

St Mary's  
University  
Twickenham  
London



## ANNUAL REPORT AND FINANCIAL STATEMENTS

31 JULY 2018

A company limited by guarantee and registered in England and Wales under number  
05977277

Registered Office: Waldegrave Road, Strawberry Hill, Twickenham TW1 4SX

Registered Charity Number 1120192



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## Administrative Information: Year ended 31 July 2018

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### Address

St Mary's University, Twickenham  
Waldegrave Road  
Strawberry Hill  
Twickenham  
TW1 4SX

### Telephone

020 8240 4000

### Facsimile

020 8240 4255

### Website

[www.stmarys.ac.uk](http://www.stmarys.ac.uk)

### Twitter

[twitter.com/YourStMarys](https://twitter.com/YourStMarys)

### Board of Governors

Rt Rev Richard Moth (Chair)  
Professor Edward Acton  
Mr Conal Baxter (resigned 30 June 2018)  
Professor Francis Campbell  
Mr Jeffery Cottle  
Ms Noreen Doyle (appointed 21 September 2017)  
Fr Richard Finn OP  
Mr Michael Foster (resigned 31 August 2017)  
Dr Maureen Glackin (resigned 31 August 2017)  
Mrs Susan Handley-Jones (resigned 21 June 2018)  
Mr David Hartnett  
Ms Natalie Hobkirk (appointed 1 July 2018)  
Ms Claire McDonnell (appointed 21 September 2017)  
Miss June Mulroy  
Professor Anne Moran  
Mrs Kristen Pilbrow (appointed 1 September 2017)  
Professor Anthony Towey (appointed 9 November 2017)

### Senior officers

Chancellor  
Vice-Chancellor  
Pro Vice-Chancellor (Academic Strategy)  
Pro Vice-Chancellor (Research and Enterprise)  
Pro Vice-Chancellor (Global Engagement)  
Chief Operating Officer  
Chief Operating Officer  
Senior Director of People

Cardinal Vincent Nichols  
Professor Francis Campbell  
Professor John Charmley  
Rt. Hon Ruth Kelly  
Professor John Brewer  
Mr John Unsworth (appointed 31 October 2017)  
Mr Nirmal Borkhataria (to 31 October 2017)  
Mrs Jo Blunden

Clerk to the Board of Governors and  
Company Secretary

Mr Andrew Browning



## **Administrative Information (continued): Year ended 31 July 2018**

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### **Bankers**

HSBC Bank Plc  
133 Regent Street  
London  
W1B 4HX

Santander UK plc  
2 Triton Square  
Regent's Place  
London  
NW1 3AN

### **External auditors**

BDO LLP  
2 City Place  
Beehive Ring Road  
Gatwick  
West Sussex  
RH6 0PA

### **Internal auditors**

RSM UK LLP  
Third Floor  
One London Square  
Cross Lanes  
Guildford  
Surrey  
GU1 1UN

### **Lawyers**

Mills & Reeve LLP  
1 St James Court  
Norwich  
NR3 1RU



## Vice-Chancellor's Foreword: Year ended 31 July 2018

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On behalf of the University, I am pleased to present our Annual Report and Financial Statements for 2017/18.

The hard work of our staff and their continuing commitment to student experience has allowed the University to continue its development as laid out in Vision 2025. The past year has seen our plans for growth in both postgraduate and international student recruitment develop and mitigate what was a challenging year across the sector for UK domestic undergraduate recruitment.

In the context of a highly competitive student recruitment environment, the University started to see the strategy of growth in international and post-graduate recruitment yield returns. The University continued its commitment to broadening our network of partners both nationally and internationally. In 2018 we launched collaborative partnerships with international partners such as the Institut Catholique de Paris centred upon a joint masters degree in law for students in Paris and London. St Mary's also launched its own St Mary's University London International College (SMULIC) to provide a range of foundation courses tailored to the international student market and give thousands of overseas students the opportunity to study at St Mary's. Further global partnerships are being developed as part of a comprehensive programme of work to embed our international strategy.

Throughout the year the University launched over 20 new degrees at foundation, undergraduate and postgraduate level. As an institution that places the student experience at the heart of all it does, it is essential that the University regularly review the curriculum and its overall structure. During this past year, the University undertook a significant re-structure creating two new faculties and institutes. The overall deficit for the year reflects the continued investment in the student experience and one-off restructuring costs. The new structure aligns more closely with that found in other universities and allows St Mary's to operate a more efficient and sustainable model of higher education provision and to deliver medium-term objectives.

External recognition of our efforts continued, and this year we again increased our standing in the various higher education league tables. The feedback from our own students was amongst the best in London and the country. The feedback in the National Student Survey (NSS) showed satisfaction rates improve by three percentage points to 88%, which is tracking 5% ahead of the average at 83%. St Mary's is now number one in London for student satisfaction for those higher education institutions with university status. On such foundations, we remain confident of continuing success

Finally, the University has also made significant progress on its enterprise strategy as part of our Vision 2025 strategy which helps us to diversify the University's income stream. Research funding has increased significantly, and we are allying that to real impact in areas of modern policy challenges such as preventing modern slavery or improving access to higher education for care leavers. We had another successful Summer School in partnership with the University of Warwick which allowed us to develop an exciting offer for students. Our First Star programme received the Best Prospective Student Engagement awards at the WhatUni? Student Choice Awards for their pioneering work with children in the care system.



**Professor Francis Campbell**

Vice-Chancellor

22 November 2018



## Directors' Report: Year ended 31 July 2018

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The Governors, as Directors of the University, present the Directors' Report for the year ended 31 July 2018.

### Governors during the year

The current Board of Governors together with details of those who served during the year 2017/2018 are set out on page 1. Two governors have stepped down during the past year; Sue Handley-Jones, and Conal Baxter who completed his term as Students Union President. Thanks are given to both for their service to the University. We have welcomed Natalie Hobkirk who is the President of the Students Union onto the Board.

### Governors' Indemnity

The University purchased and maintained throughout the financial year Governors' indemnity insurance which would indemnify Governors if proceedings were to be brought by third parties.

### Public Benefit

The University is a registered charity under the terms of the Charities Act 2011. In preparing this statement of public benefit the Governors have had regard to the Charity Commission's guidance on the reporting of public benefit and its supplementary public benefit guidance on the advancement of education. The University meets its public benefit requirements through the teaching of a diverse curriculum and by educating a broad range of students.

Key beneficiaries of the work of St Mary's include:

- Our current and prospective students.
- The local and wider community, particularly through engagement with St Mary's volunteers.
- The wider academic community and public bodies nationally and internationally in respect of research output.
- Society as a whole and the national economy in respect of well-educated, employable graduates.

The University also takes into account its public benefit and Catholic ethos and identity when setting its fees and developing its strategy for widening participation, key elements of which form a core of St Mary's Access and Participation Plan, which is approved by the Office for Students (OfS), inter alia, the fees St Mary's charges to students, the bursaries the University offers and details of other activities such as outreach activities focussed on students from lower socio-economic groups. In terms of outreach, St Mary's is committed to an extensive programme of activities that aim to raise aspirations and improve access to higher education for those students from under-represented groups. This includes activities for students on vocational courses, work with mature students, children and young people and initiatives to widen access through our strong reputation for sport.

### Dividends

The University does not pay dividends; any surplus is retained by the University.

### Disclosure of Information to Auditors

The Governors confirm that so far as they are aware, there is no relevant audit information of which the University's auditors are unaware. They have taken all the steps that they ought to have taken as members of the Board in order to make themselves aware of any relevant audit information and to establish that the University's auditors are aware of that information.

### Political Donations

The University has not made any political donations during the year ended 31 July 2018 (2017: Nil).

### Financial Risk Management

The University's operations expose it to a variety of financial risks that include the effects of price risk, credit risk, liquidity risk and cash flow risk. The University has in place a risk management programme that seeks to limit the adverse effects on the financial performance by regular monitoring and management of risks. The Board has responsibility for managing financial risk and its policies are carried out by the University's Chief Operating Officer.

The University does not use derivative financial instruments or other hedging instruments to manage financial risks and hence no hedge accounting is applied.



## Directors' Report (continued): Year ended 31 July 2018

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### *Price Risk*

The majority of the University's revenue is derived from student tuition fees. The University's domestic tuition fees are charged at the £9,250 revised cap, which is in line with pricing across much of the University sector. The pricing cap is subject to ongoing changes in the regulatory and political environment, representing a key risk to the University and is further addressed in the Strategic Report.

### *Credit Risk*

The University is exposed to credit risk primarily in the collection of student tuition fees. The University closely monitors the collection of student debt, and has rigorous debt collection policies and procedures in place.

### *Liquidity Risk*

The University is financed with the appropriate long term and short term finance to match liquidity requirements. The University's treasury policy is to maintain any surplus funds in short term deposits. These can be accessed at any time with an immaterial penalty deduction from interest earned.

### *Cash Flow Risk*

The University collects the majority of cash inflows via several large receipts throughout the year. Cash outflows are broadly constant during the year. As a result the University closely monitors cash flow with short and long term cash flow forecasting, and keeps surplus cash or credit facilities on hand at all times to provide headroom.

### **Post Balance Sheet Events**

HM Treasury has published proposals in relation to the Teachers' Pension Scheme, under which the employers' contributions would rise by 7.2% from 16.48% to 23.68%, starting from September 2019. These proposals are subject to consultation and it is possible that the higher education sector may be eligible for additional funding to meet or partly meet the costs of the proposed employer contribution increase.

### **Existence of Overseas Branches**

The University employs an International Officer based in the United States ("US"). During 2014/15 the University incorporated a US subsidiary, "St Mary's University London US Foundation", which is currently non-trading.

### **Equality, Diversity and Inclusion**

St Mary's University is a friendly inclusive community. We welcome diversity and celebrate the uniqueness both students and staff bring to the experience of studying or working at the University.

In this supportive environment, our students and staff can flourish and ultimately make a positive contribution to our local community and society as a whole. One of our core values is Inclusiveness and this can be seen in the encouragement and collegiality extended across the community as we work together towards delivering our 2016-2020 Equality and Inclusion Objectives.

We are extremely proud of the University's work in supporting and developing our inclusive community and have outlined below some highlights from the past academic year:

- **Assistive Technology**  
September 2017 saw the official opening of the Assistive Technology Room (ATR). This facility provides a range of specialist programs and ergonomic equipment to support students with a variety of individual learning support requirements in order to remove any barriers to their successful education.
- **Mental Health Awareness**  
A series of events and training sessions were offered to staff in 2017/18 to raise awareness of mental health. This included a Healthy Mind Wellbeing Event and Mental Health Awareness training sessions delivered by the charity Mind. In addition last year also saw a further increase in students using Special Study Skills Tutoring and Specialist Mental Health Mentoring.



## Directors' Report (continued): Year ended 31 July 2018

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### Equality, Diversity and Inclusion (cont.)

- Scheme supporting local students with disabilities  
In February 2018, the fifth cohort of students with disabilities from the neighbouring Richmond upon Thames College started their work placements within the Campus Services teams. New mentors were offered training to raise their awareness of the needs of those living with disabilities. The aim of our partnership with the College is to equip the students with employability skills in a real work setting, improving their chances of gaining employment when they leave education.

### Employee Involvement

During the past year the University underwent a change programme in order to operate with a more streamlined structure and improve the student experience. This change ensured the structure and size of our central services were aligned to the introduction of our new Faculty model. As part of this we undertook extensive consultation with both staff and trade union colleagues across the University seeking views and feedback on this new way of working.

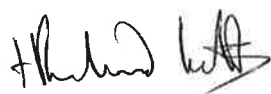
In addition to the regular forums already in place with our recognised trade unions and our town hall events (VC Reports) the Leadership Forum, made up of approximately 100 leaders from across the University, continues to meet three times a year. The purpose of these forums is to ensure that there is active dialogue between leaders and senior management as well as across the University's Faculties and Services.

The Trade Union (Facility Time Publication Requirements) Regulations 2017 took effect from 1 April 2017. Under these Regulations, the University collects and publishes information about how much time and cost is attributable to trade union facility time in respect of those employees who are trade union representatives. These disclosures, relating to the year from 1 April 2017 to 31 March 2018, are provided in the Appendix to the Annual Report & Accounts.

### Identification of Information Excluded from the Directors' Report

The review of performance during the year and position at year end, principal risks and uncertainties, analysis of KPIs, and future developments in the business are presented in the Strategic Report, on pages 11-21.

Signed on behalf of the Board of Governors



**Bishop Richard Moth**

22<sup>nd</sup> November 2018



## **Statement of Governance and Internal Control: Year ended 31 July 2018**

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The University presents its Statement of Governance and Internal Control covering the year 1st August 2017 to 31st July 2018 and up to the date of approval.

### **Corporate Governance and Internal Control**

The conduct of the University's affairs is governed by the Articles of Association, incorporating the Instrument and Articles of Government, approved by the Privy Council.

The University has adopted the voluntary Higher Education Code of Governance published by the Committee of University Chairs.

### **Internal Audit of governance**

The Internal Audit review of governance carried out during the year was able to give reasonable assurance that the Governance structure within the University appears to be effective as well as identifying areas where some improvements could be made.

