art Collection £000s	Total £000s
Dorich House building and art collection:			
Cost or Valuation			
Balance as at 1 August 2009	1,129	382	1,511
Balance as at 31 July 2010	1,129	382	1,511
Depreciation			
Balance as at 1 August 2009	224	-	224
Charge in year	16	-	16
Balance as at 31 July 2010	240	-	240
Net Book Value			
Balance as at 31 July 2010	889	382	1,271
Balance as at 31 July 2009	905	382	1,287
Endowment Cash			
Balance as at 31 July 2010			217
Balance as at 31 July 2009			164
Total Endowment Asset			
Balance as at 31 July 2010			1,488
Balance as at 31 July 2009			1,451

IMPAIRMENT REVIEW

In accordance with FRS11 the University has conducted a review which concluded that there was no material impairment of fixed assets during 2009/10.

NOTES TO THE ACCOUNTS
(continued)
Year ended 31 July 2010

11 *INTEREST PAYABLE*

	2009/10 £000s	2008/09 £000s
On loans payable within 5 years	33	23
On loans payable wholly or partly in more than 5 years	2,561	2,334
On finance leases	1,377	1,185
	3,971	3,542
On pension schemes	4,044	2,871
	8,015	6,413

12 *STOCK*

	Consolidated 2009/10 £000s	University 2009/10 £000s	Consolidated 2008/09 £000s	University 2008/09 £000s
Refectory	55	55	42	42
Stamps and franking credits	71	71	48	48
Shop stock & books	40	33	40	40
Building materials	103	103	123	123
Branded merchandise	6	6	9	9
	275	268	262	262

13 *DEBTORS*

	Consolidated 2009/10 £000s	University 2009/10 £000s	Consolidated 2008/09 £000s	University 2008/09 £000s
Trade debtors	6,855	6,580	5,565	5,441
Provision for doubtful debts	(2,195)	(2,195)	(2,738)	(2,738)
	4,660	4,385	2,827	2,703
Amounts owed by subsidiary undertakings	-	1,179	-	2,621
Accrued income	882	880	1,724	1,724
Other debtors	315	285	330	325
Prepayments	1,754	1,728	1,948	1,903
	7,611	8,457	6,829	9,276

14 *CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR*

	Consolidated 2009/10 £000s	University 2009/10 £000s	Consolidated 2008/09 £000s	University 2008/09 £000s
Amounts owed to subsidiary undertakings	--	294	-	686
Obligations under finance leases	653	653	567	567
Term loan facility	1,445	1,445	1,334	1,334
Trade creditors	3,800	3,738	4,785	4,646
Other creditors including tax and social security	10,759	10,585	12,573	12,327
Student deposits	603	603	259	259
Accruals	6,201	5,628	5,110	4,708
Tuition fees in advance	1,486	1,486	1,081	1,081
Deferred income	4,549	4,474	2,900	2,825
Deferred credit on revenue grants	1,592	1,592	1,761	1,761
	31,088	**30,498**	**30,370**	**30,194**

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

	Consolidated 2009/10 £000s	University 2009/10 £000s	Consolidated 2008/09 £000s	University 2008/09 £000s
Obligations under finance leases	10,392	10,392	11,046	11,046
Term loan facility	41,729	41,729	43,186	43,186
Deferred income	3,250	3,250	3,366	3,366
Other loans	2,580	2,580	3,348	3,348
	57,951	**57,951**	**60,946**	**60,946**

Term Loans

	Consolidated 2009/10 £000s	University 2009/10 £000s	Consolidated 2008/09 £000s	University 2008/09 £000s
Balance at 1 August	44,519	44,519	39,949	39,949
Capital repayments	(1,346)	(1,346)	(430)	(430)
New loans	-	-	5,000	5,000
Total loans outstanding at 31 July	43,173	43,173	**44,519**	**44,519**

Obligations Term Loans

	Consolidated 2009/10 £000s	University 2009/10 £000s	Consolidated 2008/09 £000s	University 2008/09 £000s
Obligations under loans fall due as follows:				
Within one year	1,445	1,445	1,334	1,334
In the second to fifth years inclusive	6,923	6,923	6,461	6,461
In over five years	34,805	34,805	36,724	36,724
	43,173	43,173	**44,519**	**44,519**

Obligations under Finance Leases

	Consolidated 2009/10 £000s	University 2009/10 £000s	Consolidated 2008/09 £000s	University 2008/09 £000s
Obligations under finance leases fall due as follows:				
Within one year	1,804	1,804	1,733	1,733
In the second to fifth years inclusive	7,388	7,388	7,276	7,276
In over five years	12,388	12,388	14,305	14,305
	21,580	21,580	23,314	23,314
Less finance charges allocated to future periods	(10,535)	(10,535)	(11,703)	(11,703)
	11,045	11,045	**11,611**	**11,611**

