



**St Mary's
University
Twickenham**

ANNUAL REPORT AND FINANCIAL STATEMENTS

31 JULY 2017

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 2017

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

Board of Governors

Rt Rev Richard Moth (Chair)
Mr Conal Baxter (appointed 3 August 2017)
Mr Francis Campbell
Mr Jeffery Cottle
Ms Noreen Doyle (appointed 25 October 2017)
Fr Richard Finn OP
Mr Michael Foster (resigned 28 July 2017)
Dr Maureen Glackin (resigned 28 July 2017)
Mrs Susan Handley-Jones
Mr David Hartnett
Mr Stuart Kemp (resigned 21 April 2017)
Mr Alexander Lavall (resigned 3 August 2017)
Ms Claire McDonnell (appointed 25 October 2017)
Miss June Mulroy
Professor Anne Moran (appointed 2 August 2016)
Mrs Kristen Pilbrow (appointed 28 July 2017)
Dr Anthony Towe (appointed 9 November 2017)
Mr Jonathan Walsh (resigned 20 July 2017)

Senior officers

Chancellor	Cardinal Vincent Nichols
Vice-Chancellor	Professor Francis Campbell
Pro Vice-Chancellor (Academic Strategy)	Professor John Charmley
Pro Vice-Chancellor (Research and Enterprise)	Rt. Hon Ruth Kelly
Pro Vice-Chancellor (Global Engagement)	Professor John Brewer
Chief Operating Officer	Mr John Unsworth
Senior Director of People	Mrs Jo Blunden
Clerk to the Board of Governors	Mr Andrew Browning

Administrative Information (continued): Year ended 31 July 2017

Bankers

HSBC Bank Plc
69 Pall Mall
London
SW1 5EY

Barclays Bank PLC
1 Churchill Place
London
E14 5HP

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 2017

On behalf of the University, I am pleased to present our Annual Report and Financial Statements for 2016/17.

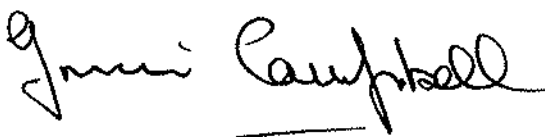
The year has been a significant one for the University as we started to deliver against some ambitious targets in support of Vision 2025.

Previous investments in staff which aimed to enhance our student experience and remain competitive in a tough domestic and international student recruitment environment started to yield strong results. An ambitious programme of academic portfolio renewal was delivered under the leadership of Professor John Charmley and the Heads of our Schools. Nearly 20 new academic courses were approved in this academic year, with more to follow, and we are confident they will yield benefits both in the short-term and beyond.

The University had a welcome external validation of its progress through receipt of a Silver award in the government-sponsored Teaching Excellence Framework (TEF). The TEF placed us fourth in London and confirms our position as a strong teaching institution, which when combined with continuing success with regards to employability, enables us to transform lives.

Investments in improving the student experience continue with estate planning aiming to allow the University to enhance its accommodation offer. Enterprise is taking its place at the heart of the University, and we embarked upon a partnership with the London Borough of Richmond upon Thames to operate an arts and community centre located in Twickenham, The Exchange. This enterprise initiative is a commitment to future partnerships locally, but we also continue to advance nationally and internationally, where we have been able to sign agreements with several international partners and specific collaborative provisions with higher education institutes in France.

The work continues, and with further investments planned and exciting partnerships underway, the University can look forward to a bright future with students able to enjoy a unique community in a global city.



Francis Campbell
Vice-Chancellor
9 November 2017

Directors' Report : Year ended 31 July 2017

The Governors, as Directors of the University, present the Directors' Report for the year ended 31 July 2017.

Governors during the year

The current Board of Governors together with details of those who served during the year 2016/2017 are set on page 1. Five governors have stepped down during the past year; Stuart Kemp who resigned due to work commitments, Jonathan Walsh who stepped down after completing the maximum of three terms as governor, Alexander Lavall who completed his maximum of two terms as Students Union President, and Michael Foster and Maureen Glackin who both completed their terms as academic staff representatives. Thanks are given to all of these individuals for their service to the University and to the former Clerk to the Board of Governors, Graham Fice who retired in July 2016.

We have welcomed five new members onto the Board; Professor Anne Moran, Ms Noreen Doyle, Ms Claire McDonnell who are independent Board members, Mrs Kristen Pilbrow and Dr Anthony Towey who are staff governor members and Mr Conal Baxter who is the President of the Students Union.

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 Agreement, which is approved by the Office for Fair Access and covers, inter alia, the fees St Mary's charges to students, the bursaries the University offers and details of other activities such as outreach (and other) 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 2017 (2016: Nil).

Directors' Report : Year ended 31 July 2017

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.

Price Risk

The majority of the University's revenue is derived from student tuition fees, which were capped at £9,000 per student by the Higher Education Act 2004. The University's domestic tuition fees are charged at the £9,000 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 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 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 on hand at all times to provide headroom.

Post Balance Sheet Events

There are no post balance sheet events to report.

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

At St Mary's we celebrate differences, recognising that everyone is born with a unique identity. Our University is a place where students and staff can reach their full potential and make a positive contribution to society.

We understand that our continued success is dependent on the contributions of every member of our community and it is this collective spirit which makes us a unique, inclusive community of staff and students.

We aspire to go beyond our legal obligations and have looked to our Catholic ethos and our core values for inspiration when articulating our 2016-2020 Equality & Inclusion Objectives which we launched in October 2016.

In particular our core value of Inclusiveness, which is integral to our Vision 2025, is at the heart of our approach to these Objectives.

We are proud of the University's work in supporting and developing our inclusive community and have outlined below some initiatives which were undertaken in 2016/17:

Directors' Report : Year ended 31 July 2017

- Refreshed our approach to disability awareness training with a real emphasis on overcoming perceptions or fears of speaking to people with disabilities and demystify assumptions that people may make about them.
- After trialing Mental Health First Aid (MFHA) training in 2015/16 we have rolled this out further to equip key staff with the skills to deal with people who experience mental health problems.
- Our Student Wellbeing Service has become an accredited supplier of non-medical help as part of the Disabled Students Allowance (DSA). This provides a seamless route to support for students and allows us to monitor quality of service provision directly.
- St Mary's has also received accreditation as an outreach needs assessment centre in partnership with the North London Regional Access Centre. This further simplifying and facilitating the process for students to receive additional funded support.
- Our work with DisabledGo has resulted in the completion of route guides and access guides for buildings across the main campus and Teddington Lock. These allow students, staff and visitors to plan their visits to St Mary's according to their individual access needs.

