

Financial Statements

for the year ended 31 July 2007

PRESIDENT

Professor Eric Hobsbawm

VICE-PRESIDENT

The Right Honourable the Lord Mayor of London

CHAIRMAN OF GOVERNORS

Lord Marshall of Knightsbridge

SENIOR OFFICERS OF THE COLLEGE

MASTER

Professor David Latchman, MA, PhD, DSc, FRCPath

VICE-MASTER

Professor Philip Dewe, BCom, MSc, PhD

SECRETARY AND CLERK TO THE GOVERNORS

Keith Harrison, BA

REGISTRAR

Brian Harwood, BSc, PhD, ARCS, FRSA

DIRECTOR OF FINANCE

Peter Westley, BA, FCCA

LIBRARIAN

Philip Payne, BA, PGDip, MCLIP

This publication comprises the Financial Statements for Birkbeck College for the year ended 31 July 2007. It is introduced by the Chairman of Governors Report which highlights the College's academic and financial achievements during the past year and its strategies for the future. Further copies of this publication are available from the Finance Department. A sister publication, the Annual Report, is available from the External Relations Department.

CONTENTS

Membership of Committees 2006/07	1 - 2
Mission Statement	3
Operating and Financial Review	
• Master's Strategy Report	4 - 11
• Student Statistics	12 - 14
• Report of the Chairman of Governors	15 - 18
Statement of the College Governors' Responsibilities	19 - 20
Corporate Governance Statement	21 - 23
Report of the Independent Auditors to the Governors of Birkbeck College	24 - 25
Statement of Principal Accounting Policies	26 - 28
Income and Expenditure Account	29
Statement of Total Recognised Gains and Losses	30
Balance Sheet	31
Cash Flow Statement	32
Reconciliation of Net Cash Flow to Movement in Net Funds	32
Notes to the Accounts	33 - 42

MEMBERSHIP OF COMMITTEES 2006/07

THE GOVERNING BODY

Ex Officio Governors members who are also officers of the College:

Chairman

Representing the Corporation of London

Representing the University of London

Representing the Academic Board

Representing the Academic Staff

Representing the Non-Teaching Staff

Representing Former Students

Representing the Students' Union

Co-opted Governors

Officers in attendance at Governors meetings:

Professor E J E Hobsbawm – President

Professor D S Latchman – Master

Professor P Dewe - Vice-Master

Professor P Barnes - Dean

Lord Marshall of Knightsbridge

Mr T D D Hoffman

Mr D D A Leslie

Professor G J Whitty

Dr M Innes

Professor S Maybank

Professor M Oaksford

Mr S P Hamil

Dr D Horn

Dr K Mackenzie Davey

Ms G Panchal

Ms J Van de Ban

Ms A Goddard

Ms S Hodge

Mr R Anderson

Mr M Gardiner

Mr I Malik

Mr P O'Connor

Mr R Agutter

Dr A Burman

Dr M Byrne

Ms S Ebanja

Lady Hurd of Westwell

Mr J Jacobs

Mrs J Manners

Dame Mavis McDonald, DCB (Deputy Chair)

Mr G Pollard

Ms S Shah

one vacancy

Mr K Harrison - Secretary and Clerk to the Governors

Dr B A Harwood - Registry

Mr P A Westley - Director of Finance

Ms N Patel - Director of Human Resources

Mrs T King - Director of External Relations

Mr P Cowling - Director of Estates and Facilities

Mr D McGhie - Deputy Secretary and Director of Planning

Ms M Reeves - Deputy Secretary (Faculty of Continuing Education)

Ms K Bock - Deputy Clerk to the Governors

Miss C Terrey - Personal Assistant to the Secretary

FINANCE AND GENERAL PURPOSES COMMITTEE

Lay members of Governing Body

Lord Marshall of Knightsbridge

Mr R Agutter – Chairman

Dr A Burman

Ms S Ebanja

Ms A Goddard

Mr T Hoffman

Mr D D A Leslie

Dame Mavis McDonald, DCB

Professor G J Whitty

Mr R Allison (from June 2007)

MEMBERSHIP OF COMMITTEES 2006/07 (continued)

<i>Staff</i>	Professor D S Latchman Professor P Dewe Dr M Innes Dr K MacKenzie Davey Professor Michael Oaksford Ms J Van de Ban
<i>Students</i>	Mr M Gardiner Mr I Malik
<i>Officers in attendance</i>	Mr K Harrison - Secretary and Clerk to the Governors Mr P A Westley – Director of Finance Ms N Patel – Director of Human Resources Mr P Cowling – Director of Estates and Facilities Mr D McGhie – Deputy Secretary and Director of Planning Ms M Reeves – Deputy Secretary (Faculty of Continuing Education) Ms K Bock – Deputy Clerk to the Governors

NOMINATIONS COMMITTEE

<i>Lay members of Governing Body</i>	Lord Marshall of Knightsbridge Dr M Byrne Ms S Ebanja Mr D D A Leslie Dame Mavis McDonald, DCB
<i>Staff</i>	Professor D S Latchman Professor P Barnes Dr K MacKenzie Davey Professor M Oaksford
<i>Student</i>	Mr I Malik

REMUNERATION COMMITTEE

<i>Panel A – Remuneration of the Master</i>	Lord Marshall of Knightsbridge Dame Mavis McDonald, DCB
<i>Lay members</i>	Mr R Agutter Mr D D A Leslie
<i>Panel B – Professorial/AR and Postholders' Remuneration</i>	
<i>Lay members</i>	Lord Marshall of Knightsbridge Dame Mavis McDonald, DCB Mr R Agutter Mr D D A Leslie
<i>Staff</i>	Professor D S Latchman

AUDIT COMMITTEE

<i>Members of the Audit Committee</i>	Dr M Byrne Mrs J Manners Mr G Pollard – Chair
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MISSION STATEMENT

BIRKBECK IS COMMITTED TO FULFILLING THE VISION OF OUR FOUNDER, GEORGE BIRKBECK, OF UNIVERSAL ACCESS TO THE BENEFITS OF KNOWLEDGE.

Remaining true to the vision of our founder, the principal **aims** of Birkbeck College are:

- to provide part-time courses of study to meet the changing educational, cultural and training needs of adults who are engaged in earning their livelihood, and others who are able to benefit;
- to enable adult students from diverse social and educational backgrounds to participate in our courses;
- to maintain and develop excellence in research and research training in all our subject areas; and
- to make available the results of research, and the expertise acquired, through teaching, publication, partnerships with other organisations and the promotion of civic and public debate.

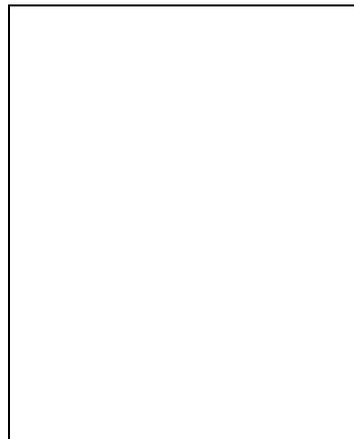
These broad aims embrace principles by which the College co-ordinates its planning and policies in respect of research and teaching, its special responsibilities to meet the needs of mature part-time students, and its goals with respect to quality and good management.

KEY SUPPORTING OBJECTIVES

1. To offer our students an integrated range of flexible, research-led courses across all levels of provision.
2. To achieve and maintain strong research cultures in support of interdisciplinary work in each school and faculty.
3. To ensure the College provides a favourable working and learning environment for its students and staff so that all may develop to their full potential.
4. To develop the College's capacity to respond rapidly to new and changing opportunities in higher and further education.
5. To strengthen the College's financial position by accumulating reserves to ensure its long-term viability.
6. To enhance the learning experience of our particular student community through the use of new technology and other means.
7. To develop sustainable partnerships within the London region and beyond.

Master's Strategy Report

The unique nature of Birkbeck's part time teaching model means that we rely on individuals applying to us directly rather than the centralised UCAS admissions system. This means that ongoing monitoring of applications in terms of their number and distribution between different types of courses is an important task of the Senior Management team. It is therefore gratifying that our overall applications this year are up on the previous year by approximately 10% and this has occurred for virtually all categories of courses including both undergraduate and postgraduate. Most interestingly, applications to study in Bloomsbury are approximately 20% up from the boroughs in East London which were intensively targeted as part of our Birkbeck Stratford campaign. The implications of this are discussed further below.



The overall increase in applications, particularly at undergraduate level, is an important factor in considering our future fee levels. This year the part time undergraduate fee was set at £1,248 pa which is the first time it has been above the maximum fee which the Government will reimburse to students with low incomes (currently £1,150 pa). This year such students received a small reimbursement from Birkbeck funds to cover the difference between our fee and the maximum Government rebate. This is an extension of the policy introduced last year to use Birkbeck and other Government funds to provide full fee remission to all those who receive only partial Government fee support due to the tapering of such support as the income of the student increases.

The popularity of our courses as shown by our increase in applications was also demonstrated by the third national student survey in which students gave their opinion about their university and their course. For the third year in succession, Birkbeck scored highly, obtaining the highest score in London in several categories including overall student satisfaction and satisfaction with the quality of teaching provided. In addition, we had the highest rated course nationally according to the Guardian's analysis of the results.

In parallel with these external measures of success, it is also important that we continue to develop our teaching so as to provide the very best to our students. In particular, a considerable effort led by the Pro Vice Master for Learning and Teaching, Professor Stephen Frosh, has now finalised the common awards structure so that, for example, each undergraduate course now has a similar credit bearing structure. Although this has involved considerable difficulties due to differences between courses which have arisen over the years, it is absolutely essential for the future. Thus, as well as fulfilling a recommendation of our QAA audit of teaching, it will provide greater flexibility for students to move between different Birkbeck courses.

Moreover, such flexibility is of vital importance to the Linking London Lifelong Learning Network which Birkbeck leads. This HEFCE-funded network is a partnership between 14 higher education institutions and 13 further education colleges with Professor John Annette, the Pro Vice Master for Widening Participation and Community Partnerships at Birkbeck as the Chairman of the Steering Group. Its key aim is to allow smooth movement between the different institutions in the network as students wish to study at different levels or in different formats such as full time, part time evening or part time day release. Clearly, this cannot be achieved without appropriate systems of credit transfer between institutions. This development is a key aim of the network and will be greatly facilitated by Birkbeck's development of the common award structure.

OPERATING AND FINANCIAL REVIEW (continued)

Finally, the common award structure allows us to identify the credit value of each individual course and therefore facilitates modularisation of courses. This is important in allowing us to take advantage of changes in HEFCE teaching funding rules which allow completion of courses (rather than completion of a full year of study) to be counted in the funding model. Moreover, it will also facilitate the further development of courses targeted at the employees of particular organisations since employers are often much more willing to fund individual modules, which they consider relevant rather than full degree courses.

This is of particular importance as HEFCE and Government continue to promote the idea that employers should play a full part in funding the study undertaken by their employees. This has led the Secretary of State to call for an expansion in part time/evening courses with places being co-funded by HEFCE and employers.