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%

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 2010	LPFA 2010	Total 2010	Total 2009
CONSOLIDATED				
Opening balance	(67,483)	(2,934)	(70,417)	(47,629)
Movement in year:				
Current service cost	(5,418)	(220)	(5,638)	(4,871)
Contributions	6,387	380	6,767	6,367
Other finance (cost)	(3,896)	(148)	(4,044)	(2,869)
Actuarial gain / loss recognised in Statement of total recognised gains and losses	13,511	94	13,605	(21,415)
Closing balances	**(56,899)**	**(2,828)**	**(59,727)**	**(70,417)**
UNIVERSITY				
Opening balance	(67,483)	-	(67,483)	(45,527)
Movement in year:				
Current service cost	(5,418)	-	(5,418)	(4,693)
Contributions	6,387	-	6,387	6,048
Other finance (cost)/gain	(3,896)	-	(3,896)	(2,746)
Actuarial gain / loss recognised in Statement of total recognised gains and losses	13,511	-	13,511	(20,565)
Closing balances	**(56,899)**	-	**(56,899)**	**(67,483)**

17 *DEFERRED CAPITAL GRANTS*

	Consolidated 2009/10 £000s	University 2009/10 £000s	Consolidated 2008/09 £000s	University 2008/09 £000s
Balance at 1 August	21,841	21,841	23,571	23,571
Movements:				
Grants received	4,905	4,905	5,628	5,628
Release to income and expenditure account				
- Funding Council Grants	(5,348)	(5,348)	(7,181)	(7,181)
Release to income and expenditure account				
- Other income	(111)	(111)	(177)	(177)
Balance at 31 July	21,287	21,287	21,841	21,841
Amount to be released within one year	-	-	(4,255)	(4,255)
Amounts to be released after more than one year	21,287	21,287	17,586	17,586

18 *ENDOWMENTS*

	Consolidated 2009/10 £000s	University 2009/10 £000s	Consolidated 2008/09 £000s	University 2008/09 £000s
Balance at 1 August	1,451	1,451	1,450	1,450
Transfer to income and expenditure account	(50)	(50)	(125)	(125)
Income received	87	87	126	126
Balance at 31 July	1,488	1,488	1,451	1,451

This endowment funds relate to the Dora Hare Estate - £1,341k; Phillip Russell Scholarship - £51k and others - £95k.

19 *REVALUATION RESERVE*

	Consolidated 2009/10 £000s	University 2009/10 £000s	Consolidated 2008/09 £000s	University 2008/09 £000s
Balance at 1 August	55,922	55,922	56,635	56,635
Transfer to General Reserve:				
Difference between historical cost depreciation and actual charge for the period calculated on re-valued amount	(706)	(706)	(713)	(713)
Balance at 31 July	55,216	55,216	55,922	55,922

20 *RESTRICTED RESERVES*

	Prize Fund £000s	Total £000s
Consolidated and University		
Balance at 1 August	116	116
Decrease in restricted reserves	(2)	(2)
Balance at 31 July	114	114

21 *MOVEMENT ON GENERAL RESERVE*

	Consolidated 2009/10 £000s	University 2009/10 £000s	Consolidated 2008/09 £000s	University 2008/09 £000s
Income and expenditure account reserve at 1 August	88,454	88,774	75,012	75,330
Surplus retained for the year	16,041	10,472	11,354	11,337
Transfer from pension reserve	2,927	2,927	1,375	1,394
Transfer from revaluation reserve	706	706	713	713
	108,128	102,879	88,454	88,774

22 *NET CASH INFLOW FROM OPERATING ACTIVITIES*

	2009/10 £000s	2008/09 £000s
Surplus before tax	16,145	11,460
Interest payable	8,015	6,413
Interest receivable	(1,091)	(3,335)
Release of capital grant	(5,459)	(7,358)
Depreciation	8,810	13,957
Loss on sale of assets	14	-
Increase in investments	(30)	-
(Increase)/decrease in stocks	(13)	34
(Increase)/decrease in debtors	(1,339)	205
Increase in creditors	639	2,315
Pension costs less contributions payable	(1,129)	(1,496)
Transfer of research grant to deferred credit	1,592	1,527
Release of revenue grant	(1,761)	(1,853)
	24,393	21,869

23 *RETURNS ON INVESTMENTS AND SERVICING OF FINANCE*

	2009/10 £000s	2008/09 £000s
Interest receivable	1,728	2,515
Interest paid	(2,791)	(2,357)
Finance lease charges paid	(1,180)	(1,185)
	(2,243)	(1,027)