Employee Involvement

In the past year we launched our Vision 2025 which was the culmination of over eighteen months of extensive consultation with both our staff and students. During this consultation process we received over 3000 comments on our plans which is a testament to the engagement of our staff and students which is the heart of our inclusive community.


In addition to the regular forums already in place with our recognised Unions and our town hall events (VC Reports) we have also established a Leadership Forum. Approximately 100 leaders from across the University attend these forums 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 Schools and Services.

Identification of information Excluded from the Directors' Report

The following information has been included in the strategic report or other sections of the financial statements which would otherwise require disclosure in 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 11-23.

Signed on behalf of the Board of Governors



Bishop Richard Moth

9th November 2017

Statement of Governance and Internal Control: Year ended 31 July 2017

The University presents its Statement of Governance and Internal Control covering the year 1st August 2016 to 31st July 2017 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.

Review of governance

A review by a Board of Governor's Task Group of the effectiveness and efficiency of the Board and a report from an external Consultant on governance were carried out during 2015/2016. The recommendations which arose out of these reports have been in the process of being implemented from 1 August 2016.

The Internal Audit review of governance carried out during the year which included consideration as to whether the recommendations had been implemented was able to give reasonable assurance that 10 of the 12 recommendations had been implemented.

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 2017, 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.

Statement of Governance and Internal Control: Year ended 31 July 2017

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, the Terms of Reference and Membership of all the Board's committees and the Board Handbook.

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 2017 the Board's committees were as follows:

Audit Committee

The Audit Committee meets four times a year and consists of at least three non-staff Governors and 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, together with oversight of management implementation plans. In addition, the Committee reviews the University's annual financial statements together with the accounting policies. The Committee also receives reports on data quality, monitors adherence to the regulatory requirements 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, the student governor, 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 Memorandum of

Statement of Governance and Internal Control: Year ended 31 July 2017

Assurance and Accountability between the University and HEFCE. The Vice-Chancellor is also responsible for reporting to the Board any material weaknesses or breakdowns in internal control.

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

The Board is of the view that 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 constant 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:

- 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 HEFCE 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 indicated a lower level of overall assurance than in previous years, based on the programme of work undertaken. The Board of Governors and the Audit Committee have been disappointed with this outcome, but understand the basis upon which it has been made. The Audit Committee have been regularly updated on senior management's response to key issues identified by the Internal Auditors, and reassured that the high priority recommendations have been quickly addressed.

Statement of Governance and Internal Control: Year ended 31 July 2017

Review of effectiveness

The Audit Committee, on behalf of the Board of Governors, has reviewed the effectiveness of the systems of internal control. During 2016/17 the University has:

- Continued to review and embed its risk management policy into the decision-making processes of the University;
- Reported on a regular basis to the Audit Committee;
- 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 2017

The Governors present their Strategic Report on the University for the year ended 31 July 2017.

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.

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 University receives funding grants from HEFCE for teaching, research and knowledge exchange. These grants are governed by the HEFCE Memorandum of Assurance and Accountability. The University is required to submit a series of financial, data and accountability returns as part of the regulatory process.

Despite a reduced reliance on direct government funding, the sector remains highly influenced by government policy towards education, research and enterprise. A clear example of this is the new Teaching Excellence Framework, introduced to assist students in making choices by 'grading' a university's teaching quality. Students have an increasing set of data and information available to them in selecting courses and universities at which they wish to study. The increase in undergraduate tuition fees is driving the relationship between student and university closer to that of a consumer and a supplier. The regulation of the sector is also going through a period of related change, particularly with the formation of the Office for Students.

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

Strategic Report: Year ended 31 July 2017

to the Office for Fair Access (OFFA), in order to ensure fee levels do not act as a barrier to participation in higher education to students with lower family incomes.

Vision 2025

Last year we published our 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.

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 by an average of 5% 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 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.

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.

Development and performance in the year against key strategies

Education

Building on its heritage as a teacher training college, academic instruction has always been one of our greatest strengths, and continues to be so as demonstrated by the award of Silver status – consistently exceeds rigorous national quality requirements for UK higher education – in the recent Teaching Excellence Framework awards.

Securing Gold status by 2025 is one of the targets set out in Vision 2025, with the University aiming to complement the highest quality academic staff with the most informed and expert visiting teachers and lecturers.

This, together with an ongoing focus on practical opportunities, work placements and character developing activities, aims to keep our graduates amongst the best trained and best prepared for the wider world of work.

Readiness for life beyond campus walls is something we take very seriously as part of its tuition process, and the success of students in the job market demonstrates that the University's approach is producing hugely positive results.

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, 95% are in employment or postgraduate study. Additionally, according to figures from the Higher Education Funding Council for England, five years on from graduation, the only trained teachers on better salary than St Mary's students are those from Oxford University.

The compact nature of the Twickenham campus and our focus on specific disciplines, combined with an individual approach to learning derived from the University's Catholic identity, are central to the strategic approach to education at St Mary's, and will remain so in the future.

Student recruitment

In the crowded higher education marketplace, distinction and standing out is vital, and fortunately for us, in many ways, we do. Not only does the University have high employment rates among graduates, but it can also boast satisfied students, having secured nominations in eight out of 12 categories in this year's WhatUni? Student Choice awards.

One of the targets of Vision 2025 is a 5% increase in student numbers each year up until 2025, which poses the challenge of how to keep the uniquely personalised and high-quality teaching, which has built St Mary's reputation, while expanding significantly.

We are confident it can strike the balance between preserving all that is best about the present while embracing the future, managing change at a sustainable pace which does not impact negatively on existing processes.

Results like the Teaching Excellence Framework Silver status will inevitably attract more interest to St Mary's. There are already strategies in place to keep tabs on changing applicant wants and interests through the process before they even become undergraduates, with communications and messages being personalised and tweaked as interest grows. Programmes will be constantly monitored to ensure that they are relevant and up to date, and where possible, work placements or practical aspects will be incorporated.

Postgraduate study is an area that has been recognised by the University as having potential for growth. It is intended that in the future stronger ties will be built with industry to sponsor postgraduate programmes. It is also hoped that those ties could result in new apprenticeship degree opportunities, opening up a St Mary's education to those who might not previously have regarded it as their destination.

Engagement

St Mary's University is already a widely acknowledged hub of authority in fields such as sports science, and its engagement strategy aims to build awareness and respect for other Academic Schools and the overall St Mary's brand to a similar level.

Many different aspects give the University its unique heritage and outlook and they can all add weight and influence to the potential role St Mary's can play in public policy debates, locally, nationally and internationally.

Adding to an already world-class pool of visiting lecturers and professors will not only bring huge educational benefits but also promote awareness of St Mary's in the wider world. This in turn attracts more attention from potential students, employers and decision makers.

