

**St Mary's
University College, Twickenham**

**Annual Report and Financial
Statements**

31 July 2011

**A company limited by guarantee and registered in England and
Wales under number 5977277**

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

Registered Charity Number 1120192

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Foreword

Foreword

As the incoming Chair of Governors, I am pleased to introduce this Annual Report and Financial Statements for the year ended 31 July 2011. 2010/11 was an exciting year for the University College which started with a visit from Pope Benedict XVI which was an enormous privilege for the University College. On his arrival at St Mary's he was welcomed by children from the Borough. After attending a service with Catholic Religious in our Chapel, he then took part in the Big Assembly which was attended by over 3,000 school children from Catholic Schools all over the UK but which was also watched by millions of people worldwide. He ended his visit with an ecumenical event attended by faith leaders. The University College is working to ensure that there is a continued benefit from the visit and in 2011 hosted a lecture Inaugural Pope Benedict XVI Lecture delivered by the Chief Rabbi Sir Jonathan Sachs.

The University College has continued to grow its student population, welcoming more students from overseas than ever before. We move ever closer to our goal of University Title which the University College will achieve when 4,000 full time equivalent student numbers are reached (subject to Privy Council approval). On current projections this should be no later than the 2011/12 academic year.

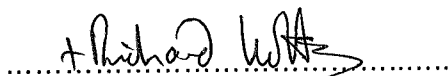
The University College was very pleased to welcome our new Principal, Professor Philip Esler. He joined the University College in October taking over from Dr Arthur Naylor. Professor Esler has brought with him new ideas and has commenced a strategic review to set the agenda for the next few years as we, in common with the rest of the sector, move into a new era of higher tuition fees and the widespread removal of funding for teaching in higher education.

There have had some changes to the Board of Governor membership over the past year, not least the celebration of 10 years of chairmanship under Archbishop George Stack. Archbishop Stack has now moved to be Archbishop of Cardiff and we wish him well in his new position. The University College has developed greatly during his time and it continues to go from strength to strength. We also wish well to Professor Michael Hayes, Vice Principal, who was appointed as President of Mary Immaculate College in Limerick.

Although we are moving into uncertain times for higher education, as the Financial Statements disclose, the University College continued to build up reserves with the addition of the surplus for the 2010/11 financial year. We are very aware, however, that there is no room for complacency and we must be ready to meet known and unforeseen challenges in the national landscape. Overall we consider that we are well placed to deal with the more challenging economic circumstances that lie ahead. We keep the priority of the student experience at the forefront of our strategic planning.

Foreword

In recognition of the issues facing the University College, the institution continued with efficiency reviews started in the 2008/09 academic year, together with the introduction of a voluntary severance scheme. At the same time, the University College continues to invest in its future, most noticeably in IT infrastructure and prudent campus developments to meet the increasing aspirations of students. This investment is carefully managed in line with a risk appetite which recognises that "the current economic climate poses additional and increased risk and uncertainty while presenting new opportunities". To ensure that these new opportunities are realised, the University College is undertaking the strategic review of its activities and its future which will result in a new strategic plan.

A handwritten signature in black ink, appearing to read 'Richard Moth', is written over a horizontal dotted line.

Bishop Richard Moth
Chair of Governors
24 November 2011

Principal's Introduction

Principal's Introduction

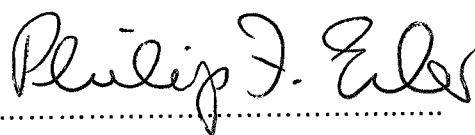
I am very proud to have been appointed as Principal to St Mary's University College and I will be continuing the work to maintain its proud heritage and to move forward to ensure it continues to grow and develop. While we are doing many things very well, we must ensure we move with the times and grow and invest in the student experience.

The quality of the University College's work was recognised by both OfSTED which rated both primary and secondary education as 'outstanding'; the only ITT institution in London to receive this rating. In December 2010 the Quality Assurance Agency undertook one of its periodic audits of the University College's manage of academic standards and the quality of student learning opportunities, While the University College has some recommendations to undertake, we received a 'confidence' judgement in all areas which is the highest rating given by the QAA. The University College has begun a major review of the way we deliver our teaching and learning as part of the wider strategic review so that we can ensure our provision will ensure students get the best possible experience in the new era of higher tuition fees. This curriculum review will look at programmes but also how we prepare students for the world of work and beyond.

Our research strength is also developing with the increased income from the 2008 Research Assessment Exercise, leading to greater investment. Knowledge transfer activity and income also increased significantly, improving the diversity of the income base which is of growing importance in an era of financial uncertainty.

The growth of the University College is also demonstrated by its physical estate and we opened the new sports block which has meant a step change in the range and quality of the sports facilities we have to offer our students, staff, local community and growing number of elite athletes. The building was formally opened by Lord Sebastian Coe in October. During the ceremony we inducted alumni of the University College, David Bedford and Rebecca Romero into our St Mary's Hall of Fame. We hope to be adding to this number as we have several students and ex students competing in London 2012.

The performance of the University College is entirely dependent on the skill and commitment of our staff and stakeholders. I would like to thank our staff, our students, our alumni and our Board of Governors. Without them the achievements reported here would not have been possible.