Clearly, Birkbeck with its unique mission of part time evening study needs to respond to this and this renders particularly critical the work of our Business Relations Unit (BRU) which is overseen by Professor Philip Dewe, the Vice Master, who has responsibility for the HEFCE priority area of Contribution to the Economy and Society.

Because of the critical importance of this area, we have now set up a small strategy group to analyse our involvement in this area and to determine the best way to move forward. As well as myself, Professor Philip Dewe, Professor John Annette, and Helen Lawrence, the Head of the BRU, the group includes two external business leaders both of whom have served on the HEFCE Board and/or its committees, as well as on governing bodies of universities in London.

The strategic group has identified the areas where we already have considerable success in attracting employer-sponsored students: Psychology, Organizational Psychology, Economics, and Computing Science. Similarly we have identified the sectors which account for a significant amount of this sponsored study: NHS trusts, government departments, and financial services above all. One major factor which distinguishes Birkbeck from our competitors in the part time sector in London is our focus on research-based teaching built on our high quality research. Another advantage Birkbeck has in terms of increasing links with employers is that we can offer organisations a portfolio of services including research, consultancy and room hire alongside staff development. We have begun to identify the key organisations which already use a variety of our services, and where there is scope to develop stronger links.

The new building at Stratford will also give us the opportunity to improve our links with employers by creating a Business Resource Centre. This could be used to provide advice to small businesses, to provide specialist knowledge transfer to high growth businesses, or to focus on a sector of particular significance in East London, such as retail or the creative industries.

In the research area, the year has been dominated by the Research Assessment Exercise (RAE) with the deadline for submissions being the end of November. This exercise is absolutely vital both for our funding and for the reputation of the College as a research led institution with a unique teaching model. I am most grateful therefore to the Pro Vice Master for Research, Professor Fiona Macmillan and the RAE Steering Committee for their efforts in this area. Our return will benefit from a number of initiatives which I described in my strategy document last year, notably the Senior Fellowships for recently retired members of staff who are still research active and have research funding, as well as the Junior Research Fellowships (funded both by Birkbeck and by Research Councils UK), which allow us to employ high quality junior academics with good publication records.

OPERATING AND FINANCIAL REVIEW (continued)

Moreover, we have developed a submission strategy to deal with the returns which scored weakly in the last RAE. Thus, of the three groupings which scored a poor 3 rating last time, we will be making a submission only in Applied Linguistics, which has been revitalised, as described last year, by the appointment of a new Head (Professor Li Wei) with considerable grant income and overseas student recruitment. In contrast, in accordance with our strategy, there will be no separate return for the School of Biological and Chemical Sciences but a number of the staff (including all recently appointed staff) will be returned together with the School of Crystallography, as part of our joint-submission with UCL. Similarly, we will not be making a separate submission from the School of Geography. However, a number of staff in the Human Geography area will be returned as part of our submission to the Sociology panel, which will also include; staff from the Faculty of Lifelong Learning and from the Social Psychology part of the School of Psychology. To provide cohesion to this return, we have successfully recruited a new Chair of Sociology and Social Theory (Professor Sasha Roseneil) and have established a new Institute for Social Research under her direction.

Other notable strategic appointments have been made in the past year. In particular, Professor Marty Sereno has been appointed to the joint Chair in Neuro-imaging with UCL, marking the successful completion of negotiations with this world leading researcher which I mentioned as on-going in my report last year. In a completely different but equally critical area, we have recently appointed Professor Claire Callender, as Professor of Higher Education Studies. Professor Callender is the leading UK researcher on part time higher education and is frequently invited to give evidence or prepare reports for Government departments. Her appointment is therefore a highly appropriate one which will greatly strengthen our research and public profile in this area.

In addition to these appointments this year saw the successful implementation of the National Framework Agreement with staff assimilated onto a single pay spine. We continue to recognize the strategic importance of human resource matters through the establishment of a Human Resource Strategy Group that coordinates and oversees human resource policy reflecting our commitment to staff development and retention. These efforts have resulted in excellent retention of staff even in the highly competitive pre-RAE period. We have lost very few staff, with those who have left achieving significant promotions. For example, two lecturers obtained Professorships elsewhere, one in a Russell Group University.

Staff recruitments have been paralleled by developments in the property area. After considerable negotiation with the University, we finally signed the lease for 27, 28 and 29 Russell Square. As we now occupy a contiguous run of University-owned properties from 25-30 Russell Square, in accordance with its estates strategy, the University will now provide us, free of charge, with long leases on 25 and 26 Russell Square to match those we now hold on 27-30 Russell Square. We are now proceeding to negotiate a sub-lease with the Wiener Library to allow them to move onto the Birkbeck Campus. Currently, this is dependent on lift facilities being provided in the Russell Square buildings either internally or by means of an external lift, and we are in discussions with Camden Council in order to try and gain their agreement on this.

Discussions are now proceeding with the University regarding the costs of rewiring the parts of the North Block of Senate House, currently occupied by Birkbeck's Schools of Computer Science and Psychology. We are currently resisting the University's claim that we should provide the costs of the re-wiring and also bear the costs of decanting our staff during the work.

OPERATING AND FINANCIAL REVIEW (continued)

In general however, our view is that the problems of Birkbeck's future occupation of the North Block of Senate House should be solved as part of the overall development of the North Block for the benefit of the Colleges in the vicinity. We have submitted a bid to the Vice-Chancellor for all the space in the North Block on behalf of the Bloomsbury Colleges and this is currently being considered. This illustrates the value of the six Bloomsbury Colleges acting together rather than putting in competing bids. As such, it parallels other recent developments in the Bloomsbury Colleges Group notably the award of a grant from HEFCE (with Birkbeck as the lead College) of £75,000 to investigate the possibility of sharing of services, with a view to a further substantial bid in this area to HEFCE. Similarly, we have now recruited students for the first batch of PhD Studentships, which are funded by the Bloomsbury Colleges with the condition that each student must be supervised jointly by staff of two participating institutions. The next batch of studentships (for take-up in 2008-09) are now being advertised.

In addition, in the property area, we also opened during the year both the Henry Wellcome building, housing the Wolfson Institute for Brain Development and Function, and also our Learning Information Centre in the new entrance hall of the main building. This latter development is of particular importance since it not only completes the major development of our main building and the adjacent square but also places learning and its support at the entrance to Birkbeck, paralleling its major importance in our mission. Indeed, the design has been favourably commented on by a number of visitors including those from East London, who have requested that we should have a similar entrance when we build a new building in their area.

Obviously, the development of Birkbeck Stratford has been of major importance in the last year and has involved enormous efforts by a wide range of College staff. Apart from the Vice Master and the College Secretary, particularly critical roles have been played by staff of the Faculty of Lifelong Learning (formerly the Faculty of Continuing Education), who have made enormous efforts to put on appropriate courses and External Relations, which has conducted a major recruitment campaign in the area.

As a result of this, we have now begun teaching in Stratford, in premises rented from the University of East London. 511 students (representing 97 FTEs) have been enrolled on certificates and diplomas of higher education and 77 applications have been received so far for degree programmes, including Foundation Degrees which will start in January. Interestingly, as noted above, the intensive advertising campaign has raised awareness of Birkbeck in East London and resulted in a 20% increase in applications from this area to study at our main campus on courses not offered in Stratford.

As well as the initial support from HEFCE, which has allowed us to hire a number of outreach and widening participation staff, the project has also attracted considerable support from other donors and has been a major focus of our fundraising efforts during the past year. We have obtained support for bursaries for students from the Aldgate and All Hallows Trust, the Sir John Cass Foundation, the Man Group and the Noon Foundation. In addition, outreach and retention posts have been sponsored by the Esmée Fairbairn Foundation and the Paul Hamlyn Trust respectively. The total funds raised so far are in excess of £750,000.

These contacts and others which have been developed by the fundraising team will be of value as we endeavour to raise the funds required for a purpose built Birkbeck building in Stratford. In terms of funding, £4 million for the building has already been pledged by HEFCE and a bid to the Thames Gateway Urban Development Corporation is currently being prepared with their officers for submission later in the year. In addition, to ensure that the building is fully utilised during the day, we have formed a partnership with Newham Sixth Form College which provides further education courses in a number of areas, and together with them will be making a bid for capital funds to the Learning and Skills Council.

OPERATING AND FINANCIAL REVIEW (continued)

Extensive discussions during the year with Newham Council have resulted in a commitment by the Mayor and Acting Chief Executive to provide us with a suitable council-owned site in Stratford. Negotiations are now commencing on the acquisition of our preferred site which is located adjacent to Stratford shopping centre and cultural amenities such as the Theatre Royal. This would be particularly attractive because of its easy accessibility from Stratford Station and because it would facilitate our ongoing partnership with the Theatre Royal, a theatre in which 60% of the audience has never attended a theatre performance before. We are already endeavouring to recruit students from this population by advertising in the Theatre Royal programme and will shortly be participating in a gala night at the Theatre. Interestingly, we have also obtained by courtesy of Mr Eggert Magnusson, free advertising in West Ham United's football programmes which may reach a slightly different target audience!

As well as being of vital importance in itself, our Stratford project also has great importance in terms of the manner in which we are perceived by Government and HEFCE. A few years ago, there was a perception that Birkbeck was simply about middle-class individuals engaged in leisure learning. The Stratford project and other projects such as the Lifelong Learning Network have demonstrated that we are serious about Government priorities of widening participation amongst groups which normally do not participate in higher education.

This positive attitude has significantly coloured our recent discussions with HEFCE. Over the past year, we have continued our discussions on the problems caused to Birkbeck by the increase in fees in the full time sector. We have not been able to increase our fees to a level pro-rata to full time, due to the lack of loan support for part time students and the cap placed on the maximum amount of fee rebate for the poorest part time students. Nonetheless, we have to pay the salary costs of the single transferable spine for all our posts and the costs of nationally agreed pay awards which are predicated on the increased fee income being received by the full time sector.

In our most recent discussions over the summer with HEFCE they have, for the first time, made two specific proposals. Firstly, they suggested that over a period of a few years we should raise our fees towards a level approximately pro-rata to the full time fee with an appropriate proportion of these increased sums being used to support bursaries for poorer students. In turn, HEFCE would guarantee us against any loss of teaching funds produced by decreased student numbers caused by the increased fee. This would allow us to 'test the water' over a period of years on the potential for increasing fees without any financial penalty.

Secondly, in line with the Government agenda of promoting employer engagement, they suggested that Birkbeck play a leading role in this area as a research-intensive university which because of its part time specialisation was able to work with employers in a way which most research-intensive universities would not be able to achieve. They suggested that a bid for substantial funding (£5-10 million) should be prepared for the Strategic Development Fund (SDF) to develop Birkbeck's work in this area. This could include both a bid for new funding and also a bid to transfer the costs of existing activities which were relevant to this area.

