



Leading education
and social research
Institute of Education
University of London

Institute of Education University of London

Financial Statements 2009-10

CONTENTS

<u>Section</u>		<u>Page</u>
1	About the Institute of Education.....	3
2	Corporate Governance.....	8
3	Corporate Strategy.....	13
4	Principal Risks and Uncertainties.....	15
5	Director's Report.....	16
6	Current and Future Developments.....	21
7	Subsidiary Undertaking – IOESRL.....	26
8	Estates and Environmental Sustainability.....	27
9	Stakeholder Relationship.....	30
10	Statement on Internal Control (SIC).....	32
11	Responsibilities of the Council of the Institute of Education.....	33
12	Independent Auditors' Report to the Council.....	34
13	Consolidated Income and Expenditure Account.....	36
14	Statement of Group Total Recognised Gains and Losses.....	37
15	Balance Sheets.....	38
16	Consolidated Cash Flow Statement.....	40
17	Notes to the Accounts.....	41
18	Glossary.....	69

1. ABOUT THE INSTITUTE OF EDUCATION

The Institute of Education is a college of the University of London that specialises in education and related areas of social science and professional practice. It is the UK's premier institution for the education and training of teachers and for the conduct of research in education and related areas. It is one of the world's leading schools of education.

The Institute was founded in 1902 as the London Day Training College (LDTC) under the joint auspices of the University of London and the London County Council. In 1932 it became the University's largest central activity. From 1949 it sat at the centre of a wider Institute of some 30 associated teacher training colleges and departments of education. In the second half of the twentieth century its reputation for producing good teachers was complemented by its development as an unrivalled centre of educational research. In 1987 the award of a royal charter set the seal upon its status as an independent college and school of the University of London. In 2006 the Institute was granted the power to award its own taught and research degrees.

Today, the Institute has 6,702 students, including 1,516 graduates attending its Postgraduate Certificate in Education [PGCE] courses, and 825 research students – by far the largest student research community in education in the UK. The Institute is active in every continent and welcomes some 800 students from over 100 countries each year. It has 835 staff, of whom 345 are academic staff, many of whom are leading scholars in their specialist fields.

In any one year the Institute has around 250 research projects in progress. It conducts approximately 30% of education research carried out in the UK higher education sector. In the most recent Research Assessment Exercise two-thirds of the publications that the Institute submitted were judged to be internationally significant and over a third were judged to be "world leading".

The Institute was recognised by Ofsted in 2010 for its "high quality" initial teacher training programmes that inspire its students "to want to be outstanding teachers". For more information please visit: www.ioe.ac.uk

1.1 Mission

The Institute's mission is to pursue excellence in education and related areas of social science and professional practice. In undertaking this mission the Institute will adhere to the highest standards of academic rigour in all its work; be guided by a concern for truth and justice; and make a positive contribution to the development of individuals, institutions and societies facing the challenges of change. To this end, it will engage in:

- research and scholarship of national and international significance;
- high quality, research-informed post-graduate and post-experience learning and teaching programmes;
- the promotion of new ideas in policy and professional practice grounded in its research and teaching expertise; and
- consultancy and other services to support and develop the quality of educational systems and related fields of policy and practice.

1. ABOUT THE INSTITUTE OF EDUCATION

1.2 Charitable Status

The Institute is an independent body, whose legal status derives from its Royal Charter originally granted on 10 June 1987. Its objects, powers and framework of governance are set out in its Charter and supporting Statutes, the latest version of which was approved by the Privy Council on 14 December 2006. The Institute of Education, University of London is an exempt charity under the Charities Act 2006.

Under the Charities Act 2006, the Higher Education Funding Council for England (HEFCE) was appointed principal regulator of Higher Education Institutions (HEIs) in England, which are not registered charities and therefore fall into the “exempt charity” category. The HEFCE assumed this role on 1 June 2010.

1.3 The Council

The Council members are the Trustees of the Institute. The Chair is appointed for three years and is eligible for re-appointment for a further two terms of three years. The Council appoints from among its members a Vice-Chair to preside at meetings of the Council in the absence of the Chair. Council members are initially appointed for three years and are eligible for re-appointment, but their period of continuous service on the Council cannot exceed nine years in all, except as provided by Statute.

The Council is a statutory Committee of the Institute. It has overall responsibility for the Institute’s strategic direction and effective management. The Council delegates a number of its responsibilities – such as management of the Institute’s finances and investments – to Sub-Committees. The Council is required by the Statutes to seek the advice of Senate before taking any decision which it considers might affect the academic policy of the Institute.

The Council adopted a Statement of Primary Responsibilities at its meeting on 16th March 2005.

1.4 Council Members

The Council members who served at any time during the financial year and until the date on which the financial statements were formally approved were:

<u>Name</u>	<u>Appointed to:</u>
Professor Geoff Whitty – Director	
Professor Dylan William – Deputy Director	September 2009
Dr Anton Franks – Chair of Academic Board	August 2010

1. ABOUT THE INSTITUTE OF EDUCATION

Appointed members:

Nominated by the University:

Professor Ian Fletcher	August 2010
Professor Anthony Smith	August 2011
Professor Chris Husbands	August 2011

Elected members:

(i) five employees:

Professor Deborah Youdell	August 2012
Dr Karen Edge	August 2011
Lecturer – Vacant	
Mr Charlie Owen	August 2010
Member of Non-Academic Staff - Vacancy	

(ii) two students:

Ms Vasiliki Maladeni, President, Students' Union	August 2010
Mr Min Bahadur Ranabhat, Vice President for Finance and Services	August 2010

(iii) *twelve co-opted members:*

Sir Michael Barber	August 2012
Mr Dick Coldwell	August 2010
Mr Martyn Coles	August 2012
Ms Deborah Goodwin (from November 2010)	October 2013
Professor Ron Glatter	December 2012
Ms Julie Jones	August 2010
Mr Drummond Leslie	August 2012
Ms Maggie Semple	August 2011
Baroness Shephard (Chair from December 2009)	August 2012
Mr Derek Stevens (Vice Chair)	August 2010
Dr Tim Stone	August 2011
Mr Nick Stuart	August 2010
Lady Vallance (Chair to November 2009)	December 2009

1. ABOUT THE INSTITUTE OF EDUCATION

1.5 Public Benefit

The Institute delivers its charitable objectives for the public benefit in accordance with the Charities Act 2006 and the guidelines stipulated by the Charities Commission.

The objects of the Institute are to promote for the public benefit learning and research in all branches of knowledge, especially in Education and related fields, to make available to the public the results of such research and to provide instruction and to organise postgraduate courses of study in Education and related fields and to award degrees, diplomas, certificates and other academic awards in the name of the Institute of Education, University of London.

The Institute is committed to extending knowledge in the field of education and related areas of social science, as well as to promoting evidence-informed policy and practice in these areas, and makes public its research findings to that end. The Institute organises courses of study in Education and related fields and confers degrees, diplomas, certificates and other academic awards in the name of the Institute of Education, University of London. It also runs Continuing Professional Development (CPD) courses and Summer Schools in London. Through this provision the Institute trains and develops the practice of a range of professionals and practitioners, the majority of whom work in education or wider children's services. The Institute also runs programmes through the University of London International Academy (until recently the University of London External System).

The Institute supports efforts to widen access to higher education among currently under-represented groups. It does this through its own policies and provision – offering educational opportunities of high quality for London, the Southeast and beyond, primarily to mature and part-time students. It also does so through its research and scholarship, which inform initiatives across the higher education and schools. This is evident in the Institute's commitment to work with schools, colleges and Local Authorities to raise aspirations and achievement among young people in institutions facing challenging circumstances.

The Institute has noticeable success in relation to academic quality. During the last year it has had positive inspection from QAA and Ofsted during the last year.

In addition to the provision of education, the Institute undertakes research which is widely published in the areas of education and social sciences. The Institute significantly increased the number of staff it entered into the 2008 RAE compared to the 2001 exercise, and this demonstrated the very high quality and volume of our research. In the 2008 RAE, 35% of the research at the Institute was judged to be world leading, a higher figure than for any other of the education entries.

The Institute, in collaboration with the five Bloomsbury Colleges, Birkbeck, London School of Hygiene and Tropical Medicine (LSHTM), School of Oriental and African Studies (SOAS), Royal Veterinary College and School of Pharmacy, runs the London International Development Centre (LIDC). This is a pioneering multi-million pound initiative to share expertise to improve international development research. It is an interdisciplinary Centre that aims to address the complex problems of international development. The LIDC convenes workshops designed to broaden horizons in areas including HIV/AIDs, anthropology, economics and education. The Institute leads in policy, education and delivery challenges to ensure access by poor communities. Conflicts and violence frequently interfere with the

1. ABOUT THE INSTITUTE OF EDUCATION

development of the poorest countries. The Institute in collaboration with Bloomsbury Colleges provide expert advice and support to these communities so that they are able to recover from conflicts and improve their livelihood.

The public benefits are funded from three main sources: Government funding for teaching and research, donations from individuals and charitable foundations, and funds generated by the IOESRL which are gift aided to the Institute. The charitable work of the Institute is also supported by our Council members who give their time freely in support of the objects of the Institute.

1.6 Payments

None of the lay trustees receives payment for their services. Staff payments are included in the band figures.

None of the Council members or key staff or related parties had undertaken any material transaction with the Institute during the year.

2. CORPORATE GOVERNANCE

2.1 Statement of Corporate Governance

The Institute's Council is responsible for the system of internal control and for reviewing its effectiveness. Such a system is designed to manage risk in order to achieve the business objectives included in the Institute's Corporate Strategy (2007-08 to 2011-12). It provides reasonable, not absolute, assurance against material misstatement or loss.

The Institute has a rolling process for identifying, evaluating and managing the Institute's significant risks, which has been in place for the year ended 31 July 2010 and up to the date of approval of the annual report and accounts. The Council regularly reviews the Institute's risk management process to ensure that it accords with the internal control guidance for directors on the Combined Code as deemed appropriate for higher education.

2.2 Legal Status

The Institute of Education, University of London was incorporated by Royal Charter on the 10 June 1987. Its objects, powers and framework of governance are set out in its Charter and Statutes (the latest version of which was approved by the Privy Council on 14 December 2006) and its Ordinances. It is an exempt charity under the Charities Act 2006 and as such is subject to the HEFCE as its principal regulator.

The Charter and Statutes require the Institute to have three separate bodies, each with clearly defined functions and responsibilities, to oversee and govern its activities as follows:

a. Council

The Council, which meets at least four times a year, is the governing body, responsible for the finance, property, investments and general business of the Institute, and for setting its general strategic direction. It has a majority of external members (described as lay members).

The Council has adopted a Statement of Primary Responsibilities (in accordance with the Governance Code of Practice prepared by the Committee of University Chairs [CUC]). It has also approved a Corporate Governance Handbook for the Institute, which describes in detail the Institute's governance arrangements. The Council is required by the Statutes to seek the advice of the Senate before taking any decision which it considers might affect academic policy.

b. Senate

The Senate is the academic authority of the Institute and draws its membership from academic staff, library staff and the students of the Institute. Its role is to direct and regulate the teaching and research work of the Institute with formal academic authority. It has responsibility for:

- approval and regulation of all teaching, schemes of study, research and examinations leading to awards of the Institute of Education, University of London;

2. CORPORATE GOVERNANCE

- setting, enhancing and reviewing the academic quality and standards of all teaching and research degree programmes;
- all other academic and educational work of the Institute;
- setting regulations of admissions; and
- policies in relation to student disciplinary matters.

Senate advises the Council on academic matters, and is required by the Statutes to bring before the Council any matters which it considers to have financial implications or in any way affects the general well-being of the Institute or its relationship with external bodies. Before taking specific decisions on matters of policy, the Senate is required to seek the advice of the Academic Board.

c. Academic Board

The Academic Board does not have any formal decision-making powers, and is essentially a representative body for academic and selected other Institute staff, but it is responsible for advising Senate on such issues as:

- matters regarding the academic policy of the Institute;
- the institution granting, conferment or revocation of Institute awards; and
- the formation and implementation of regulations.

All members of academic staff and library staff are members of the Academic Board. There are also members drawn from support staff and the student body.

2.3 Council Sub-Committees

The Council normally meets at least four times each academic year. Much of the Council's detailed work is initially handled by Committees, in particular the Finance and General Purposes Committee (F&GPC), the Audit Committee, the Estates Committee, the Nominations Committee and the Remuneration Committee. The decisions of these Committees are formally reported to the Council.

These Committees, and in some cases others, are formally constituted as Committees of the Council with written terms of reference.

a. Finance and General Purposes Committee

The F&GPC is chaired by a lay member of Council, the Treasurer, and is responsible to the Council for the financial administration of all the Institute's activities, including research grants and contracts, trust funds, halls of residence and catering. The Committee meets each term and reports regularly to the Council.

The F&GPC also considers termly reports from the Senior Management Team (SMT) on the Institute's financial position. It makes recommendations to the Council on budgets, estimates and capital and on the annual report and accounts. It sets the Institute's financial regulations and is responsible, inter alia, for the Institute's investments (through the Investment Committee) and for setting tuition and residence fee levels. The Committee also has staffing

2. CORPORATE GOVERNANCE

responsibilities including monitoring performance against the Human Resource Strategy and monitoring the effectiveness of staff training and development.