### **Articles of Association**

During 2015/2016 the University's Articles were subject to extensive review, in part prompted by national moves which have led to the passing of the Higher Education and Research Act 2007 and in part from the review of governance which had identified the need for greater flexibility in the Articles. New Governing Articles were approved on 25 August 2016 by the Privy Council.

### **The Board of Governors**

The Board of Governors is responsible for the University's long term mission, objectives and strategies for providing overall financial and organisational control. Governors' endeavour at all times to conduct their business in accordance with the 'Nolan' Principles of Public Life.

The composition of the University's Board of Governors is set out in the Articles of Association. During the year ended 31 July 2018, the Board has consisted of not more than twenty four members being:

- Ex officio: the Chair (nominee of the Archbishop of Westminster), the Director of the Catholic Education Service (or nominee) and the Vice-Chancellor
- Up to six Governors carrying the nomination of the Catholic Education Service and six Governors carrying the nomination of the Archbishop of Westminster
- Up to six co-opted Governors
- Two staff Governors and one Student Governor

It is the Board's intention that it should not normally have more than 16 members.

Recommendations for appointment to the Board are made by the Nominations and Governance Committee. Governors are normally appointed for three years (renewable for up to nine years) while the student Governor (the President of the Students' Union) is appointed for one year.

The Clerk to the Board of Governors and Company Secretary maintains a register of financial and personal interests of the Governors and detailed records are available for inspection through the Clerk.

All Governors are able to take independent professional advice in furtherance of their duties, and have access to the Clerk and Company Secretary who is responsible to the Board for ensuring that all applicable procedures and regulations are complied with. The appointment, evaluation and removal of the Clerk are matters for the Board of Governors as a whole.

In the interests of transparency and accountability a number of major documents relating to the governance of the University are published on the University website including: meeting minutes, the Articles of Association, the Board's Standing Orders, detailed information on the process for the appointment of Governors, a Scheme of Delegation, Terms of Reference and the Board Handbook.



## **Statement of Governance and Internal Control (continued):**

### **Year ended 31 July 2018**

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#### **Committees**

The Board of Governors conducts its business through a number of committees. The terms of reference for each committee are approved by the Board and subject to annual review. During the year ended 31 July 2018 the Board's committees were as follows:

#### *Audit Committee*

The Audit Committee meets at least four times a year and consists of at least three non-staff Governors and up to two additional members with appropriate experience may be co-opted if appropriate. While senior executives may attend meetings of the Audit Committee, they are not members of it. Both the external and internal auditors have independent access to the Committee, and vice versa.

The Audit Committee is responsible for the consideration of internal and external audit recommendations, advising the Board on appointment of internal and external auditors and monitoring adherence to regulatory requirements. In addition, the Committee reviews the University's annual financial statements together with the accounting policies. The Committee also receives reports on data quality, provides oversight of management implementation plans and considers reports from external bodies as they affect the University's business.

#### *Finance and Resources Committee*

The Finance and Resources Committee consists of up to five Governors (four non-staff Governors and the Vice-Chancellor) and it meets at least three times a year.

The Finance and Resources Committee recommends to the Board inter alia the University's annual revenue and capital budgets and monitors performance in relation to the approved budgets. It recommends and approves policies and procedures in relation to Human Resources matters. It advises on infrastructure matters including Information Technology and Estates strategies and the monitoring of major corporate projects. It also has oversight of health and safety.

#### *Academic Scrutiny Committee*

The Academic Scrutiny Committee consists of up to five governors (three non-staff governors, a governor representing students, and the Vice Chancellor).

The Academic Scrutiny Committee scrutinises and challenges the Academic Board and the Senior Management Team on the quality and enhancement of the academic experience and the student outcomes.

#### *Remuneration Committee*

The Remuneration Committee is comprised of up to five Governors. It determines the remuneration of senior staff including that of the Vice-Chancellor.

#### *Nominations and Governance Committee*

The Nominations Committee comprises the Chair, the Vice Chair, the Chief Executive of the Catholic Education Service or nominee, the Vice-Chancellor and one other Governor. The Committee considers nominations for vacancies in the Board of Governor's membership under the Articles of Association, and undertakes its duties with reference to the national guidance and good practice. It also considers the chairing and membership of committees and the efficiency and effectiveness of governance.

#### **Scope of Responsibility**

The Board of Governors is ultimately responsible for the University's system of internal control and for reviewing its effectiveness. The Board has delegated to the Vice-Chancellor the day to day responsibility for maintaining a sound system of internal control that supports the policies, aims and objectives of the University whilst safeguarding the public funds and assets, in accordance with the responsibilities set out in the Terms and Conditions of Funding between the University and Office for Students (OfS). The Vice-Chancellor is also responsible for reporting to the Board any material weaknesses or breakdowns in internal control.



## **Statement of Governance and Internal Control (continued):**

### **Year ended 31 July 2018**

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#### **The Purpose of the System of Internal Control**

The system of internal control is based on an on-going process designed to identify the principal risks to the achievement of policies, aims and objectives; to evaluate the extent of those risks; and to manage them efficiently, effectively and economically. However, such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can provide only reasonable and not absolute assurance against material misstatement or loss.

#### **The Risk and Control Framework**

There is a formal ongoing process for identifying, evaluating and managing the significant risks facing the University and that the process and associated procedures have been in place and operational throughout the year, notably through the regular review and updating of the Risk Register. The Risk Register details strategic and recurrent risks and covers governance, management, quality of service, reputational, operational, compliance as well as financial risks together with the range of mitigating controls in place and the early warning indicators for each risk. The Risk Register is under continuous review by senior managers and Governors and the Risk Management process itself is reviewed by internal audit on an annual basis. This process enables the University to ensure that it is able to monitor and manage risks in an ever changing environment.

The key elements of the University's system of risk assessment and internal control, which is designed to discharge the responsibilities set out above, include the following:

- The University has a Risk Management Group chaired by the Chief Operating Officer with a membership consisting of senior managers. The group meets five times a year and reports into the Audit Committee;
- Risk assessment procedures which are embedded in ongoing operations across the University as heads of academic and administrative departments regularly contribute to identification and mitigation of risks which are incorporated into the Risk Register;
- Clear definitions of responsibilities of heads of academic and administrative departments in ongoing monitoring of the internal control environment, as well as identification and implementation of improvements;
- A comprehensive medium and short-term planning process, supplemented by detailed annual income, expenditure, capital and cash flow budgets;
- Regular reviews of academic performance and monthly reviews of financial results involving variance reporting and updates of forecast outturns;
- Clearly defined and formalised requirements for approval and control of expenditure; with investment decisions involving capital or revenue expenditure being subject to formal detailed appraisal and review according to approval levels set by the Board of Governors; and
- Comprehensive Financial Regulations, detailing financial controls and procedures, approved by the Board of Governors.

Also, the University has the use of a professional Internal Audit team whose annual programme is approved by the Audit Committee and whose head provides the Board of Governors with a report on internal audit activity within the University and an opinion on the adequacy and effectiveness of the University's system of internal control.

The University's Internal Audit service operates to standards defined in The Office for Students (OfS) Audit Code of Practice. The internal auditors submit regular reports to the Audit Committee.

The Annual Report of the Internal Auditors to the Board has continued to indicate a lower level of assurance than in previous years, based on the programme of work undertaken. The Board of Governors and the Audit Committee acknowledge that, whilst disappointing, there is evidence that considerable progress has been made in addressing some of the issues raised by the internal auditors during the year. Over the coming year the University has provided assurance that this progress will continue.



## **Statement of Governance and Internal Control (continued):**

### **Year ended 31 July 2018**

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#### **Review of effectiveness**

The Audit Committee, on behalf of the Board of Governors, has reviewed the effectiveness of the systems of internal control. During 2017/18 the University has:

- Continued to review and embed its risk management policy into the decision-making processes of the University;
- Reported to the Board, including providing an annual monitoring return on risk management; and
- Continued the strategy that the Internal Audit service adapts audit planning arrangements, methodology and approach to conform to the latest professional standards.

The Board receives periodic reports from the Audit Committee (including copies of the minutes of the Audit Committee meetings) and arrangements are in place to ensure regular reports from managers on their actions to manage the risks in their areas of responsibility. The Board's review of the effectiveness of the system of internal control is informed by the work of the Internal Auditors, senior staff, and managers and by any comments made by the External Auditors in their management letter or other reports.



## Strategic Report: Year ended 31 July 2018

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The Governors present their Strategic Report on the University for the year ended 31 July 2018.

### History and Incorporation Status

St Mary's University, Twickenham ("St Mary's" or "the University") was founded in 1850 by the Catholic Poor Schools Committee to meet the need for teachers to provide an education for the growing numbers of poor Catholic children. Since this time it has diversified its portfolio of programmes but its original mission is still very much in evidence and a third of our students are on either initial teacher training programmes or continuing professional development for serving teachers.

In 2006 the University was incorporated as a company limited by guarantee, company registration number 05977277 and registered as a charity on 23 July 2007, charity registration number 1120192. It commenced trading on 1 August 2007 following the transfer of the net assets and undertakings from the then registered charity, registration number 312935. At this time the legal objects of the University were clarified and these are still informed by its original foundation.

On 23 January 2014 St Mary's gained University title and the Privy Council approved the name of the institution to be "St Mary's University, Twickenham".

### Mission and Purpose

We are an inclusive Catholic University seeking to develop the whole person and we empower our community to have a positive impact on the world.

### Competitive and Regulatory Environment and Financial Context

Competition to recruit students continues to intensify, as both established universities and new providers enter a market with no student number caps, in both national and international markets. At undergraduate level, this is also impacted by changing demographics in the UK and Western Europe, notably a fall in eighteen year olds.

Despite a reduced reliance on direct government funding, the sector remains highly influenced by government policy towards education, research and enterprise. 2018 also saw the creation of the Office for Students (OfS) which is the most significant change to the regulatory regime for Higher Education (HE) in England in decades. The OfS has a specific remit for protecting the interest of students, promoting student choice, value for money in HE provision and promoting competition within the HE sector. Its regulatory powers are more wide ranging than those of HEFCE and its powers of sanction are more extensive.

The Higher Education sector in the UK is broad and diverse, and ever changing. The sector is now much less reliant on government funding, due to the introduction of higher tuition fees for undergraduate students from 2014, and the subsequent reductions in grant funding for teaching from the Higher Education Funding Council for England (HEFCE)/The Office for Students (OfS). The University receives funding grants from HEFCE/OfS for teaching, research and knowledge exchange. These grants are governed by the HEFCE Memorandum of Assurance and Accountability/OfS Terms and Conditions of funding. The University is required to submit a series of financial, data and accountability returns as part of the regulatory process.

The University is subject to regulated fee limits for UK and EU undergraduate students. There is flexibility to set postgraduate and international fee levels. All Higher Education Institutions (HEIs) which charge fees to UK and EU students above £6,000 are required to submit an Access Agreement to the OfS, in order to ensure fee levels do not act as a barrier to participation in higher education to students with lower family incomes. During 2018 the Government also announced a review of post-18 funding which is expected to focus heavily on the University sector. An independent panel, led by Philip Augar and supported by 5 experts, will provide input in to the review. The review is likely to report in early 2019 and may include recommendations in relation to fee levels.



## Strategic Report (continued): Year ended 31 July 2018

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### Vision 2025

Our published longer-term strategic plan, "Vision 2025" (full details available at: <https://www.stmarys.ac.uk/about/vision-2025/vision-2025.aspx> )

Our vision is rooted in people and place. By 2025, students, staff, alumni and members of our wider circle will actively contribute to St Mary's unique identity. We will be widely known for our quality and our diverse, inclusive and enabling study and research environment. Everyone will be encouraged, empowered and supported to give, learn and belong to the St Mary's learning community.

- **Students:** All our students will be motivated to fulfil their potential, think critically and become global citizens who engage with the world around them. We will enhance our already strong record for our graduates swiftly entering into rewarding careers. They will stay connected to St Mary's through our vibrant alumni network, committed to our values and to lifelong learning.
- **Staff:** Our staff will be passionate about their contribution to St Mary's learning environment and we will support them in developing professionally, growing personally and making an impact.
- **Strawberry Hill:** The centre of our University will continue to be our beautiful campus in Strawberry Hill. By 2025 we will have significantly expanded and improved facilities for students and for learning while maintaining and developing our current community-based environment. We will continue to be engaged, active and responsible citizens of Strawberry Hill, Twickenham and London.

### Values

Our four core values define St Mary's and underpin all we do as a University. They are:

- **Inclusiveness.** We celebrate differences, recognising that everyone is born with a unique identity. St Mary's is a place where students and staff can reach their full potential and make a positive contribution to society.
- **Generosity of Spirit.** Our generosity of spirit sets us apart. It can be seen in the encouragement, collegiality, empathy, helpfulness and service to be found across the University.
- **Respect.** We respect everybody. We treat everyone as we ourselves would want to be treated.
- **Excellence.** We strive to be the best at everything we do. We seek professionalism through setting high standards and continuous improvement in all our practices and work.