24 *CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT*

	2009/10 £000s	2008/09 £000s
Purchase of tangible fixed assets	(13,733)	(8,830)
Deferred capital grant received	4,905	5,629
	(8,828)	(3,201)

25 *FINANCING*

	2009/10 £000s	2008/09 £000s
Medium term loan repayments	(2,347)	(430)
New loans obtained	232	5,000
Loan repaid	-	(4,000)
Capital element on finance leases	(568)	(484)
	(2,683)	86

26 ***ANALYSIS OF CHANGES IN NET FUNDS***

	At 1 August 2009 £000s	Cash flows £000s	Other Non Cash Changes £000s	At 31 July 2010 £000s
Cash at bank and in hand	85,996	10,845	-	96,841
Cash in endowment assets	164	53	-	217
Debt due within one year	(1,334)	1,347	(1,455)	(1,442)
Debt due after one year	(46,532)	768	1,456	(44,308)
Finance leases due within one year	(567)	567	(653)	(653)
Finance leases due after one year	(11,045)	-	653	(10,392)
	26,682	13,580	1	40,263

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

	Leases £000s	Loans £000s	Total £000s
Balance at 1 August 2009	11,612	47,866	59,478
Capital Repayments	(568)	(2,347)	(2,915)
New loans	-	232	232
Balance at 31 July 2010	11,044	45,751	56,795

28 ***OPERATING LEASE COMMITMENTS***

At 31 July 2010 the Group was committed to making the following payments during the next year in respect of operating leases:

	2009/10 Land and Buildings £000s	2008/09 Land and Buildings £000s
Leases which expire:		
Within one year	271	150
In the second to fifth years inclusive	474	459
In more than five years	188	190
	933	799

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 2009/10 was £2,618,891. 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 Hewitt Associates Limited as at 31 July 2010.

Reconciliation of present value of plan liabilities	2009/10 £000s	2008/09 £000s
At the beginning of the year	131,282	107,517
Current service cost	5,418	4,258
Interest cost	8,132	7,225
Actuarial losses/(gains)	6,532	12,755
Benefits paid	(630)	(908)
Past service costs	(12,764)	435
At the end of the year	137,970	131,282

30 ***PENSIONS*** *(continued)*

Reconciliation of present value of plan liabilities	**2009/10 £000s**	**2008/09 £000s**
	137,970	131,282
Schemes wholly or partly funded	137,970	131,282

Reconciliation of fair value of plan assets	**2009/10 £000s**	**2008/09 £000s**
At the beginning of the year	63,799	61,990
Expected rate of return on plan assets	4,236	4,478
Actuarial gains/(losses)	7,279	(7,841)
Contribution by group	8,461	7,977
Benefits paid	(2,704)	(2,805)
At the end of the year	81,071	63,799

Reconciliation to balance sheet	**2009/10 £000s**	**2008/09 £000s**
Present value of funded obligations	(137,970)	(131,282)
Fair value of plan assets	81,071	63,799
Plan deficit	(56,899)	(67,483)
Related deferred tax asset	-	-
Net liability	(56,899)	(67,483)

30 ***PENSIONS*** *(continued)*

	2009/10 £000s	2008/09 £000s
The amounts recognised in profit and loss are as follows:		
Included in Other Operating expenses:		
Current service cost	5,418	4,258
Past service cost	(6,387)	435
Included in Interest payable:		
Interest cost	8,132	7,225
Expected return on plan assets	(4,235)	(4,478)
	2,928	7,440

Analysis of amount recognised in statement of total recognised gains and losses	2009/10 £000s	2008/09 £000s
Actual return less expected return on pension plan assets	7,279	(7,829)
Experience gains and losses arising on the scheme liabilities	(6,533)	(13,586)
Changes in assumptions underlying the present value of the scheme liabilities	12,765	-
Actuarial gains/(losses) recognised in the statement of total recognised gains and losses	13,511	(21,415)

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.