This represented a significant move by HEFCE and it was my intention to develop proposals to them during the course of this term. Unfortunately however, this was superseded by a Government policy announcement which has significantly changed Birkbeck's situation. However, as will be discussed below, I believe that the HEFCE proposals provide the core of our response to the Government policy change.

OPERATING AND FINANCIAL REVIEW (continued)

At the beginning of September, the Government instructed HEFCE to no longer provide universities with funding for teaching students who are studying for an equivalent learning qualification (ELQ) to that which they already hold. Thus, a student who studied, for example, English at the age of 18 and then returns at the age of perhaps 40 to study Computer Science currently cannot receive any grant or fee remission regardless of their income. However, from 2008-09, universities will also not be able to count such students as fundable in terms of their teaching grant. Obviously, this would have a highly significant effect on Birkbeck's teaching grant from HEFCE since over 1/3 of our students appear to fall into this category. Our response to this significant change in Government policy needs to be on three lines.

Firstly, we have been engaged in an active lobbying campaign with the media, sympathetic MPs, Peers and other supporters. This has pointed out the importance of students returning to study for equivalent qualifications in terms of obtaining career-relevant qualifications perhaps after a break for having and bringing up a family. We have also pointed out that ELQ students are now being treated effectively as overseas students from whom universities receive no resources other than fees paid by the student themselves. This is the first time that UK students on an approved course have been treated in this manner and one could argue represents the thin end of the wedge in which universities in the future would not be funded for other groups of students such as, for example, those who have been to private schools or are undertaking non-vocational subjects.

This campaign has been well received with articles in the media and numerous messages of support. Nonetheless, it will be difficult to reverse Government and a further focus of our campaign is to try and ensure that HEFCE implements this instruction in a manner which is as favourable to us as possible. It is notable therefore that, following our initial campaign, HEFCE's current consultation on implementing these changes includes a proposal to raise the part time premium to minimise the effect on part time study and to freeze funding for at least three years for institutions which would be hardest hit by the withdrawal of funding for ELQ students. There are also some exemptions in which ELQ students will continue to be funded if, for example, they are studying for a Foundation Degree or are co-sponsored by their employer or are studying strategic subjects such as Science and Mathematics. Individual Schools are currently being encouraged to lobby their appropriate professional organisations so that they in turn lobby HEFCE for further exemptions in other vocationally-relevant areas where we have significant numbers of ELQ students such as Psychology, Economics and Law. We will also suggest that students returning after a gap of ten years or more should be exempted. This is attractive to MPs since it would focus funding on those who are re-skilling to re-enter the workforce after raising a family or to develop new careers.

Importantly, the safety netting of our funding for at least three years provides us with an opportunity of developing the second strand of our strategy, namely working with HEFCE to significantly develop and extend our mission so that we can recruit additional students to replace the numbers who will not be funded. Following discussions with David Eastwood and the HEFCE London Regional Representatives, I have requested that they fund external consultants to support the development of the optimal strategy for Birkbeck over the next few years and to underpin a major bid to the HEFCE Strategic Development Fund (SDF.) This is likely to include the proposal for further engagement with employers not only in Bloomsbury but also by developing a significant employer engagement strategy in Stratford.

OPERATING AND FINANCIAL REVIEW (continued)

However, the proposal would be much broader and would also include our response to two other major priorities namely widening participation and Foundation Degrees. This would build on our being the first College of the University of London to offer such Foundation Degrees and we are now doing so both at Bloomsbury and Stratford. The Faculty of Lifelong Learning is already preparing proposals for ten new foundation degree programmes, as a response to the changed funding regime. In addition, we need to investigate whether our recruitment campaign in Stratford can be replicated in other low participation areas. Thus, the success of the Stratford recruitment campaign in bringing in more applications to Birkbeck in Bloomsbury could potentially be replicated by conducting a recruitment campaign for Birkbeck Bloomsbury in four or five low participation areas across London. A similar increase in applications to that observed from the East London boroughs, if achieved in these areas, would be a significant boost to our student numbers and to our widening participation mission.

I am therefore hopeful that working with HEFCE and external consultants we will be able to minimise the effects of this significant change in Government policy and use it to develop Birkbeck further in accordance with our mission of widening participation amongst working people.

Nonetheless, the political lobbying and HEFCE strands of our response need to be complemented by a third strand involving internal developments. Thus, we need to take advantage of the three year safety netting on our funding to consider whether we use this period to increase our fees for undergraduate students without a first degree and whether we introduce an enhanced fee for those with a first degree to reflect the lack of HEFCE support. Clearly, in the case of those without a first degree this would have to be underpinned by a continuation of our system of providing full fee support to all those who obtain full or partial government-sponsored fee remission. We would also need to consider whether to introduce partial fee support for those whose income is just above the level which attracts even minimal government support in order to prevent these students falling into a poverty trap.

In the case of students who already have a first degree, the enhanced fee would replace some of the support which will be lost from HEFCE. More importantly, it would direct their attention to the options open to them other than studying for a first degree. For example, Birkbeck already offers a number of graduate conversion programmes which allow graduates in one discipline to develop their knowledge in another discipline over a one year period and to then be ready for a Masters Degree. An expansion of this sort of provision in which those with first degrees study for a graduate certificate for one year and then for a Masters for two years would be preferable in terms of HEFCE funding to these individuals undertaking a four year second first degree. The College therefore needs to examine carefully where it should introduce further provision of this kind and the manner in which students would be directed towards it. Similarly, in many cases, Foundation Degrees or being sponsored by their employers to study for degrees or specific relevant modules would be alternative routes for these students which would be exempt from the ELQ rules and would therefore continue to attract HEFCE funding for the College.

OPERATING AND FINANCIAL REVIEW (continued)

Interestingly, at the beginning of 2007, the Senior Management Team Away Day recommended that some parts of the College consider building on their research reputation by further developing Masters programmes whilst other parts built on their outreach expertise by developing foundation degrees and certificates/diplomas. The change in Government policy over ELQ funding has reinforced these conclusions and we will now need to move forward to implement them internally.

I am confident that by continuing our lobbying campaign, working with HEFCE and making developments internally, we will be able to minimise the change in Government policy and utilise the safety netting period to develop Birkbeck and its strategy so that we continue to fulfil our mission of widening participation to working people and extend it in novel ways that relate to Government priorities.

Professor David S Latchman
Master

OPERATING AND FINANCIAL REVIEW (continued)

Student Statistics

The statistical information outlined in this section originates from HESES Student Return, December 2006.

Degree Programmes:

Student numbers in 2006/07: 7,266

- Ninety per cent of Birkbeck students study at part-time degree level
- Forty-one per cent are studying at postgraduate level.

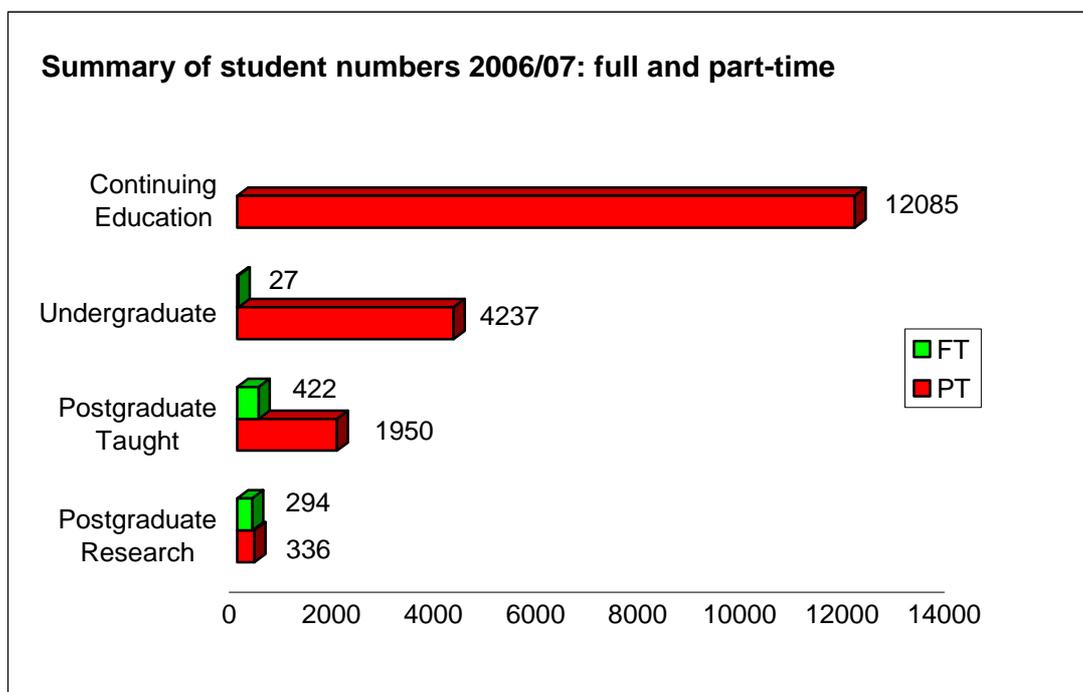
Non-degree Programmes - Continuing Education

Student numbers in 2006/07: 12,085

Faculty of Continuing Education offers a wide range of courses leading to certificates and diplomas, a variety of one and two term accredited and non-accredited courses, a programme of professional development and a number of weekend events and summer schools.

Although many extra-mural courses takes place on University premises in Central London, nearly half of the courses are offered at venues throughout the London area in conjunction with local adult education centres, voluntary organisations and museums.

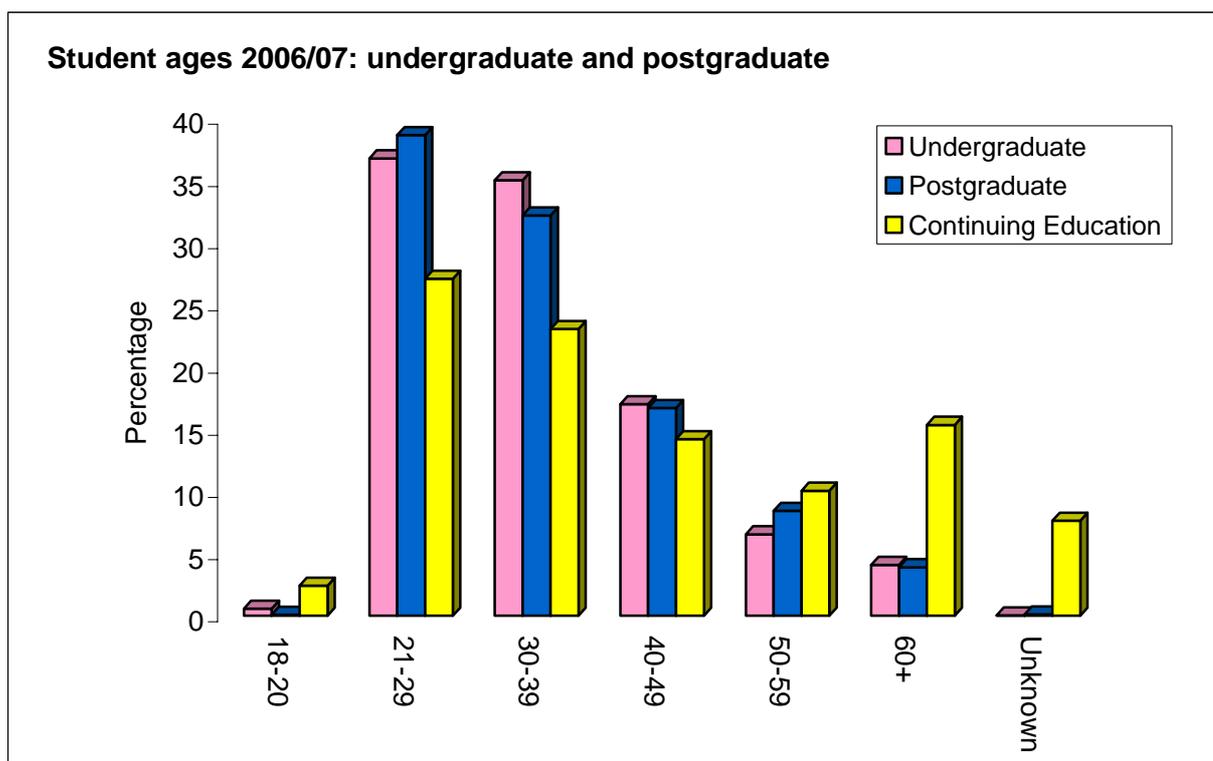
- Ninety-six per cent of Birkbeck students study at part-time degree and sub-degree level.
- 100 per cent of all continuing education students study part-time