One of the priorities of the Vision 2025 programme is to increase the involvement of St Mary's in high level and high profile public debate. An example of this is the launch of the Centre for Modern Slavery, which hosted the first International Conference on Modern Slavery and Human Trafficking earlier this year and has played a significant role in policy making around the issue.

Such events draw huge attention to us and the work being done here, whilst also demonstrating to external partners how beneficial links with the University can be. The more this happens, the greater the reward and the rise in awareness.

Local level engagement is just as important as a way of spreading the St Mary's word. A new partnership with Richmond Council which will allow drama students to access to the new community theatre in Twickenham is a perfect example of high-profile brand presence in the local area, for mutual benefit.

Our unique past contributes greatly to its present, and can help it make a real contribution to society in the future.

International

International strategy is key to our plans for future growth and development. In pure student number terms we start from a modest base, but this gives a number of opportunities, particularly in recruiting additional students and through networking and strategic partnerships.

We recently opened our first overseas office in Chicago, resulting in increasing numbers of students from North America. This year we have also been present at recruitment fairs in new territories including China, Malaysia and Kenya.

Our Catholic connections give us access to a huge global network of partners, with new partnerships having been signed with the Institut Catholique de Paris and Ecole du Commerce et Management in Marseille and further agreements are being established with the University of Navarra in Pamplona and Charles University in Prague.

All partnerships are two-way processes, offering our students the chance to study abroad and students at partner institutions the chance to study at St Mary's. A British education in the capital of the English-speaking world remains hugely desirable, and our distinctive character and location close to but just outside London make it an attractive destination for overseas students.

In the absence of clear signs of how Brexit will affect higher education in the UK, European thinking continues to play a significant part in our strategic planning. The EU Erasmus scheme remains crucial, with 16 exchange agreements signed this year and a further 25 in the process of being formalised. During the 2016–17 academic year we have also been present at 15 recruitment events in France, Ireland, Italy, Romania and Spain.

Research and enterprise

Further development of existing areas of expertise are being actively encouraged, along with a new business and management school, and there are plans to develop long-term strategic partnerships of lasting benefit in fields such as communications, religion, politics and the arts.

Our new link with the First Star education charity is an example of our growing reputation as a place that makes change happen. Looking to establish a British presence, the American programme offering children in care life-changing educational opportunities identified St Mary's as an ideal base.

Having secured £600,000 from donors, in summer 2017 the University will open its doors to host the first residential summer school of a four-year programme, offering local youngsters a long-term framework of education, fun, employability and life-skills lessons, which could transform their futures.

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.

We have made significant progress against our KPIs in 2016/17, with improvements in:

- graduate level employment;
- entry standards;
- good honours; and
- the staff-student ratio.

Strategic Report (continued): Year ended 31 July 2017

The 2017 National Student Survey results show considerable progress. Although not directly comparable with previous years due to changes to the survey, early analysis suggests a strong performance across all categories of questions.

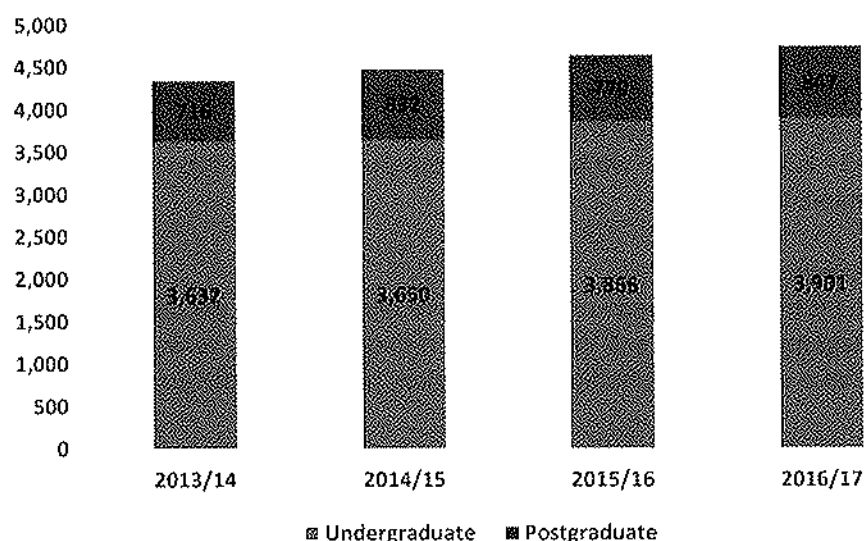
Progress against KPIs relating to student retention has been challenging and further work is underway to make the necessary improvements.

We have ramped up efforts to diversify income streams and efforts to increase the proportion of income from non-tuition fee sources have increased significantly. We continue to identify areas for further development.

Student Numbers

Total full time equivalent (FTE) undergraduate and postgraduate student numbers for the year ended 31 July 2017 were 4,748, an increase of 2% on the previous year (2016: 4,645 FTE).

4 Year FTE Summary



Strategic Report (continued): Year ended 31 July 2017

Financial performance in the year

A summary of the University's consolidated income, expenditure and outturn for the year ended 31st July 2017 is provided below. All numbers are stated under the HE SORP.

	2017 £m	2016 £m
Income	52.3	50.9
Expenditure	56.9	51.1
Deficit before other gains and losses	(4.6)	(0.2)
Net operating cash inflow	1.7	2.6
Cash and short term investments	10.2	11.0

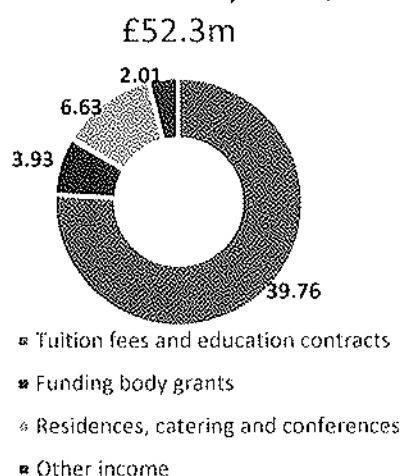
The University's consolidated deficit for the year increased from (£0.2m) to a (£4.6m) loss on income of £52.3m (2016: £50.9m), a net margin of -8.8% (2016: -0.4%). EBITDA ("Earnings Before Interest, Tax, Depreciation and Amortisation") represented -0.2% of income (2016: 8%). EBITDA also acts as a proxy measure for cash and ensures that University finances are able to fund long term strategic decisions.

As noted above, a deficit for the year was agreed and expected. The result for the year was better than the agreed budget, due mainly to lower staff costs resulting from delayed staff appointments, and from control of non-staff expenditures.