The Director's Report, which is found in Section 5 on pages 16-20 provides information on some of the major areas considered by F&GPC in 2009-10.

b. Audit Committee

The Audit Committee, which meets at least three times a year, comprises up to five lay and co-opted members of the Council. The Committee keeps under review the effectiveness of the Institute's arrangements for risk management, internal control systems and corporate governance. It meets with and reviews the work of internal and external auditors, considering detailed reports, together with recommendations for improvement, and management's responses and implementation plans.

The Committee also considers reports from HEFCE and TDA as they affect the Institute and monitors adherence to regulatory requirements. The Committee is responsible for ensuring satisfactory arrangements are in place to promote value for money. Senior officers attend meetings of the Audit Committee as necessary. The Committee may meet with both the external and internal auditors on their own for independent discussion.

The Audit Committee met five times in 2009-10. It received Internal Audit Reports on three systems reviews undertaken in 2008-09, all of which received 'adequate' assurance. The follow-up audit was also considered and found that reasonable progress had been made in implementing audited recommendations from the previous year. The Committee also received seven reports on systems reviewed in 2009-10 by the internal auditors, of which five received substantial assurances, and two received adequate assurance. The final three reports for 2009-10 will be considered in early 2010-11. The Committee reviewed value for money reports; the collaboration arrangements for colleges of the University of London located in the Bloomsbury precinct and quality processes for statutory data returns. It contributed to consultations on changes to the financial memorandum and the information requirements for HEIs and HEFCE in relation to charitable status. The Committee conducted a review of its own effectiveness in the summer term and concluded that it was managing the system of internal control effectively.

c. Estates Committee

The Estates Committee oversees the management and development of the property assets of the Institute, including its Halls of Residence. In so doing, the Estates Committee operates with delegated authority and regularly reports to the Council. The Committee is chaired by a member of the Council, and it comprises two other lay members of the Council and an external member. It meets three times a year.

d. Nominations Committee

The Nominations Committee is responsible for making recommendations to the Council for new members of the Council and the extension of the tenure of current members. The Nominations Committee is chaired by the Chair of Council and comprises lay members of the Council and the Director. The Committee met once in 2009-10.

2. CORPORATE GOVERNANCE

e. Remuneration Committee

The Remuneration Committee reviews the remuneration of the Director and professorial and senior administrative staff. The Committee is chaired by the Chair of Council and comprises four lay members of Council. The Committee met once in 2009-10.

2.4 The Director

The Director is the principal academic and administrative officer of the Institute. In accordance with the terms and conditions of the financial memoranda between the Institute and the HEFCE and the TDA, the Director is the "accountable officer" of the Institute. In that capacity the Director can be summoned to appear before the Public Accounts Committee of the House of Commons. The Director has responsibility to ensure public funds are used for the purpose given and achieve value for money.

As Chief Executive of the Institute, the Director is responsible for the development of strategy, the identification and planning of new developments, and shaping the Institute's ethos. Ultimate responsibility for the Institute's Strategy rests with the Council.

The Director is supported by SMT in exercising his responsibilities for the academic and administrative operations of the Institute. In turn SMT is supported by the Management Group and Operations Group of the Institute, as set out below. At the end of 2009-10 a review of operational Committees supporting the Director was undertaken in anticipation of requirements for greater flexibility and speed of response to emerging risks and opportunities. New arrangements have been agreed and will operate for 2010-11.

a. Senior Management Team (SMT)

The SMT advises the Director and co-ordinates the activities of its members in support of their respective areas of responsibility and in the development and implementation of the Institute's Corporate and Operational Strategies. It is responsible for making recommendations to the Director and to the Council with regard to: the Institute's policies, procedures and schemes; reports on faculty and departmental reviews; the allocation of resources and the annual planning cycle; strategic risk levels and appetite; and, responses to requests from the University and external bodies (such as the DfE, HEFCE and the TDA) on matters of national policy or other general issues. It receives reports from its members and from strategic risk owners as well as considering progress against the Strategic Planning Statement and any agreed Key Performance Indicators.

b. Management Group

The Management Group advises the Director and the SMT on operational issues relating to strategic options and reports on progress in the implementation of agreed strategies. It also considers and advises Faculty management teams on issues relating to the relationship between the central and local administration; co-ordinates the professional delivery of services across the Institute; and acts as a central cross-reporting point for support departments.

2. CORPORATE GOVERNANCE

c. Operations Group

The Operations Group looks in detail at operational issues impacting on systems and processes and monitors and reports on actions against plans. This covers financial performance, student recruitment/retention and research and consultancy. The Group advises the SMT on the allocation of resources and leads on the annual planning cycle. It also advises on operational issues relating to strategic developments within the Institute and their implications for the current or future work. Where appropriate it formulates action plans relating to specific institutional developments, and oversees the implementation of such plans.

2.5 Change Management

Professor Geoff Whitty, Director of the Institute of Education, is retiring on 31 December 2010 after completing a decade in the post during which the Institute has doubled its income and reinforced its position as one of the world's leading schools of education. Professor Chris Husbands takes up the role of Director from 1 January 2011.

2.6 Code of Conduct

The policy of the Institute of Education is to conduct its business in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership), as well as the guidance to universities from the Committee of University Chairs in its Guide for Members of HE Governing Bodies in the UK (2009/14) with particular reference to the Governance Code of Practice and General Principles.

The Institute is committed to exhibiting best practice in all aspects of corporate governance. The Institute's governance arrangements and compliance with the Governance Code of Practice are subject to annual scrutiny by its internal auditors. In 2009-10 the internal auditors concluded that substantial assurance can be gained from the Institute's Corporate Governance arrangements. HEFCE, in their last review, concluded that they "were able to place reliance on the accountability information provided by the Institute". This is the highest level of assurance that HEFCE give and hence no recommendation for improvement was made.

2.7 Register of Interests

The Institute of Education maintains a register of interest of Council members and senior management for the year ahead, which may be consulted by arrangement with the Director of Administration. It also carries out a retrospective survey of related party transactions of Council members and senior management. In addition, the Institute undertakes an annual all staff survey on "conflict of interest", which is reviewed by senior staff at the end of the financial year.

3. CORPORATE STRATEGY

The Institute's Corporate Strategy for 2007/08-2011/12 was approved by Council in June 2007. It sets out five strategic priorities and their supporting actions and indicators. The Institute's overall strategic objective for this period is to help improve the quality of life of individuals and societies through education and social research. The five interlinked strategic priorities are:

- extending global reach;
- advancing learning;
- promoting public engagement;
- exercising leadership; and
- forming partnerships.

The pursuit of these strategic priorities has implications across each of the four core areas of our business and its management:

- learning and teaching;
- research and consultancy;
- administration and support; and
- corporate management.

In 2009-10 the Institute commissioned a Strategic Review as a mid-point review of the Corporate Strategy and the Institute's business in the context of significant changes in funder policy. The outcomes of the Strategic Review were agreed by the Council during the year and are being taken forward in detail by SMT, Academic Board, Senate and Council and they are embedded in the planning and monitoring cycle of the Institute.

3.1 Financial Objectives / Strategy

The Financial Strategy is concerned with the overall sustainability of the Institute, and the generation of income and management of the financial resources needed to achieve the objectives set out in the Corporate Plan. Specifically, the Institute's Financial Strategy enables it to:

- manage financial risks and evaluate strategic opportunities;
- direct financial resources in support of the Corporate Plan;
- plan future resource needs;
- manage its financial resources; and
- sustain the Institute's distinctive mission and positioning in the current financial environment.

The Financial Strategy will be reviewed and updated as necessary in 2010-11. That process will take into consideration the results of the Strategic Review.

During the year and up to the date of approval of the annual report and accounts, the Council was responsible for the ongoing process of identifying, evaluating and managing the Institute's strategic risks. The strategic risk register and management process accords with the internal control guidance for Directors on the Combined Code as deemed appropriate for

3. CORPORATE STRATEGY

higher education. The Institute's arrangements for risk and corporate governance are subject to an annual internal audit. We are deemed 'Risk Managed' on the Risk Maturity Index used by our internal auditors; we have received 'substantial' (see Glossary) assurance for each of the areas of Corporate Governance reviewed in the last two years.

3.2 Public Sector Funding

The overarching risk for the sector and for the Institute is the current economic situation and the expected reductions in public sector funding. Added to this is the proposed changes in the financial arrangements for funding university teaching in light of the Independent Review of Higher Education Funding and Student Finance (Browne Review). The increase in VAT rate from January 2011 is a further consideration. This is combined with an uncertain and rapidly changing policy environment that is already inhibiting, delaying and reducing commitments from funders.

Alongside its risk management process, as outlined, the Institute has recently undertaken a detailed strategic review (see section 'Current and Future Developments'). Senior management have also undertaken a scenario planning exercise to focus on key risks and uncertainties and to consider the scale and nature of controls that we will have to put in place in the coming years. The Institute continues to work to reduce its exposure to cuts in public funding.

3.3 Funding for Teaching

The key factors here remain the outcomes of the spending review and also the Browne Review. Initial Teacher Training and the Postgraduate Professional Development programme are other important strands of the Institute's taught course income and these are expected to alter significantly, in terms of the methods of allocation and budgetary control as well as individual units of resource. The Institute remains engaged with key stakeholders (DfE, TDA, local authorities, and schools) and has undertaken scenario planning to prepare for change. While the scale of change is potentially substantial, the Institute's reputation and strength in its field, as well as its experience in adapting to different demands in teacher education, help to maximise its options over the current period of change.

The Institute has not so far experienced a drop in recruitment. In addition to assessing the implications of policy proposals for potential students, the Institute continues to look for innovative ways to encourage recruitment by engaging with sponsors and reviewing our portfolio of courses and modes and means of study.

4. PRINCIPAL RISKS AND UNCERTAINTIES

4.1 Research Assessment Exercise (RAE) and Related Activities

The Institute significantly increased the number of staff it entered into the 2008 RAE compared to the 2001 exercise, and this demonstrated the very high quality and volume of our research. Notwithstanding our improved performance, HEFCE cut funding for research in 2009-10, although the extent of the reduction was subject to some mitigation. HEFCE implemented some further mitigation of this outcome by increasing the differentiation for research outputs rated at 4* (world leading) from a factor of 7 to a factor of 9. While this additional concentration of research funding has been beneficial to the Institute, a potential future risk relates to the possible favouring of research funding for STEM subjects at the expense of other areas.

In the light of funding decisions taken following the RAE 2008, funding for doctoral students has decreased significantly and the Institute is reviewing the management of this area of activity.

Given the focus of the Institute's research on education and related areas of social science, key funders of our research include the Economic and Social Research Council (ESRC), relevant Government departments and Non-Departmental Public Bodies (NDPBs) and local authorities. Due to the expected reductions to public sector finance there is likely to be a significant drop in activity from these stakeholders, increased competition for resources and an enhanced concern for value for money and costing and pricing.

However, shifts in public sector funding, when settled, may mean that the Institute has significant opportunities for re-engagement with its stakeholders supported by its reputation, expertise and capacity. In addition, the nature of the Institute's research work provides a solid basis for expanding consultancy and knowledge transfer activities. Further funding through the Higher Education Innovation Fund (HEIF) will be crucial in supporting the development of the Institute's consultancy and knowledge transfer activity. The availability of and likely method of allocation of any HEIF funding is yet to be announced.

5. DIRECTOR'S REPORT

5.1 Financial Overview

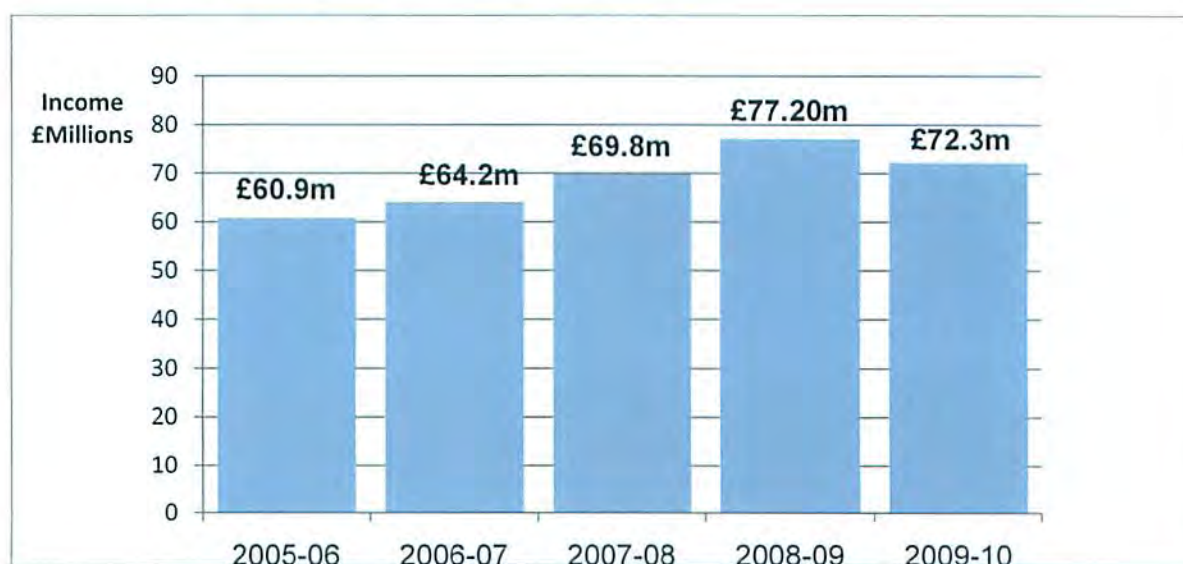
In the year ended 31 July 2010 the Institute achieved a surplus before transfer to endowments of £558k or 0.8% of income (2008-09: surplus £508k or 0.7% of income). The forecast result for the period as at February 2010 was £610k (2008-09: £462k).