### Strategy

Vision 2025 sets out our key strategic aims and objectives in the following areas:

- **Education:** We aim to build on established strengths by excelling in teaching and focussing on outcomes. We aim for all St Mary's students to be knowledgeable, confident, resilient and ambitious individuals, by offering exceptional student learning opportunities, enabling our students to make a positive impact in a complex and demanding world.
- **Student recruitment:** We aim to increase our student numbers each year to 2025, by providing new programmes, strengthening relations with schools and expanding internationally.
- **Engagement:** We aim to raise the profile of St Mary's at a national and global level, through focussed impact on public debate in our areas of strength and expertise. We will use the established global networks of which we are part to facilitate this. Our plan is to expand St Mary's existing partnerships in a measured and selective way.
- **International:** We aim to increase the number of international students studying at St Mary's so that by 2025 they make up 25% of the student population; increase the number of home students who undertake part of their course abroad and who have the opportunity to volunteer in less developed countries.
- **Research and enterprise:** We aim to secure Research Degree Awarding Powers (RDAP) and expand our doctoral programmes; to nurture carefully-selected areas of internationally leading/world-class research; and to establish new world-leading research centres to support our submission to the next Research Excellence Framework. We will need to attract the best talent to St Mary's from the fields of academia, public policy and industry to facilitate the achievement of these aims.



## Strategic Report (continued): Year ended 31 July 2018

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### Development and performance in the year against key strategies

#### Education

First in London for Students satisfaction, St Mary's now surpasses most of the Russell Group in the National Student Survey, we increased our performance in all categories. This was a major contributor to our rise to 77<sup>th</sup> position in the Sunday Times League Table, also aided materially by the improvement in our Good Honours performance.

As part of the University's reorganisation we have created a Centre for Teaching Excellence and Student Success (CTESS) which will spearhead our bid for Teaching and Excellence Framework (TEF) Gold in 2020. The two faculties SHAS (Sports and Health Sciences) and EHSS (Education, Humanity and Social Sciences) both have Associate Deans for Student Experience, who work closely with CTESS and the Student Union, to ensure our students benefit from a first-class student experience.

We close the loop in the student journey by working closely with the new Employability Service to guide our students towards a successful career after graduation.

The success of St Mary's graduates in the employment market is testament to the success of the approach so far. Within six months of leaving, 93% are in employment or postgraduate study. Additionally, according to figures from the Department for Education (LEO), five years on from graduation, the only trained teachers on better salary than St Mary's former students are those from Oxford University.

#### Student recruitment

The external environment for the recruitment of undergraduates remains challenging. Reasons include the lifting of the student number cap, encouraging higher ranking universities to offer places to students with low entry tariffs, and the decrease in the demographic population of 18 year olds eligible to apply for university places. Consequently, and along with many of our competitor set, we experienced a decrease in applications and acceptances for undergraduate students joining the university in September 2017.

However we have put into place a series of strategic actions to mitigate this risk, including a focus on post graduate (taught and research) recruitment, and the recruitment of international students. We are now seeing the clear benefit of this, applications for post graduate and international places showing significant in-year uplift.

Our recent rises in key league tables, most notably the Sunday Times, the Guardian, and the Complete University Guide, should all greatly enhance our future ability to recruit students, both domestically and internationally, and reduce the risk of students "trading up" to higher ranking institutions, as we have seen in the past. When combined with our award of TEF Silver, and the excellent National Students Survey results ranking as the best University in London for overall satisfaction, we remain confident that we are in a very good position to grow in all areas of recruitment. The pending outcome of our RDAP submission may, in due course, also help us to recruit more post graduate research students.

Of significance during the year has been the co-location of the marketing, recruitment, international and admissions teams to a single office at 60 Waldegrave Road. This has led to enhanced working practices, better sharing of ideas, and efficiencies which have greatly benefited student recruitment.

The launch of new programmes, particularly the Masters degree in Physiotherapy, and the suite of programmes relating to Communications, Marketing and Politics, should all greatly enhance our attraction to students, and contribute to future growth in student numbers. The success of the new four year "with foundation" degrees, which were launched in September 2017, indicates significant potential for further recruitment onto programmes of this nature.



## Strategic Report (continued): Year ended 31 July 2018

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### *Engagement*

We have seen a significant uplift in our external engagement, which has been supported by the appointment of a new Director of Communications, PR and Marketing. Regular appearances by staff in the media, acting as “key opinion leaders” in their areas of expertise, have all contributed to a much greater awareness of St Mary’s University.

We have also made a strategic effort to promote the university through high profile alumni within the world of sport and the arts, and the use of (their) social media outlets to do this has been both highly beneficial, and cost effective.

We continue to promote St Mary’s staff to the media, and ensure that they contribute their scholarly activity in a manner that reflects the university and raises its profile. We have a world class cohort of staff and Visiting Professors, and using our own internal resource to promote them has been highly successful. We remain committed to positioning the university as a centre of excellence, and expertise, in a number of key areas, which gains positive exposure for St Mary’s.

### *International*

It has taken some time to break in to a crowded international market, but we are now seeing positive signs of success. Early indications include recruitment success in key markets such as China, India and the USA. International students are joining St Mary’s for study at both undergraduate and postgraduate levels, attracted by our range of programmes, our community environment, and our location. The recent league table improvements, and the launch of new programmes, should further enhance our attraction to international students. Throughout the year the international team have taken part in recruitment events in many countries, including Brazil, China, Malaysia and Norway. We are reviewing the success of these to ensure that we continue to focus on territories where we gain the best return on investment.

Going forward, we intend to support growth in student numbers with articulation and franchise agreements. We are working with a number of institutions to secure these, which will see more students arriving at St Mary’s to complete degrees using qualifications already gained overseas (articulations), or overseas institutions delivering St Mary’s University franchised degrees at their own campuses.

Our Study Abroad programmes, where international students study at St Mary’s for a single semester, is showing strong signs of growth, particularly from within North America, where recruitment is led by our Director of the Americas.

We feel reasonably confident that Brexit will not have a major negative impact on our recruitment of international students, providing the current fee structures for EU Students remain unchanged once Brexit negotiations have been finalised.

Of particular note has been the development of the St Mary’s University London International College (SMULIC), in partnership with an Australian partner, the Holmes Institute. Based at our Waldegrave Road site, SMULIC will provide foundation year training for overseas students who do not have the educational background to enter into the UK Higher Education system. Students will be recruited in partnership with the Holmes Institute using their global network of agents, and the first cohort is planned to join SMULIC in 2019.

### *Research and enterprise*

The Development Office has been successfully established, with over £600,000 in cash receipts for a variety of research, education and welfare projects, and over £1m in confirmed future pledges. The Office has also re-established a thriving alumni relations programme and is engaging on employability, mentoring and recruitment with former students for both their benefit and that of current students.

Over £1m of research and public engagement grant awards were made to the university to fund research over the coming four years. A new centre for Research into the Education of Marginalised Children and Young Adults was established and the Art of Dying Well project was brought to the university. The Post Graduate Research programme continued to expand and we have applied for Research Degree Awarding Powers.



## Strategic Report (continued): Year ended 31 July 2018

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### *Research and enterprise (continued)*

Enterprise and Innovation successfully brought four teams together: Conferences and Events, Short Courses, Enterprise and The Exchange, and the teams are working to diversify the University's sources of income. The teams generated just under £2.2 million through a range of activities including facilities hire, CPD and short courses, supporting research consultancy and other knowledge exchange activities.

The Careers Service and Centre for Workplace Learning have, through their work, continued to maintain very high levels of graduate employment at 93.3% whilst increasing significantly the proportion of students entering professional employment upon graduation to 76.9%. These departments have now been merged into Employability Services to provide a more integrated offering to students.

### **Key performance indicators**

In order to measure performance against the aims within Vision 2025, the University uses a range of key performance indicators (KPIs). The KPIs cover the key metrics that are used externally to assess the performance of the University. These KPIs are used widely across the University to drive decision making and to ensure that the University is making efficient use of resource.

The KPIs relating to student numbers and financial performance are discussed in the sections below. We have made significant progress against a number of our other KPIs, with year-on-year improvements in:

- Student satisfaction;
- graduate level employment; and
- good honours.

The 2018 National Student Survey results show considerable progress. In a year when the sector saw a fall in NSS scores, St Mary's has seen a significant improvement in satisfaction across all categories. Our overall satisfaction rate ranks us highest of all London-based Universities <sup>(1)</sup> and within the top 20 across the UK.

Our graduate level employment KPI has improved year-on-year and is at our target level, although challenges remain to improve the overall percentage of graduates in employment of any type, which has fallen slightly and currently lags our target measure.

The proportion of students gaining good honours in 2017/18 exceeded the target by 2 percentage points and is an increase on the previous year.

Progress against KPIs relating to student retention has been challenging and further work is underway to make the necessary improvements.

The entry standard KPI has remained stable year-on-year, and is quite close to our target. St Mary's maintained its tariff floor in 2017/18 notwithstanding the increase in competition for undergraduate students.

### **Student Numbers**

Total full time equivalent (FTE) undergraduate and postgraduate student numbers for the year ended 31 July 2018 were 4,620, below target and a decrease of 3% on the previous year (2017: 4,748 FTE).

The percentage of overseas students at the University has increased and is ahead of target. The proportion of postgraduate students at the University has risen and is now close to target.

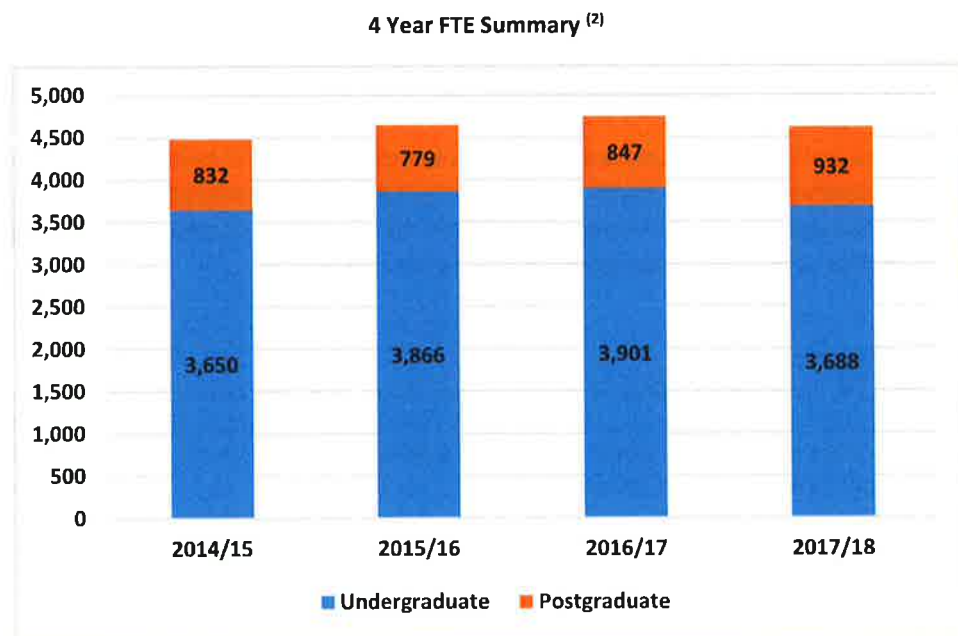
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<sup>(1)</sup> HE Providers with University-title



## Strategic Report (continued): Year ended 31 July 2018

### Student Numbers (continued)



### Financial performance in the year

A summary of the University's consolidated income, expenditure, outturn cash flow and liquidity for the year ended 31 July 2018 is provided below. All numbers are stated under the HE SORP.

	2018 £m	2017 £m
Income	52.5	52.3
Expenditure	58.5	56.9
EBITDA	(1.2)	(0.1)
(Deficit) before other gains and losses	(6.0)	(4.6)
Net operating cash (outflow)/inflow	(1.8)	1.7
Cash and short term investments	7.2	7.2
Cash Days	48	71

The University's consolidated deficit for the year before other gains and losses increased from (£4.6m) to a (£6.0m) loss on income of £52.5m (2017: £52.3m), a net margin of -11.4% (2017: -8.8%). EBITDA ("Earnings Before Interest, Tax, Depreciation and Amortisation") represented -2.3% of income (2017: -0.2%). EBITDA also acts as a proxy measure for cash and ensures that University finances are able to fund long term strategic decisions.

<sup>(2)</sup> Student FTE numbers are as reported in the 1 December 2017 HESA census



## Strategic Report (continued): Year ended 31 July 2018

### Financial performance in the year (continued)

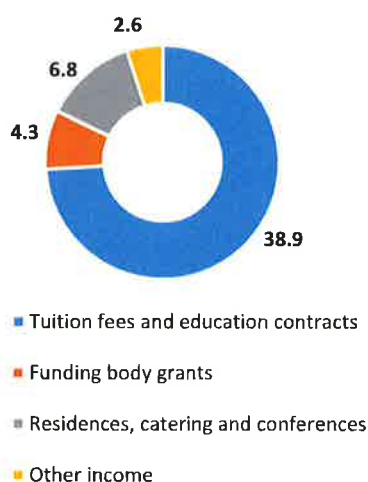
We have ramped up efforts to diversify income streams and increase the proportion of income from non-tuition fee sources. The proportion has remained stable and we continue to identify areas for further development.