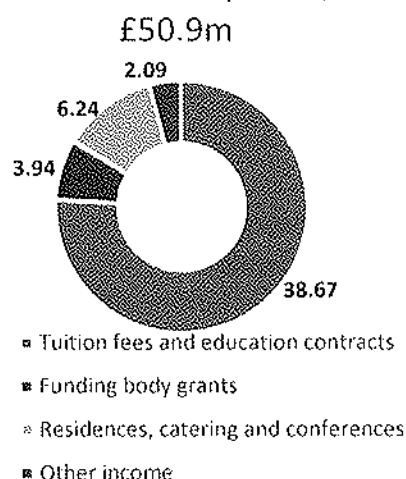
Income

The 2.7% growth in income for the year to £52.3m was as a result of growth in tuition fees and residences, catering and conferences income. As a teaching intensive University, 76% of our income is generated through tuition fees. Income from HEFCE, the funding council, was stable, as all our students are on the new funding regime. Other income sources are, primarily, residences, catering and conferences.

Income summary 2016/17



Income summary 2015/16



Operating Expenditure

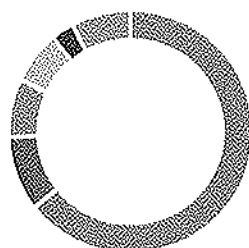
Expenditure in the period, before interest payable, increased by 11% from £50.7m to £56.5m. This expenditure reflects increased staff costs to support our strategic plans.

Staff costs are £36.6m, some 70% of turnover (2016: £31.8m, 62%). The increase reflects additional staff across both academic and non-academic functional areas, and the annual incremental pay progression and pay award costs. Information on staff costs, staff numbers, high earning staff and Vice Chancellor's remuneration is shown in Note 6 of the financial statements.

While our staff costs as a % of turnover are above the sector average, this partly reflects the decision to operate 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.

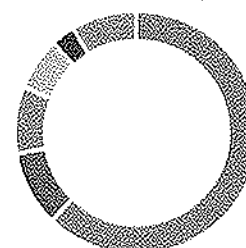
Non-staff costs increased by 6% from £14.9m to £15.8m.

Expenditure summary 2016/17



- Staff costs
- Academic departments
- Administration services
- Premises
- Other operating expenses
- Depreciation, Interest and finance costs

Expenditure summary 2015/16



- Staff costs
- Academic departments
- Administration services
- Premises
- Other operating expenses
- Depreciation, Interest and finance costs

Expenditure summary	2017	2016
	£m	£m
Staff costs	36.63	31.78
Academic departments	5.64	5.12
Administration services	4.42	4.54
Premises	4.04	3.64
Other operating expenses	1.69	1.61
Depreciation, Interest and other finance costs	4.50	4.45
	<u>56.92</u>	<u>51.14</u>

Capital investment expenditure

Capital expenditure for the year was £2.3m (2016: £2.4m), and included infrastructure improvements for teaching and in residences; replacement 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 inflow from operating activities of £1.7m (2016: £2.6m) which were utilised to service net interest payments of £0.2m (2016: £0.2m) and investing activities (net of capital grants received) £1.9m (2016: £2.1m) in capital expenditure, leaving a net cash outflow for the year of £0.8m (2016: £0.2m).

Total cash and cash equivalents decreased in the year to £10.2m (2016: £11.0m) with bank debt reducing by £0.4m to £3.0m and short term deposits decreasing by £2.0m to £7.3m. 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 has a £2m overdraft facility as a safeguard against volatile cash movements.

Strategic Report (continued): Year ended 31 July 2017

Total net assets reduced from £107.8m to £101.5m. 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 increased from £5.2m to £7.7m, reflecting higher expenditure accruals and social security and taxes owed at the year end.

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 planned. 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 loss on the defined benefit scheme of £1.7m (2016: loss £2.6m) 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

2017 saw the introduction of the first full Teaching Excellence Framework (TEF), which aims to recognise and reward excellence in teaching and learning, and help inform prospective student choices within higher education. The results of the first full exercise were published in June 2017. St Mary's was pleased to receive a Silver award. The panel highlighted our commitment to academic development, high quality physical learning resources and an embedded approach to student engagement as key factors in its decision.

This year saw the successful passage of the Higher Education and Research Act (HERA), which will see the most significant reforms to the HE regulatory landscape since 1992. The most significant change that the legislation introduces is the replacement of HEFCE with the Office for Students (OfS). The HERA places a greater emphasis on the role of the OfS as a market regulator and protector of student interests. The research activity previously undertaken by HEFCE will transfer to the newly formed UKRI (UK Research and Innovation), which will operate from April 2018. The OfS will be funded by provider subscription and so is likely to be a new cost to the institution.

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 success in this area has been made, there continue to be a number of challenges for universities in

Strategic Report (continued): Year ended 31 July 2017

securing access for students from disadvantaged backgrounds. In 2018/19, the Office For Fair Access (OFFA) will become part of the OfS, bringing this firmly into focus for the new regulator.

We perform reasonably well on measures of participation but must address some of the challenges identified by HEFCE 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. A more holistic approach to widening access is required and we have already begun to look at the factors influencing student success in more detail.

Looking to areas of future growth for St Mary's, the market for international students continues to be uncertain. After a decade of rapid growth in international students choosing to study in the UK, this growth has slowed considerably over the past couple of years. Furthermore, the implications of Brexit are not yet clear but it is highly likely that there will be a reduction in EU students studying in the UK. The risk associated with this, and any further changes to visa or immigration requirements, will need to be managed alongside growth in international student numbers at St Mary's. We remain fully engaged with the network of 2,000 Catholic universities globally, and will continue to explore strategic education partnerships.

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

For the year ended 31 July 2017 a deficit budget was agreed, in order to allow investment in staff and services to progress our strategic aims, as outlined above. One of the 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 active through this period, and we are experiencing an increasing trend of students 'trading up' to higher ranked universities. Early indications are that we will fall short of our overall recruitment targets and a number of measures are being put in place to mitigate income shortfalls resulting from lower recruitment.

In terms of the postgraduate offer we have introduced changes in the academic portfolio and a number of new postgraduate programmes which will begin to have a positive financial impact in 2017/18.

2018/19 will see the introduction of further new postgraduate programmes and also a suite of new undergraduate programmes, including the programmes with our French partners referred to above.

In addition to financial benefits from our plans for higher student numbers, we expect our other income sources to continue to grow, particularly in the enterprise area. Overall management of our costs will continue to be crucial in future years, and we have strengthened decision-making processes in regard to staffing resources and have introduced a dedicated procurement resource to review and drive value for money improvements in our non-staff expenditure base.

The anticipated result of the above impacts is an improving financial position, returning to surplus, enhancing cash generation, and progressing towards a steady-state with earnings before depreciation and interest of 10% of income.

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 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. Our approach to planning our finances includes positive cash generation each year, with a growing free cash balance and hence strengthening liquidity.