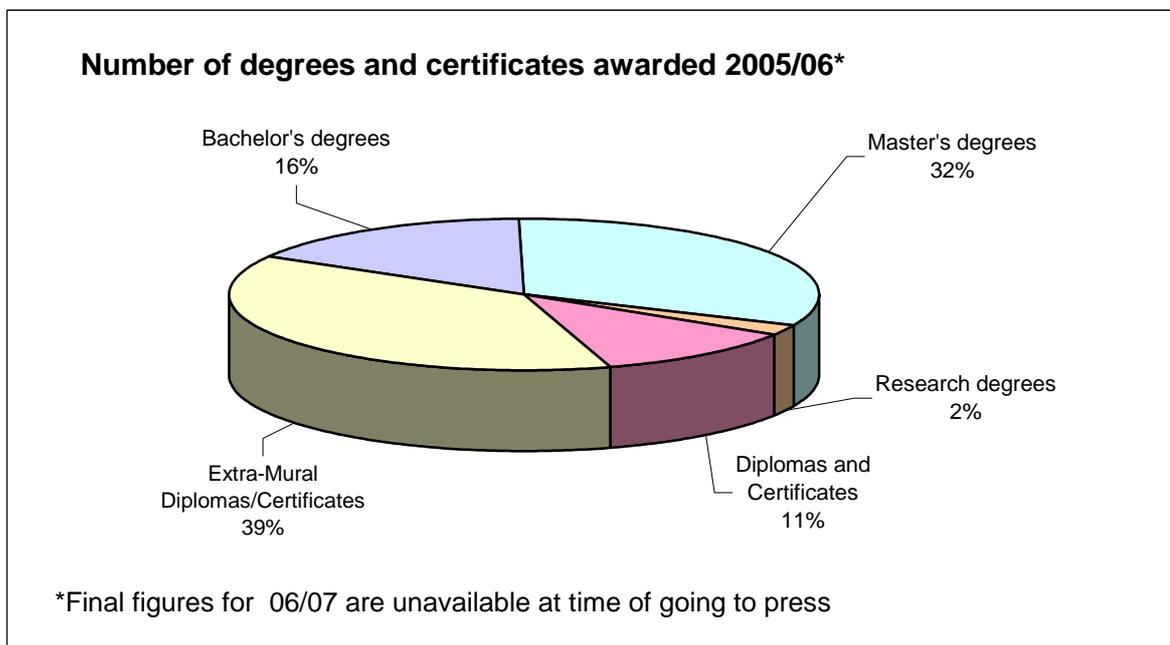
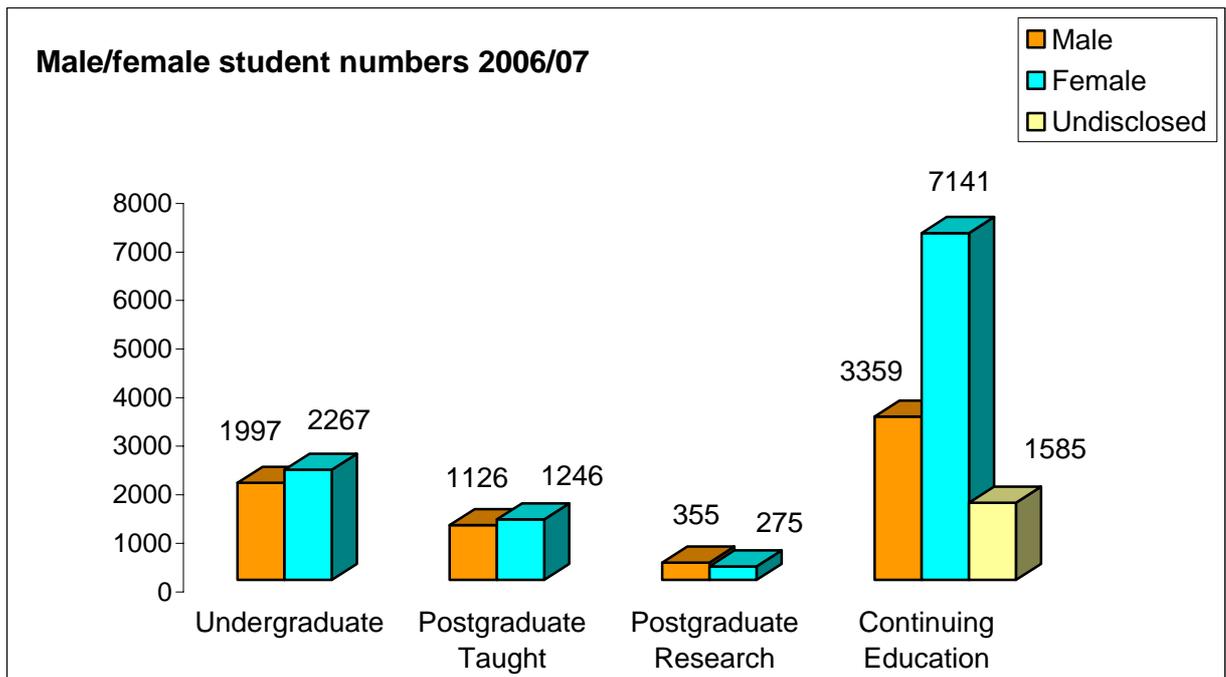


OPERATING AND FINANCIAL REVIEW (continued)

Student Profile

- Students join Birkbeck at different points in their lives, and come from a wide variety of backgrounds
- The majority are aged between 21 and 39
- 68 per cent of continuing education students are women
- One in four comes from an ethnic minority
- 1,503 students were awarded extra-mural certificates and diplomas in 2005/06





OPERATING AND FINANCIAL REVIEW (continued)

Financial Report of the Chairman of Governors

Scope of the Financial Statements

The Financial Statements presented to Governors comprise the results of the College undertaking its principal activities of teaching and research, together with such other activities as are thought necessary to facilitate the above. These other activities include rendering academic services to a variety of educational, commercial and other organisations.



Results for the Year

The College's Income and Expenditure for the year ended 31 July 2007, with the previous year's figures for comparison, are summarised as follows:

	2006/07	2005/06
	£000	£000
Income	66,486	62,418
Expenditure	(66,313)	(61,788)
Surplus on continuing operations after Depreciation	173	630
Transfer from accumulated income within specific endowments	12	33
Surplus for the year retained in General Reserves	185	663

The College's total income increased by £4,068k (6.5%) compared with the previous year.

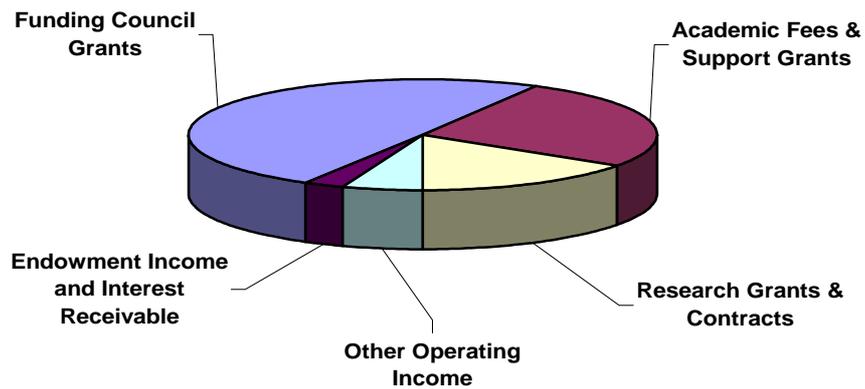
Recurrent grants from the Higher Education Funding Council for England (HEFCE) increased by £1,500k (5.1%). The increase has arisen largely due to increases in Teaching grant £472k (2.5%), Research grant £712k (8.1%) and Widening Participation grant £277k (14%). Specific grants increased by £991k to £2,045k and comprised Strategic Development Funding of £1,281k for Birkbeck Stratford, Linking London Lifelong Learning Network start-up costs, Higher Education Innovation Funding of £525k and Teaching Quality Enhancement Funding of £239k. These special initiative grants were matched by an equivalent increase in related expenditure. Deferred Capital grants released from HEFCE funds for Buildings and Equipment were £713k, an increase of £90k on the previous year.

Income from academic fees and support grants increased by £1,027k (6.3%). The increase comprises mainly price growth in part-time student numbers and both price and volume growth in full-time postgraduate student numbers. The basic part-time undergraduate tuition fee is approximately half the pro rota equivalent full-time fee. This is because part-time students are not eligible for proportionately similar levels of government subsidy that full-time students receive.

Income from Research Grants and Contracts amounted to £10,564k; an increase of £559k (5.6%). The overhead contribution towards indirect costs was £2,278k and represents an average overhead recovery rate equivalent to 27.5% of research expenditure.

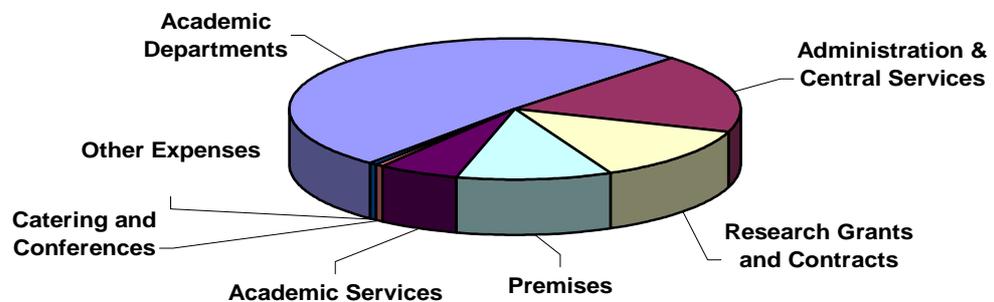
Endowment Income and Interest Receivable at £862k was £109k more than the previous year.