	2009/10 £000s	2008/09 £000s
Actual return on plan assets	11,880	(3,470)

NOTES TO THE ACCOUNTS
(continued)
Year ended 31 July 2010

30 ***PENSIONS*** *(continued)*

Principal actuarial assumption used at the balance sheet date	**2009/10** %	**2008/09** %
Discount rates	5.4	6.0
Expected rate of return on plan assets	7.5	6.4
Future salary increases	4.9	5.2
Future pension increases	2.7	3.7
RPI inflation	3.4	3.7
CPI inflation	2.7	N/A
Inflation assumption	2.7	3.7

Five year history	**2010** **£000s**	**2009** **£000s**	**2008** **£000s**	**2007** **£000s**	**2006** **£000s**
Present value of the plan liabilities	(137,970)	(131,282)	(107,517)	(103,400)	(99,400)
Fair value of the plan assets	81,071	63,799	61,990	66,900	57,500
Deficit on the pension plans	(56,899)	(67,483)	(45,527)	(36,500)	(41,900)
Experience adjustments arising on:					
Plan liabilities	1,240	(340)	1,140	(150)	
Plan assets	7,510	(8,090)	(12,190)	1,920	

The group's best estimate of the contributions expected to be paid in the year beginning 1 August 2010 is £6.77m

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 July 2010 (% pa)	Asset spit at 31 July 2010 (%)	Long-term expected rate of return at 31 July 2009 (% pa)	Asset spit at 31 July 2009 (%)
Equities	8.2	78.7%	8.0	61.3%
Property	7.7	4.2%	7.0	5.2%
Government bonds	4.2	0.6%	4.5	24.2%
Corporate bonds	4.9	13.3%	5.9	0.0%
Cash/other	1.4	3.2%	0.9	9.3%
Total	7.5	100%	6.4	100%

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 Hymans Robertson as at 31 July 2010.

Reconciliation of present value of plan liabilities	2009/10 £000s	2008/09 £000s
At the beginning of the year	5,419	4,597
Current service cost	220	178
Interest cost	325	308
Actuarial losses	225	500
Benefits paid	(216)	(164)
Past service costs	(240)	-
At the end of the year	5,733	5,419

Reconciliation of present value of plan liabilities	2009/10 £000s	2008/09 £000s
Schemes wholly or partly funded	5,733	5,419
	5,733	5,419

Reconciliation of fair value of plan assets	2009/10 £000s	2008/09 £000s
At the beginning of the year	2,485	2,495
Expected rate of return on plan assets	177	185
Actuarial gains/(losses)	79	(350)
Contribution by group	440	376
Benefits paid	(276)	(221)
At the end of the year	2,905	2,485

30 ***PENSIONS*** *(continued)*

Reconciliation to balance sheet	2009/10 £000s	2008/09 £000s
Present value of funded obligations	(5,733)	(5,419)
Fair value of plan assets	2,905	2,485
Plan deficit	(2,828)	(2,934)
Related deferred tax asset	-	-
Net liability	(2,828)	(2,934)

The amounts recognised in profit and loss are as follows:	2009/10 £000s	2008/09 £000s
Included in other operating expenses:		
Current service cost	220	178
Contributions received	(380)	-
Included in interest payable:		
Interest cost	325	308
Expected return on plan assets	(177)	(185)
	(12)	301

Analysis of amount recognised in statement of total recognised gains and losses	2009/10 £000s	2008/09 £000s
Actual return less expected return on pension plan assets	(225)	(500)
Experience gains and losses arising on the scheme liabilities	79	(350)
Changes in assumptions underlying the present value of the scheme liabilities	240	-
Actuarial gains/(losses) recognised in the statement of total recognised gains and losses	94	(850)

30 ***PENSIONS*** *(continued)*

	2009/10 £000s	2008/09 £000s
Cumulative amount of losses recognised in the statement of total recognised gains and losses	(1,506)	(1,600)
	(1,506)	(1,600)

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.

	2009/10 £000s	2008/09 £000s
Actual return on plan assets	257	(165)

Principle actuarial assumption used at the balance sheet date	2009/10 %	2008/09 %
Discount rates	5.4	6.0
Expected rate of return on plan assets	6.7	6.9
Future salary increases	4.7	5.1
Future pension increases	2.7	3.6

Five year history	2010 £000s	2009 £000s	2008 £000s	2007 £000s	2006 £000s
Present value of the plan liabilities	(5,733)	(5,419)	(4,597)	(4,731)	(4,691)
Fair value of the plan assets	2,905	2,485	2,495	4,232	3,634
Deficit on the pension plans	(2,828)	(2,934)	(2,102)	(499)	(1,057)
Experience adjustments arising on:					
Plan liabilities	79	(350)	(2,106)	186	(232)
Plan assets	(225)	(500)	409	337	145

The group's best estimate of the contributions expected to be paid in the year beginning on 1 August 2010 is £429,000.

*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 fund administered by the trustee, Universities Superannuation Scheme Limited.

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 triennial actuarial valuation of the scheme was at 31 March 2008. This was the first valuation for USS under the new scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. The actuary also carries out a review of the funding level each year between triennial valuations and detail of his estimate of the funding level at 31 March 2010 are also included in this note.