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 recently 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, development of the estate, changes to government policy and financial sustainability.

The increasing level of competition across the sector along with Brexit and the increasing challenges in overseas recruitment 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 will bolster recruitment efforts.

Vision 2025 sets out ambitious plans for growth, which will provide long-term financial sustainability. In order to achieve these growth plans, it will be important to ensure that the University estate is fit for purpose. An Estates Masterplan is under development, which will offer the necessary accommodation and teaching space for the University in the future.

Changes to government policy continue to create an element of uncertainty for the University, particularly in relation to initial teacher education. 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.

Strategic Report (continued): Year ended 31 July 2017

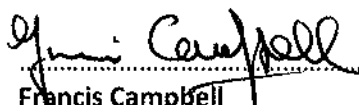
Going Concern

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 9th November, 2017.



Bishop Richard Moth
Governor (Chairman)



Francis Campbell
Governor (Vice-Chancellor)

Independent Auditors Report to the Members of St Mary's University: Year ended 31 July 2017

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;
- 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 Higher Education Funding Council for England (HEFCE) 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 and the National College for Teaching and Leadership (NCTL) are used only in accordance with the Memorandum of Assurance and Accountability with the Higher Education Funding Council for England and any other conditions that the Funding Council 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 Funding Council 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 2017

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 2017 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 2017 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

Independent Auditors Report to the Members of St Mary's University: Year ended 31 July 2017

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.

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 Higher Education Funding Council for England ("HEFCE") 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 HEFCE 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 HEFCE'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 23, 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.

Independent Auditors Report to the Members of St Mary's University: Year ended 31 July 2017

Auditor's responsibilities for the audit of the financial statements

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.

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. This description forms part of our auditor's report.

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.



James Aston (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Gatwick
United Kingdom

Date: 23 November 2017

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 2017

	Notes	Consolidated		University	
		2017	2016	2017	2016
		£'000	£'000	£'000	£'000
Income					
Funding body grants	1	3,934	3,941	3,934	3,941
Tuition fees and education contracts	2	39,755	38,673	39,755	38,673
Research grants and contracts	3	72	9	72	9
Other income	4	8,532	8,254	7,929	7,550
Investment income	5	35	63	35	63
Total Income		52,328	50,940	51,725	50,236
Expenditure					
Staff costs	6	36,628	31,783	36,387	31,471
Other operating expenses	7	15,793	14,909	15,469	14,594
Depreciation	9	4,084	4,046	4,048	4,011
Interest and other finance costs	8	418	406	418	406
Total Expenditure		56,923	51,144	56,322	50,482
Deficit before other gains/(losses)		(4,595)	(204)	(4,597)	(246)
Deficit before tax		(4,595)	(204)	(4,597)	(246)
Taxation		—	—	—	—
Deficit for the year		(4,595)	(204)	(4,597)	(246)
Actuarial loss in respect of pension schemes	18	(1,653)	(2,613)	(1,653)	(2,613)
Total comprehensive expenditure for the year		(6,248)	(2,817)	(6,250)	(2,859)

All activities are continuing.

The Statement of Accounting Policies and notes on page 32 to 53 form part of these financial statements.

CONSOLIDATED AND UNIVERSITY STATEMENT OF CHANGES IN RESERVES:
Year ended 31 July 2017

	Notes	Income and expenditure account - Unrestricted	Revaluation Reserve	Total
Consolidated		£'000	£'000	£'000
Balance at 1 August 2015		30,822	79,739	110,561
Deficit from the statement of comprehensive income		(204)	—	(204)
Actuarial loss in respect of pension schemes	18	(2,613)	—	(2,613)
Other adjustments		13	—	13
Transfers between revaluation and income and expenditure reserve		1,998	(1,998)	—
		(806)	(1,998)	(2,804)
Balance at 1 August 2016		30,016	77,741	107,757
Deficit from the statement of comprehensive income		(4,595)	—	(4,595)
Actuarial loss in respect of pension schemes	18	(1,653)	—	(1,653)
Transfers between revaluation and income and expenditure reserve		1,813	(1,813)	—
Total comprehensive expenditure for the year		(4,435)	(1,813)	(6,248)
Balance at 31 July 2017		25,581	75,928	101,509
University				
Balance at 1 August 2015		30,428	79,560	109,988
Deficit from the statement of comprehensive income		(246)	—	(246)
Actuarial loss in respect of pension schemes	18	(2,613)	—	(2,613)
Other adjustments		11	—	11
Transfers between revaluation and income and expenditure reserve		1,993	(1,993)	—
		(855)	(1,993)	(2,848)
Balance at 1 August 2016		29,573	77,567	107,140
Deficit from the statement of comprehensive income		(4,597)	—	(4,597)
Actuarial loss in respect of pension schemes	18	(1,653)	—	(1,653)
Transfers between revaluation and income and expenditure reserve		1,807	(1,807)	—
Total comprehensive expenditure for the year		(4,443)	(1,807)	(6,250)
Balance at 31 July 2017		25,130	75,760	100,890

The Statement of Accounting Policies and notes on page 32 to 53 form part of these financial statements.


CONSOLIDATED AND UNIVERSITY BALANCE SHEET: Year ended 31 July 2017

Company Registration Number 05977277

	Notes	Consolidated		University	
		2017 £'000	2016 £'000	2017 £'000	2016 £'000
Non-current assets					
Fixed Assets	9	118,830	120,640	118,168	119,942
Heritage Assets	9	455	455	455	455
		119,285	121,095	118,623	120,397
Current assets					
Stock		52	44	24	19
Trade and other receivables	12	1,188	1,326	1,562	1,605
Cash and cash equivalents		10,216	10,981	9,851	10,762
		11,456	12,351	11,437	12,386
Less creditors: amounts falling due within one year	13	(7,734)	(5,218)	(7,672)	(5,172)
Net current assets		3,722	7,133	3,765	7,214
Total assets less current liabilities		123,007	128,228	122,388	127,611
Creditors: amounts falling due after more than one year	13	(8,446)	(8,813)	(8,446)	(8,813)
Provisions and liabilities					
Pension Provision	18	(12,536)	(10,423)	(12,536)	(10,423)
Other Provisions	14	(516)	(1,235)	(516)	(1,235)
		(13,052)	(11,658)	(13,052)	(11,658)
Total net assets		101,509	107,757	100,890	107,140
Unrestricted reserves					
Income and expenditure account reserve	17	25,581	30,016	25,130	29,573
Revaluation reserves		75,928	77,741	75,760	77,567
Total Reserves		101,509	107,757	100,890	107,140

The Statement of Accounting Policies and notes on pages 32 to 53 form part of these financial statements.