A deficit for the year had been agreed but the result for the year was worse than the agreed budget, driven mainly by lower student numbers and the resulting lower tuition fees received, together with restructuring costs resulting from the University's change programme. The operating cash flow reflects the deficit for the year, adjusted for non-cash items such as depreciation and changes in provisions. The University's Cash Days' KPI has declined year-on-year to 48 days, but remains in excess of our target level.

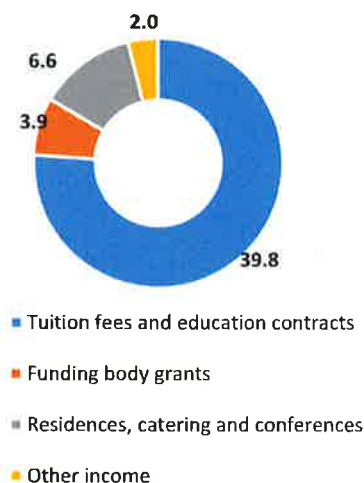
### Income

The 0.42% growth in income for the year to £52.5m was primarily as a result of growth in research and development income. As a teaching intensive University, 74% of our income is generated through tuition fees. Income from the Office for Students (OfS) (formerly HEFCE), was stable, as all our students are on the new funding regime. Other income sources include residences, catering and conferences.

Income summary 2017/18  
£52.5m



Income summary 2016/17  
£52.3m



### Operating Expenditure

Expenditure in the period, before interest payable, increased by 2.8% from £56.5m to £58.1m. This expenditure reflects restructuring costs incurred for the year of £1.6m to support the University's change programme.

Staff costs were £39.3m, some 74.8% of turnover (2017: £36.6m, 70%). The increase includes £1.6m of restructuring costs, in addition to annual incremental pay progression and pay award costs. Information on staff costs, is shown in Note 7 of the financial statements.

While our staff costs as a percentage of turnover are above the sector average, this partly reflects the fact that the university operates all services in-house, whereas other universities commonly outsource elements of estates, security and catering operations, which appear as non-staff costs in their financial statements.

Non-staff other operating expenses decreased by 8.4% from £15.8m to £14.5m, reflecting strong cost control and the university's change programme.

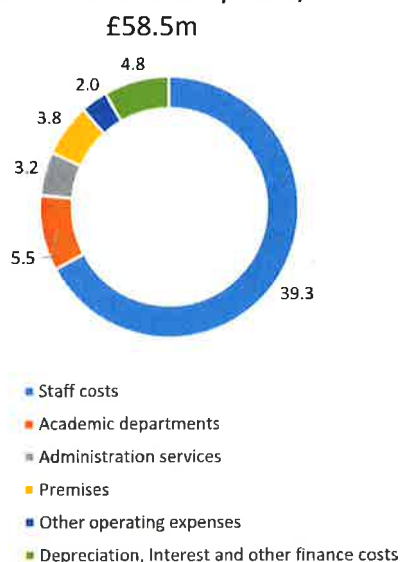


## Strategic Report (continued): Year ended 31 July 2018

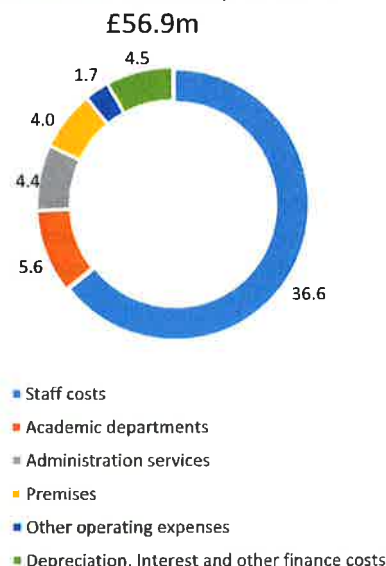
### Financial performance in the year (continued)

#### Operating Expenditure (continued)

Expenditure summary 2017/18



Expenditure summary 2016/17



#### Capital investment expenditure

Capital expenditure for the year was £2.2m (2017: £2.3m), and included infrastructure improvements for teaching and in residences; a new IT systems for HR and payroll, and timetabling systems; and a new website. This expenditure was funded from the University's cash reserves.

#### Cash flow, financing and balance sheet

During the year the University generated net cash outflow from operating activities of £1.8m (2017: £1.7m inflow), reflecting the financial loss after adjusting for non-cash items. Cash reserves from the prior year were used to service net interest payments of £0.14m (2017: £0.2m) and investing activities (net of capital grants received) £0.8m (2017: £1.9m) in capital expenditure, leaving a net cash outflow for the year of £3.0m (2017: £0.8m).

Total cash and cash equivalents decreased in the year to £7.2m (2017: £10.2m) with bank debt reducing by £0.3m to £2.7m and short term deposits decreasing by £6.8m to £0.5m. Due to the switch in funding from funding council grants to tuition fees, cash flow is now more variable than in the past, with cash peaking upon receipt of 50% of student fees due via the Student Loan Company in May. This cash peak has to fund operational cash flows thereafter with increments from tuition fee receipts in October and February, as it does for most higher education institutions. The University maintains an overdraft facility as a safeguard against volatile cash movements.

Total net assets reduced from £101.5m to £99.5m, as a result of the deficit for the year. Debtors have been well controlled during the year, and adequate provision made in the accounts for any potential non-collections. Creditors falling due within one year decreased from £7.7m to £6.5m, reflecting reduced expenditures in the second half of the year.



## Strategic Report (continued): Year ended 31 July 2018

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### Financial performance in the year (continued)

#### *Taxation*

The majority of the University's activities are not subject to corporation tax. The income generated from the core activities of the University, in relation to teaching and learning are exempt from corporation tax. Any profits made by the University's subsidiary company, Strawberry Hill Enterprises Limited, are paid to the University through the gift aid scheme, thereby maximising tax efficiencies available.

#### *Reserves and Investment Policy*

The University's reserves reduced during the year, as anticipated. The Board is aware of the economic and sector challenges facing the University and continues to be focused on the need for efficient management of resources and sound investment decision making to ensure continued financial sustainability.

The investment of funds is governed by the Treasury Management Policy. The Policy ensures that any surplus funds are deposited in holdings with a range of banks and through our appointed investment manager, Royal London Asset Management, the credit ratings of which are reviewed from time to time to ensure that the University's investments are secure.

#### *Pensions*

There was an actuarial gain on the defined benefit scheme of £4.2m (2017: loss £1.7m) arising from changes in actuarial assumptions. The University is currently making annual payments in order to reduce the deficit. The University does not contribute to the Universities Superannuation Scheme (USS).

### Future Prospects

#### *Changes in the external environment and St Mary's responses*

As outlined on page 11 there have been a number of changes in the external environment including the establishment of the Office for Students (OfS) and a move to a new regulatory environment and increasing competition as a consequence of a number of factors including the national demographic dip. St Mary's has responded to these challenges in a variety of ways. The University's change programme is intended to provide a stronger foundation from which to deliver an enhanced student experience and to focus the University's academic offering in areas of strength. A refreshed programme portfolio is being offered along with significant enhancements to the student experience including the creation of additional dedicated student learning space and a proactive series of activities aimed at improving student completion rates.

The importance of widening access to university for students from non-traditional backgrounds continues to be high on the agenda for universities and policymakers alike. Although significant progress in this area has been made, there continue to be a number of challenges for universities in securing access for students from disadvantaged backgrounds. In 2018/19, the Office For Fair Access (OFFA) became part of the OfS, bringing this firmly into focus for the new regulator. Whilst St Mary's performs reasonably well on measures of participation there is a need to address some of the challenges identified by the OfS in order to maximise student opportunity. Increasing emphasis is being placed not just on ensuring that students from disadvantaged groups are able to go to university but also ensuring that these students are able to achieve their full potential. The University's Access and Participation Plan sets out a series of ambitious targets in relation to this. The recently introduced suite of programmes with a Foundation Year provide an alternative route into HE for students and the success of this indicates that there is a demand for this type of provision. Over the coming year we will explore other alternative methods of delivery that will ensure that St Mary's is open to as many students as possible.

The University has planned a series of investments starting in the coming year to support the activities outlined in this report. Technology investments include a new Student Record Systems which will improve our ability to collect and access key data and a Personal Tutor Dashboard which will give our staff and students access to real-time information intended to maximise outcomes for students.



## Strategic Report (continued): Year ended 31 July 2018

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### *Changes in the external environment and St Mary's responses (continued)*

Other initiatives include the recent partnership with the Holmes Institute, which will see us establishing the St Mary's University London International College (SMULIC) during 2018/19, and the introduction of a University-wide Curriculum Framework.

We believe that we are well placed to respond to the challenges that are presented by the external operating environment but must not be complacent.

### *Future financial forecasts*

The budget agreed for the next financial year ended 31 July 2019 is expected to result in a significantly smaller net deficit. The academic restructuring carried out last year has resulted in a more efficient organisational structure, and next year's budget should result in a meaningful surplus in terms of underlying Earnings before Interest, Taxation, Depreciation and Amortisation ('EBITDA'). The University's financial forecasts for the next few years continue to reflect the necessary investment in staff and services to progress our strategic aims, as outlined above, and we plan significant investments in areas such as the student record system and personal tutor dashboards, all designed to improve the student experience and the quality of educational outcomes.

One of the University's strategic aims is to increase our student numbers. However, the undergraduate student market remains extremely competitive, with an increasing number of students making decisions through the 'Confirmation and Clearing' periods in August. Nearly all Universities are now more active through this period, and we, like many others are experiencing an increasing trend of students 'trading up' to higher ranked universities. Buoyed by our league table improvements and very successful student satisfaction scores in the recent National Student Survey, our experience of this year's Clearing period has been encouraging, and early indications suggest that student numbers for the 2018/19 should be relatively close to our targets. We believe that there is significant growth potential from Foundation Year programmes, from the forthcoming opening of St Mary's University International College (SMULIC), and from our investment in the recruitment of international students. The University has also undertaken a portfolio review which has resulted in the introduction of a number of new programmes and the refresh of many existing programmes. It is anticipated that this will broaden our appeal to potential new students. Nevertheless, at this point our baseline student number forecasts are cautious and do not rely on any material growth in student numbers before the 2020/21 academic year.

Over the next few years, we expect our other income sources to grow in enterprise and development. Overall management of our costs will continue to be crucial in future years, and we will maintain a strengthened decision-making processes for staffing resources. We will also maintain a focus on procurement to drive value for money improvements in our non-staff expenditure base.

The anticipated result of the above is a steadily improving financial trajectory over the next few years, returning to a net surplus, enhanced cash generation, and progressing towards a steady-state with EBITDA of at least 10% of income, and a greater capacity for investment funded from operating cashflow.

### *Financing, treasury and liquidity*

In order to continue to be attractive to students and staff, we recognise the need to continue to invest in our infrastructure, both physical and in our key information and data systems. Our medium term growth plans will require additional capacity in teaching and student accommodation facilities. The University currently has relatively low levels of external borrowings, and our future plans will need to be partly funded through additional external financing.

Liquidity is one of our financial KPIs, and we have set a minimum cash level, as expressed in days of expenditure, to ensure a balanced approach to working capital, cash reserves and cash investment decision making and also to maintain an overdraft capacity to manage the cyclical nature of the university's operating cycle.



## Strategic Report (continued): Year ended 31 July 2018

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### Risk Management and Principal Risks and Uncertainties

#### *The Risk Management Process*

The Risk Management Process, based on the HEFCE Good Practice guidance, is overseen by the Audit Committee and includes a Risk Management Policy and a detailed Risk Register. Further information on the Risk Register can be found in the Statement of Internal Control.

#### *Principal Risks & Uncertainties*

The University's Strategic Risk Register was revised to reflect the aims and objectives set out in Vision 2025. Leading risks (based on the level of residual risk after mitigating actions and controls) are considered to be student recruitment, retention and financial sustainability.

The increasing level of competition across the sector along with the current demographic dip, Brexit and the increasing challenges in overseas recruitment to the UK create a relatively high level of risk around student recruitment. The University has diversified its course portfolio and is actively broadening its recruitment markets in an effort to mitigate this risk. It is anticipated that the recent Teaching Excellence Framework result and rises in the League Tables will bolster recruitment efforts.

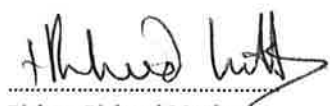
Student retention continues to be a challenge, as it is for many Universities particularly in London. The University has put in place a number of measures to ensure that students are fully supported in achieving their potential thus increasing the likelihood that they will complete their studies.

Changes to government policy continue to create an element of uncertainty for the University, particularly in relation to initial teacher education and the review of student funding. The University engages with sector bodies and representative organisations to ensure that it is able to be proactive. Diversification of activities allows the University to manage this risk more effectively and to support the University's financial plans.

### Going Concern

We have set out in this Strategic Report a review of financial performance and our general reserves position. It is our opinion that we have adequate financial resources and are able to manage our business risks. Our planning process, including financial projections, has taken into consideration the current economic climate and its potential impact on the various sources of income and planned expenditure. We have a reasonable expectation that we have adequate resources to continue in operational existence for the foreseeable future. We believe that there are no material uncertainties that call into doubt our ability to continue in operation. Accordingly, our accounts have been prepared on the basis that St Mary's is a going concern.

Signed on behalf of the Board of Governors on the 22nd November, 2018.