In 2007 the Institute's Council adopted a target surplus of 3% of income per annum to seek to ensure financial sustainability and ongoing investment in capital and infrastructure. The result for the year, although in line with forecast, is therefore significantly below the target. This is largely due to the economic slowdown and hence reduction in grants and lower income from research, consultancy and knowledge transfer (RCKT) during the year.

The summary Income and Expenditure for the years ended 31 July 2010 and 2009, which have been consolidated to include IOESRL, are as follows:

	2009-10 £'000	2008-09 £'000
Income	72,338	77,213
Expenditure	(71,780)	(76,705)
Surplus for the Year	558	508
Transfer to Endowment Funds		(300)
Surplus retained in general reserves	558	208

The bar chart below shows the income trends for the 5 years to 2009-10. During the period the income of the Institute increased from £60.9m to £77.2m (an increase of 8%) but dipped to £72.3m in the year ended 31 July 2010 largely due to a reduction in the area of Research Grants and Contracts. The average result for the period was a surplus of 1%, with the Institute achieving a surplus in 4 out of the 5 years.



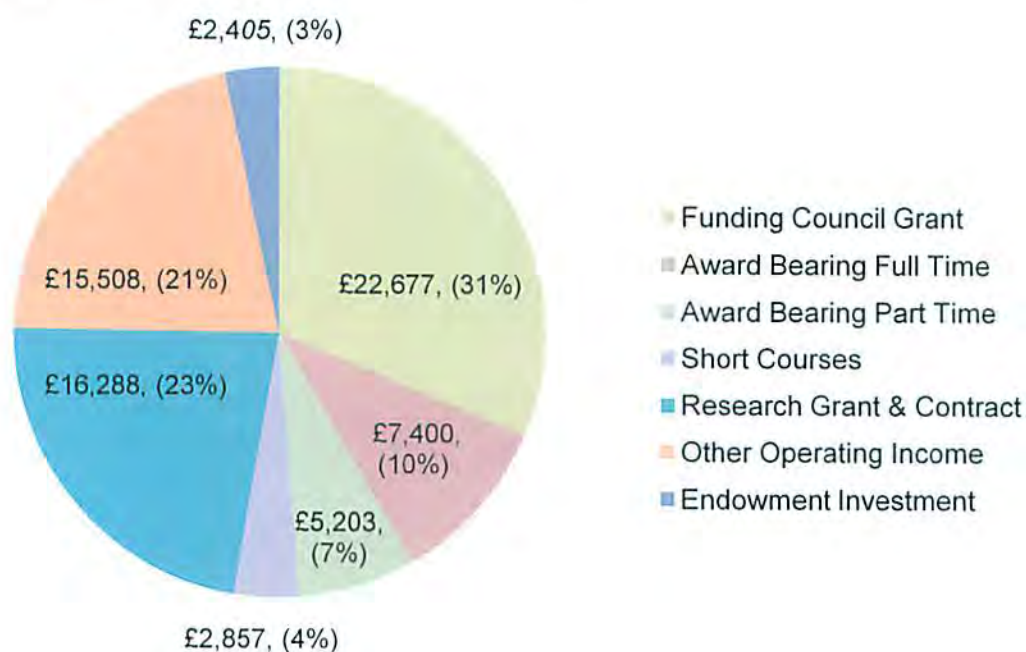
5. DIRECTOR'S REPORT

5.2 Income

Total income in 2009-10 decreased by £4.9m or 6.3% compared to the previous year. The reduction in income is mainly in two areas: research grants and contracts and short courses. Research grants and contracts saw a decrease of 25.7%, due in part to the cyclical nature of certain research projects and in part to the economic slowdown. The General Election meant that decisions on renewal of contracts or new contract negotiations were put on hold until after the end of the financial year. This resulted in a reduction in the volume of research grant and contract activities, hence lower funding during the year. Secondly, income from short courses reduced by 29.1%, reflecting both a decrease in activity and also a re-categorisation of activities and student numbers within the London Centre for Leadership in Learning (LCLL). The Funding Council grant (excluding deferred capital grant) was 2.6% lower due to the withdrawal of specialist funding and the in-year efficiency savings claw back by HEFCE.

Award bearing full-time and part-time income increased by 1.3% and 12.1% respectively as a result of the introduction of new programmes. The pie chart below shows the Institute's funding streams in 2009-10:

2009-10 Income (£'000)



In 2008-09 the Funding Council Grant and Research Grant and Contracts constituted 31% and 23% of income respectively.

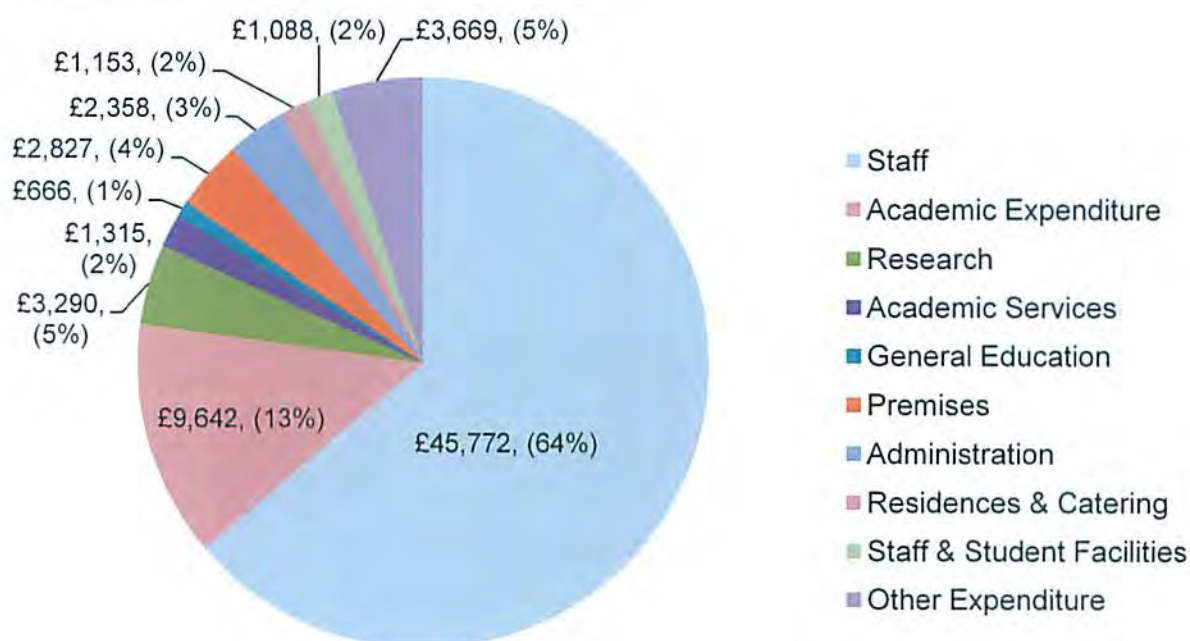
5. DIRECTOR'S REPORT

The current economic uncertainty makes any forecasting of trends in future income problematic. However, it seems likely that there will be significant reductions in Government funding streams over the next five years. The Institute will use the outcome of its Strategic Review to plan for a more sustainable financial base going forward.

5.3 Expenditure

Total expenditure is down £4.9m or 6.4% compared to the previous year. Of this, £3.2m is a reduction in expenditure associated with Research Grants and Contracts and is a direct result of the reduction in the corresponding income flow as noted in paragraph 5.2 above. The balance is represented by the reduction of £517k in General Education expenditure because there was no additional bad debt provisions made in 2009-10, compared to £358k provided in 2008-09. Premises costs were also lower, due mainly to the surrender of the lease on Whittington House. Expenditure on residences and catering also showed a reduction as a result of the release of overprovision for dilapidations made in 2008-09 and of general savings.

2009-10 Expenditure (£'000)



Staff costs have increased by £200k to £45.8m inclusive of restructuring costs. The average staff employed by the Institute was 835 FTE (2008-09: 866 FTE). Note 7 to the accounts provides a full breakdown of the staff cost and staff FTE.

5. DIRECTOR'S REPORT

The staff cost is in line with the forecast and reflects the pay award plus the cost of the voluntary severance scheme taken forward in 2009-10. Staff costs now represent 64% of total expenditure, compared with 59.4% in 2008-09 and 55% in 2007-08. The Institute will be reviewing this trend as part of the implementation of its Strategic Review.

Non-staff costs constitute £26m or 36% (2008-09: £31.1m or 40.6%) of the total expenditure. The decrease in non-staff costs reflects the tight financial controls in place throughout the year combined with the significant reduction in research activities.

5.4 Financial Performance Indicators

The table below shows the Institute's achievement against the key financial indicators set out in its Financial Strategy:

Performance Indicator	Note	Target	2009-10	2008-09
Ratio of surplus to income	1	3%	0.8%	0.3%
Liquid resources/expenditure cover	2	30 to 90 days	35 days	18 days
Ratio of maximum debt to turnover	3	20%	14%	13.4%
Ratio of reserves to turnover	4	20%	21.3%	18.8%

Note 1: The ratio of surplus to total income increased by 0.5% compared to the previous year largely due to an increase in contribution from research consultancy and knowledge transfer activity, and tight cost control during the course of the year. In addition, no funds were transferred from the general to endowment fund in 2009-10 compared with a £300k transfer in the previous year.

Note 2: Liquid resources/expenditure cover increased by 17 to 35 days due to £1.8m investment being realised in February 2010 and positive cash flow from operating activities.

Note 3: The ratio of maximum long-term debt as a percentage of turnover increased from 13.4% to 14% because of the reduction in turnover. The Institute repaid £309k of its long-term debt in 2009-10, reducing the outstanding balance from £10.34m to £10.03m.

Note 4: The ratio of general reserves (i.e. excluding endowment reserves) compared to turnover increased by 2.5% due to an increase in retained earnings as a result of the £558k surplus.

In addition to the above targets, the F&GPC uses the Committee of University Chair's Report to monitor the Institute's performance. This covers the aggregate surplus/deficit for the past 3 years, liquidity, current assets to liabilities ratio and credit rating.

5. DIRECTOR'S REPORT

5.5 Cash Flow and Liquidity

In 2009-10 cash (as defined by Financial Reporting Standard 1) increased by £625k (2008-09 increase £1.309m). The investment in short-term deposits increased by £2.945m (2008-09 decreased by £1.624m) and the increase in net funds was £3.57m (2008-09 £315k). Half of the increase in net funds relates to the realisation of £1.8m from the Institute's long-term portfolio. The increase in cash is also due to better debt management throughout the year. The Institute has transferred additional cash of £1.5m into a short-term investment with Royal London.

5.6 Loan Finance

The Institute drew down two loans in 2008-09 for £7 million and £4 million for the refurbishment of John Adams Hall and the acquisition of Endsleigh Gardens respectively. The total outstanding loan at the balance sheet date was £10.03m as compared to £10.34m in 2008-09.

5.7 Financial

The Institute has £109.8m of assets less current liabilities (2008-09 £108.5m) and long-term debt of £10.03m (2008-09 £10.34m). The Institute's working capital (net current assets) has increased from £1.48m to £3.37m in 2008-09. This is due to better debt management and unspent RCIF and TCIF HEFCE grant.

6. CURRENT AND FUTURE DEVELOPMENTS

6.1 Student Numbers

(a) Recruitment in 2009-10

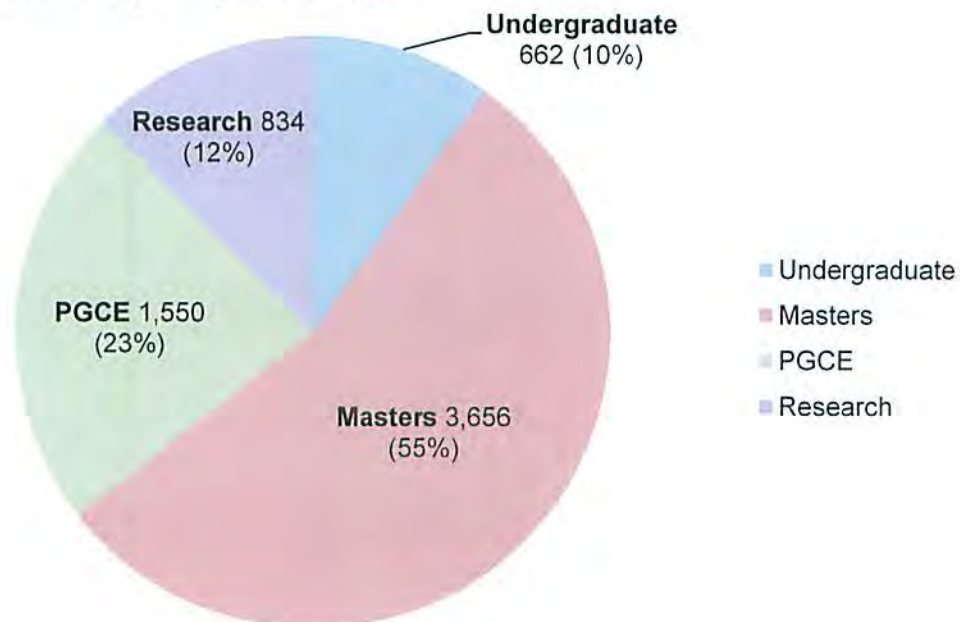
Recruitment in 2009-10 was particularly strong for PGCE programmes, resulting in additional allocated numbers for PGCE Primary. There was a dip in enrolments in the area of Masters provision compared with 2008-09, a year in which there had been a significant spike in new enrolments. Research enrolments were comparable in both years. Overall, the student headcount numbers were down by 68 or 1%.