The financial statements were approved and authorised for issue by the Board of Governors on 9 November 2017 and were signed on its behalf by:


Bishop Richard Moth
 Governor (Chairman)


Francis Campbell
 Governor (Vice-Chancellor)

CONSOLIDATED STATEMENT OF CASH FLOWS: Year ended 31 July 2017

	Notes	Consolidated	
		2017 £'000	2016 £'000
Cash flow from operating activities			
Deficit for the year		(4,595)	(204)
Adjustment for non-cash items			
Depreciation		4,084	4,046
Increase in stock		(8)	—
Decrease /(increase) in debtors		138	(192)
Increase/(decrease) in creditors		2,566	(383)
Decrease in provisions		(719)	(673)
Pension costs less contributions payable		460	259
Capital grants released to income		(372)	(344)
Adjustment for investing or financing activities			
Interest payable		160	153
Interest receivable		(35)	(63)
Net cash inflow from operating activities		1,679	2,599
Cash flows from investing activities			
Payments made to acquire fixed assets		(2,273)	(2,449)
Government capital grants received		372	310
Interest income		35	63
		(1,866)	(2,076)
Cash flows from financing activities			
Interest paid		(160)	(153)
Repayments of amounts borrowed		(418)	(596)
		(578)	(749)
Decrease in cash and cash equivalents in the year		(765)	(226)
Cash and cash equivalents at beginning of the year		10,981	11,207
Cash and cash equivalents at end of the year		10,216	10,981

The Statement of Accounting Policies and notes on page 32 to 53 form part of these financial statements.

STATEMENT OF ACCOUNTING POLICIES: Year ended 31 July 2017

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. The financial statements are prepared in accordance with the historic cost convention modified by the revaluation of fixed assets.

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 (the "University") and its subsidiary (the "Group") for the financial year ended 31 July 2017.

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.

STATEMENT OF ACCOUNTING POLICIES (continued): Year ended 31 July 2017

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.

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 London Borough of Richmond upon Thames Superannuation Scheme (LBRTSS), 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.
- LBRTSS 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 LBRTSS, 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 are 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.

STATEMENT OF ACCOUNTING POLICIES (continued): Year ended 31 July 2017

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.

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.

STATEMENT OF ACCOUNTING POLICIES (continued): Year ended 31 July 2017

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.

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 in which they are incurred.

STATEMENT OF ACCOUNTING POLICIES (continued): Year ended 31 July 2017

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.

At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in the Statement of Comprehensive Income.

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 the present value of future payments discounted at a market rate of interest for a similar loan. 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.

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.

STATEMENT OF ACCOUNTING POLICIES (continued): Year ended 31 July 2017

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.

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 and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

STATEMENT OF ACCOUNTING POLICIES (continued): Year ended 31 July 2017

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 9.
- 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 1989/9 are the discount rate and the inflation rate. These are based on FTSE Actuaries UK Gilts Indices. Further details are given in note 14.
- 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. The future payments are discounted at a rate of 5.0% (2016 : 3.5%), 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 16.
- 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.

NOTES TO THE FINANCIAL STATEMENTS: Year ended 31 July 2017

1 Funding body grants

	Consolidated		University	
	2017 £000	2016 £000	2017 £000	2016 £000
Recurrent Grant				
Higher Education Funding Council for England	2,801	2,716	2,801	2,716
Specific Grants				
Special initiatives – Higher Education Funding Council for England	640	764	640	764
Other Grants	121	117	121	117
Deferred capital grants released in year				
Buildings	372	344	372	344
	3,934	3,941	3,934	3,941

2 Tuition fees and education contracts

	Consolidated		University	
	2017 £000	2016 £000	2017 £000	2016 £000
Full time home and EU students	34,820	33,416	34,820	33,416
Full time international students	1,663	1,866	1,663	1,866
Part time students	2,632	2,301	2,632	2,301
Short course	640	1,090	640	1,090
	39,755	38,673	39,755	38,673

3 Research grants and contracts

	Consolidated		University	
	2017 £000	2016 £000	2017 £000	2016 £000
Research councils and charities	72	9	72	9
	72	9	72	9

4 Other income

	Consolidated		University	
	2017 £000	2016 £000	2017 £000	2016 £000
Residences, catering and conferences	6,630	6,215	5,833	5,512
Other services rendered	51	37	51	37
Other income	1,851	2,002	2,045	2,001
	8,532	8,254	7,929	7,550

NOTES TO THE FINANCIAL STATEMENTS: Year ended 31 July 2017

5 Investment Income

	Consolidated		University	
	2017 £000	2016 £000	2017 £000	2016 £000
Bank interest	35	63	35	63
	35	63	35	63

6 Staff

(a) Staff costs	Consolidated		University	
	2017 £000	2016 £000	2017 £000	2016 £000
Salaries	30,295	26,528	30,080	26,293
Social security costs	2,748	2,139	2,730	2,075
Other pension costs	3,585	3,116	3,577	3,103
	36,628	31,783	36,387	31,471

Included in other pension costs are £988,000 (2016: £1,059,000) in respect of the defined benefit schemes and £2,558,000 (2016: £2,041,000) in respect of the defined contribution schemes.

(b) Emoluments of the Vice-Chancellor:	Consolidated	
	2017 £000	2016 £000
Salary	150	150
Other taxable benefits	1	1
Performance-related bonus	—	—
Relocation costs contribution	—	—
Employer's national insurance contributions	19	18
	170	169
Pension contributions	25	24
	195	193

(c) Remuneration of other higher paid staff excluding employers national insurance and pension contributions:	Consolidated	
	2017 Number	2016 Number
£100,000 - £109,999	3	2
£110,000 - £119,999	—	1
£120,000 - £129,999	—	1
£190,000 - £199,999	1	—
	4	4

NOTES TO THE FINANCIAL STATEMENTS: Year ended 31 July 2017

(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 2017 £1,207,000 (2016: £902,000).

(e) Emoluments of the Governors:

The total emoluments of all Governors in the year amounted to £279,000 (2016: £379,000) which includes pension contributions of £46,000 (2016: £50,000). 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 (2016: £24,000). 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 £2,760 (2016: £1,000).

(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	
	2017 Number	2016 Number Restated
Academic schools and research	345	303
Academic support services	122	102
Estates, catering and conferences	142	142
Central services	129	114
	738	661

Average weekly number of persons employed by the University in 2016 has been restated according to data submitted to the Higher Education Statistics Agency.