Analysis of income 2006/07



	£000	%
Funding Council Grants	33,663	51
Academic Fees & Support Grants	17,423	26
Research Grants & Contracts	10,564	16
Other Operating Income	3,974	6
Endowment Income and Interest Receivable	862	1
	<u>66,486</u>	<u>100</u>

Analysis of expenditure 2006/07



	£000	%
Academic Departments	33,752	51
Administration & Central Services	12,297	19
Research Grants and Contracts	8,286	12
Premises	6,920	10
Academic Services	4,517	6
Catering and Conferences	288	1
Other Expenses	253	1
	<u>66,313</u>	<u>100</u>

OPERATING AND FINANCIAL REVIEW (continued)

Total Expenditure increased by £4,525k (7.3%) compared with the previous year reflecting the overall increase in teaching, research and support activities. Staff costs at £45,619k, representing 68.8% of total expenditure, increased by £4,212k (10.2%) on the previous year. The increase in staff costs reflects the costs of implementing Job Evaluation and the National Pay Framework Agreement, pay awards, incremental progression and additional appointments.

Administration and Central Services expenditure increased by £772k (6.7%). The reasons for the increase, in addition to the pay increases referred to in the above paragraph, are i) marketing and outreach expenditure at Birkbeck Stratford, the Lifelong Learning Network ii) general educational expenditure on student hardship and iii) expenditure on student advertising and recruitment. Most of the additional expenditure can be directly matched to additional income.

Equipment, costing less than £10,000 per individual item is written-off in the year of acquisition. Total spend on equipment and furniture during the year was £2,001k of which £1,852k was written-off to the Income and Expenditure account and the remaining £149k was capitalised.

The surplus for the year, after depreciation, is £185k equivalent to 0.3% of Turnover. The Statement of Total Recognised Gains and Losses shows a total gain of £772k for the year accounted for by the annual surplus and the increase in endowment assets.

Investment Performance and Treasury Management

The market value, at 31 July 2007 of the College's long-term investments increased from £13,333k to £14,697k (comprising General Fund Investments of £9,296k and Endowment Fund Investments of £5,401k). The unrealised gains on revaluation were £557k in the General Fund and £232k in the Unified Fund. Long-term investment income for the year amounted to £360k. Long-term Investments and Endowment Asset Investments are managed by Legal and General Investment Management Ltd. The investments are held in various index tracker funds and cash trusts.

The investment of short-term surplus cash deposits is managed by the Finance Department under the broad supervision of the Investment Sub-Committee. Surplus cash is invested in a special interest bearing deposit account with NatWest plc, and in an instant access cash deposit account with Santander (Abbey) plc. During the year interest received on short-term cash surpluses amounted to £502k. Further analysis of investment income and long-term investments is set out in notes 5, 10 and 11 of the Financial Statements.

Cash Flow

The Cash Flow Statement shows a net cash inflow of £3,983k mainly because of the £3,500k increase in short-term cash deposits. At year-end the balance on short-term cash deposits was £7,500k. Post year-end £5,100k was used to purchase a long lease on 27-29 Russell Square from the University of London.

Fixed Assets and Capital Projects

Tangible fixed asset additions were £4,914k mainly on building projects. The depreciation charge for the year was £1,900k resulting in a net increase in tangible fixed assets of £3,014k. It is the College's intention to ensure that it has adequate estates facilities to deliver its teaching and research mission.

Risk Management

An effective approach to risk management is seen by the College as an essential element of corporate governance. Good progress has been made towards embedding risk management throughout the College. The College provided a full compliance statement on internal control last year and will continue to do so.

OPERATING AND FINANCIAL REVIEW (continued)

Within the College structure, the Faculty Deans, Heads of Schools and Section Heads of Administration are responsible for maintaining individual risk registers for their areas of responsibility. These are reviewed by the Risk Management Group and form the basis of the College's primary risk register which is reviewed annually by the Audit Committee and Governors. Reviews with the Senior Management Team of their risk registers have demonstrated that they are firmly committed to regarding risk factors as integral to good decision making and planning at all levels.

The College continues to monitor adherence to risk management procedures and processes to ensure that the Audit Committee and the Governors can be satisfied that risks are systematically recognised, assessed and managed.

Future Developments

As indicated in the College's Estates Strategy, resources will be targeted at further rationalisation and development of buildings to improve the quality of the learning environment. Major capital projects completed during the year include the main building ground floor entrance suite which was officially opened by the Princess Royal on 25 September and the Centre for Film and Television Studies in Gordon Square. The College purchased 27-29 Russell Square from the University of London and this acquisition will complete our full occupancy of that side of the Square as we already occupy 26 and 30 Russell Square. A major building project in Stratford is being planned as part of the Birkbeck East initiative as outlined in the Master's Strategy Report. Newham Council are making a council-owned site available to Birkbeck for campus development and negotiations are proceeding with several partner organisations on the funding arrangements. Other ongoing capital projects, in collaboration with UCL, include the construction of an electron microscope suite in the Institute of Structural Molecular Biology and the purchase of an MRI Scanner. These are being funded from the Science Research Investment Fund (SRIF) and Project Capital Allocations (PCA).

Birkbeck's financial strategy adopts a proactive approach to the management of its resources, to plan efficiently and effectively for the future and supports the College in pursuing its academic mission. We will continue to pursue a strategy of steady growth in postgraduate, undergraduate and foundation degrees and to improve the overall financial return from research grants and contracts. In the medium to long term the College will aim for a surplus of about 2% of Turnover. However, in the short term we are broadly forecasting a break even position.

Conclusion

The very modest surplus is nevertheless encouraging as we had originally forecast a small deficit. The Funding Council is currently reviewing its Teaching funding methodology and I am optimistic that Birkbeck will benefit financially through recognition of its specialist and unique part-time evening teaching mission. However, on the downside, the recent announcement that ELQ students will not be funded is a severe financial blow and will present the College with the difficult challenge of replacing the lost funding with additional funding through widening participation, employer engagement and lifelong learning.

On behalf of the Governing Body, I should like to thank all staff for their dedication and support in ensuring the continuing success of the College's mission.

Lord Marshall of Knightsbridge

Chairman of Governors

STATEMENT OF THE COLLEGE GOVERNORS' RESPONSIBILITIES

In accordance with the College's Charter and Statutes, the Governors are responsible for the administration and management of the College's affairs, including ensuring an effective system of internal control and are required to present audited financial statements for each financial year.

The Governors are responsible for ensuring that proper accounting records are kept which disclose with reasonable accuracy at any time the financial position of the College and to enable them to ensure that the financial statements are prepared in accordance with the College's Charter and Statutes, the Statement of Recommended Practice on Accounting for Further and Higher Education and United Kingdom Generally Accepted Accounting Practice. In addition, within the terms and conditions of a Financial Memorandum agreed between the Governors of the College and the Higher Education Funding Council for England, the Governors, through the Master as designated office holder, are required to prepare financial statements for each financial year which give a true and fair view of the College's state of affairs and of the surplus or deficit and cash flows for that year.

In causing the financial statements to be prepared, the Governors have ensured that:

- suitable accounting policies are selected and applied consistently;
- judgements and estimates are made that are reasonable and prudent;
- state whether applicable accounting standards have been followed; and
- financial statements are prepared on the going concern basis unless it is inappropriate to presume that the College will continue in operation.
- the Governors are satisfied that the College has adequate resources to continue in operation for the foreseeable future: for this reason the going concern basis continues to be adopted in the preparation of the financial statements.

The Governors have taken reasonable steps to:

- ensure that funds from the Higher Education Funding Council for England are used only for the purposes for which they have been given and in accordance with the Financial Memorandum with the Funding Council and any other conditions which the Funding Council may from time to time prescribe;
- ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources;
- safeguard the assets of the College and prevent and detect fraud; and
- secure the economical, efficient and effective management of the College's resources and expenditure.

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

- clear definitions of the responsibilities of, and the authority delegated to, Faculty Deans, Heads of schools and Administrative Departments;
- a comprehensive medium and short-term planning process, supplemented by detailed annual income, expenditure, capital and cash flow budgets and forecasts;

STATEMENT OF THE COLLEGE GOVERNORS' RESPONSIBILITIES (continued)

- regular reviews of key performance indicators and business risks and quarterly review and financial results involving variance reporting updates of forecast outturns;
- clearly defined and formalised requirements for approval and control of expenditure, with investment decisions involving capital or revenue expenditure being subject to formal detailed appraisal and review according to approval levels set by the Governors;
- comprehensive Financial Regulations, detailing financial controls and procedures, approved by the Audit Committee and Finance and General Purposes Committee; and
- a professional Internal Audit Service whose annual programme is approved by the Audit Committee. The Audit Committee receives reports on internal audit activity within the College. The Chairman of Audit Committee provides the Governors with reports on internal audit activity and an opinion on the adequacy and effectiveness of the College's system of internal control, including internal financial control.

CORPORATE GOVERNANCE STATEMENT

Corporate Governance and Accountability Arrangements

Birkbeck College is a body incorporated by Royal Charter. Although the College does not have shareholders, and is not a listed company, the Governing Body is committed to achieving high standards of corporate governance, in line with accepted best practice. This summary describes the manner in which the College has applied the principles set out in Section 1 of the Combined Code on Corporate Governance issued by the London Stock Exchange in July 2003. Its purpose is to help the reader of the accounts understand how the principles have been applied. Governors reviewed their effectiveness in 2006-07 and agreed to a reduction in the size of the governing body from 33 to 21 in order to promote the focus, teamwork, engagement and scrutiny necessary for Governors to meet the demands placed upon them and to fulfill their collective responsibility for overseeing the College's activities. Consequent changes to the Charter and Statutes are being implemented. Governors also redefined the framework for College governance and the associated roles and responsibilities; and agreed a Code of Conduct for governance and a Statement of Primary Responsibilities. This is in line with CUC best practice recommendations.

The Governing Body

The Governing Body comprises lay members, students, graduates and employees appointed under the Statutes of the College, the majority of whom are non-executive. The roles of Chairman and Deputy Chairman of the Governing Body are separated from the role of the College's Chief Executive, the Master.

The matters specially reserved to the Governing Body for decision are set out in the Charter and Statutes of the College, and under the Financial Memorandum with the Higher Education Funding Council for England. The Governing Body is responsible for the ongoing strategic direction of the College, approval of major developments and the receipt of regular reports from Senior Management on the day to day operations of its business.

The Governing Body is responsible for the College's system of internal control and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Governing Body met four times during the year and has several committees, including Finance and General Purposes Committee, Audit Committee, Nominations Committee and the Remuneration Committee. All of these committees are formally constituted with terms of reference. All lay members of the Governing Body are appointed to committees by the Governors on the recommendation of the Nominations Committee.