Type of Course	2009-10	2008-09
Distance	11	21
Full Time	2,029	1,946
Part Time	3,665	3,047
Outreach	997	1,756
Total	6,702	6,770

Of the total 6,702 students in 2009-10, 770 or 11.5% were international students (compared with 850 students or 12.7% in the previous year) based on headcount numbers.

The total number of students undertaking an Undergraduate, Masters, PGCE or Postgraduate Research programme in 2009-10 were as shown in the pie chart below:

Number of Students by Programme Type



6. CURRENT AND FUTURE DEVELOPMENTS

(b) Recruitment in 2010-11

At the time of writing, enrolment was complete for the Primary and Secondary PGCE programmes, and was in line with TDA targets of 968 places for both Primary and Secondary. The full-time Post-compulsory PGCE also recruited strongly.

Home/EU applications for Masters programmes are running at the same levels as 2009-10. There has been a significant drop in international applications, although the potential negative effect of this is being mitigated by enhanced conversion rates. The rate of conversion from application to acceptance on Masters programmes has almost doubled since 2008-09 for Home/EU students, and has more than tripled for international applicants in the same period, reflecting improvements in the Institute's processes for handling applications.

6.2 Curriculum Developments

During the academic year 2009-10 the Masters level PGCE ran successfully for all phases. The size and structure of the harmonised PGCE programmes have been under review and decisions about the future structure will be made in the early part of 2010-11. Expanded Postgraduate Professional Development (PPD) provision ran and recruited successfully.

New initiatives during 2009-10 included specialist Mathematics training for non-specialist teachers and the pilot Accelerated Route to QTS for City Career Changers. This attracted considerable media attention and was carefully monitored and evaluated by the Institute in partnership with the TDA. The Institute is the lead institution in the Masters in Teaching & Learning (MTL) consortium for the London region, and the first cohort of NQTs has enjoyed a very successful first term. As noted, the future of the MTL is at present unclear. Should the initiative continue, the consortium will next focus on recruiting Heads of Department from designated schools to the programme.

During 2009-10 several other new programmes came on stream in the Masters portfolio including Business Education, Educational Assessment, Education and Technology in Clinical Practice, the MTeach in the Post-compulsory Sector, MSc in Developmental and Educational Psychology.

Following the recommendations of the Strategic Review, an in-depth review of the Institute's PGT curriculum led by the Associate Director (Learning, Teaching and International) is underway. The Curriculum Review seeks to achieve a rationalised curriculum that better meets the needs of current and prospective students and takes account of the complex portfolio of accredited and non-accredited modules on offer at the Institute. The review will run across 2010-11 with changes in place for the start of 2011-12.

6.3 Research Activity

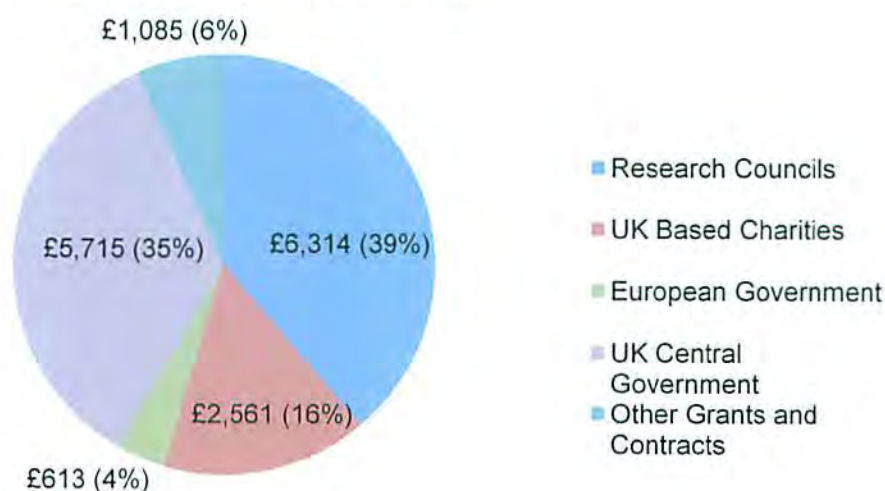
Total funded research income in 2009-10 was £16.3m (2008-09 £21.9m), a decrease of £5.6m or 25.7%. Income from all sources, with the exception of EU funded research, decreased by between 23.5% and 34.7% during the year. The composition of income by

6. CURRENT AND FUTURE DEVELOPMENTS

funder type was similar to that in 2008-09, with Research Councils now accounting for 38.8% (2008-09 37.6%). The high proportion of Research Councils funding reflects the Institute's strong success rate with these funders in recent years, with many new projects starting in 2008-09 and continuing into 2009-10.

The pie chart below, based on Note 4 to the accounts, shows the total 2009-10 research funding income split by funder type in accordance with Transparent Approach to Costing (TRAC) classification.

2009-10 Research Grants & Contracts (£'000)



The £5.6m decrease in research income is primarily due to:

- reduction of £2.1m as a result of the cyclical nature of research in the Centre of Longitudinal Studies, which commissions major fieldwork in four years of every five, and was not in the field in 2009-10,
- a £775k reduction in sub-contracted work by the National Research and Development Centre for Adult Literacy and Numeracy (NRDC), and
- a £2.3m decrease in volume of activities as a result of the economic slowdown and the general election when renewal and new contract negotiations were put on hold for a few months. This has resulted in a reduction in staff costs and contribution from overhead re-charges.

The Institute's 2008 Research Assessment Exercise (RAE) outcome was outstanding. However, the funding awarded following this excellent result was reduced due to changes in the national funding model, which had the effect of reducing the funding available for the education subject area and distributing these reduced funds among a wider group of institutions. HEFCE research funding to the Institute in 2009-10 was, therefore, reduced by £953k to £7.7m compared to the previous year.

The distribution of research income amongst the three faculties was: Faculty of Policy and Society (FPS) 45.9% (2008-09 56.7%); Faculty of Children and Health (FCH) 33.8% (2008-

6. CURRENT AND FUTURE DEVELOPMENTS

09 28.8%); Faculty of Culture and Pedagogy (FCP) 19.4% (2008-09 13.4%); and central departments (including the Directorate) 0.9% (2008-09 0.7%).

6.4 Consultancy Activity

Consultancy income decreased by £1.2m or 41% in 2009-10 compared to the previous year. The drop in income is largely due to accounting changes. In 2008-09, £800k was classified as either short course or other academic services income. Excluding this and on a like-for-like comparison the reduction equates to 13.6%, and nearly all of it is as a result of contracts coming to an end during the course of the year and not being replaced by new contracts.

6.5 Knowledge Transfer

The income from knowledge transfer in 2009-10 amounted to £4.4m, an increase of £736k or 22% on the previous year. This income is included in Note 5 to the accounts – “other services rendered”.

Income from short courses in 2009-10 amounted to £2.9m compared to £4m in the previous year. This is due to the slowdown in the economy, a reduction in the number of courses run due to changes in the market for provision of this type and lower overall student numbers on programmes.

In 2008-09 HEIF4 funding came on-stream, supporting continued investment in the Institute’s knowledge transfer infrastructure through activities by Faculty RCKT directors and managers and a centrally-based contracts officer. These include the London Education Research Unit (LERU) and the *London InSted* publication, which supports the dissemination of Institute research, knowledge and expertise to its key stakeholders. In 2009-10 the Institute invested £584k, including targeted investments, in six small projects to pilot new areas of knowledge transfer activity.

The total RCKT contribution in 2009-10 (i.e. the difference between the total RCKT income of £22.4m and total expenditure £16.1m) was £6.3m, a contribution rate of 28% (2008-09 £7.8m or a contribution rate of 27%). The contribution accrued by faculty was as follows:

	2009-10 £'m	2009-10 Contribution Rate (%)	2008-09 £'m	2008-09 Contribution Rate (%)
FPS	2.5	25	3.7	23
FCP	1.2	24	1.5	33
FCH	2.6	35	2.6	33
Support Department	0.08	21	0.08	21
Total	6.3		7.8	
Average		28		27

6. CURRENT AND FUTURE DEVELOPMENTS

6.6 Development Activity

For 2009-10 over 300 individuals and organisations supported the Institute's work through philanthropic gifts, an increase of 50% on last year. Just over £570k was received during the year in total. Of this, £405k was given by the Clothworkers Foundation, the Pears Foundation and the Kirby Laing Foundation for the Centre for Research in Autism and Education. Over £40k was pledged by the Heritage Lottery Fund for the library's school histories project.

The generosity of Institute staff in supporting the Centenary Scholarships remains exceptional. 16% of staff made gifts to support the Institute's work during the year.

Alumni Association membership continues to grow. *Alumni Life*, the magazine for Institute alumni has developed further this year and has been received well. The number of alumni supporting the Institute financially has doubled, with around 140 making gifts.

Ongoing development projects include a proposed centre for prisoner and offender education, a centre for language and literacy, a centre for sustainability education, and the archive of the National Union of Women Teachers.

6.7 Strategic Review Implementation

In the 2008-09 Annual Report it was reported that the Institute was in the final stages of a Strategic Review, which was commissioned as a mid-point review of the Corporate Strategy and the Institute's business in the context of significant changes in funder policy.

The Strategic Review was commissioned by the Director in the summer of 2009, in the context of a financial deficit returned in 2007-08 and decisions by the HEFCE which would result in:

- reductions in the Institute's QR funding, notwithstanding a significantly better RAE performance than that achieved in 2001; and
- a 75% reduction in the Institute's exceptional funding.

Although these specific threats have been mitigated, in part and for a time at least, the Institute now faces a broader range of challenges that have arisen from the national budget deficit and the cuts to Government grants following the spending review. It is our belief that the principles, activities and concepts recommended by PA Consulting in the Strategic Review remain relevant in equipping the Institute to maintain its position as the UK's leading school of education.

The Strategic Review recommendations were endorsed by Council in December 2009 and since then work has been underway to implement the recommendations. Alongside developing new activity in the areas of the wider children's agenda, open-mode learning, provision for international audiences and professional development provision, Council further endorsed a range of measures that were intended to deliver improvements in margins on existing activities or enhance the Institute's income generating potential in existing markets.

7. SUBSIDIARY UNDERTAKING – IOE STUDENT RESIDENCES LIMITED

IOESRL is a wholly owned subsidiary of the Institute and was incorporated as a company limited by guarantee on 21 September 2007. The company was formed so that it could take over the management of the John Adams Hall student residence, which re-opened in 2007-08 following a major refurbishment. The directors of the company are three senior employees of the Institute and a student warden based in the Hall.

The surplus for the year, consolidated in the group accounts was £534k (2008-09 £341k). The large increase in surplus is due mainly to savings on operating expenses of £215k. The surplus does not include the costs of depreciation and loan interest in relation to the building, both of which are accounted for in the Institute's accounts and which totalled £435k (2008-09 £518k).

IOESRL will gift aid £534k to the Institute in respect to the period ended 31 July 2010 (2008-09 gift aid £329k) and this will reduce its accounting and taxable profits to nil.

The IOESRL Board of Directors at their meeting on 30 April 2010 confirmed that the company would cease trading with effect from 1 June 2010. Trade was transferred to the Institute and it has remained dormant since.

8. ESTATES AND ENVIRONMENTAL SUSTAINABILITY

The Institute's Estates Strategy, approved by Council, contains long-term maintenance, capital investment and space utilisation plans. It is kept under regular review.

The Institute has acquired a 999 year lease from the University of London for the site located at Thornhaugh Mews and it has obtained a building architect design and planning consent from Camden Council. The final budget for this project is expected to be in the region of £15m. The Estates Committee has been presented with a range of options for the phased development of the building. A decision on the future of the project is expected to be made by the Estates Committee in December 2010.

The Institute's Carbon Reduction Management Plan, approved by the Institute's Estates Committee in June 2010, sets out an organisation-wide strategy for managing carbon emissions until 2015, including key carbon reduction targets and specific actions through which these targets can be met. The Institute has set a target to reduce its annual CO₂ emissions by 15% by the end of 2015 academic year, compared to its 2005 Scope 1 and Scope 2 emissions baseline of 2,673 tonnes. In addition, the Institute will reduce its Scope 3 emissions, giving a cumulative aspirational target for Scope 1, 2 and 3 emissions reduction of 5,200 tonnes.