NOTES TO THE FINANCIAL STATEMENTS: Year ended 31 July 2017

7 Analysis of other operating expenditure by activity

	Consolidated		University	
	2017 £000	2016 £000	2017 £000	2016 £000
Academic departments	2,589	2,460	2,589	2,460
Academic services	3,056	2,663	3,056	2,663
Premises	4,043	3,644	4,043	3,644
Residences, catering and conference	1,195	1,240	872	925
Research grants and contracts	492	357	492	357
Administration and central services	4,418	4,545	4,417	4,545
	15,793	14,909	15,469	14,594
Other operating expenses include:				
Auditors' remuneration				
External audit – remuneration with respect to audit services	55	45	48	39
External audit – non audit services	17	—	16	—
Internal audit	76	24	76	24
Operating lease rentals - other	44	38	40	38

Other operating expenditure by activity for 2016 has been reanalysed on the same basis as 2017.

8 Interest and other finance costs

	Consolidated		University	
	2017 £000	2016 £000	2017 £000	2016 £000
Bank and other loans wholly repayable within five years	160	153	160	153
Net charge on pension finance interest (Note 18)	258	253	258	253
	418	406	418	406

NOTES TO THE FINANCIAL STATEMENTS: Year ended 31 July 2017

9 Tangible fixed assets

Consolidated	Freehold Land	Buildings	Site infrastructure	Heritage Assets	Furniture, equipment and vehicles	Assets under construction	Total
Cost or Valuation							
At 1 August 2016	39,939	78,237	4,540	455	7,997	720	131,888
Additions	-	823	43	-	1,193	214	2,273
Disposals	-	-	-	-	-	-	-
At 31 July 2017	39,939	79,060	4,583	455	9,190	934	134,161
Cost	7,513	33,726	831	455	9,190	934	52,649
Valuation	32,426	46,055	3,752	-	-	-	82,233
	39,939	79,060	4,583	455	9,190	934	134,881
Depreciation							
At 1 August 2016	-	5,421	454	-	4,918	-	10,793
Charge in year	-	2,756	227	-	1,101	-	4,084
Disposals	-	-	-	-	-	-	-
At 31 July 2017	-	8,177	681	-	6,019	-	14,877
Net book values							
At 31 July 2017	39,939	70,883	3,902	455	3,171	934	119,285
At 31 July 2016	39,939	72,817	4,086	455	3,078	720	121,095

University	Freehold Land	Buildings	Site infrastructure	Heritage Assets	Furniture, equipment and vehicles	Assets under construction	Total
Cost or Valuation							
At 1 August 2016	39,939	77,552	4,540	455	7,723	720	130,929
Additions	-	823	43	-	1,193	214	2,273
Disposals	-	-	-	-	-	-	-
At 31 July 2017	39,939	78,375	4,583	455	8,916	934	133,202
Cost	7,513	33,225	831	455	8,916	934	51,874
Valuation	32,426	45,870	3,752	-	-	-	82,048
	39,939	78,375	4,583	455	8,916	934	133,922
Depreciation							
At 1 August 2016	-	5,379	454	-	4,699	-	10,531
Charge in year	-	2,744	227	-	1,077	-	4,048
Disposals	-	-	-	-	-	-	-
At 31 July 2017	-	8,123	681	-	5,775	-	14,579
Net book values							
At 31 July 2017	39,939	70,252	3,902	455	3,141	934	118,623
At 31 July 2016	39,939	72,172	4,086	455	3,024	720	120,397

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: Year ended 31 July 2017

10 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 perform restore maintenance on heritage assets as required on an ad-hock 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 performed 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.

11 Investments - Subsidiary

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 2017 was 2 ordinary shares, at a cost of £2 (2016: £2).

Land and buildings include properties owned by St Mary's College Residences plc in the sum of £8,817k (2016 - £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: Year ended 31 July 2017

12 Trade and other receivables

	Consolidated		University	
	2017 £000	2016 £000	2017 £000	2016 £000
Amounts falling due within one year:				
Tuition Fees	162	116	162	116
Payment Plans	85	44	85	44
Other debtors	400	504	355	391
Prepayments and accrued income	541	662	542	662
Amounts due from subsidiary company	—	—	418	392
	1,188	1,326	1,562	1,605

Tuition fees and other debtors for 2016 has been reanalysed on the same basis as 2017.

13 Creditors

Amounts falling due within one year	Consolidated		University	
	2017 £000	2016 £000	2017 £000	2016 £000
Expense creditors	1,630	1,101	1,637	1,095
Social security and other taxes	826	77	815	77
Other creditors	2,128	1,528	2,114	1,517
Accruals and deferred income	2,411	1,722	2,367	1,693
Deferred Capital Grants – current	464	372	464	372
Bank loans – current	275	418	275	418
	7,734	5,218	7,672	5,172

Amounts falling due after one year	Consolidated		University	
	2017 £000	2016 £000	2017 £000	2016 £000
Bank loans – non current	2,700	2,975	2,700	2,975
Deferred capital grants – non current	5,746	5,838	5,746	5,838
	8,446	8,813	8,446	8,813

All bank loans are unsecured and are repayable as follows:

	Consolidated		University	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
In one year or less	275	418	275	418
Between one and two years	225	275	225	275
Between two and five years	675	675	675	675
In five years or more	1,800	2,025	1,800	2,025
Total greater than one year	2,700	2,975	2,700	2,975
Total	2,975	3,393	2,975	3,393

NOTES TO THE FINANCIAL STATEMENTS: Year ended 31 July 2017

Bank debt consists of the following loans:

- A £4,500,000 loan from Bank 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 2017, the amount outstanding was £2,925,000 (2016: £3,150,000).
- A £1,500,000 from Barclays Bank plc that was taken out in August 2007 for the Refectory development. This loan is repayable at a fixed rate of 6.02% over 10 years. At 31 July 2017 the amount outstanding was £50,000 (2016: £243,000).

All the loans are unsecured but the Banks have the capacity to secure the loans on the main University site or other assets of the University in the event that certain financial criteria are not met.

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

14 Provision for liabilities and charges

Consolidated and University	Pension Enhancement Provision £'000	Section 106 Planning Permission £'000	Specific Provisions £'000	Total Provisions £'000
Balance at 1 August 2016	347	130	758	1,235
Utilised in the year	(33)	(88)	(599)	(720)
Transfer from income and expenditure	1	—	—	1
Balance at 31 July 2017	315	42	159	516

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. HEFCE 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 HEFCE indicating HEFCE'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 HEFCE's position to change, the estimated cost to the Group of meeting these pension payments was £429,000 as at 31 July 2017 (2016: £473,000).

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.

NOTES TO THE FINANCIAL STATEMENTS: Year ended 31 July 2017

15 Financial Instruments

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

	Group 2017 £'000	Group 2016 £'000
Financial assets		
Financial assets measured at fair value through profit or loss	—	—
Financial assets that are debt instruments measured at amortised cost	11,417	12,307
Financial liabilities		
Financial liabilities measured at amortised cost	16,605	14,033
Derivative financial instruments designated as hedges of variable interest rate risk	—	—

Financial assets measured at fair value through profit or loss comprise fixed asset investments in unlisted company shares and current asset investments in a trading portfolio of listed company shares.