**Bishop Richard Moth**  
Governor (Chairman)



**Professor Francis Campbell**  
Governor (Vice-Chancellor)



## **Statement of Responsibility of the Board of Governors of St Mary's University: Year ended 31 July 2018**

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The members of the Board, who are also the directors of the University for the purposes of company law are responsible for preparing the strategic report, the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the members of the Board to prepare financial statements for each financial year. Under that law the members of the Board have elected to prepare the group and University financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the members of the Board must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the University and of the surplus of income over expenditure of the group and University for that period.

In preparing these financial statements, the members of the Board are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the University will continue in operation.

The members of the Board are also required to give a report in the financial statements which includes the legal and administrative status of the University. The members of the Board are responsible for keeping adequate accounting records that are sufficient to show and explain the University's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006, its Articles of Association, the Accounts Direction as issued by the Office for Students (OfS) and the Statement of Recommended Practice: Accounting for Further and Higher Education. They are also responsible for safeguarding the assets of the University and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Members of the Board are responsible for ensuring that the funds from HEFCE/OfS and the National College for Teaching and Leadership (NCTL) and the Department for Education are used only in accordance with the Terms and Conditions of Funding with the OfS and any other conditions that the Funding Council/Regulator may prescribe from time to time. Members of the Board must ensure there are appropriate financial and management controls in place in order to safeguard public and other funds and to ensure they are used properly. In addition, members of the Board are responsible for securing economical, efficient and effective management of the University's resources and expenditure, so that the benefits that should be derived from the application of public funds by the Regulator are not put at risk.

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



# **Independent Auditors Report to the Members of St Mary's University: Year ended 31 July 2018**

## **Opinion**

We have audited the financial statements of St Mary's University, Twickenham ("the University") and its subsidiary (the 'Group') for the year ended 31 July 2018 which comprise the Consolidated and University Statement of Comprehensive Income, the Consolidated and University Statement of Changes in Reserves, the Consolidated and University Balance Sheet, the Consolidated Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and of the University's affairs as at 31 July 2018 and of the Group's and the University's income and expenditure, gains and losses, changes in reserves and of the group's cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006 and the Statement of Recommended Practice: Accounting for Further and Higher Education.

## **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) "ISAs (UK)" and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the University in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the board of governors use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the board of governors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the University's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

## **Other information**

The other information comprises the information included in the annual report and financial statements, other than the financial statements and our auditor's report thereon. The board of governors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, including the Directors' Report, the Statement of Governance and Internal Control, the Strategic Report and the Statement of Responsibility of the Board of Governors and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.



# **Independent Auditors Report to the Members of St Mary's University: Year ended 31 July 2018**

## **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report has been prepared in accordance with applicable legal requirements.

## **Opinion on other matters required by the Office for Students (OfS) Audit Code of Practice**

In our opinion, in all material respects:

- Funds from whatever source administered by the University for specific purposes have been properly applied to those purposes and, if relevant, managed in accordance with relevant legislation;
- Funds provided by OfS have been applied in accordance with the Memorandum of Assurance and Accountability and any other terms and conditions attached to them; and
- The requirements of the OfS's Accounts Direction have been met.

## **Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the Group and the University and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of board members' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or

## **Responsibilities of the board of governors**

As explained more fully in the Statement of Responsibilities of the Board of Governors set out on page 22, the board of governors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the board of governors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the board of governors are responsible for assessing the Group and the University's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the board of governors either intend to liquidate the Group or the University or to cease operations, or have no realistic alternative but to do so.

## **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.



## **Independent Auditors Report to the Members of St Mary's University: Year ended 31 July 2018**

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### **Auditor's responsibilities for the audit of the financial statements (continued)**

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

### **Use of our report**

This report is made solely to the members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the University's board of governors those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the University and the board of governors as a body, for our audit work, for this report, or for the opinions we have formed.

*BDO LLP*

### **Paula Willock (Senior Statutory Auditor)**

For and on behalf of BDO LLP, Statutory Auditor  
Gatwick  
United Kingdom

Date: *26 November 2018*

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



## Consolidated and University Statement of Comprehensive Income: Year ended 31 July 2018

		Consolidated		University	
	Notes	2018 £'000	2017 £'000	2018 £'000	2017 £'000
<b>Income</b>					
Funding body grants	1	4,313	3,934	4,313	3,934
Tuition fees and education contracts	2	38,270	39,464	38,270	39,464
Research grants and contracts	3	461	315	461	315
Other income	4	8,965	8,493	8,252	7,890
Investment income	5	4	35	4	35
Donations	6	532	87	532	87
<b>Total Income</b>		<b>52,545</b>	<b>52,328</b>	<b>51,832</b>	<b>51,725</b>
<b>Expenditure</b>					
Staff costs	7	37,654	36,628	37,322	36,387
Restructuring costs	7	1,641	-	1,641	-
Other operating expenses	8	14,472	15,793	14,126	15,469
Depreciation	10	4,293	4,084	4,257	4,048
Interest and other finance costs	9	465	418	465	418
<b>Total Expenditure</b>		<b>58,525</b>	<b>56,923</b>	<b>57,811</b>	<b>56,322</b>
<b>Deficit before other gains/(losses)</b>		<b>(5,980)</b>	<b>(4,595)</b>	<b>(5,979)</b>	<b>(4,597)</b>
Loss on disposal of fixed assets	10	(313)	-	(313)	-
<b>Deficit before tax</b>		<b>(6,293)</b>	<b>(4,595)</b>	<b>(6,292)</b>	<b>(4,597)</b>
Taxation		-	-	-	-
<b>Deficit for the year</b>		<b>(6,293)</b>	<b>(4,595)</b>	<b>(6,292)</b>	<b>(4,597)</b>
Actuarial gain/(loss) in respect of pension schemes	18	4,245	(1,653)	4,245	(1,653)
<b>Total comprehensive expenditure for the year</b>		<b>(2,048)</b>	<b>(6,248)</b>	<b>(2,047)</b>	<b>(6,250)</b>
<b>Represented by:</b>					
Restricted comprehensive income		116	67	117	67
Unrestricted comprehensive expenditure		(351)	(4,502)	(357)	(4,511)
Revaluation reserve comprehensive expenditure		(1,813)	(1,813)	(1,807)	(1,806)
		<b>(2,048)</b>	<b>(6,248)</b>	<b>(2,047)</b>	<b>(6,250)</b>

All activities are continuing.

The Statement of Accounting Policies and notes on page 30 to 50 form part of these financial statements.



**Consolidated and University Statement of Changes in Reserves:**  
**Year ended 31 July 2018**  
 Company Registration Number 05977277

	Notes	Income and expenditure account - Restricted	Income and expenditure account - Unrestricted	Revaluation Reserve	Total
Consolidated		£'000	£'000	£'000	£'000
<b>Balance at 1 August 2016</b>		-	30,016	77,741	<b>107,757</b>
Surplus/(Deficit) from the statement of comprehensive income		67	(4,662)	-	<b>(4,595)</b>
Actuarial loss in respect of pension schemes	18	-	(1,653)	-	<b>(1,653)</b>
Transfers between revaluation and income and expenditure reserve		-	1,813	(1,813)	-
		67	(4,502)	(1,813)	<b>(6,248)</b>
<b>Balance at 1 August 2017</b>		67	25,514	75,928	<b>101,509</b>
Surplus/(Deficit) from the statement of comprehensive income		469	(6,762)	-	<b>(6,293)</b>
Actuarial gain in respect of pension schemes	18	-	4,245	-	<b>4,245</b>
Release of restricted funds spent in year		(353)	353	-	-
Transfers between revaluation and income and expenditure reserve		-	1,813	(1,813)	-
<b>Total comprehensive income/(expenditure) for the year</b>		116	(351)	(1,813)	<b>(2,048)</b>
<b>Balance at 31 July 2018</b>		183	25,163	74,115	<b>99,461</b>
<b>University</b>					
<b>Balance at 1 August 2016</b>		-	29,573	77,567	<b>107,140</b>
Surplus/(Deficit) from the statement of comprehensive income		67	(4,664)	-	<b>(4,597)</b>
Actuarial loss in respect of pension schemes	18	-	(1,653)	-	<b>(1,653)</b>
Transfers between revaluation and income and expenditure reserve		-	1,807	(1,807)	-
		67	(4,510)	(1,807)	<b>(6,250)</b>
<b>Balance at 1 August 2017</b>		67	25,063	75,760	<b>100,890</b>
Surplus/(Deficit) from the statement of comprehensive income		469	(6,761)	-	<b>(6,292)</b>
Actuarial gain in respect of pension schemes	18	-	4,245	-	<b>4,245</b>
Release of restricted funds spent in year		(352)	352	-	-
Transfers between revaluation and income and expenditure reserve		-	1,807	(1,807)	-
<b>Total comprehensive income/(expenditure) for the year</b>		117	(357)	(1,807)	<b>(2,047)</b>
<b>Balance at 31 July 2018</b>		184	24,706	73,953	<b>98,843</b>

The Statement of Accounting Policies and notes on page 30 to 50 form part of these financial statements.



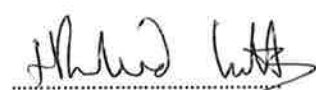
## Consolidated and University Balance Sheet: Year ended 31 July 2018

Company Registration Number 05977277

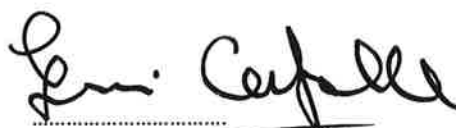
		Consolidated		University	
	Notes	2018 £'000	2017 £'000	2018 £'000	2017 £'000
<b>Non-current assets</b>					
Fixed Assets	10	115,981	118,830	115,355	118,168
Heritage Assets	10	455	455	455	455
		116,436	119,285	115,810	118,623
<b>Current assets</b>					
Stock		58	52	34	24
Trade and other receivables	13	2,049	1,188	2,381	1,562
Cash and cash equivalents		7,169	10,216	6,796	9,851
		9,276	11,456	9,211	11,437
Less creditors: amounts falling due within one year	14	(6,545)	(7,734)	(6,472)	(7,672)
<b>Net current assets</b>		2,731	3,722	2,739	3,765
<b>Total assets less current liabilities</b>					
		119,167	123,007	118,549	122,388
Creditors: amounts falling due after more than one year	14	(8,371)	(8,446)	(8,371)	(8,446)
<b>Provisions and liabilities</b>					
Pension Provision	18	(9,214)	(12,536)	(9,214)	(12,536)
Other Provisions	15	(2,121)	(516)	(2,121)	(516)
		(11,335)	(13,052)	(11,335)	(13,052)
<b>Total net assets</b>		99,461	101,509	98,843	100,890
<b>Restricted reserves</b>					
Income and expenditure account		183	67	184	67
Restricted Reserve					
<b>Unrestricted reserves</b>					
Income and expenditure account reserve		25,163	25,514	24,706	25,063
Revaluation reserves		74,115	75,928	73,953	75,760
<b>Total Reserves</b>		99,461	101,509	98,843	100,890

The Statement of Accounting Policies and notes on pages 30 to 50 form part of these financial statements.

The financial statements were approved and authorised for issue by the Board of Governors on 22 November 2018 and were signed on its behalf by:



**Bishop Richard Moth**  
Governor (Chairman)



**Professor Francis Campbell**  
Governor (Vice-Chancellor)



## Consolidated Statement of Cash Flows: Year ended 31 July 2018

	Notes	Consolidated	
		2018 £'000	2017 £'000
<b>Cash flow from operating activities</b>			
Deficit for the year		(6,293)	(4,595)
<b>Adjustment for non-cash items</b>			
Depreciation		4,293	4,084
Increase in stock		(6)	(8)
(Increase)/Decrease in debtors		(861)	138
(Decrease)/ Increase in creditors		(1,145)	2,566
Increase/(Decrease) in provisions		1,605	(719)
Pension costs less contributions payable		923	460
Capital grants released to income		(493)	(372)
<b>Adjustment for investing or financing activities</b>			
Interest payable		139	160
Interest receivable		(4)	(35)
<b>Net cash (outflow)/inflow from operating activities</b>		<b>(1,842)</b>	<b>1,679</b>
<b>Cash flows from investing activities</b>			
Payments made to acquire fixed assets		(1,757)	(2,273)
Loss on disposal of fixed Assets		313	
Government capital grants received		649	372
Interest income		4	35
		<b>(791)</b>	<b>(1,866)</b>
<b>Cash flows from financing activities</b>			
Interest paid		(139)	(160)
Repayments of amounts borrowed		(275)	(418)
		<b>(414)</b>	<b>(578)</b>
<b>Decrease in cash and cash equivalents in the year</b>		<b>(3,047)</b>	<b>(765)</b>
Cash and cash equivalents at beginning of the year		10,216	10,981
Cash and cash equivalents at end of the year	<b>19</b>	<b>7,169</b>	<b>10,216</b>

The Statement of Accounting Policies and notes on page 30 to 50 form part of these financial statements.



## Statement of Accounting Policies: Year ended 31 July 2018

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### Legal Structure

St Mary's University, Twickenham is a company limited by guarantee and registered in England and Wales under number 05977277. Copies of financial statements are available at its registered office Waldegrave Road, Strawberry Hill, Twickenham, TW1 4SX.