To meet the Institute's carbon reduction target, a series of carbon saving actions are underway and will be completed by March 2011. The projects include the introduction of heat exchangers, the extension of the Institute's trend BMS management system, using networked software to shut down computers out-of-hours, introducing automatic half-hourly sub-metering of utilities in buildings, upgrading lighting and installing automatic sensors and controls, undertaking boiler upgrades and improving the insulation in buildings and installing voltage optimisation equipment in electricity sub-stations.

Significant improvement has been made to our buildings, including upgraded, carbon efficient heating and cooling systems that make maximum use of the CHP provision. New energy efficient chillers have been installed and heat exchangers introduced to improve efficiency of the CHP provision. Improved lighting has been introduced into core areas and corridors to ensure lighting is only on when required. The old single pipe heating distribution systems has been replaced by two pipe systems incorporating thermostatic radiator valves enabling local control. Coupled with these works are the linking of the old heating systems to the previously installed plate heat exchanger system. Survey work is also in hand to provide automatic remote meter reading for all our electricity consumption, in line with demands from the CRC Efficiency Scheme.

The Institute recognises the importance of good environmental practice in both current day-to-day business and the future development of the Institute. It is committed to minimising its impact in this regard wherever practicable and recognises that all staff, students, visitors, service providers and contractors have a responsibility to contribute towards achieving this goal. The Institute has introduced a number of strategic and operational measures to ensure that all aspects of infrastructure planning supports its environmental and sustainability strategy.

8. ESTATES AND ENVIRONMENTAL SUSTAINABILITY

8.1 Capital Funding

Over the last few years the Institute has carried out significant improvements to the quality of its estates through funding from HEFCE's Capital Investment Framework and from its own reserves. This has benefited both our teaching and learning and research activity.

In July 2010, HEFCE invited institutions to make submissions for assessment under the second Capital Investment Framework (CIF2). The Institute made its submission on 7 October setting out in broad terms its capital investment plan. The provision of capital funding by HEFCE will depend on the CSR and institutions will be informed of their allocation (if any) by April 2011.

8.2 Library and ICT Services

In 2009-10 the Library completed the retrospective compilation of Institute staff research outputs into the Institute Institutional Repository (IR) [at <http://eprints.ioe.ac.uk>]. The repository now contains over 6,000 records and almost 1,000 full text articles. These articles are generating over 5,000 downloads per month. This is an impressive first year gain in the audience for Institute research. Procedures are now in place for Institute staff to add their subsequent publications to the IR on an ongoing basis, with the Library responsible for ensuring compliance with publishers' restrictions.

The success of the IR has led to the development of an additional parallel repository that will enable the cost effective preservation of on-line official publications. This work is being undertaken in conjunction with the British Library's Digital Collections Programme.

The TDA funded E-librarian service of the Teacher Training Resource Bank (TTRB) [www.ttrb.ac.uk] ended on 31 August 2010. The service was highly rated by the users of the TTRB, both in internal evaluations and in the TDA's independent reviews.

The Library has joined with British Education Index in making a response to the Strategic Forum for Research In Education's recommendations concerning the possible development of a UK Education Research Information Service. Preliminary discussions have taken place with the SFRE Director and DfE representatives.

The continuing above inflation increases in major publishers' electronic journal and database subscriptions is of growing concern. National negotiations mitigate the worst excesses, but this cost pressure, combined with multi-year bundled subscriptions, the increase in VAT and severe cancellation penalties, will need to be monitored carefully across the sector. By contrast, the use of e-books and in-house digitisation to deliver taught course required reading and other heavy demand items is proving much more cost effective.

Some remodelling of the Institute's library space was undertaken over the summer. The alterations will enable the Institute to respond to the increasing demand for more group working space at the same time as satisfying the continued need for quiet space. Further alterations to library space will continue in 2010-11 when a library store is converted to alternative use. Library colleagues are investigating long-term solutions for the storage of library materials.

8. ESTATES AND ENVIRONMENTAL SUSTAINABILITY

Two externally funded retrospective cataloguing projects commenced in 2009. The Soddy Trust funded the sorting and cataloguing of historical geography school textbooks. The Heritage Lottery Fund is funding the cataloguing of the library's collection of school histories and an associated programme of outreach activity in schools. Current applications for external funding include the National Union of Women Teachers archive and the recently acquired Ministry of Education library collection.

9. STAKEHOLDER RELATIONSHIP

9.1 Reputation

The Institute maintains a good reputation with its key stakeholders, local, national and international. The Institute brand and the quality of its teaching and RCKT outputs is an essential part of its success in attracting students, external partners and research funding, as is the Institute's engagement with the public both directly and through the press and other media.

9.2 Equal Opportunities

The Institute is committed to being an equal opportunities employer. It seeks to create an open and supportive environment that is free from discrimination and that encourages all staff and students to participate fully in Institute activities. An Equal Opportunities Committee advises Senate on all matters relating to equal opportunities and the promotion of good practice across the Institute in this area, including guidance and staff development.

The Institute's key objective in relation to equal opportunities is to encourage staff and students from all backgrounds to participate fully in Institute activities. The Race Equality Sub-Committee and the Disability Sub-Committee report regularly to the Equal Opportunities Committee, which monitors progress and reports annually to Senate. The Institute has a public sector duty to promote equality across all its activities and to publish annual reports on its plans and progress towards meeting them. The Institute's policies for equal opportunities are available on its website. The new Equalities Act came into force in October 2010 and the Institute is reviewing all relevant areas of policy and practice to ensure that it continues to be compliant with legislation.

9.3 Employee Involvement

The Institute places considerable value on the involvement of its employees and on good communications with them. All staff are encouraged to participate in formal and informal consultation at Institute and academic school levels, including through the membership of formal committees. During the course of 2009-10 both the Director and Deputy Director held regular "surgeries" where staff met them individually. Meetings of all staff are held to discuss matters of institutional importance. The Institute has a Staff Development Section within Human Resources that aims to promote a culture of continuous professional learning to improve the quality of work at the Institute. This area falls under the remit of the Staff Development Committee, which reports to F&GPC.

9.4 Payment of Creditors

There are formal regulations and procedures relating to contracting with and payment of suppliers. Through these regulations and procedures it is the Institute's policy in all its dealings to both pay suppliers on the due dates and also to obtain value for money and safeguard public funds. In agreements made with suppliers, the Institute endeavours to negotiate specified payment terms and subsequently to honour these terms.

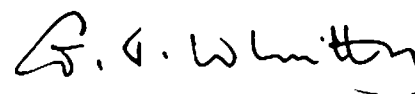
9. STAKEHOLDER RELATIONSHIP

9.5 Post balance sheet events

There are no post balance sheet events to report.

9.6 Conclusion

The current difficult economic climate and squeeze on public spending, combined with political uncertainty, makes the medium-term outlook for higher education institutions in England both volatile and uncertain. However, I am confident given the quality of our staff and the outstanding reputation of the Institute in teaching, research and third stream activities, that we shall be able to meet the undoubted challenges that lie ahead. To this end, the Council of the Institute will be addressing the Institute's Strategic Review Implementation Programme at its coming meetings to ensure that the future of the Institute is soundly based.



Professor Geoff Whitty
Director
November 2010

10. STATEMENT ON INTERNAL CONTROL (SIC)

STATEMENT ON INTERNAL CONTROL

The key elements of the Institute'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 Deans of Faculties and Heads of Support Departments;
- a comprehensive medium and short-term planning process, supplemented by detailed annual income, capital and cash flow budgets and reports;
- regular reviews of academic faculties, support departments and of financial results involving variance reporting and updates of financial forecasts;
- clearly defined and formalised requirements for approval and control of expenditure, with investment decisions involving capital or revenue expenditure being subject to formal detailed appraisal and review according to approval levels set by the Council;
- comprehensive financial regulations, detailing financial controls and procedures, approved by the Finance and General Purposes Committee and the Council;
- an ongoing process for identifying, evaluating and managing the Institute's significant risks; and
- a professional internal audit team whose annual programme is approved by the Audit Committee and endorsed by the Council and whose head provides the Council with a report on internal audit activity within the Institute and an opinion on the adequacy and effectiveness of the Institute's system of internal control, including internal financial control.

The Audit Committee, on behalf of Council has reviewed the effectiveness of the Institute's system of internal control. Any system of internal financial control may, however, only provide reasonable, but not absolute, assurance against material misstatement or loss. Having considered these elements together with the findings of the internal auditors and value for money studies, it is the Audit Committee's opinion that a substantial level of assurance may be placed on the Institute's internal control, risk management and governance systems for the financial period 1 August 2009 to 31 July 2010 and that arrangements for securing economy, efficiency and effectiveness operated satisfactorily during the year.

11. RESPONSIBILITIES OF THE COUNCIL OF THE INSTITUTE OF EDUCATION

In accordance with its Royal Charter, the Council of the Institute of Education is responsible for the administration and management of the affairs of the Institute and is required to present audited financial statements for each financial year.

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

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

- suitable accounting policies are selected and applied consistently;
- judgements and estimates are made that are reasonable and prudent;
- applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- financial statements are prepared on a "going concern" basis unless it is inappropriate to presume that the Institute of Education will continue in operation.

The Council has also taken reasonable steps to:

- ensure that funds from the HEFCE and the TDA are used only for the purposes for which they have been given and in accordance with the financial memorandum with the HEFCE and TDA and any conditions which these funding councils 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 Institute of Education and to prevent and detect fraud;
- secure the economical, efficient and effective management of the Institute of Education's resources and expenditure; and
- confirm that they have complied with the duty in section 4 of the Charities Act 2006 to have due regard to public benefit guidance published by the Charity Commission for England and Wales.

So far as the Council is aware, there is no relevant audit information of which the Institute's auditors are unaware. Relevant information is defined as "information needed by the Institute's auditors in connection with preparing their report". This statement was approved by the Institute's Council on 23rd November 2010.



Baroness Gillian Shephard
Chair of Council

12. INDEPENDENT AUDITORS' REPORT TO THE COUNCIL

We have audited the financial statements of the Institute of Education and its group for the year ended 31 July 2010 which comprise the Consolidated Income and Expenditure Account, the Statement of Group Total Recognised Gains and Losses, the Consolidated and Institute Balance Sheets, the Consolidated Cash Flow Statement, and the related notes. These financial statements have been prepared under the historical cost convention.

Respective Responsibilities of the Council and Auditors

The Council's responsibilities for preparing the financial statements in accordance with the Accounts Direction issued by the Higher Education Funding Council for England, the Statement of Recommended Practice – Accounting for Further and Higher Education, applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of the Council's Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Council of the Institute in accordance with the Charters and Statutes of the Institute and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or in to whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Statement of Recommended Practice - Accounting for Further and Higher Education, the Accounts Direction issued by the Higher Education Funding Council for England and United Kingdom Generally Accepted Accounting Practice.

We report to you whether in our opinion, funds from funding bodies, grants and income for specific purposes and from other restricted funds administered by the Institute, have been properly applied in all material respects for the purposes for which they were received, and whether income has been applied in all material respects in accordance with the Institute's statutes and where appropriate with the financial memorandum with the Higher Education Funding Council for England (HEFCE) and with the funding agreement with the Training and Development Agency for Schools.

We also report to you if, in our opinion, the information given in the Director's Report is not consistent with those financial statements, the Institute has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

We also review the statement of internal control and comment if the statement is inconsistent with our knowledge of the Institute and the group. We are not required to consider whether the statement of internal control covers all risks and controls, or to form an opinion on the effectiveness of the Institute's corporate governance procedures or its risk and control procedures. We consider the implications for our report if we become aware of any apparent

12. INDEPENDENT AUDITORS' REPORT TO THE COUNCIL

misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of Audit Opinion

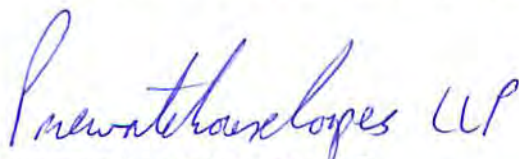
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board and with the HEFCE Accountability and Audit Code of Practice contained in the Financial Memorandum 2008/19. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the council in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and Institute's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion:

- i. the financial statements give a true and fair view of the state of the group's and the Institute's affairs at 31 July 2010, and of the group's income and expenditure, recognised gains and losses, and statement of cash flows for the year then ended;
- ii. the financial statements have been properly prepared in accordance with the Statement of Recommended Practice - Accounting for Further and Higher Education, the Accounts Direction issued by the Higher Education Funding Council for England and United Kingdom Generally Accepted Accounting Practice;
- iii. in all material respects, funds from the Higher Education Funding Council for England and the Training and Development Agency for Schools, grants and income for specific purposes and from other restricted funds administered by the Institute have been properly applied only for the purposes for which they were received; and
- iv. in all material respects, income has been applied in accordance with the Institute's statutes and funds provided by HEFCE have been applied in accordance with the financial memorandum (2008/19) with the Higher Education Funding Council for England and any other terms and conditions attached to them and funds from the Training and Development Agency for Schools have been applied in accordance with the funding agreement with the Training and Development Agency for Schools.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London

30 November 2010

13. CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT

	Notes	2010 £'000	2009 £'000
Income			
Funding Council Grants	2	22,677	23,275
Tuition Fees	3	15,460	15,984
Research Grants and Contracts	4	16,288	21,910
Other Operating Income	5	15,508	14,617
Endowment and Investment Income	6	2,405	1,427
Total Income		72,338	77,213
Expenditure			
Staff Costs	7	45,772	45,571
Other Operating Expenses	8	22,649	27,708
Interest and Finance Costs	9	434	519
Depreciation	10	2,925	2,907
Total Expenditure		71,780	76,705
Surplus after Depreciation of Assets at Valuation		558	508
Transfer to Endowment Funds	19	0	300
Surplus for the year retained within general reserves		558	208

There is no difference between historical cost surplus / deficit and those shown in the Income and Expenditure Account.