Financial assets measured at amortised cost comprise cash, trade debtors, other debtors, amounts owed by joint ventures and associated undertakings.

Financial liabilities measured at amortised cost comprise convertible loan stock, irredeemable preference shares, bank loans and overdrafts, trade creditors, other creditors and accruals.

Derivative financial instruments designated as hedges of variable interest rate risk comprise interest rate swaps.

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.

16 Strawberry Hill Trust Liability

Consolidated and University	2017 £'000	2016 £'000
Balance at 1 August	599	610
Cash outflow	(80)	(80)
Utilised in the year	(11)	69
Balance at 31 July	508	599

NOTES TO THE FINANCIAL STATEMENTS: Year ended 31 July 2017

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. The payments are discounted using a discount rate of 5.0% (2016: 3.5%).

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's objectives. As the University is not for profit, this reserve cannot be distributed by way of dividend.

Revaluation Reserve

This reserve is used to record increases in the fair value of land and buildings and decreases to the extent that such decrease relates 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 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% (2016: 16.48%) of pensionable salaries for the year ended 31 July 2017, resulting in salary expense of £1,970,000 (2016: £1,605,000). 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 2017, resulting in an expense recognised in through salary costs of £588,000 (2016: £436,000).

Wandsworth Council Pension Fund

The London Borough of Richmond upon Thames Pension Fund, merged with the Wandsworth Council Pension Fund on the 1st 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.

NOTES TO THE FINANCIAL STATEMENTS: Year ended 31 July 2017

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:

18 Pensions (continued)

The total contribution made for the year ended 31 July 2017 was £1,261,000 (2016: £1,349,000) of which employer's contributions totalled £988,000 (2016: £1,059,000) and employees' contributions totalled £273,000 (2016: £290,000).

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 2018 is £1,017,000.

The principal assumptions used by the actuary were:

	2017 %	2016 %
Price increases		
CPI	2.7	2.2
Salary increases	3.6	3.1
Pension increases	2.7	2.2
Discount rate	2.7	2.6
Expected return on assets - Equities	2.7	2.6
- Bonds	2.7	2.6
- Property	2.7	2.6
- Cash	2.7	2.6
- Multi-asset fund	2.7	—

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	24.4 years	26.0 years
Retiring in 20 years	26.7 years	28.3 years

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

	2017 £'000	Proportion %	2016 £'000	Proportion %
Equities	21,415	73	15,309	60
Gilts	1,315	4	1,582	6
Bonds	3,006	10	5,819	23
Property	899	3	2,457	10
Cash	258	1	259	1
Multi-asset fund	2,610	9	—	—
Total market value of assets	29,503		25,426	

NOTES TO THE FINANCIAL STATEMENTS: Year ended 31 July 2017

18 Pensions (continued)

Analysis of the amount shown in the balance sheet	2017 £'000	2016 £'000
Total market value of assets	29,503	25,426
Present value of scheme liabilities	(42,039)	(35,849)
Net pension liability as at 31 July 2017	(12,536)	(10,423)
Analysis of the amount charged to staff costs income and expenditure account	2017 £'000	2016 £'000
Employer service cost (net of employee contributions)	1,174	1,053
Losses on curtailments and settlements	—	—
Total operating income	1,174	1,053
Analysis of the amount that is credited to other finance income in the income and expenditure account	2017 £'000	2016 £'000
Expected return on pension scheme assets	—	—
Interest on pension liabilities	(258)	(253)
Net return on pension scheme	(258)	(253)

The actual return on assets during the year was £3,658,000 (2016: £2,252,000).

Re-measurement of the net assets/(defined liability)	2017 £'000	2016 £'000
Return on fund assets in excess of interest	2,990	1,422
Other actuarial losses on assets	(87)	—
Change in financial assumptions	(3,452)	(4,035)
Change in demographic assumptions	(1,520)	—
Experience gain on defined benefit obligation	416	—
Re-measurement of defined liability	(1,653)	(2,613)

NOTES TO THE FINANCIAL STATEMENTS: Year ended 31 July 2017

18 Pensions (continued)

Reconciliation of defined benefit obligation	2017 £'000	2016 £'000
Opening present value of the defined benefit obligation	35,849	30,479
Movement in the year		
Current service cost	1,174	1,053
Interest cost	926	1,083
Contributions by members	273	290
Actuarial losses	4,556	4,035
Estimated benefits paid	(739)	(1,091)
Closing present value of the defined benefit obligation	42,039	35,849
Reconciliation of fair value of plan assets	2017 £'000	2016 £'000
Opening fair value of employer assets	25,426	22,928
Movement in the year		
Interest on assets	668	830
Return on assets less interest	2,990	1,422
Administration expenses	(16)	(12)
Contributions by members	273	290
Other actuarial losses	(87)	—
Contributions by employer	988	1,059
Estimated benefits paid	(739)	(1,091)
Closing fair value of employer assets	29,503	25,426

19 Cash and cash equivalents

	Consolidated		University	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Cash at bank and in hand	2,885	1,684	2,520	1,465
Short term deposits	7,331	9,297	7,331	9,297
Total Cash and Cash Equivalents	10,216	10,981	9,851	10,762

NOTES TO THE FINANCIAL STATEMENTS: Year ended 31 July 2017

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	
	2017 £'000	2016 £'000
Annual commitments under operating leases were as follows:		
Commitments which expire within 1 year	38	34
Later than 1 year and not later than 5 years	14	4
Later than 5 years	—	—
Total commitments at 31 July	52	38

21 Capital commitments

No provision has been made for the following capital commitments at 31 July 2017.

	Consolidated		University	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Commitments contracted	147	359	147	359
Authorised but not contracted	2,804	2,827	2,804	2,827
Total commitments at 31 July	2,951	3,186	2,951	3,186

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 Training Salaries

	Consolidated and University	
	2017 £'000	2016 £'000 Restated
Balance (owing) /receivable at 1 August	(109)	—
Funding Council grants	(3,155)	(2,847)
2016 Clawbacks	108	—
Disbursed to students	3,114	2,738
Balance (owing) /receivable at 31 July	(42)	(109)

2016 figures restated as per NCTL Audit Grant Report.

NOTES TO THE FINANCIAL STATEMENTS: Year ended 31 July 2017

24 Related party transactions

Grants were paid to St Mary's Students Union amounting to £553,000 (2016: £290,000), an organisation in which the president Mr Alexander Lavall was a member of the University Board of Governors during the financial year.