The Governing Body is of the view that there is an ongoing process for identifying, evaluating and managing the College's significant risks, that it has been in place for the year ended 31 July 2007 and up to the date of approval of the annual accounts, that it is regularly reviewed by the Governing Body and that it accords with the internal control guidance for directors on the Combined Code as deemed appropriate for higher education.

Academic Board

On all academic matters the Governors must consider, but not necessarily follow, the advice of the Academic Board, which is responsible to the Governing Body for the academic work of the College. The Academic Board has a membership of around 150 drawn almost entirely from academic staff and the students of the College and chaired by the Master. It delegates some of its powers to its Executive Committee.

CORPORATE GOVERNANCE STATEMENT (continued)

Finance and General Purposes Committee

The Finance and General Purposes Committee (F&GPC) reviews and then recommends to the Governors the College's annual revenue and capital budgets and monitors performance in relation to the approved budgets. It reviews and then recommends to Governors the financial regulations and financial policies that are applied to management. It reviews the annual financial statements, including significant matters of judgement made by management, and meets with the external auditors to discuss the outcome of their audit; it then recommends the financial statements to Governors for approval. In addition the Investment Sub-Committee of F&GPC is responsible to and reports to F&GPC on the College's investments.

The Finance and General Purposes Committee met three times during the year.

Nominations Committee

The Nominations Committee considers nominations for co-opted vacancies in the Governing Body membership under the relevant Statute and for Governing Body appointed vacancies on College Committees. Its recommendations to the Governors take into account the balance of skills, knowledge and experience of Governors members and are based on assessment against objective criteria. It also considers issues of succession planning within the Governing Body.

The Nominations Committee normally meets once during the year.

Remuneration Committee

The Remuneration Committee determines the annual remuneration of the Master and of professorial and senior administrative staff. Lay members of Governing Body receive no remuneration for their services although expenses incurred in attending meetings are met by the College. Members of the Governing Body who are employees of the College receive no additional remuneration for their services to the Governing Body. The cost of living salary increases for all staff are determined by national pay negotiations for all universities. The employee members have no involvement in determining their own salaries.

The Remuneration Committee met once during the year.

Audit Committee

The Audit Committee comprises wholly lay members, drawn from the Governing Body and so has no executive responsibility. Members have recent, relevant financial and other appropriate experience. The Audit Committee met three times during the year.

The Audit Committee relies substantially on the work of the internal and external auditors, on the information provided by management and the response of management to the questions it raises.

CORPORATE GOVERNANCE STATEMENT (continued)

The remit of the Audit Committee includes:

- reviewing the effectiveness of the College's systems of internal control and risk management;
- satisfying itself and assuring the Governors, with advice from the Director of Finance, that satisfactory arrangements are in place to promote economy, efficiency and effectiveness;
- reviewing and approving the remit of the internal audit function;
- advising the Governors, as necessary, on the appointment and remuneration of the internal and external auditors, and their quality, reliability and effectiveness;
- reviewing with the external auditors the scope and nature of the audit, including the report to Audit Committee written by the external auditors; and
- assessing compliance with the regulatory framework relating to audit issues.

The external auditors have a standing arrangement to meet the Audit Committee members regularly without senior officers present. The auditors also attend meetings with senior officers to consider the items listed above, and to review plans for the audit process.

The College's internal audit function provides, by undertaking review, independent objective assurance to the Governing Body, through the Audit Committee, on the effectiveness of the risk management framework, and the design and effectiveness of the operation of internal controls that are intended to control application risks. Internal audit also helps the College accomplish its objectives by bringing a systematic and disciplined approach to evaluating and improving the effectiveness of risk management, control and governance processes and, by working with management, adding value through advice and guidance. All reviews undertaken by internal audit are considered with the management in the relevant operational unit. The reviews are also considered by the Master, College Secretary and Director of Finance and appropriate action confirmed to the Audit Committee. The head of the internal audit has unfettered access to the Audit Committee.

The internal audit work programme is drawn down from a risk-focused audit plan, which remains dynamic and is updated regularly to reflect changes in the College's risk profile. Internal audit monitors the progress made by operational units in implementing recommendations to ensure that they are addressed in a timely and effective manner, and reports regularly thereon to the Audit Committee.

The senior management team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms which are embedded within the operational units and reinforced by risk awareness training. The senior management team and the Audit Committee also receive regular reports from internal audit which include recommendations for improvement. The Audit Committee's role in this area is confined to a high level review of the arrangements for internal financial control. The Governing Body's agenda includes a regular item for consideration of risk and control and receives reports thereon from the senior management team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its December 2007 meeting, the Governing Body carried out the annual assessment for the year ended 31 July 2007 by considering documentation from the senior management team and internal audit, and taking account of events since 31 July 2007.

The membership of all of the above committees is shown on pages 1-2.

INDEPENDENT AUDITORS' REPORT TO THE GOVERNING BODY OF BIRKBECK COLLEGE

We have audited the financial statements of Birkbeck College for the year ended 31 July 2007 which comprise the statement of principal accounting policies, income and expenditure, statement of recognised gains and losses, balance sheet, the cash flow statement, reconciliation of net cash flow to movements in net funds and the related notes 1 to 26. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Governors of Birkbeck College as a body, in accordance with the Financial Memorandum dated July 2006. Our audit work has been undertaken so that we might state to the Governing Body's those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Governors as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Governing Body and auditors

As described in the statement of the governors' responsibilities, the Governing Body is responsible for the preparation of the financial statements in accordance with the College's statute, the Statement of Recommended Practice on Accounting for Further and Higher Education and other applicable United Kingdom law and accounting standards (United Kingdom Generally Accepted Accounting Practice).

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Statement of Recommended Practice on Accounting for Further and Higher Education. We also report whether income from funding bodies, grants and income for specific purposes and from other restricted funds administered by the College have been properly applied only for the purposes for which they were received and whether 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 also report if, in our opinion, the Operating and Financial Review is not consistent with the financial statements, if the college has not kept proper accounting records, the accounting records do not agree with the financial statements or if we have not received all the information and explanations we require for our audit.

We read the other information contained in the Report of the Chairman of Governors, including the corporate governance statement, and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing 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 Governing Body in the preparation of the financial statements and of whether the accounting policies are appropriate to the college's circumstances, consistently applied and adequately disclosed.

INDEPENDENT AUDITORS' REPORT TO THE GOVERNING BODY OF BIRKBECK COLLEGE (continued)

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.

Opinion

In our opinion:

- (a) the financial statements give a true and fair view of the state of affairs of the College as at 31 July 2007 and of the surplus of the College for the year then ended and have been properly prepared in accordance with the Statement of Recommended Practice on Accounting for Further and Higher Education;
- (b) in all material respects, income from Higher Education Funding Council for England, grants and income for specific purposes and from other restricted funds administered by the College have been applied only for the purposes for which they were received; and
- (c) in all material respects, income has been applied in accordance with the College's statutes and, where appropriate, with the Financial Memorandum, dated July 2006 with the Higher Education Funding Council for England.

Deloitte & Touche LLP

Chartered Accountants and Registered Auditors
London, UK
December 2007

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

Basis of preparation

The Financial Statements have been prepared in accordance with the statement of recommended practice (SORP): *Accounting for Further and Higher Education* and in accordance with applicable Accounting Standards.

Basis of Accounting

The Financial Statements are prepared under the historical cost convention modified by the revaluation of certain fixed assets and investments.

Basis of Consolidation

In accordance with FRS2, the activities of the student union have not been consolidated into the Financial Statements because the College does not exercise significant control or influence over those activities.

Recognition of Income

Income from research grants, contracts and other services rendered is included to the extent of completion of the contract or service concerned when it is measurable and when there is certainty of receipt. This is generally equivalent to the sum of the relevant expenditure incurred during the year and any related contributions towards overhead costs. All income from short-term deposits is credited to the income and expenditure account in the period in which it is earned.

Income from specific endowments is included when it is earned. Income from donations is recognised when it is received.

Recurrent grants from the Funding Council are recognised in the period in which they are receivable.

Non-recurrent grants from the Funding Council or other bodies received in respect of the acquisition or construction of fixed assets are treated as deferred capital grants and amortised in line with depreciation over the life of the assets.

Pension Schemes

Retirements benefits for most employees of the school are provided by the Universities Superannuation Scheme (USS) and the superannuation arrangements of the University of London (SAUL). These are defined benefit schemes which are externally funded and contracted out of the State Earnings Related Pension Scheme. Contributions to the scheme are determined by qualified actuaries on the basis of triennial valuations using the Projected Unit Method. Review of the Scheme position are carried out in the period between valuations.

It is not possible to identify the College's share of the underlying assets and liabilities of the schemes. Therefore contributions are accounts for as if the schemes were defined contribution schemes and pension costs are based on the contributions payable in the year. Differences between contributions payable and contributions paid are shown as either accruals or prepayments on the balance sheet.

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (continued)

Leased Assets

Rental costs under operating leases are charged to expenditure in equal annual amounts over the periods of the leases. The College does not hold any finance leases.

Foreign Currency Translation

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at year end rates. The resulting exchange differences are dealt with in the determination of income and expenditure for the financial year.

Tangible Fixed Assets

a. Land and Buildings

The freehold to all but two of the College's premises is owned by the University of London and therefore their values are not included in the Financial Statements. The University has leased the Malet Street Building to Birkbeck on a 99 year lease from 1939 at a peppercorn rent. In 1997 the College purchased a long lease on the building at 30 Russell Square from the University of London. In 2007 the College purchased a 99 year lease on 27-29 Russell Square. At the same time, the short leases on 25-26 Russell Square were also converted into 99 year leases by the University of London. The remaining University premises are occupied on short leases or letters of agreement also at peppercorn rents.

In 2001, the College purchased a long lease on 7 Bedford Square from a commercial landlord. The costs are being depreciated over the period of the lease.

Where buildings are acquired with the aid of specific grants or donations they are capitalised and depreciated over the expected useful life of the buildings. The related grants or donations are treated as deferred capital grants and released to income over the same period.

Further details of the College's Estate are shown on page 42.

b. Refurbishments

Expenditure on refurbishment projects is capitalised and depreciated as follows:

Refurbishments less than £500,000 depreciated over 5 years
Refurbishments greater than £500,000 depreciated over 50 years

c. Equipment

Equipment costing less than £10,000 per individual item is written-off to the Income and Expenditure Account in the year of acquisition. All other equipment is capitalised at cost. Capitalised equipment is depreciated over its useful economic life as follows:

Computer equipment	-	3 years
Other general equipment	-	5 years
Equipment acquired for research or other projects	-	project life

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (continued)

Where equipment is acquired with the aid of specific grants it is capitalised and depreciated in accordance with the above policy, with the related grant being credited to a deferred capital grant account and released to the Income and Expenditure Account over the expected useful economic life of the related equipment.

Investments

Investments that form part of Fixed Assets and Endowment Assets are listed on a recognised stock exchange and included in the Balance Sheet at market value.