All results are from continuing operations.

The notes on pages 41 to 68 form part of these accounts.

14. STATEMENT OF GROUP TOTAL RECOGNISED GAINS AND LOSSES

	Notes	2010 £'000	2009 £'000
Surplus for the year retained within general reserves		558	208
Specific Endowment Asset Investments			
Additions in Year	19	0	300
Realised Gains/(Losses) on Disposals	19	186	(239)
Unrealised Gains/(Losses)	19	368	(378)
Income Retained for Year	19	(164)	(165)
General Asset Investments			
Unrealised Gains/(Losses)	20	392	(665)
Total Recognised Gains/(Losses) for the Year		1,340	(939)

Reconciliation of Total Recognised Gains to Reserves and Endowments

	2010 £'000	2009 £'000
Reserves and Endowments at 1 August	18,688	19,627
Total Recognised Gains/(Losses) for the Year	1,340	(939)
Reserves and Endowments at 31 July	20,028	18,688

The notes on pages 41 to 68 form part of these accounts.

15. BALANCE SHEETS

	Notes	Consolidated 2010 £'000	Institute 2010 £'000	Consolidated 2009 £'000	Institute 2009 £'000
Fixed Assets					
Tangible Assets	10	95,628	95,628	95,771	95,771
Investments	11	6,203	6,203	7,040	7,040
		101,831	101,831	102,811	102,811
Specific Endowment Asset Investments					
Investments	12	4,407	4,407	3,850	3,850
Cash at Bank and in Hand	12	223	223	390	390
		4,630	4,630	4,240	4,240
Current Assets					
Debtors	13	9,373	9,373	12,838	12,848
Short-term Investments	14	5,466	5,171	2,521	2,521
Cash at Bank and in Hand	15	1,485	1,246	649	367
Total Current Assets		16,324	15,790	16,008	15,736
Less: Creditors - amounts falling due within one year	16	(12,958)	(13,004)	(14,531)	(14,259)
Net Current Assets		3,366	2,786	1,477	1,477
Total Assets less Current Liabilities		109,827	109,247	108,528	108,528
Less: Creditors - amounts falling due after more than one year	17a	(10,027)	(10,027)	(10,336)	(10,336)
Less: Provisions for liabilities	17b	0	0	(650)	(650)
Net Assets		99,800	99,220	97,542	97,542

15. BALANCE SHEETS

	Notes	Consolidated 2010 £'000	Institute 2010 £'000	Consolidated 2009 £'000	Institute 2009 £'000
Represented by:					
Deferred Capital Grants					
Freehold Land and Buildings	18	79,433	79,433	78,471	78,471
Furniture and Equipment	18	339	339	383	383
Total Deferred Capital Grants		79,772	79,772	78,854	78,854
Specific Endowments					
Expendable	19	822	822	899	899
Permanent	19	3,808	3,808	3,341	3,341
		4,630	4,630	4,240	4,240
Reserves					
Revaluation Reserve	20	1,018	1,018	626	626
Income and Expenditure Reserve	21	14,380	13,800	13,822	13,822
Total Reserves		15,398	14,818	14,448	14,448
Reserves and Endowments		20,028	19,448	18,688	18,688
Total Funds		99,800	99,220	97,542	97,542

The notes on pages 41 to 68 form part of these accounts.

Approval:

The financial statements from pages 36–40 were approved by Council on 23 November and signed on its behalf by:



 Baroness Gillian Shephard, Chair of Council



 Professor Geoff Whitty, Director



 Habte Hagos, Finance Director

16. CONSOLIDATED CASH FLOW STATEMENT

		Consolidated 2010	Consolidated 2009
	Notes	£'000	£'000
Cash Flow from Operating Activities	22	639	(307)
Returns on Investments and Servicing of Finance	23	584	(480)
Taxation		0	0
Capital Expenditure and Financial Investment	24	2,656	843
Management of Liquid Resources	25	(2,945)	1,624
Financing	17a	(309)	(371)
Increase in Cash in the Period		625	1,309

Reconciliation of Net Cash Flow to Movement in Net Funds

		Consolidated 2010	Consolidated 2009
	Notes	£'000	£'000
Increase in Cash in the Period	25	625	1,309
Cash Inflow/(Outflow) from Liquid Resources	25	2,945	(1,624)
Increase/(Decrease) in Net Funds in the Period		3,570	(315)
Net Funds brought forward		3,868	4,183
Net Funds at 31 July	25	7,438	3,868

The notes on pages 41 to 68 form part of these accounts.

17. NOTES TO THE ACCOUNTS

1. Statement of Principal Accounting Policies

(a) Basis of Preparation

In accordance with FRS 18 "Accounting Policies" these accounting policies have been reviewed by the Institute's Council and are considered appropriate to the Institute's activities.

These financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education 2007 and in accordance with applicable accounting standards. They conform to guidance published by the Higher Education Funding Council for England (HEFCE) and the Training and Development Agency for Schools (TDA).

(b) Basis of Accounting

The financial statements are prepared under the historical cost convention modified by the revaluation of fixed asset investments. The financial statements have been prepared on a going concern basis.

(c) Basis of Consolidation

The consolidated financial statements include the financial statements of the Institute and its subsidiary undertaking, IOE Student Residences Limited (incorporated on 21 September 2007), for the financial year to 31st July 2010 as required by the Companies Act 2006. A separate income and expenditure account for the parent organisation has not been presented because the Institute has taken advantage of the exemption allowed under s408 of the Companies Act 2006.

The consolidated financial statements do not include those of the Student's Union as it is a separate entity in which the Institute has no power to exercise dominant influence.

(d) Recognition of Income and Expenditure

The recurrent grants from funding bodies are recognised in the period in which they are receivable and are credited to the Income and Expenditure Account. Non-recurrent grants 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.

The Institute acts as an agent in the collection and payment of hardship funds and training bursaries from funding bodies. Related receipts from HEFCE and the TDA and subsequent disbursement to students are excluded from the income and expenditure account and are shown separately in Notes 2 and 31 to 34.

Income from tuition fees is recognised in the period for which it is receivable i.e. the period in which the students are studying. Fee income is stated gross and credited to the Income and Expenditure Accounts. Where the amount of the tuition fee is reduced, income receivable is shown net of the discount. The costs of any fees waived by the Institute are included as expenditure in Note 8 of the accounts.

17. NOTES TO THE ACCOUNTS

Bursaries and scholarships are accounted for gross as expenditure and included within other operating expenses.

Income from research grants, contracts and other services rendered is included to the extent of the completion of work associated with the contract or service concerned. This is generally equivalent to the sum of the relevant expenditure incurred during the year and any related contributions towards overhead costs.

Income from the sale of goods and services is credited to the Income and Expenditure Account when the goods and services are supplied to the external customers against the order received or the terms of the contract have been satisfied.

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 and donations is included to the extent of the relevant expenditure incurred during the year, together with any related contributions towards overhead costs.

Income from endowments and donations is included in full in the income and expenditure account. Income from endowment assets held for restricted purposes imposed by the donor or funder is recognised in full on a receivable basis.

Increases in value arising on the revaluation of fixed asset investments is carried as a credit to the revaluation reserve via the statement of total recognised gains and losses. A diminution in value is charged to the Income and Expenditure Account to the extent that it is not covered by a previous revaluation surplus.

Expenditure incurred relates to the receipt of goods and services.

(e) Investments

Where charitable donations are restricted to a particular objective specified by the donor, these are accounted for as an endowment. Endowment asset investments are included in the balance sheet at market value.

Current asset investments are included at the lower of cost and net realisable value.

(f) Foreign Currencies

Transactions denominated in foreign currencies are recorded at a fixed rate of exchange ruling at the date of the transaction. Foreign currency bank accounts 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.

(g) Pension Schemes

The Institute participates in the Universities Superannuation Scheme (USS) and the Superannuation Arrangement of the Universities of London (SAUL). Both schemes are defined benefit schemes, which are externally funded and contracted out of the State Second Pension. The liabilities of each fund are valued every three years by professionally qualified independent

17. NOTES TO THE ACCOUNTS

actuaries, in both cases using the projected unit method. For both schemes the rates of contribution payable are determined by the trustees on the advice of the actuaries. In the intervening years, the actuaries review the progress of both schemes. Both schemes are multi-employer schemes and it is not possible to identify the Institute's share of the underlying assets and liabilities of the schemes. Therefore, as required by FRS 17, contributions are charged directly to the Income and Expenditure account as if the schemes were defined contribution schemes.

(h) Land and Buildings

Land and buildings are stated at cost. Buildings are depreciated over their expected useful lives of 50 years and building improvements and extensions over a maximum of 20 years.

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

The Institute's main premises are leased from the University of London on a 999 year lease. The building has been capitalised and depreciated based on its reinstatement cost. A deferred capital grant of an equal amount has been established and is released to income over the expected useful life of the asset.

(i) Furniture and Equipment

Equipment costing less than £10k per individual item is written off in the year of acquisition. Capitalised furniture and equipment is stated at cost and depreciated over 5 years i.e. the expected useful economic life.

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

(j) Leases

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

(k) Stocks

Stocks of consumables held by central stores are considered immaterial in relation to the accounts of the Institute and are therefore written off at the time of purchase.

(l) Cash Flows and Liquid Resources

Cash flows comprise increases or decreases in cash. Cash includes cash in hand, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are in practice available within 24 hours without a penalty. No investments, however liquid, are included as cash.

17. NOTES TO THE ACCOUNTS

Liquid resources comprise assets held as a readily disposable store of value. They include term deposits, Government securities and loan stock held as part of the Institute's treasury management activities. They exclude any such assets held as Endowment Asset Investments.

The Institute seeks to hold cash and liquid resources to meet its working capital needs.

(m) Maintenance of Premises

The Institute has a five-year rolling maintenance plan, which is reviewed on an annual basis. The cost of maintenance is charged to the income and expenditure account as incurred.

(n) Taxation Status

The Institute is an exempt charity within the meaning of Schedule 2 of the Charities Act 1993 as amended by the Charities Act 2006 and as such is a charity within the meaning of Section 506(1) of the Taxes Act 1988. Accordingly, the Institute is potentially exempt from taxation in respect of income or capital gains received within categories covered by Section 505 of the Taxes Act 1988 or Section 256 of the Taxation of Chargeable Gains Act 1992 to the extent that such income or gains are applied to exclusively charitable purposes.

The Institute receives partial exemption in respect of Value Added Tax, and is unable to recover the majority of VAT paid to suppliers.

(o) Premature Retirement Costs

The full costs of premature retirements are charged in full to the first year in which the contractual liability can be recognised.

(p) Provisions

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

17. NOTES TO THE ACCOUNTS

2. Funding Council Grants

	Notes	Consolidated 2010 £'000	Consolidated 2009 £'000
HEFCE GRANTS			
Mainstream HEFCE		13,510	14,069
Teaching Quality Enhancement Fund		0	65
CETL		175	350
HEIF 4		584	452
HEFCE Admin Fee PGCE Salaries		8	8
HEFCE Deferred Capital Grant released - Freehold Land and Buildings	18	1,487	1,676
HEFCE Deferred Capital Grant released - Furniture and Equipment	18	44	98
Total HEFCE Grants		15,808	16,718
TDA Grants			
Mainstream		6,719	6,399
TDA Admin Fee PGCE Salaries		132	114
Total TDA Grants		6,851	6,513
DfE Grants			
DfE Deferred Capital Grant	18	18	31
Total DfE Grants		18	31
Other Grants			
Universities UK Development Grant		0	13
Total Other Grants		0	13
Total Grants		22,677	23,275

17. NOTES TO THE ACCOUNTS

3. Tuition Fees

	Consolidated 2010	Consolidated 2009
Notes	£'000	£'000
Award Bearing Courses		
Full-Time Student Fees		
FT Home Tuition Fees (includes ELQ)	4,811	4,376
FT EU Tuition Fees	311	589
FT Overseas Tuition Fees	2,270	2,343
FT Channel Islands / Isle of Man	8	0
Part-Time Student Fees		
PT Home Tuition Fees (includes ELQ)	4,200	3,755
PT EU Tuition Fees	232	290
PT Overseas Tuition Fees	770	600
PT Channel Islands / Isle of Man	1	0
Sub-total Tuition Fees	12,603	11,953
Short Course Fees	2,857	4,031
Total Fees	15,460	15,984

4. Research Grants and Contracts

Research Councils	6,314	8,251
UK Based Charities	2,561	3,921
European Government	613	530
UK Central Government	5,715	7,760
Other Grants and Contracts	1,085	1,448
Total Research Grants and Contracts	16,288	21,910

5. Other Operating Income

Residences, Catering and Conferences	2,576	2,321
Other Services Rendered (including knowledge transfer and consultancy)	11,171	10,068
Other Income	1,761	2,228
Total Other Operating Income	15,508	14,617

17. NOTES TO THE ACCOUNTS

6. Endowment and Investment Income

	Notes	Consolidated 2010 £'000	Consolidated 2009 £'000
Transferred from Specific Endowments	19	349	351
Income from Long-term Investments			
Realised Profit on Disposals	11	566	(471)
Dividends		241	237
Income from Short-term Investment - Unrealised		26	87
Deferred Capital Grant Income - 20 Bedford Way	18	1,223	1,223
Total Endowment and Investment Income		2,405	1,427

7. Staff Costs

Wages and Salaries		36,652	37,532
Social Security Costs		3,187	3,245
Other Pension Costs	29	5,015	4,203
		44,854	44,980
Restructuring Costs		918	591
Total Staff Costs		45,772	45,571

	2010 £'000	2009 £'000
Emoluments of the Director		
Salary	253	245
Employer's Pension Contributions	40	37
Total Emoluments of the Director	293	282

Employer's pension contributions to USS in respect of the Director are paid at the same rates as for other academic staff.