#### A. Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education (2015) and in accordance with FRS 102.

St Mary's University, Twickenham is a public benefit entity and therefore has applied the relevant public benefit requirement of the applicable accounting standards.

#### B. Parent company disclosure exemptions

In preparing the separate financial statements of the parent company, advantage has been taken of the following disclosure exemptions available in FRS 102:

- No cash flow statement has been presented for the parent company;
- No disclosure has been given for the aggregate remuneration of the key management personnel of the parent company as their remuneration is included in the totals for the group as a whole.

#### C. Basis of consolidation

The consolidated financial statements include St Mary's University, Twickenham (St Mary's) and its subsidiary (the "Group") for the financial year ended 31 July 2018.

In the University's financial statements, the investment in the subsidiary is accounted for at cost less impairment.

The consolidated financial statements do not include the income and expenditure of the Students' Union as the University does not exert control or dominant influence over policy decisions.

#### D. Income recognition

Fee income is stated gross of any expenditure which is not a discount and credited to the Statement of Comprehensive Income over the period in which students are studying. Where the amount of the tuition fee is reduced, by a discount for prompt payment, income receivable is shown net of the discount. Bursaries and scholarships are accounted for gross as expenditure and not deducted from income.

Government grants including funding council block grants and Government research grants are recognised within the Statement of Comprehensive Income over the periods in which the Group recognises the related costs for which the grant is intended to compensate. Where part of a Government grant is deferred it is recognised as deferred income within creditors and allocated between creditors due within one year and due after more than one year as appropriate.

Capital grants relating to expenditure on tangible fixed assets are recognised in income over the expected useful life of the asset.

Grants and donations from non-government sources, including research grants from non-government sources, are recognised within the Statement of Comprehensive Income when the Group is entitled to the income and performance related conditions have been met. Income received in advance of performance related conditions being met is deferred on the Balance Sheet and released to the Statement of Comprehensive Income in line with such conditions being met.



## Statement of Accounting Policies (continued): Year ended 31 July 2018

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### D. Income recognition (continued)

Investment Income is derived from deposits held in short term money market products managed on behalf of the University by an external fund manager, Royal London Asset Management Limited and is recorded as income in the period in which it arises.

Donations with no restrictions are recorded within the Statement of Comprehensive Income when the Group is entitled to the income.

Donations and endowments with restrictions are classified as restricted reserves with additional disclosure provided within the notes to the accounts.

### E. Accounting for retirement benefits

The three principal pension schemes for the Group's staff are the Teachers' Pension Scheme (TPS), the Wandsworth Council Pension Fund, and the Friends Life Scheme.

- TPS is a multi-employer scheme for which it is not possible to identify the assets and liabilities attributable to the Group due to the mutual nature of the scheme. The scheme is underwritten by Central Government and the Group has no further obligation to make contributions to the scheme. Therefore this scheme is accounted for as a defined contribution retirement benefit scheme.
- Wandsworth Council Pension Fund is a defined benefit scheme with funds held in separate trustee administered funds. The scheme is valued every year by professionally qualified independent actuaries.
- The Friends Life Scheme is a defined contribution scheme.

Contributions to the Group's defined contribution pension schemes are recognised as an expense in the Statement of Comprehensive Income in the periods during which services are rendered by employees. The Group has recognised a liability for its obligations under the Wandsworth Council Pension Fund, net of plan assets. The net defined benefit liability is measured as the difference between the fair value of the assets held in the Group's defined benefit pension scheme and the scheme's liabilities measured on an actuarial basis using the projected unit method and is recognised on the Group's Balance Sheet as a pension asset or liability as appropriate. The carrying value of any resulting pension scheme asset is restricted to the extent that the Group is able to recover the surplus either through reduced contributions in the future or through refunds from the scheme.

### F. Employment benefits

Short term employment benefits such as salaries and compensated absences are recognised as an expense in the year in which the employees render service to the Group. Any unused benefits are accrued and measured as the additional amount the Group expects to pay as a result of the unused entitlement.

### G. Operating leases

Costs in respect of operating leases are charged on a straight-line basis over the lease term. Any lease premiums or incentives are spread over the minimum lease term.



## Statement of Accounting Policies (continued): Year ended 31 July 2018

### H. Foreign currency

Items included in the financial statements of the University and its subsidiary are measured using the currency of the primary economic environment in which the entity operates being the 'functional currency'. The consolidated financial statements are presented in 'sterling', which is the functional and presentation currency of the University and its subsidiary.

Transactions in foreign currencies are translated to the respective functional currencies at the foreign exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate at that date. Foreign exchange differences arising on translation are recognised in the Statement of Comprehensive Income. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined.

### I. Tangible fixed assets

Tangible fixed assets are stated at historical cost, or deemed cost, less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Group took advantage of the option afforded under FRS 102 and elected to measure land, buildings and site infrastructure at deemed cost, being the fair value at the date of transition to FRS 102.

The costs in relation to fixed assets after initial purchase or construction are capitalised to the extent that they provide incremental future benefits to the Group. The carrying amount of a replaced part is derecognised. Repairs and maintenance are charged to income during the period in which they are incurred.

The Group does not capitalise fixed assets with an initial cost of under £1,000 as these are not considered material.

### J. Depreciation

Freehold land is not depreciated as it is considered to have an indefinite useful life. Depreciation on other assets is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method. The estimated useful lives range as follows:

Freehold buildings	50 years
Site infrastructure	10 years
Furniture, fittings, equipment and vehicles	5 years
Computers	4 years

Where parts of a fixed asset have different useful lives, they are depreciated as separate components. Freehold buildings have been split into: sub-structure, roof, other structure, fit-out and fittings, mechanical, electrical and heaters/boilers.

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Comprehensive Income.

No depreciation is charged on assets in the course of construction.



## Statement of Accounting Policies (continued): Year ended 31 July 2018

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### **K. Heritage assets**

Heritage assets are initially recognised at cost, and subsequently stated at their revalued amount. Revaluations are performed with sufficient regularity to ensure that the carrying amount does not differ materially from fair value. Revaluation gains or losses are taken to the revaluation reserve.

Heritage assets are not depreciated as their long economic life and high residual value mean that any depreciation would not be material.

### **L. Impairment of assets**

Assets that are subject to depreciation or amortisation are assessed at each reporting date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit, CGU, to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets that have been previously impaired are reviewed at each reporting date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

### **M. Investments**

Current asset investments are held at fair value with movements recognised in the Statement of Comprehensive Income. Non-current asset investments are held at amortised cost less impairment.

### **N. Borrowing costs**

Borrowing costs are recognised as an expense in the Statement of Comprehensive Income in the period to which they relate.

### **O. Stock**

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is measured using the weighted average cost formula.

### **P. Financial liabilities and equity**

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form.

### **Q. Cash and cash equivalents**

Cash and cash equivalents in the balance sheet comprise cash at banks and in hand, short term deposits which have a maturing date of less than three months and overdrafts.

### **R. Debt instruments**

Debt instruments which are basic financial instruments are initially recorded at transaction price. Subsequently, they are measured at amortised cost using the effective interest method. Debt instruments that are receivable within one year are not discounted.

### **S. Short-term debtors and creditors**

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the Statement of Comprehensive Income.

Debtors on payment plans which are not expected to be received within one year and which are financed at a rate of interest that is not a market rate are considered to be financing transactions. These are measured at the present value of the future payments discounted at a market rate of interest for a similar arrangement.



## Statement of Accounting Policies (continued): Year ended 31 July 2018

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### **T. Provisions, contingent liabilities and contingent assets**

Provisions are recognised in the financial statements when:

- the Group has a present obligation (legal or constructive) as a result of a past event;
- it is probable that an outflow of economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

A contingent liability arises from a past event that gives the Group a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Group. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

A contingent asset arises where an event has taken place that gives the Group a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Group.

Contingent assets and liabilities are not recognised in the Balance Sheet but are disclosed in the notes.

### **U. Taxation**

The University is considered to satisfy the tests set out in Paragraph 1 Schedule 6 of the Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes.

Accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 of the Corporation Tax Act 2011 or Section 256 of the Taxation Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes. Subsidiary companies are liable to corporation tax.

The University is partially exempt in respect of Value Added Tax (VAT), so that it can only recover a minor element of VAT charged on its inputs. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature.

### **V. Reserves**

Reserves are allocated between unrestricted and, if applicable, restricted reserves whereby the donor has designated a specific purpose and therefore the University is restricted in its use of these funds.

### **W. Agency Arrangements**

The Group acts as an agent when collecting funds on behalf of students, for instance funds collected for scholarships or support funding. Funds collected on behalf of students are not recognised in the Statement of Income but are recognised on the Balance Sheet. The Group retains and recognises in revenue a commission for administering scholarship funding to students. Funds on behalf of students are shown in note 23.

### **X. Judgements in applying accounting policies and key sources of estimation uncertainty**

In preparing these financial statements, the directors have made the following judgements:

- Determine whether leases entered into by the Group either as a lessor or a lessee are operating or lease or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- Determine whether there are indicators of impairment of the Group's assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset



## Statement of Accounting Policies (continued): Year ended 31 July 2018

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### X. Judgements in applying accounting policies and key sources of estimation uncertainty (continued)

In preparing these financial statements, the directors have identified the following sources of estimation uncertainty:

- Tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as product life cycles and maintenance programmes are taken into account.
- Land and Buildings have undergone a one-time revaluation to fair value as at 31 July 2014 as permitted by FRS 102 upon transition. The land and buildings were professionally valued using either a depreciated replacement cost methodology or a yield methodology, depending on the nature of the building. Depreciated replacement cost methodology uses industry standard costing rates to arrive at a preliminary replacement value which is then decreased by assessed depreciation. Yield methodology uses market rental values capitalised at a market capitalisation rate. In both methodologies there is an inevitable degree of judgement involved in establishing these inputs and in that each property is unique. Further details are given in note 10.
- The critical underlying assumptions in relation to the estimate of the pension defined benefit scheme obligation such as standard rates of inflation, mortality, discount rate and anticipated future salary increases. Variations in these assumptions have the ability to significantly influence the value of the liability recorded and annual defined benefit expense. Further details are given in note 18.
- The main assumptions underlying the provision for pension enhancement for staff who have undertaken early retirement under a reorganisation programme in 1988/89 are the discount and the inflation rate. These are based on FTSE Actuaries UK Gilts Indices. Further details are given in note 15.
- Strawberry Hill Trust liability. The University has an obligation to make annual payments to Strawberry Hill Trust for the ongoing maintenance of Strawberry Hill House until 31 July 2025. The future payments are discounted at a rate of 5.0% (2017: 5.0%), based on the interest rate of University's Santander loan which is approximated as the average cost of capital of the University. This obligation will vary should Strawberry Hill Trust receive funding exceeding £80k per annum or should the University's weighted average cost of capital change. Further details are given in note 15.
- Heritage assets - works of art and other valuable artefacts are initially recognised at cost, and subsequently stated at their revalued amount. Revaluations are performed with sufficient regularity to ensure that the carrying amount does not differ materially from fair value. Heritage assets are not depreciated as their long economic life and high residual value mean that any depreciation would not be material.

### Y. Restatement of Income comparatives

A new line item for Donations Income has now been introduced given the growth in the value of donations received. This, together with other refinements of the classifications of income to better align with Accounting policies D, has led us to restate the comparative income classifications covered by notes 2,3,4 and 6 and the creation of a restricted reserve. There is no overall impact on total income or the deficit for the year.



## Notes to the Financial Statements: Year ended 31 July 2018

### 1 Funding body grants

	Consolidated		University	
	2018 £000	2017 £000	2018 £000	2017 £000
<b>Recurrent Grant</b>				
Office for Students (OfS)/HEFCE	2,731	2,790	2,731	2,790
<b>Specific Grants</b>				
Special initiatives - OfS/HEFCE	893	640	893	640
Other Grants	196	132	196	132
<b>Deferred capital grants released in year</b>				
Buildings	493	372	493	372
	<b>4,313</b>	<b>3,934</b>	<b>4,313</b>	<b>3,934</b>

### 2 Tuition fees and education contracts

	Consolidated		University	
	2018 £000	2017 £000	2018 £000	2017 £000
Full time home and EU students	33,969	34,820	33,969	34,820
Full time international students	1,525	1,663	1,525	1,663
Part time students	2,377	2,632	2,377	2,632
Short courses	399	349	399	349
	<b>38,270</b>	<b>39,464</b>	<b>38,270</b>	<b>39,464</b>

### 3 Research grants and contracts

	Consolidated		University	
	2018 £000	2017 £000	2018 £000	2017 £000
Research councils and charities	461	315	461	315
	<b>461</b>	<b>315</b>	<b>461</b>	<b>315</b>

### 4 Other income

	Consolidated		University	
	2018 £000	2017 £000	2018 £000	2017 £000
Residences, catering and conferences	6,774	6,630	5,965	5,832
Other services rendered	66	51	66	51
Other income	2,125	1,812	2,221	2,007
	<b>8,965</b>	<b>8,493</b>	<b>8,252</b>	<b>7,890</b>



## Notes to the Financial Statements (continued): Year ended 31 July 2018

### 5 Investment income

	Consolidated		University	
	2018 £000	2017 £000	2018 £000	2017 £000
Bank interest	4	35	4	35
	<b>4</b>	<b>35</b>	<b>4</b>	<b>35</b>

### 6 Donations

	Consolidated		University	
	2018 £000	2017 £000	2018 £000	2017 £000
Donations with restrictions	469	67	469	67
Unrestricted donations	63	20	63	20
	<b>532</b>	<b>87</b>	<b>532</b>	<b>87</b>

### 7 Staff

(a) Staff costs	Consolidated		University	
	2018 £000	2017 £000	2018 £000	2017 £000
Salaries	31,167	30,295	30,865	30,080
Social security costs	2,976	2,748	2,957	2,730
Other pension costs	3,511	3,585	3,500	3,577
	<b>37,654</b>	<b>36,628</b>	<b>37,322</b>	<b>36,387</b>
Redundancy and severance costs	1,641	-	1,641	-
	<b>39,295</b>	<b>36,628</b>	<b>38,963</b>	<b>36,387</b>

Included in other pension costs are £973,000 (2017: £988,000) in respect of the defined benefit schemes and £2,492,000 (2017: £2,558,000) in respect of the defined contribution schemes.