Current Asset Investments are included in the Balance Sheet at the lower of their original cost and net realisable value.

Stocks

Stocks for re-sale are valued at the lower of cost and net realisable value.

Maintenance of Premises

The College has a five-year rolling long-term maintenance plan which forms part of the ongoing maintenance of the estate. The cost of long-term and routine corrective maintenance is charged to the Income and Expenditure Account as incurred.

Liquid Resources

Liquid resources include sums on short-term deposits with recognised banks and building societies.

Taxation Status

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

The College receives no similar exemption in respect of Value Added Tax.

INCOME AND EXPENDITURE ACCOUNT for the Year Ended 31 July 2007

	NOTE	2007 £000	2006 £000
INCOME			
Funding Council Grants	1	33,663	31,082
Academic Fees and Support Grants	2	17,423	16,396
Research Grants and Contracts	3	10,564	10,005
Other Operating Income	4	3,974	3,669
Endowment Income and Interest Receivable	5	862	1,266
TOTAL INCOME		<u>66,486</u>	<u>62,418</u>
EXPENDITURE			
Staff Costs	6	45,619	41,407
Other Operating Expenses	7	18,794	18,599
Depreciation	8	1,900	1,782
TOTAL EXPENDITURE		<u>66,313</u>	<u>61,788</u>
Surplus on continuing operations after Depreciation		173	630
Transfer from accumulated income in specific endowments		12	33
Surplus for the year retained within General Reserves		<u>185</u>	<u>663</u>

Income and expenditure relates wholly to continuing operations.
The historical cost surplus is the same as the surplus shown above.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
for the Year Ended 31 July 2007

	NOTE	2007 £000	2006 £000
Surplus for Year after Depreciation		173	630
Appreciation of Endowment Assets	15	232	522
New Endowments	15	367	-
Transfer to Deferred Capital Grants	14	-	(320)
TOTAL RECOGNISED GAINS RELATING TO THE YEAR		<u>772</u>	<u>832</u>
RECONCILIATION			
Opening Reserves and Endowments		31,474	30,642
Total Recognised Gains and Losses for the Year		772	832
Closing Reserves and Endowments		<u>32,246</u>	<u>31,474</u>

BALANCE SHEET as at 31 July 2007

	NOTE	2007 £000	2006 £000
FIXED ASSETS			
Tangible Assets	9	44,230	41,216
Investments	10	9,296	8,519
		<u>53,526</u>	<u>49,735</u>
ENDOWMENT ASSET INVESTMENTS	11	5,401	4,814
CURRENT ASSETS			
Stock in Hand		4	3
Debtors	12	4,222	3,871
Investments	24	7,500	4,000
Cash at Bank and in Hand	24	4,348	4,054
		<u>16,074</u>	<u>11,928</u>
CURRENT LIABILITIES & CREDITORS	13	<u>(11,061)</u>	<u>(10,575)</u>
NET CURRENT ASSETS		5,013	1,353
NET ASSETS		<u>63,940</u>	<u>55,902</u>
DEFERRED CAPITAL GRANTS	14	30,997	24,288
ENDOWMENTS	15	5,401	4,814
REVALUATION RESERVE	16	697	140
INCOME AND EXPENDITURE ACCOUNT RESERVE	17	<u>26,845</u>	<u>26,660</u>
TOTAL FUNDS		<u>63,940</u>	<u>55,902</u>

Approved by Governors at their meeting on 17 December 2007, and signed on their behalf by:

Lord Marshall of Knightsbridge
Chairman of Governors

Professor David Latchman
Master

Peter Westley
Director of Finance

CASH FLOW STATEMENT for the Year Ended 31 July 2007

	NOTE	2007 £000	2006 £000
NET CASH INFLOW FROM OPERATING ACTIVITIES	20	<u>363</u>	<u>3,991</u>
RETURNS ON INVESTMENTS			
Income from Endowments	5	156	150
Income from Investments	5	<u>692</u>	<u>583</u>
Net Cash Inflow from Returns on Investments		<u>848</u>	<u>733</u>
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT			
Tangible Assets Acquired	9	(4,914)	(6,810)
Other Investments Acquired	10	(901)	(1,327)
Endowment Asset Investments Acquired	11	(534)	(146)
Sales of Endowment Assets	11	368	610
Sale of Other Investments	10	681	635
Deferred Capital Grants Received	14	7,705	6,632
Endowments Received	15	367	-
Net Capital Expenditure and Financial Investment		<u>2,772</u>	<u>(406)</u>
NET CASH INFLOW BEFORE MANAGEMENT OF LIQUID RESOURCES		3,983	4,318
MANAGEMENT OF LIQUID RESOURCES			
Increase in Short Term Investments	24	(3,500)	(2,000)
INCREASE IN CASH	24	<u>483</u>	<u>2,318</u>
RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS			
		2007 £000	2006 £000
Increase in Cash in the Year	24	483	2,318
Increase in Short Term Deposits	24	<u>3,500</u>	<u>2,000</u>
Change in Net Funds		3,983	4,318
Net Funds at 1 August	24	<u>8,336</u>	<u>4,018</u>
Net Funds at 31 July	24	<u>12,319</u>	<u>8,336</u>

NOTES TO THE ACCOUNTS

1. FUNDING COUNCIL GRANTS	Year ended 31 July 2007 £000	Year ended 31 July 2006 £000
Recurrent Grant	30,905	29,405
Specific Grants:-		
Special Initiatives	2,045	1,054
Deferred Capital Grants released in the Year:-		
Buildings (Note 14)	713	613
Equipment (Note 14)	-	10
	<u>33,663</u>	<u>31,082</u>
2. ACADEMIC FEES AND SUPPORT GRANTS	Year ended 31 July 2007 £000	Year ended 31 July 2006 £000
Full-time Home/EC Students	2,100	1,563
Full-time Students charged Overseas Fees	2,481	2,481
Part-time Fees	11,896	11,671
Short Course Fees	439	314
Research Training Support Grants	368	253
Other Teaching Activities	139	114
	<u>17,423</u>	<u>16,396</u>
3. RESEARCH GRANTS AND CONTRACTS	Year ended 31 July 2007 £000	Year ended 31 July 2006 £000
Grants	5,880	5,237
Contracts	4,522	4,674
Released from Deferred Capital Grant	162	94
	<u>10,564</u>	<u>10,005</u>
4. OTHER OPERATING INCOME	Year ended 31 July 2007 £000	Year ended 31 July 2006 £000
Catering and Conferences	395	419
Other Services Rendered	927	781
Released from Deferred Capital Grants	121	149
Donations	256	390
Lettings	1,021	807
Other income	1,254	1,123
	<u>3,974</u>	<u>3,669</u>

NOTES TO THE ACCOUNTS (Continued)

5. ENDOWMENT INCOME AND INTEREST RECEIVABLE	Year ended 31 July 2007 £000	Year ended 31 July 2006 £000
Income from Endowments	156	150
Income from Investments (including realised gain on disposal)	692	583
Income from Other Investments	6	14
	<u>854</u>	<u>747</u>
Unrealised gain on Revaluation of Investments	-	513
Other Interest	8	6
	<u>862</u>	<u>1,266</u>

6. STAFF COSTS	Year ended 31 July 2007 £000	Year ended 31 July 2006 £000
Wages and Salaries	38,131	34,752
Social Security Costs	3,177	2,862
Other Pension Costs (Note 26)	4,311	3,793
	<u>45,619</u>	<u>41,407</u>
	Year ended 31 July 2007 £000	Year ended 31 July 2006 £000
Emoluments of the Master	187	157
	<u>187</u>	<u>157</u>

The emoluments of the Master are shown on the same basis as for higher paid staff. The College's pension contributions to USS in relation to the Master are paid at the same rate as for other academic and related staff and amounted to £26,225 (2005-06 £22,026).

Remuneration of other higher paid staff, excluding employer's pension contributions:

	Year ended 31 July 2007 Number	Year ended 31 July 2006 Number
£70,001 - £80,000	12	10
£80,001 - £90,000	7	3
£90,001 - £100,000	2	2
£140,001 - 150,000	1	1
	Year ended 31 July 2007 FTE	Year ended 31 July 2006 FTE
Average Full Time Equivalent (FTE) Staff Numbers by Major Category:-		
Academic	542	525
Technical	46	50
Other, including Clerical, Manual and Administrative	379	351
	<u>967</u>	<u>926</u>

NOTES TO THE ACCOUNTS (Continued)

7. OTHER OPERATING EXPENSES

	Year ended 31 July 2007 £000	Year ended 31 July 2006 £000
General Educational Expenditure	2,051	1,393
Equipment	1,852	1,570
Fellowships, Scholarships & Prizes	1,667	1,252
General Estates & Facilities	1,421	1,533
Travel/Subsistence/Events	1,405	1,407
Rent	1,185	956
Advertising/Publicity/Media	1,041	978
Consumables & Laboratory Expenditure	995	962
Repairs & General Maintenance	870	1,157
Staff Related Expenses	801	1,055
Heat, Light, Water & Power	790	772
Books & Periodicals	675	654
Printing/Stationery	624	701
Other Academic Support Costs	586	835
Catering, Conferences & Hospitality	522	400
Other Expenses	446	1,077
Student Facilities	445	316
Legal, Professional & Consultancy Fees	431	643
Postage/Telephones	392	457
Insurance/Banking Costs	360	278
Grants to Student Union	156	145
Auditors - Internal	42	26
Auditors - External - Audit Fees	37	32
	<u>18,794</u>	<u>18,599</u>

8. ANALYSIS OF 2006/07 EXPENDITURE BY ACTIVITY

	Staff Costs £000	Depn. £000	Other Operating Expenses £000	Total £000
Academic Departments	29,244	28	4,480	33,752
Academic Services	2,536	107	1,874	4,517
Research Grants and Contracts	6,066	162	2,058	8,286
Catering & Conferences	16	-	272	288
Premises	1,630	1,566	3,724	6,920
Administration & Central Services	6,053	37	6,207	12,297
Other Expenses	74	-	179	253
	<u>45,619</u>	<u>1,900</u>	<u>18,794</u>	<u>66,313</u>

The Depreciation Charge has been funded by:

	£000
Deferred Capital Grants Released (Note 14)	996
General Income	904
	<u>1,900</u>

NOTES TO THE ACCOUNTS (Continued)

9. TANGIBLE ASSETS (Reanalysed)

	Assets in Course of Construction £000	Long Leasehold £000	Equipment £000	Total £000
<u>Cost</u>				
At 1 August 2006	2,578	47,038	7,392	57,008
Additions	1,089	3,676	149	4,914
Transfers	(2,490)	2,490	-	-
At 31 July 2007	<u>1,177</u>	<u>53,204</u>	<u>7,541</u>	<u>61,922</u>
<u>Depreciation</u>				
At 1 August 2006	-	(8,778)	(7,014)	(15,792)
Charge for Year	-	(1,570)	(330)	(1,900)
At 31 July 2007	<u>-</u>	<u>(10,348)</u>	<u>(7,344)</u>	<u>(17,692)</u>
<u>Net Book Value</u>				
At 31 July 2007	<u>1,177</u>	<u>42,856</u>	<u>197</u>	<u>44,230</u>
At 1 August 2006	<u>2,578</u>	<u>38,260</u>	<u>378</u>	<u>41,216</u>
Financed by capital grant	1,177	29,737	83	30,997
Other	-	13,119	114	13,233
Net Book Value at 31 July 2007	<u>1,177</u>	<u>42,856</u>	<u>197</u>	<u>44,230</u>

The note has been restated to show Assets in Course of Construction separately from Long Leasehold.