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

To calculate the technical provisions, it was assumed that the valuation rate of interest would be 6.4% per annum (which includes an additional assumed investment return over gilts of 2% per annum), salary increases would be 4.3% 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 3.3% per annum.

Standard mortality tables were used as follows:

Male members' mortality	PA92 MC YoB tables – Rated down 1 year
Female members' mortality	PA92 MC YoB tables – No age rating

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	22.8 (24.8) years
Males (females) currently aged 45	24.0 (25.9) years

At the valuation date, the value of the assets of the scheme was £38,842.6 million and the value of the schemes' technical provisions was £28,135.3 million indicating a surplus of £707.3 million. The assets therefore were sufficient to cover 103% 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 71%. Under the Pension Protected Fund regulations introduced by the Pensions Act 2004 the Scheme was 107% funded; on a buy-out basis (ie assuming the Scheme had discontinued on the valuation date) the assets would have been approximately 79% of the amount necessary to secure all the USS benefits with an insurance company; and using the FRS17 formula as if USS was a single employer scheme, using a AA bond discount rate of 6.5% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2008 was 104%.

*30. **PENSIONS** (continued)*

The technical provisions relate essentially to the past service liabilities and funding levels, but it is also necessary to assess the ongoing cost of newly accruing benefits. The cost of future accrual was calculated using the same assumptions as those used to calculate the technical provisions except that the valuation rate of interest assumed asset outperformance over gilts of 1.7% per annum (compared to 2% per annum for the technical provisions) giving a discount rate of 6.1% per annum; also the allowance for promotional salary increases was not as high. There is currently uncertainty in the sector regarding pay growth. Analysis has shown very variable levels of growth over and above general pay increases in recent years, and the salary growth assumption built into the cost of future accrual is based on more stable, historic, salary experience. However, when calculating the past service liabilities of the scheme, a cautionary reserve has been included, in addition, on account of the variability mentioned above.

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

Since 31 March 2008 global investment markets have continued to fall and at 31 March 2010 the actuary has estimated that the funding level under the new scheme specific funding regime had fallen from 103% to 91% (a deficit of £3,065 million). This estimate is based on the funding level at 31 March 2008, adjusted to reflect the fund's actual investment performance over the year and changes in market conditions (market conditions affect both the valuation rate of interest and also the inflation assumption which in turn impacts on the salary and pension increase assumptions).

On the FRS17 basis, using a AA bond discount rate of 5.6% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2010 was 80%. An estimate of the funding level measured on a buy-out basis at that date was approximately 57%.

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 below:

Assumption	**Change in assumption**	**Impact on scheme liabilities**
Valuation rate of interest	Increase/decrease by 0.5%	Decrease/increase by £2.2 billion
Rate of pension increases	Increase/decrease by 0.5%	Increase/decrease by £1.5 billion
Rate of salary growth	Increase/decrease by 0.5%	Increase/decrease by £0.7 billion
Rate of mortality	More prudent assumption (move to long cohort future improvements from the medium cohort adopted at the valuation)	Increase by £1.6 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.

30. ***PENSIONS*** *(continued)*

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 bias towards equities through portfolios that are diversified both geographically and by sector. The trustee recognises that it would be 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 has agreed 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 to take investment risk relative to the liabilities, the trustee receives advice from 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 due as at 31 March 2011. The contribution rate will be reviewed as part of each valuation and may be reviewed more frequently.

As at March 2010, USS had over 135,000 active members and the institution had 26 active members participating in the scheme.

The total pension cost for the institution was £288k (2009: £197k). This includes £37k (2009: £28k) outstanding contributions at the balance sheet date. The contribution rate payable by the institution was 16% of pensionable salaries.

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 (HEFCE) £	Graduate (TDA) £
Balance as at 1 August 2009	3,229	-	891,200
Funds received	512,424	398,715	3,667,783
Disbursement of funds	496,727	284,154	2,816,460
Balance as at 31st July 2010	18,926	114,561	1,742,523

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.

Transactions relating to franchised arrangements with South Thames College amounted to payments of £510k (2008/09: £468k), 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 £625k (2008.9; £610k), an organisation in which the president, Mr TJ Esubiyi 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:

	2009/10 £000s	2008/09 £000s
Franchising income	273	286
Franchising costs	(335)	(345)
	(62)	(59)

33 *CAPITAL COMMITMENTS - CONSOLIDATED & UNIVERSITY*

	2009/10 £000s	2008/09 £000s
Capital expenditure contracted that has not been provided for in the financial statements	24,597	3,153
Capital expenditure that has been authorised by the Governing Body but has not yet been contracted for	-	-
	24,597	3,153