(b) Emoluments of the Vice-Chancellor:	Consolidated	
	2018 £000	2017 £000
Basic Salary	150	150
Other taxable benefits	2	1
	<b>152</b>	<b>151</b>



## Notes to the Financial Statements (continued): Year ended 31 July 2018

### 7 Staff (continued)

#### (b) Emoluments of the Vice-Chancellor (continued):

Employers National Insurance in respect of the Vice Chancellor amounts to £20k (2017: £19k).

The Vice-Chancellor received pension contributions of £25k (2017: £25k).

The Vice-Chancellor's basic salary is a multiple of 5.1 times the University's median staff pay, and his remuneration is a multiple of 5.4 times median staff total remuneration.

Remuneration for Senior Leadership roles within the University, including that of the Vice-Chancellor, is determined by the Remuneration Committee. This Committee is led by the Vice Chair to the Board of Governors; the Vice Chancellor is not a member of the Committee. To assist the Committee with their decision making the Committee take into account guidance from the Committee of University Chairs, analysis of senior leadership pay within the University and external benchmarking including the UCEA Senior Staff Remuneration Survey.

St Mary's Vice-Chancellor salary as a multiple of median staff pay for 2017/18 was 5.1 compared with a sector average in 2016/17 of 6.8. In addition the current remuneration of the St Mary's Vice-Chancellor is between 14% and 27% lower than average Vice Chancellor pay in relevant benchmarking groups from the UCEA senior remuneration survey data. This is in large part due to the current Vice-Chancellor declining successive pay increases offered by the Committee.

(c) Basic Salary of other higher paid staff excluding employers national insurance and pension contributions:	Consolidated	
	2018 Number	2017 Number
£100,000 - £104,999	-	1
£105,000 - £109,999	-	1
£110,000 - £114,999	3	-
£115,000 - £119,999	1	-
£130,000 - £134,999	1	1
£135,000 - £139,999	1	-
	6	3

#### (d) Key management personnel:

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the University and Group. Staff costs includes compensation paid to key management personnel. Key management personnel are considered to be the University's senior officers. The senior officers are set out on page 1.

Key management personnel were paid total compensation for the year ended 31 July 2018 £1,091,000 (2017: £1,207,000).

#### (e) Emoluments of the Governors:

The total emoluments of all Governors in the year amounted to £289,000 (2017: £279,000) which includes pension contributions of £36,000 (2017: £46,000). These emoluments are in respect of the Vice-Chancellor and staff Governors in their capacity as members of staff. No other Governors received remuneration. One Governor is accruing retirement benefits under a defined benefit scheme. The employer pension contributions to this scheme amounted to £25,000 (2017: £25,000). No other payments made or benefits transferred to Governors with respect to long term incentive schemes. Travel expenses reimbursed to two Governors during the year amounted to £35 (2017: £2,760).



## Notes to the Financial Statements (continued): Year ended 31 July 2018

### 7 Staff (continued)

(f) Average weekly number of persons (including senior post-holders) employed by the University during the year, expressed as full-time equivalents:	Total full-time equivalents	
	2018 Number	2017 Number Restated
Academic schools and research	345	345
Academic support services	117	96
Estates, catering and conferences	134	142
Central services	159	155
	<b>755</b>	<b>738</b>

Prior year numbers have been restated to better align with HESA classifications.

### 8 Analysis of other operating expenditure by activity

	Consolidated		University	
	2018 £000	2017 £000	2018 £000	2017 £000
Academic departments	2,030	2,589	2,030	2,589
Academic services	3,426	3,056	3,426	3,056
Premises	3,845	4,043	3,845	4,043
Residences, catering and conference	1,352	1,195	1,006	872
Research grants and contracts	640	492	640	492
Administration and central services	3,179	4,418	3,179	4,417
	<b>14,472</b>	<b>15,793</b>	<b>14,126</b>	<b>15,469</b>
Other operating expenses include:				
Auditors' remuneration				
External audit – remuneration with respect to audit services	59	57	50	49
External audit – non audit services	9	15	6	14
Internal audit	52	76	52	76
Operating lease rentals - property	737	535	737	535
Operating lease rentals - other	39	44	36	40

### 9 Interest and other finance costs

	Consolidated		University	
	2018 £000	2017 £000	2018 £000	2017 £000
Bank and other loans wholly repayable within five years	139	160	139	160
Net charge on pension finance interest (Note 18)	326	258	326	258
	<b>465</b>	<b>418</b>	<b>465</b>	<b>418</b>



## Notes to the Financial Statements (continued): Year ended 31 July 2018

### 10 Tangible fixed assets

Consolidated	Freehold Land	Buildings	Site Infrastructure	Heritage Assets	Furniture equipment and vehicles	Assets under construction	Total
	£000	£000	£000	£000	£000	£000	£000
<b>Cost or Valuation</b>							
At 1 August 2017	39,939	79,090	4,583	455	9,161	934	134,162
Additions	-	-	-	-	-	1,757	1,757
Transfers	-	519	-	-	1,714	(2,233)	-
Disposals	-	-	-	-	(313)	-	(313)
At 31 July 2018	39,939	79,609	4,583	455	10,561	459	135,606
<b>Cost</b>	7,513	34,377	874	455	10,561	459	54,239
<b>Valuation</b>	32,426	45,232	3,709	-	-	-	81,367
	39,939	79,609	4,583	455	10,561	459	135,606
<b>Depreciation</b>							
At 1 August 2017	-	8,186	681	-	6,010	-	14,877
Charge in year	-	2,795	229	-	1,269	-	4,293
Disposals	-	-	-	-	-	-	-
At 31 July 2018	-	10,981	910	-	7,279	-	19,170
<b>Net book values</b>							
At 31 July 2018	39,939	68,628	3,673	455	3,282	459	116,436
At 31 July 2017	39,939	70,904	3,902	455	3,151	934	119,285

University	Freehold Land	Buildings	Site Infrastructure	Heritage Assets	Furniture equipment and vehicles	Assets under construction	Total
	£000	£000	£000	£000	£000	£000	£000
<b>Cost or Valuation</b>							
At 1 August 2017	39,939	78,375	4,583	455	8,916	934	133,202
Additions	-	-	-	-	-	1,757	1,757
Transfers	-	549	-	-	1,684	(2,233)	-
Disposals	-	-	-	-	(313)	-	(313)
At 31 July 2018	39,939	78,924	4,583	455	10,287	458	134,646
<b>Cost</b>	7,513	33,877	874	455	10,287	458	53,464
<b>Valuation</b>	32,426	45,047	3,709	-	-	-	81,182
	39,939	78,924	4,583	455	10,287	458	134,646
<b>Depreciation</b>							
At 1 August 2017	-	8,122	681	-	5,776	-	14,579
Charge in year	-	2,774	229	-	1,254	-	4,257
Disposals	-	-	-	-	-	-	-
At 31 July 2018	-	10,896	910	-	7,030	-	18,836
<b>Net book values</b>							
At 31 July 2018	39,939	68,028	3,673	455	3,257	458	115,810
At 31 July 2017	39,939	70,252	3,902	455	3,141	934	118,623

Buildings, Land and Site Infrastructure underwent a one-time revaluation to fair value upon transition to FRS 102. The fair value has been adopted as 'deemed cost'. Buildings are depreciated and indicators of impairment are assessed annually.



## Notes to the Financial Statements (continued): Year ended 31 July 2018

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### 11 Heritage Assets

The Group holds a collection of artwork, furniture and other heritage assets. The Group's policy is to maintain the current holding of heritage assets as connected to the Group's history, with no future acquisitions or disposals anticipated. The Group will carry out restoration and maintenance on heritage assets as required on an ad hoc basis.

The Group commissioned a valuation of heritage assets as at 31 July 2014 at fair value, with the revaluation gain taken through the revaluation reserve. The valuation was undertaken by independent valuer Hector Paterson and Co Ltd. There are no significant limitations on the valuation.

There has been no additions, disposals, or impairment of heritage assets in the current or previous periods, and the directors do not consider there to be a material change in the value of the Heritage Assets.

### 12 Investments - Subsidiaries

The University holds all the issued share capital of Strawberry Hill Enterprises Limited, a company registered in England and Wales, the principal activity of which is the organisation of functions and conferences. The profits of the company are transferred to the University through a Gift Aid arrangement. The University's interest in the company at 31 July 2018 was 2 ordinary shares, at a cost of £2 (2017: £2).

Land and buildings include properties owned by St Mary's College Residences plc in the sum of £8,817k (2017 - £8,817k) which have been included within the University's financial statements.

During 2014/15 the University incorporated a US subsidiary, "St Mary's University London US Foundation", which is currently non-trading. The US subsidiary is wholly owned by the University.



## Notes to the Financial Statements (continued): Year ended 31 July 2018

### 13 Trade and other receivables

	Consolidated		University	
	2018 £000	2017 £000	2018 £000	2017 £000
Amounts falling due within one year:				
Tuition Fees	226	162	226	162
Payment Plans	43	85	43	85
Other debtors	1,233	400	1,133	355
Prepayments and accrued income	547	541	547	542
Amounts due from subsidiary company	-	-	432	418
	<b>2,049</b>	<b>1,188</b>	<b>2,381</b>	<b>1,562</b>

Other debtors includes amounts owing from the Student Union.

### 14 Creditors

Amounts falling due within one year	Consolidated		University	
	2018 £000	2017 £000	2018 £000	2017 £000
Trade creditors	812	1,630	785	1,637
Social security and other taxes	966	826	979	815
Other creditors	1,860	2,128	1,844	2,114
Accruals and deferred income	2,209	2,411	2,166	2,367
Deferred Capital Grants – current	473	464	473	464
Bank loans – current	225	275	225	275
	<b>6,545</b>	<b>7,734</b>	<b>6,472</b>	<b>7,672</b>

Amounts falling due after one year	Consolidated		University	
	2018 £000	2017 £000	2018 £000	2017 £000
Bank loans – non current	2,475	2,700	2,475	2,700
Deferred capital grants – non current	5,896	5,746	5,896	5,746
	<b>8,371</b>	<b>8,446</b>	<b>8,371</b>	<b>8,446</b>

All bank loans are unsecured and are repayable as follows:

	Consolidated		University	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
In one year or less	225	275	225	275
Between one and two years	225	225	225	225
Between two and five years	675	675	675	675
In five years or more	1,575	1,800	1,575	1,800
Total greater than one year	2,475	2,700	2,475	2,700
Total	<b>2,700</b>	<b>2,975</b>	<b>2,700</b>	<b>2,975</b>



## Notes to the Financial Statements (continued): Year ended 31 July 2018

### 14 Creditors (continued)

Bank debt consists of the following loan:

- A £4,500,000 loan from Santander for the building of the new Sports Block Building. The loan, which was taken out in July 2010, is repayable at a fixed rate of 4.95% over 20 years. At 31 July 2018, the amount outstanding was £2,700,000 (2017: £2,925,000).

The loan is unsecured but the Bank has the capacity to secure the loan on the main University site or other assets of the University in the event that certain financial criteria are not met.

The loan is subject to certain banking covenants. Regular financial reporting procedures are in place to monitor compliance. The interest charged on the loan is expensed in the period to which it relates.

### 15 Provision for liabilities and charges

Consolidated and University	Pension Enhancement Provision £'000	Section 106 Planning Permission £'000	Specific Provisions £'000	c/f bal
Balance at 1 August 2017	315	42	159	516
Utilised in the year	-	-	(159)	(159)
<b>Balance at 31 July 2018</b>	<b>315</b>	<b>42</b>	<b>-</b>	<b>357</b>

Consolidated and University	Lease Liability £'000	Dilapidation Provision £'000	Redundancy Provision £'000	Total Provisions £'000
Balance at 1 August 2017	-	-	-	516
Charged in the year	25	216	1,641	1,882
Utilised in the year	(80)	-	(546)	(785)
Transfer from Strawberry Hill Trust Liability	508	-	-	508
<b>Balance at 31 July 2018</b>	<b>453</b>	<b>216</b>	<b>1,095</b>	<b>2,121</b>

#### Pension Enhancement Provision

The Group pays enhanced pension entitlements to staff who have taken early retirement under a reorganisation programme which ended in 1989/90. The assumptions for calculating the pension enhancement provision are as follows:

Discount Rate	1.0%
Inflation	1.1%

In addition to the enhanced pensions which are being provided above, the University also provides enhanced pension contributions to a further 14 former employees. OfS is providing the Group with additional funds each year to meet these contributions. The costs of these payments have been recognised as a liability in the financial statements of OfS indicating OfS's expectation that they will be meeting these costs in the future. They have not been recognised as a liability in the Group's balance sheet. Were OfS's position to change, the estimated cost to the Group of meeting these pension payments would be £381,000 as at 31 July 2018 (2017: £429,000).