Professor Geoff Whitty donated £25,802 to the Institute of Education in 2009-10, which equates to £48,379 when HEFCE matched funding and income tax rebate is added.

17. NOTES TO THE ACCOUNTS

Staff FTE by Grade as at 31 July 2010

	2010 Numbers	2009 Numbers
1 - 5 Professional	97	98
6 - 10 Academic	268	285
6 - 10 Professional	373	380
Senior Academic	77	78
Senior Professional	20	25
Total Staff	835	866

Remuneration of Higher Paid Staff

	2010 Numbers	2009 Numbers
£250,001-£260,000	1	0
£240,001-£250,000	0	1
£150,001-£160,000	1	0
£140,001-£150,000	0	2
£130,001-£140,000	1	1
£120,001-£130,000	1	1
£110,001-£120,000	2	2
£100,001-£110,000	5	3

Remuneration of Higher Paid Staff excludes employer's pension contributions.

17. NOTES TO THE ACCOUNTS

8. Other Operating Expenses	Notes	Consolidated 2010 £'000	Consolidated 2009 £'000
Academic Expenditure		9,642	9,837
Research Grants & Contracts		3,290	6,473
Academic Services			
Computing		564	1,036
Library		656	606
Other/Information Systems		95	175
		1,315	1,817
General Educational Expenditure		666	1,183
Premises			
Repairs and General Maintenance		448	813
Cleaning and Security		924	862
Rent and Rates		256	651
Heat, Light, Water and Power		921	758
Other		278	255
		2,827	3,339
Administration and Central Services			
Other Central Services		2,272	1,965
Auditors Remuneration *		82	43
Auditors Remuneration for audit of grants		4	4
		2,358	2,012
* Auditors' remuneration breakdown:			
2009-10 IOE audit fees		51	
2009-10 IOESRL audit fees		8	
2008-09 IOE slippage		23	
Residences, Catering and Conferences		1,153	2,067
Staff Student Facilities			
Prizes, Fellowships and Scholarships		513	355
Grant to Student Union		285	320
Other, Including Alumni		290	249
		1,088	924
Miscellaneous			
Premature Retirement/Redundancy Costs		53	0
Health & Safety		257	56
		310	56
Total Other Operating Expenses		22,649	27,708

17. NOTES TO THE ACCOUNTS

9. Interest and Finance Costs

	Consolidated 2010	Consolidated 2009
Notes	£'000	£'000

Interest and Finance Costs	434	519
-----------------------------------	------------	------------

10. Tangible Assets

	Freehold Land & Building	Long Leasehold Land & Building	Short Leasehold Land & Building	Furniture & Equipment	Total
	£'000	£'000	£'000	£'000	£'000
Cost at 1 August 2009	88,610	8,584	4,550	2,782	104,526
Additions at Cost in Year	2,391	86	201	104	2,782
Disposals	0	0	0	0	0
Cost at 31 July 2010	91,001	8,670	4,751	2,886	107,308
Depreciation at 1 August 2009	5,465	676	909	1,705	8,755
Depreciation Charge in Year	2,045	233	237	410	2,925
Disposals	0	0	0	0	0
Depreciation at 31 July 2010	7,510	909	1,146	2,115	11,680
Net Book Value at 31 July 2010	83,491	7,761	3,605	771	95,628
Financed from:					
Capital Grant	75,441	660	3,332	339	79,772
Institute Resources	8,050	7,101	273	432	15,856
Net Book Value at 31 July 2010	83,491	7,761	3,605	771	95,628
Net Book Value at 1 August 2009	83,145	7,908	3,641	1,077	95,771

17. NOTES TO THE ACCOUNTS

11. Fixed Asset Investments

		Consolidated 2010	Institute 2010	Consolidated 2009	Institute 2009
	Notes	£'000	£'000	£'000	£'000
Market Value at 1 August		7,040	7,040	8,176	8,176
Additions in Year	24	2,090	2,090	1,871	1,871
Disposals in Year	24	(3,862)	(3,862)	(1,834)	(1,834)
(Decrease) in Cash Held by Investment Managers	25	(23)	(23)	(37)	(37)
Realised Gains/(Losses) on Disposals	22	566	566	(471)	(471)
Unrealised Gains/(Losses)	20	392	392	(665)	(665)
Market Value at 31 July		6,203	6,203	7,040	7,040
Represented by:					
Fixed Interest Stocks		636	636	1,062	1,062
Equities		5,400	5,400	5,788	5,788
Cash		167	167	190	190
Market Value at 31 July		6,203	6,203	7,040	7,040

Subsidiary Undertakings

The Institute of Education Student Residences Limited (IOESRL) provides accommodation for Institute students. Section 7 (page 26) of the annual report provides further information on the IOESRL.

17. NOTES TO THE ACCOUNTS

12. Specific Endowment Asset Investments

		Consolidated 2010	Institute 2010	Consolidated 2009	Institute 2009
	Notes	£'000	£'000	£'000	£'000
Market Value at 1 August		4,240	4,240	4,722	4,722
Additions in Year	24	1,374	1,374	999	999
Disposals in Year	24	(1,350)	(1,350)	(1,003)	(1,003)
Increase/(Decrease) in Cash Held by Investment Managers	25	(21)	(21)	4	4
(Decrease) in Cash Held by Institute	25	(167)	(167)	(165)	(165)
Realised Gains/(Losses) on Disposals	19	186	186	(239)	(239)
Unrealised Gains/(Losses)	19	368	368	(378)	(378)
Additional Endowments in Year	24	0	0	300	300
Market Value at 31 July		4,630	4,630	4,240	4,240
Represented by:					
Fixed Interest Stocks		460	460	577	577
Equities		3,850	3,850	3,155	3,155
Cash		97	97	118	118
Funds Held by Investment Managers		4,407	4,407	3,850	3,850
Cash Held by Institute		223	223	390	390
Market Value at 31 July		4,630	4,630	4,240	4,240

13. Debtors

		Consolidated 2010	Institute 2010	Consolidated 2009	Institute 2009
	Notes	£'000	£'000	£'000	£'000
Prepayments and Accrued Income		5,569	5,569	7,245	7,244
Other Debtors		3,804	3,804	5,593	5,604
Total Debtors		9,373	9,373	12,838	12,848

17. NOTES TO THE ACCOUNTS

14. Short Term Investments

Notes	Consolidated	Institute	Consolidated	Institute
	2010	2010	2009	2009
	£'000	£'000	£'000	£'000
Market Value at 1 August	2,521	2,521	4,145	4,145
Additions in Year	5,017	4,667	3,428	3,428
Disposals in Year	(2,088)	(2,038)	(5,313)	(5,313)
Unrealised Profit	16	21	261	261
Short Term Investments at 31 July	5,466	5,171	2,521	2,521

15. Cash at Bank and in Hand

Cash held by Fund Manager	223	223	390	390
Cash held by Institute / Group	1,485	1,246	649	367
Total Cash at Bank and in Hand	1,708	1,469	1,039	757

16. Creditors: Amounts Falling Due Within One Year

Payments received in advance	4,715	4,715	5,346	5,346
Accruals & Deferred Income	5,097	5,143	5,452	5,014
Social Security & Other Tax Payable	1,066	1,066	1,156	1,156
Pensions	432	432	12	12
Other Creditors	1,339	1,339	2,259	2,425
Bank loan	309	309	306	306
Total Creditors: Amounts Falling Due Within One Year	12,958	13,004	14,531	14,259

17. NOTES TO THE ACCOUNTS

17a. Creditors: Due After More Than One Year

Notes	Consolidated	Institute	Consolidated	Institute
	2010	2010	2009	2009
	£'000	£'000	£'000	£'000
Bank Loans - due between 2 and 5 years	1,273	1,273	1,259	1,259
Bank Loans - due after more than 5 years	8,754	8,754	9,077	9,077
Total Creditors: Due after more than one year	10,027	10,027	10,336	10,336

Long-term Loans:

The Institute currently has the following loans:

(a) Endsleigh Gardens: - £4m loan with Barclays Bank Plc

- (i) £2m - fixed at 5.44% for 5 years (2007 to 2012); and
- (ii) £2m - fixed at 5.10% for 30 years (2007 to 2037)

Interest is payable quarterly in arrears and capital repayment commenced in 2008.

(b) IOESRL:- £7m loan with Barclays Bank Plc:

- (i) £3.5m – fixed at 5.69% for 30 years (2006 to 2036); and
- (ii) £3.5m – variable rate and capital repayment commenced in January 2009. The loan is rolled over on a quarterly basis.

Interest and capital repayment is made quarterly in arrears.

17b. Property Provision for Liabilities

Consolidated and Institute

	£'000
As at 1 August 2009	650
Provisions released unused	(318)
Utilised in the year	(332)
At 31 July 2010	0

Provision is no longer required as we have reached an agreement with the University of London to pay £332k. The balance is now re-classified as creditor in line with UK GAAP and SORP.

17. NOTES TO THE ACCOUNTS

18. Deferred Capital Grants

Freehold Land and Buildings	Notes	Balance at 1 August 2009	Additional Grants in Year	Released to Income and Expenditure Account	Balance at 31 July 2010
HEFCE					
Library		660	0	(20)	640
Knowledge Lab		3,104	0	(72)	3,032
Gordon Square		3,562	0	(230)	3,332
CETL WLE		837	0	(70)	767
SRIF 3		5,992	0	(260)	5,732
TCIF RCIF		3,704	3,690	(835)	6,559
Sub-total HEFCE		17,859	3,690	(1,487)	20,062
DfE					
15 Woburn Square		675	0	(15)	660
Thornhaugh Mews		1,224	0	(3)	1,221
Sub-total DfE		1,899	0	(18)	1,881
Endowment and Investment					
20 Bedford Way		58,713	0	(1,223)	57,490
Sub-total Endowment and Investment		58,713	0	(1,223)	57,490
Total Deferred Capital Grant Freehold Land and Buildings		78,471	3,690	(2,728)	79,433
Furniture and Equipment					
		Balance at 1 August 2009	Additional Grants in Year	Released to Income and Expenditure Account	Balance at 31 July 2010
HEFCE		383	0	(44)	339
Total Deferred Capital Grant Freehold Furniture and Equipment		383	0	(44)	339

17. NOTES TO THE ACCOUNTS

19. Endowments

		Consolidated 2010	Institute 2010	Consolidated 2009	Institute 2009
	Notes	£'000	£'000	£'000	£'000
Balance at 1 August		4,240	4,240	4,722	4,722
Additions in Year		0	0	300	300
Realised					
Gains/(Losses) on					
Disposals	12	186	186	(239)	(239)
Unrealised					
Gains/(Losses)	12	368	368	(378)	(378)
Income	23	185	185	186	186
Released to Income					
and Expenditure					
Account	6	(349)	(349)	(351)	(351)
Balance at 31 July		4,630	4,630	4,240	4,240
Represented by:					
Fellowship and					
Scholarship Funds		1,358	1,358	1,060	1,060
Prize Funds		253	253	218	218
Chair and Lectureship					
Funds		2,663	2,663	2,355	2,355
Other Funds		356	356	307	307
Transfer from General					
Fund		0	0	300	300
Balance at 31 July					
2010		4,630	4,630	4,240	4,240

17. NOTES TO THE ACCOUNTS

	Restricted Permanent £'000	Restricted Expendable £'000	Total £'000
Endowments			
At 1 August 2009	3,341	899	4,240
New Endowments	0	0	0
Investment Income	116	69	185
Expenditure	61	(224)	(163)
Increase in market value	290	78	368
At 31 July	3,808	822	4,630

20. Revaluation Reserve

		Consolidated 2010 £'000	Institute 2010 £'000	Consolidated 2009 £'000	Institute 2009 £'000
Balance at 1 August		626	626	1,291	1,291
Revaluation in Year	11	392	392	(665)	(665)
Balance at 31 July		1,018	1,018	626	626