10. INVESTMENTS – LONG TERM

	2007 £000	2006 £000
At 1 August	8,519	7,174
Additions	901	1,327
Disposals	(681)	(635)
Revaluation	557	653
At 31 July	<u>9,296</u>	<u>8,519</u>

The above investments are listed on recognised stock exchanges and are analysed as follows:

	Year ended 31 July 2007 Market Value £000	Year ended 31 July 2006 Market Value £000
UK Equities	161	143
CAF UK Equitrack	5,927	5,458
European Index	248	-
All Stocks Gilt Index	-	366
US Index	347	323
Fixed Interest	281	297
Japan Index	402	418
Pacific Index	167	76
Cash Trust	1,763	1,438
	<u>9,296</u>	<u>8,519</u>

NOTES TO THE ACCOUNTS (Continued)

11. ENDOWMENT ASSET INVESTMENTS	2007 Market Value £000	2006 Market Value £000
Investments		
Balance at 1 August	4,814	4,645
Purchases	534	146
Disposals	(368)	(610)
Appreciation on Disposal/Revaluation	232	521
Increase in Cash Balances	189	112
Balance at 31 July	<u>5,401</u>	<u>4,814</u>
CAF Fund	63	65
CAF UK Equitrack Fund	3,131	2,883
All Stocks Gilt Index	-	196
US Index	181	169
Fixed Interest	137	145
European Index	132	-
Japan Index	224	233
Pacific Index	87	40
Cash Trust	975	801
	<u>4,930</u>	<u>4,532</u>
Bank Balances	471	282
Total Endowment Asset Investments	<u>5,401</u>	<u>4,814</u>
12. DEBTORS	Year ended 31 July 2007 £000	Year ended 31 July 2006 £000
Debtors	2,229	1,221
Research Expenditure Recoverable	1,903	2,422
Prepayments and Accrued Income	90	228
	<u>4,222</u>	<u>3,871</u>
13. CURRENT LIABILITIES & CREDITORS	Year ended 31 July 2007 £000	Year ended 31 July 2006 £000
Trade Creditors	4,883	6,009
Research Grants received in advance	2,519	2,619
Other Taxation and Social Security	35	51
Accruals and Deferred Income	3,624	1,896
	<u>11,061</u>	<u>10,575</u>

NOTES TO THE ACCOUNTS (Continued)

14. DEFERRED CAPITAL GRANTS

	Funding Council £000	Other Grants & Benefactions £000	Total £000
At 1 August 2006			
Buildings	17,648	6,521	24,169
Equipment	-	119	119
Total	<u>17,648</u>	<u>6,640</u>	<u>24,288</u>
Cash Received			
Buildings	7,225	188	7,413
Equipment	-	292	292
Total	<u>7,225</u>	<u>480</u>	<u>7,705</u>
Released to Income and Expenditure			
Buildings	(713)	(164)	(877)
Equipment	-	(119)	(119)
Total	<u>(713)</u>	<u>(283)</u>	<u>(996)</u>
At 31 July 2007			
Buildings	24,160	6,545	30,705
Equipment	-	292	292
Total	<u>24,160</u>	<u>6,837</u>	<u>30,997</u>

15. ENDOWMENTS

	Specific £000	General £000	Total £000
At 1 August 2006	2,344	2,470	4,814
Additions	367	-	367
Appreciation of Endowment Assets	101	131	232
Income for Year	76	80	156
Transferred to Income and Expenditure Account	(88)	(80)	(168)
At 31 July 2007	<u>2,800</u>	<u>2,601</u>	<u>5,401</u>
Representing:			
Fellowships and Scholarships	1,206	612	1,818
Prize Funds	786	460	1,246
Chairs and Lectureships Fund	-	186	186
Other Funds	808	1,343	2,151
	<u>2,800</u>	<u>2,601</u>	<u>5,401</u>

16. REVALUATION RESERVE

	Year ended 31 July 2007 £000	Year ended 31 July 2006 £000
At 1 August	140	-
Revaluation in year	557	140
At 31 July	<u>697</u>	<u>140</u>

NOTES TO THE ACCOUNTS (Continued)

17. INCOME AND EXPENDITURE ACCOUNT RESERVE	General Balances £000	Departmental Balances £000	Total £000
Balance at 1 August 2006	21,564	5,096	26,660
Surplus for the year	85	100	185
Balance at 31 July 2007	<u>21,649</u>	<u>5,196</u>	<u>26,845</u>

18. CAPITAL COMMITMENTS	Year ended 31 July 2007 £000	Year ended 31 July 2006 £000
Commitments contracted at 31 July	<u>7,200</u>	<u>10,778</u>

19. CONTINGENT LIABILITIES

The College had no Contingent Liabilities at 31 July 2007 or at 31 July 2006.

20. RECONCILIATION OF OPERATING SURPLUS TO NET CASH FROM OPERATING ACTIVITIES	Year ended 31 July 2007 £000	Year ended 31 July 2006 £000
Surplus after Depreciation	173	630
Depreciation (Note 9)	1,900	1,782
Deferred Capital Grants Released to Income (Note 14)	(996)	(866)
Endowment Income (Note 5)	(156)	(150)
Investment Income (Note 5)	(692)	(583)
Revaluation of investments (Note 10)	-	(513)
Increase in Stock	(1)	6
Increase in Debtors	(351)	2,613
Increase in Creditors	486	1,072
Net Cash Inflow from Operating Activities	<u>363</u>	<u>3,991</u>

21. ACCESS FUNDS	Year ended 31 July 2007 £000	Year ended 31 July 2006 £000
At 1 August	51	151
Funding Council Grants	345	88
Disbursed to Students	(407)	(188)
Transfer from I & E	11	-
Balance at 31 July	<u>-</u>	<u>51</u>

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

NOTES TO THE ACCOUNTS (Continued)

22. RETURN ON INVESTMENTS	Year ended 31 July 2007 £000	Year ended 31 July 2006 £000
Income from Endowments	156	150
Income from Investments	692	583
	<u>848</u>	<u>733</u>

23. CAPITAL EXPENDITURE AND FINANCIAL INVESTMENTS	Year ended 31 July 2007 £000	Year ended 31 July 2006 £000
Tangible Assets Acquired	(4,914)	(6,809)
Endowment Asset Investments Acquired	(534)	(146)
Investments Acquired	<u>(901)</u>	<u>(1,327)</u>
Total Fixed and Endowment Asset investments Acquired	(6,349)	(8,282)
Receipts from Sales of Endowment Assets	368	610
Sale of Investments	681	635
Deferred Capital Grants Received	7,705	6,953
Endowments Received	367	-
	<u>2,772</u>	<u>(84)</u>

24. ANALYSIS OF CHANGES IN NET FUNDS	Year ended 31 July 2007 £000	Cashflows £000	Year ended 31 July 2006 £000
Cash at Bank and in Hand	4,348	294	4,054
Cash included in Endowment Assets	<u>471</u>	<u>189</u>	<u>282</u>
	4,819	483	4,336
Short Term Deposits	<u>7,500</u>	<u>3,500</u>	<u>4,000</u>
	<u>12,319</u>	<u>3,983</u>	<u>8,336</u>

25. POST BALANCE SHEET EVENTS

In September 2007, the College acquired a 99 year lease for 28-29 Russell Square from the University of London, at a cost of £5.1million.

NOTES TO THE ACCOUNTS (Continued)

26. PENSION SCHEMES

The two principal pension schemes for College staff are the Universities Superannuation Scheme (USS) and the Superannuation Arrangements of the University of London (SAUL). The assets of the schemes are held in separate trustee-administered funds. The schemes are defined benefit schemes which are externally funded and contracted out of the State Second Pension (formerly State Earnings-Related Pension Scheme). The schemes are valued every three years by actuaries using the projected unit method, the rates of contribution payable being determined by the trustees on the advice of the actuaries. In the intervening years, the actuary reviews the progress of the scheme. USS provides benefits based on final pensionable salary for academic and related staff of participating UK Universities and certain other bodies engaged in higher education or research. SAUL provides similar benefits for non-academic staff of the College and other University of London colleges. Pension costs are assessed in accordance with the advice of the actuary, based on the latest actuarial valuation of the schemes, and are accounted for on the basis of charging the cost of providing pensions over the period during which the College benefits from the employees' services. The last available actuarial valuations for both schemes and the assumptions and other data which have the most significant effect on the determination of the contribution levels are as follows:

	<u>USS</u>	<u>SAUL</u>
Latest actuarial valuation date	31.3.2005	31.3.2005
Investment return per annum	4.9%	5%
Salary scale increases per annum	3.9%	4.15%
Pension increases per annum	2.9%	2.65%
Market value of assets at date of last valuation	£21,740 million	£982million
Liabilities at date of last valuation	£28,308 million	£1,058 million
Proportion of accrued benefits covered by the actuarial value of the assets	77%	93%

The USS contribution rate payable by the College is 14% of pensionable salaries. The actuary to the Universities Superannuation Scheme has confirmed that it is appropriate to take the pensions costs in the accounts to be equal to the actual contributions paid during the year. The SAUL contribution rate for the year was 13%.

The total pension cost for the College was:

	Year ended 31 July 2007 £000	Year ended 31 July 2006 £000
Contributions to USS	3,628	3,288
Contributions to SAUL	683	505
Total Pension Cost (Note 6)	<u>4,311</u>	<u>3,793</u>

It is not possible to identify the College's share of the underlying assets and liabilities of the schemes. Therefore contributions are accounted for as if SAUL and USS were defined contribution schemes and pension costs are based on the amounts actually paid (i.e. cash amounts) in accordance with paragraphs 8-12 of FRS 17.

NOTES TO THE ACCOUNTS (Continued)

SUMMARY OF THE COLLEGE'S ESTATE AS AT 31 JULY 2007 (not audited)

Location	Site	Net Internal Area (m2)
Malet Street	Main/Extension Buildings	21,713
Malet Street	North Block, Senate House	2,290
Gordon Square	39 – 47	4,692
University College	South Wing (Geology)	1851
Gordon Street	Gordon House (part)	651
Tavistock Square	32	570
Torrington Square	Clore Management Centre	2,262
Torrington Square	28-29b, 32	470
Russell Square	25 – 26	1,462
Russell Square	30	1,781
Gower Street	10 - 16	1,521
Gower Street	4	358
Bedford Square	7	645
Emerald Street	23 - 29 (shared with Institute of Education)	455
		<u>40,721</u>