## Notes to the Financial Statements (continued): Year ended 31 July 2018

### 15 Provision for liabilities and charges (continued)

#### **Section 106 Planning Provision**

Provision relating to liability incurred when constructing Sports Block. Provision is an estimate of the cost to contribute towards Waldegrave Road works for traffic management purposes.

#### **Specific Provisions**

Specific provisions relates to a wage dispute on London weighting scales. This concluded during the year and the provision was released.

#### **Strawberry Hill Trust Lease Liability**

This represents the discounted value of future payments due to Strawberry Hill Trust.

The University has an obligation to make annual payments to Strawberry Hill Trust for the ongoing maintenance of Strawberry Hill House. The payments are discounted using a discount rate of 5.0% (2017: 5.0%).

#### **Dilapidation provision**

The dilapidation provision relates to the estimated cost of restoring leased properties to their contractually agreed condition at the end of the lease term.

#### **Redundancy provision**

Redundancy provisions relate to the cost of termination payments in respect of staff impacted by the University's restructuring under its change programme. We expect all of these predominantly agreed amounts to be settled by 31 July 2019.

### 16 Financial Instruments

The Group's and Company's financial instruments may be analysed as follows:

	<b>Group 2018 £'000</b>	<b>Group 2017 £'000</b>
Financial liabilities		
Financial liabilities measured at amortised cost	<b>2,700</b>	<b>2,975</b>

Financial liabilities measured at amortised cost comprise bank loans.

Information regarding the group's exposure to and management of credit risk, liquidity risk, market risk, cash flow interest rate risk, and foreign exchange risk is included in the Directors' report.



## Notes to the Financial Statements (continued): Year ended 31 July 2018

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### 17 Reserves

The University is Limited by Guarantee and as such does not have share capital or shareholders.

#### ***Income and expenditure account (unrestricted)***

This reserve contains unrestricted equity which can be utilised to further the university objectives. As the University is not for profit, this reserve cannot be distributed by way of dividend.

#### ***Income and expenditure reserve (restricted)***

Restricted Reserves relate to donations made with conditions attached requiring the funds to be used for specific purposes.

#### ***Revaluation Reserve***

This reserve is used to record increases in the fair value of land and buildings and decreases to the extent that such decreases relate to an increase on the same asset.

### 18 Pensions

The three principal pension schemes for the University's staff:

- Teachers' Pension Scheme (TPS) for academic staff
- Wandsworth Council Pension Fund (WCPF) for non-academic staff
- Friends Life Scheme for non-academic staff.

#### **Teachers' Pension Scheme**

TPS is a multi-employer defined benefit scheme for which it is not possible to identify the assets and liabilities relating to the University due to the mutual nature of the scheme. As the TPS is underwritten by central government and the University has no future obligation to make contributions to the scheme, this is effectively a defined contribution scheme in so far as it affects the University. As a result, contributions to this scheme are accounted for as if the scheme was a defined contribution scheme. The employers' contribution rates for the University's academic staff were 16.48% (2017: 16.48%) of pensionable salaries for the year ended 31 July 2018, resulting in salary expense of £2,014,000 (2017: £1,970,000). The last valuation of the TPS related to the period 1 April 2004 to 31 March 2012. The Government Actuary's report of June 2014 revealed that the total liabilities of the Scheme (pensions currently in payment and the estimated cost of future benefits) amounted to £191.5 billion. The value of the assets (estimated future contributions together with the proceeds from the notional investments held at the valuation date) was £176.6 billion. The deficit is underwritten by the government, the University has no further obligation to fund the deficit and no liability has been recognised.

#### **Friends Life Scheme**

Friends Life Scheme is a defined contribution scheme. The employers' contribution rates for the University's support staff were between 2% to 12% of pensionable salaries for the year ended 31 July 2018, resulting in an expense recognised in through salary costs of £478,000 (2017: £588,000).



## Notes to the Financial Statements (continued): Year ended 31 July 2018

### 18 Pensions (continued)

#### Wandsworth Council Pension Fund

The London Borough of Richmond upon Thames Pension Fund, merged with the Wandsworth Council Pension Fund on the 1<sup>st</sup> October 2016. The University as an admitted body of The London Borough of Richmond upon Thames Pension Fund became an admitted body of the Wandsworth Council Pension Fund as of that date. It is a funded defined benefit scheme, with the assets held in separate trustee administered funds.

The latest comprehensive actuarial valuation of the Fund was performed at 31 July 2017 by a qualified independent actuary. The following adjustments have been made to measure the defined benefit obligation at reporting date:

The total contribution made for the year ended 31 July 2018 was £1,198,000 (2017: £1,261,000) of which employer's contributions totalled £973,000 (2017: £988,000) and employees' contributions totalled £225,000 (2017: £273,000).

Currently, support staff contributions range from 5.5% to 12.5% of salary and are determined on a monthly basis by reference to earnings bandings. The University currently contributes 19% of staff salary. The employer contributions expected to be paid into the scheme during the year ended 31 July 2019 is £768,000.

The principal assumptions used by the actuary were:

	2018 %	2017 %
<b>Price increases</b>		
CPI	2.35	2.70
Salary increases	3.35	3.60
Pension increases	2.35	2.70
Discount rate	2.65	2.70

The post retirement mortality tables adopted are the S2PA tables with a multiplier of 80% for males and 85% for females. These base tables are then projected using the CMI 2015 Model, allowing for a long-term rate of improvement of 1.5% per annum. The assumed life expectations from age 65 are:

	Males	Females
Retiring today	24.5 years	26.1 years
Retiring in 20 years	26.8 years	28.4 years

The University's share of total plan assets at fair value were:

	2018 £'000	Proportion %	2017 £'000	Proportion %
Equities	21,663	67	21,415	73
Gilts	1,266	4	1,315	4
Bonds	3,271	10	3,006	10
Property	1,107	3	899	3
Cash	179	1	258	1
Multi-asset fund	4,889	15	2,610	9
<b>Total market value of assets</b>	<b>32,375</b>		<b>29,503</b>	



## Notes to the Financial Statements (continued): Year ended 31 July 2018

### 18 Pensions (continued)

	2018 £'000	2017 £'000
<b>Analysis of the amount shown in the balance sheet</b>		
Total market value of assets	32,375	29,503
Present value of scheme liabilities	(41,589)	(42,039)
<b>Net pension liability as at 31 July 2018</b>	<b>(9,214)</b>	<b>(12,536)</b>
<b>Analysis of the amount charged to staff costs income and expenditure account</b>		
	2018 £'000	2017 £'000
Employer service cost (net of employee contributions)	1,478	1,174
Losses on curtailments and settlements	-	-
<b>Total operating costs</b>	<b>1,478</b>	<b>1,174</b>
<b>Analysis of the amount that is credited to other finance income in the income and expenditure account</b>		
	2018 £'000	2017 £'000
Net Interest on pension liabilities	326	258
<b>Net interest on pension liabilities</b>	<b>326</b>	<b>258</b>

The actual return on assets during the year was £2,429,000 (2017: £3,658,000).

	2018 £'000	2017 £'000
<b>Re-measurement of the net assets/(defined liability)</b>		
Return on fund assets in excess of interest	1,626	2,990
Other actuarial losses on assets	-	(87)
Change in financial assumptions	2,619	(3,452)
Change in demographic assumptions	-	(1,520)
Experience gain on defined benefit obligation	-	416
<b>Re-measurement of defined liability</b>	<b>4,245</b>	<b>(1,653)</b>



## Notes to the Financial Statements (continued): Year ended 31 July 2018

### 18 Pensions (continued)

Reconciliation of defined benefit obligation	2018 £'000	2017 £'000
Opening present value of the defined benefit obligation	42,039	35,849
<b>Movement in the year</b>		
Current service cost	1,382	1,174
Interest cost	1,129	926
Actuarial (gains)/losses	(2,619)	4,556
Estimated benefits paid	(663)	(739)
Past service costs, including curtailments	96	-
Contributions by members	225	273
<b>Closing present value of the defined benefit obligation</b>	<b>41,589</b>	<b>42,039</b>

Reconciliation of fair value of plan assets	2018 £'000	2017 £'000
Opening fair value of employer assets	29,503	25,426
<b>Movement in the year</b>		
Interest on assets	803	668
Return on assets less interest	1,626	2,990
Administration expenses	(11)	(16)
Contributions by members	225	273
Other actuarial losses	-	(87)
Contributions by employer	892	988
Estimated benefits paid	(663)	(739)
<b>Closing fair value of employer assets</b>	<b>32,375</b>	<b>29,503</b>

### 19 Cash and cash equivalents

	Consolidated		University	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Cash at bank and in hand	6,652	2,885	6,279	2,520
Short term deposits	517	7,331	517	7,331
<b>Total Cash and Cash Equivalents</b>	<b>7,169</b>	<b>10,216</b>	<b>6,796</b>	<b>9,851</b>



## Notes to the Financial Statements (continued): Year ended 31 July 2018

### 20 Operating lease commitments

The group and the company had minimum lease payments under non-cancellable operating leases as set out below:

	Consolidated and University	
	2018 £'000	2017 £'000
Annual commitments under operating leases were as follows:		
Commitments which expire within 1 year	951	887
Later than 1 year and not later than 5 years	3,588	3,748
Later than 5 years	3,018	3,634
<b>Total commitments at 31 July</b>	<b>7,557</b>	<b>8,269</b>

The lease commitments disclosed above cover the entire term of property leases, and take no account of break clauses which would significantly reduce the commitments disclosed.

2017 comparatives have been restated.

### 21 Capital commitments

No provision has been made for the following capital commitments at 31 July 2018.

	Consolidated		University	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Commitments contracted	699	147	699	147
Authorised but not contracted	1,980	2,804	1,980	2,804
<b>Total commitments at 31 July</b>	<b>2,679</b>	<b>2,951</b>	<b>2,679</b>	<b>2,951</b>

### 22 Contingent Liabilities

The University has an obligation to repay a £475,000 grant received from Sports England for the construction of the Sports Block if the Sports Block is ever sold.

### 23 Agency Arrangements

This includes amounts collected and disbursed on behalf of the NCTL.

	Consolidated and University	
	2018 £'000	2017 £'000 Restated
<b>Balance (owing) /receivable at 1 August</b>	<b>(150)</b>	<b>(109)</b>
Funding Council grants	(3,229)	(3,263)
Clawbacks	150	108
Disbursed to students	3,114	3,114
<b>Balance (owing) /receivable at 31 July</b>	<b>(114)</b>	<b>(150)</b>

2017 figures have been restated to agree to the NCTL Audit Grant Report



## Notes to the Financial Statements (continued): Year ended 31 July 2018

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### 24 Related party transactions

Grants were paid to St Mary's Students Union amounting to £457,000 (2017: £553,000), an organisation in which the Student Union Presidents, variously Alexander Lavall, Conal Baxter and Natalie Hobkirk who were members of the University Board of Governors during the financial year and to the date of this report.

At 31 July 2018 Trade Debtors outstanding (VAT inclusive) from the Student Union in relation to recharges, mostly for salaries and wages amounted to £392,248 (2017: £4,781).

Salaries and wages recharged to the Student Union amounted to £321,911 (2017: £269,179).

### 25 Post Balance Date Events

HM Treasury has published proposals in relation to the Teachers' Pension Scheme, under which the employers' contributions would rise by 7.2% from 16.48% to 23.68%, starting from September 2019. These proposals are subject to consultation and it is possible that the higher education sector may be eligible for additional funding to meet or partly meet the costs of the proposed employer contribution increase.



## Appendix (unaudited)

### Trade Union Facility Time Report: For the year ending 31 March 2018

**Table 1**  
**Relevant Union Officials**

Number of employees who were relevant union officials during the relevant period	Full-time equivalent employee number
17	16.8

**Table 2**  
**Percentage of time spent on facility time**

Percentage of time	Number of Employees
0%	15
1-50%	2
51-99%	
100%	

**Table 3**  
**Percentage of pay bill spent on facility time**

Publication requirement	Figures
Total cost of facility time	£5,653
Total pay bill	£34,591,917
Percentage of the total pay bill spent on facility time, calculated as: (total costs of facility time ÷ total pay bill) x 100	0.02%

**Table 4**  
**Paid trade union activities**

Publication requirement	Figure
Time spent on paid trade union activities as a percentage of total paid facility time hours calculated as: (total hours spent on paid trade union activities by relevant union officials during the relevant period ÷ total paid facility time hours) x 100	0%

The disclosures in this appendix have not been subject to audit by the University's external auditors.



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