21. Income and Expenditure Reserve

		Consolidated 2010 £'000	Institute 2010 £'000	Consolidated 2009 £'000	Institute 2009 £'000
Balance at 1 August		13,822	13,822	13,614	13,625
(Deficit)/Surplus in Year		558	(22)	208	197
Balance at 31 July		14,380	13,800	13,822	13,822

17. NOTES TO THE ACCOUNTS

22. Reconciliation of Operating Surplus to Net Cash from Operating Activities

		Consolidated 2010	Consolidated 2009
	Notes	£'000	£'000
Surplus in Year		558	208
Interest paid on loan	9	434	519
Depreciation	10	2,925	2,907
Deferred Capital Grants Released in the year			
Freehold Land and Buildings	18	(2,728)	(2,931)
Furniture and Equipment	18	(44)	(98)
Endowment and Investment Income	6	(1,182)	(204)
(Gains)/Losses on Sale of Fixed Asset Investments	11	(566)	471
Decrease in Debtors	13	3,465	2,734
(Decrease) in Creditors	16	(1,573)	(4,563)
Increase / (Decrease) in Provisions	17b	(650)	650
Net Cash Inflow / (Outflow) from Operating Activities		639	(307)

23. Returns on Investments and Servicing of Finance

		Consolidated 2010	Consolidated 2009
	Notes	£'000	£'000
Income from Endowments Asset Investments	19	185	186
Income From Fixed Asset Investments	6	807	(234)
Income from Short Term Investments	6	26	87
Interest Paid	9	(434)	(519)
Net Cash Inflow / (Outflow) from Investments		584	(480)

17. NOTES TO THE ACCOUNTS

24. Capital Expenditure and Financial Investment

	Notes	Consolidated 2010 £'000	Consolidated 2009 £'000
Payments to Acquire			
Tangible Assets	10	(2,782)	(3,347)
Fixed Asset Investments	11	(2,090)	(1,871)
Endowment Asset Investments	12	(1,374)	(999)
		(6,246)	(6,217)
Deferred Capital Grants Received in the Year			
Freehold Land and Buildings	18	3,690	3,923
Receipts from Sales of			
Fixed Asset Investments	11	3,862	1,834
Endowment Asset Investments	12	1,350	1,003
Additional Endowments in Year	19	0	300
Net Cash Inflow / (Outflow) From Capital Expenditure and Financial Investment		2,656	843

25. Analysis of Changes in Net Funds

	At 1 August 2009 £'000	Cash Flows £'000	At 31 July 2010 £'000
Cash at Bank and in Hand	649	836	1,485
Fixed Asset Investments: Cash Held	190	(23)	167
Endowment Asset Investments: Cash Held	508	(188)	320
Total Net Cash	1,347	625	1,972
Short-term Investments	2,521	2,945	5,466
Total Net Funds	3,868	3,570	7,438

17. NOTES TO THE ACCOUNTS

26. Operating Lease Obligations – Buildings

Notes	Consolidated 2010 £'000	Consolidated 2009 £'000
Operating leases which expire:		
Within one year	170	141
In the second to fifth year	0	192
	170	333

27. Contingent Liabilities

There were no contingent liabilities outstanding as at 31 July 2010.

28. Related Party Transactions

There were no reportable Related Party Transactions as at 31 July 2010.

The Institute receives income from the Funding Councils which is disclosed under Note 2.

17. NOTES TO THE ACCOUNTS

29. Pension Arrangements

		Consolidated 2010	Consolidated 2009
	Notes	£'000	£'000
Analysis of Employer's Superannuation Contributions			
USS		4,528	3,633
SAUL		487	570
		<u>5,015</u>	<u>4,203</u>

Pension Schemes

The Institute of Education participates in two separate schemes, USS and SAUL.

USS

Staff paid on professional grade 6 and above who are otherwise eligible, can acquire pension rights through the Universities Superannuation Scheme (USS), which is a national scheme administered centrally for UK universities.

USS is a defined benefit scheme which is contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate fund administered by the trustee, Universities Superannuation Scheme Limited. The appointment of directors to the board of the trustee is determined by the company's Articles of Association. Four of the directors are appointed by Universities UK; three are appointed by the University and College Union, of whom at least one must be a USS pension member; one is appointed by the Higher Education Funding Councils; and a minimum of two and a maximum of four are co-opted directors appointed by the board. Under the scheme trust deed and rules, the employer contribution rate is determined by the trustee, acting on actuarial advice.

Because of the mutual nature of the scheme, the scheme's assets are not hypothecated to individual institutions and a scheme-wide contribution rate is set. The institution is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17 "Retirement benefits", accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period.

The latest triennial actuarial valuation of the scheme was at 31 March 2008. This was the first valuation for USS under the new scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. The actuary also carries out

17. NOTES TO THE ACCOUNTS

a review of the funding level each year between triennial valuations and details of his estimate of the funding level at 31 March 2010 are also included in this note.

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

To calculate the technical provisions, it was assumed that the valuation rate of interest would be 6.4% per annum (which includes an additional assumed investment return over gilts of 2% per annum), salary increases would be 4.3% per annum (plus an additional allowance for increases in salaries due to age and promotion reflecting historic Scheme experience, with a further cautionary reserve on top for past service liabilities) and pensions would increase by 3.3% per annum.

Standard mortality tables were used as follows:

Male members' mortality	PA92 MC YoB tables –
Female members' mortality	PA92 MC YoB tables –

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

Males (females) currently aged 65	22.8 (24.8) years
Males (females) currently aged 45	24.0 (25.9) years

At the valuation date, the value of the assets of the scheme was £28,842.6 million and the value of the scheme's technical provisions was £28,135.3 million indicating a surplus of £707.3 million. The assets therefore were sufficient to cover 103% of the benefits which had accrued to members after allowing for expected future increases in earnings.

The actuary also valued the scheme on a number of other bases as at the valuation date. On the scheme's historic gilts basis, using a valuation rate of interest in respect of past service liabilities of 4.4% per annum (the expected return on gilts) the funding level was approximately 71%. Under the Pension Protection Fund regulations introduced by the Pensions Act 2004 the Scheme was 107% funded; on a buy-out basis (ie assuming the Scheme had discontinued on the valuation date) the assets would have been approximately 79% of the amount necessary to secure all the USS benefits with an insurance company; and using the FRS17 formula as if USS was a single employer scheme, using a AA bond discount rate of 6.5% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2008 was 104%.

17. NOTES TO THE ACCOUNTS

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

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

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

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

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

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

17. NOTES TO THE ACCOUNTS

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

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

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

At 31 March 2010, USS had over 135,000 active members and the institution had 669 active members participating in the scheme.

The total pension cost for the institution was £5,015k (2009: £4,203). The amount of outstanding contributions at the balance sheet date was £388k (2009: £410k). The contribution rate payable by the institution was 16% of pensionable salaries.

SAUL

The Institute of Education participates in the Superannuation Arrangements of the University of London "(SAUL)", which is a centralised defined benefit scheme and is contracted-out of the Second State Pension. SAUL is a "last man standing" scheme so that in the event of the insolvency of any of the participating employers in SAUL, the amount of any pension funding shortfall (which cannot otherwise be recovered) in respect of that employer will be spread across the remaining participant employers and reflected in the next actuarial valuation. A formal valuation of SAUL is carried out every three years by professionally qualified and independent actuaries using the Projected Unit method. Informal reviews of SAUL's position are carried out between formal valuations.

17. NOTES TO THE ACCOUNTS

The Institute of Education participates in a centralised defined benefit scheme for all qualified employees with the assets held in separate Trustee-administered funds. The Institute of Education has now adopted FRS17 for accounting for pension costs. It is not possible to identify the Institute of Education's share of the underlying assets and liabilities of SAUL. Therefore contributions are accounted for as if SAUL were a defined contribution scheme and pension costs are based on the amounts actually paid (ie cash amounts) in accordance with paragraphs 8 – 12 of FRS17.

SAUL is subject to triennial valuations by professionally qualified and independent actuaries. The last available valuation was carried out as at 31 March 2008 using the projected unit credit method in which the actuarial liability makes allowance for projected earnings. The following assumptions were used to assess the past service funding position and future service liabilities:

Valuation Method:	Projected Unit	
	Past Service % per annum	Future Service % per annum
Investment return on liabilities:		
- before retirement	6.9	7.0
- after retirement	4.8	5.0
Salary growth*	4.85	4.85
Pension increases	3.35	3.35

* excluding an allowance for promotional increases

The actuarial valuation applies to SAUL as a whole and does not identify surpluses or deficits applicable to individual employers. As a whole, the market value of SAUL's assets was £1,266 million representing 100% of the liability for benefits after allowing for expected future increases in salaries.

Based on the strength of the Employer covenant and the Trustee's long-term investment strategy, the Trustee and the Employers agreed to maintain Employer and Member contributions at 13% of Salaries and 6% of Salaries respectively following the valuation.

A comparison of SAUL's assets and liabilities calculated using assumptions consistent with FRS17 revealed SAUL to be in surplus at the last formal valuation date (31 March 2008).

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

Pension Budget Change

On 8 July 2010, the Pensions Minister announced that from April 2011 statutory minimum increase in pensions and deferred pensions would change from the RPI to CPI. This is expected to encompass all occupational pension schemes, including the USS and SAUL. The change from RPI to CPI is likely to have an impact in reducing pension scheme liabilities and the exact accounting treatment is currently under discussion. In line with SORP guidelines, they are accounted for as a defined contribution scheme.

17. NOTES TO THE ACCOUNTS

30. Capital Commitments

The Institute acquired a 999 year lease extension for the Thornhaugh Mews site from the University of London in 2010 for a payment of £400,000. Planning permission has been obtained to construct a building on this site and the final budget for this project is yet to be agreed by the Council, but it is likely to be in the region of £15 million.

HEFCE allocated the Institute Capital Funding (CIF1) for the period 2007/8 to 2010/11 of £10.6m which it is required to top up by 10% to give a total funding of £11.7m. The Institute has developed a range of proposals for projects which were discussed by the Estates Committee and of the total allocation the remaining commitment of £5.6m is planned to be spent in 2010-11.

17. NOTES TO THE ACCOUNTS

Funding Council Specific Grants

31. Access Funds

	Notes	Consolidated 2010 £'000	Consolidated 2009 £'000
Income			
Balance brought forward		1	3
Funding Council Grants		33	49
Interest Earned in Year		0	1
Total Income		34	53
Expenditure			
Disbursed in Year		(32)	(52)
Administration Fee		0	0
Balance at 31 July		2	1

32. PGCE Student Salaries

Income			
Balance brought forward		147	361
HEFCE Student Salaries		397	419
TDA Student Salaries		6,595	5,911
Total Income		7,139	6,691
Expenditure			
Disbursed in Year		(6,898)	(6,422)
PGCE Salaries Administration Fee - HEFCE	2	(8)	(8)
PGCE Salaries Administration Fee - TDA	2	(132)	(114)
Balance at 31 July		101	147

17. NOTES TO THE ACCOUNTS

33. Minority Ethnic Recruitment

	Note	Consolidated 2010	Consolidated 2009
Income			
Balance brought forward		14	11
Funding Council Grants		46	22
Expenditure			
Disbursed in Year		(64)	(19)
Balance at 31 July		<u>(4)</u>	<u>14</u>

34. Student Associate Scheme

Income			
Balance brought forward		5	0
Funding Council Grants		189	199
Expenditure			
Disbursed in Year		(133)	(194)
Balance at 31 July		<u>61</u>	<u>5</u>

18. GLOSSARY

BDI	Business Development Initiative
CETL	Centres for Excellence in Teaching and Learning
CIF	Capital Investment Framework
CPI	Consumer Price Index
CSR	Comprehensive Spending Review
DfE	Department for Education
ESRC	Economic & Social Research Council
FCH	Faculty of Children & Health
FCP	Faculty of Culture & Pedagogy
F&GPC	Finance & General Purposes Committee
FPS	Faculty of Policy & Society
FRS	Financial Reporting Standards
FTE	Full-Time Equivalent
GAAP	Generally Accepted Accounting Principles
HEFCE	Higher Education Funding Council
HEI	Higher Education Institution
HEIF	Higher Education Innovation Fund
INSTED	In-service Training & Educational Development (check this one – p24)
IOESRL	Institute of Education Student Residences Limited
LDTC	London Day Training College
LERU	London Education Research Unit
MTL	Masters in Teaching & Learning
NQT	Newly Qualified Teacher
NRDC	National Research and Development Centre for Adult Literacy & Numeracy
Ofsted	Office for Standards in Education, Children’s Services and Skills
PGCE	Postgraduate Certificate in Education
PPD	Postgraduate Professional Development
RAE	Research Assessment Exercise
RCIF	Research Capital Investment Fund
RCKT	Research, Consultancy & Knowledge Transfer
RPI	Retail Price Index
SMT	Senior Management Team

18. GLOSSARY

SORP	Statement of Recommended Practice
TCIF	Teaching Capital Investment Fund
TDA	Training and Development Agency for Schools
WLE	Work-Based Learning for Education Professionals

Internal Auditors' Assurance Level Definitions

Substantial	Robust framework of controls ensure objectives are likely to be achieved.
Adequate	Sufficient framework of key controls for objectives to be achieved but, control framework could be stronger.
Limited	Risk of objectives not being achieved due to the absence of key internal controls.