Professor Philip F Esler
Principal
24 November 2011

Administrative information

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Governors
as at 31 July 2011

Rt Rev George Stack (Chair)
Councillor Tony Arbour
Mr Anthony Bailey
Ms Siobhan Bellot
Mr Anthony Carey
Professor Philip Esler
Mr Michael Foster
Professor Michael Hayes
Mrs Veronica Heffernan
Mr John James
Mr Don Kennedy
Dr Sandra McNally
Mrs Ruth Mellor
Fr Mark Noonan CM
Mr Peter Pledger
Professor Andrew Sanders
Dr Oona Stannard (Vice-Chair)
Dr Anthony Towey
Mr Simon Uttley
Mr Jonathan Walsh
Dr Tim Walsh
Professor Bernard Weiss

Administrative information

Senior Officers and Advisors

Principal	Professor Philip Esler
Deputy Principal	Professor Janine Griffiths-Baker
Vice-Principals	Professor M Hayes (resigned with effect from 30 September 2011) Mr D S Leen
Clerk to the Board of Governors	Ms M Lowe
Principal bankers	HSBC Bank Plc 69 Pall Mall London SW1 5EY
External auditors	BDO LLP Emerald House, East Street Epsom, Surrey, KT17 1HS
Lawyers	Mills & Reeve LLP 1 St James Court Whitefriars Norwich NR3 1RU

The University College

History, Legal status, objects and mission

St Mary's University College has a long and distinguished history as a Catholic College for the education of teachers. It 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, St Mary's gained its own taught degree awarding powers and the title of University College. It started to offer St Mary's University College degrees in September 2007 and the first students graduated from St Mary's programmes in July 2010. Prior to this it awarded University of Surrey degrees as it still does for masters programmes. The relationship with Surrey started in 1983 following a decision to move from the University of London validation which had been in operation since 1920.

In 2006, St Mary's University College, Twickenham ('the University College') was incorporated as a company limited by guarantee company registration number 5977277, 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 registered charity, St Mary's University College, registration number 312935. At this time the legal objects of the University College were clarified and these are still informed by its original foundation. The Objects of the University College are to promote, in such manner as befits a Catholic foundation, the advancement of education, training and research including in particular:-

- 1.1.1 the provision and conduct of a Catholic institution of higher education; and
- 1.1.2 the provision of initial training and continuing professional development for teachers in both religious and secular schools, with special provision for those intending to teach in Catholic and other Christian schools

mainly, but not exclusively, within England and Wales.

These objects inform the mission of the University College which *is to provide high-quality academic and professional higher education within a collegial ethos inspired and sustained by Christian values.*

Our primary mission is in teaching and learning, underpinned and enriched by research and scholarship. The transformative nature of our work contributes to the creation of new knowledge and inspires our outreach activities in support of social cohesion and economic development.

Institutional Strategy

The University College's institutional strategy is set out in the Corporate Plan 2008-12 approved by the Board of Governors in July 2008. The Corporate Plan is built around ten strategic aims (the Aims):

- be a University in the Catholic tradition
- extend the range of educational opportunities for all
- enhance the academic achievement of all our students
- strengthen research capacity
- ensure that our knowledge and expertise benefits business and the wider community
- continue to attract and develop high calibre staff
- improve the range and quality of facilities and services
- expand our international dimension
- engage in the opportunities afforded by London 2012
- build a sustainable future

The University College is currently undergoing a major Strategic Review led by the new Principal. Once this has been completed, a new Strategic Plan will be developed which takes the University into the new era of increased tuition fees and anticipated higher student expectations. In the meantime it has continued to work on the aims outlined above and its achievements and any issues that have arisen are set out below.

A University in the Catholic tradition

Growth to 4,000 FTE to achieve university title is an integral part of the institutional strategy. Government policy on restricting additional student numbers on foundation, undergraduate and PGCE courses since 2008 has meant that, in the short term, the emphasis has been on increasing overseas student numbers, and continuing professional development programmes at Masters level, either privately funded or by the Training and Development Agency for Schools.

The University College considers that it has reached its target of 4,000 and will make its application to the Privy Council as soon as possible. When the goal of university title has been achieved, St Mary's will take its full place as a University in the Catholic tradition, part of the international family of Church universities in many parts of the world, particularly in the United States of America, and with whom many links already exist.

Part of the way it demonstrates that it is a University in the Catholic tradition is to serve the needs of the Church. The University College offers a growing number of programmes in Pastoral Ministry and also Catholic School Leadership which

provide for this. With its taught degree awarding powers, it is now able to validate programmes other institution's programmes and in 2010 we registered students on the BTh at St John's Seminary, Womersley and the Beda in Rome.

Extend the range of educational opportunities for all

The University has a long tradition of widening participation and has an active outreach programme to target those from under-represented groups or from areas where there is little participation in higher education. St Mary's sees outreach activity as working with younger students, undertaking long-term interventions aimed at boosting attainment and aspirations.

St Mary's has been working collaboratively with London South Aimhigher, together with the other universities, schools, FE Colleges in the area. In addition to work with the local Aimhigher we have been working collaboratively with the London Borough of Hounslow for over seven years with its schools and colleges and supported by WECAN (the Partnership in West Central and North London). During 2009/10, formal progression partnerships were agreed between St Mary's and Catholic 6th Form Colleges in London. Centrally funded, subject specific master classes and tasters were also organised by Academic Schools for students from the widening participation cohort and there was an expansion of an outreach programme of events and a policy produced to support Care Leavers and Looked after Children. There was an enhanced focus on mature students through an increase in HE preparation sessions with students on Access courses in local FE Colleges and the University College ran an Open evening with a focus for mature students.

The University College is successful in recruiting students from lower socio-economic groups and those whose parents have not previously participated in HE. 51% of first year students had no parental tradition of higher education. 38% of the University College's students come from families with incomes of less than £25,000 and 28% have incomes of less than £15,000. The University College performs well against its HEFCE benchmarks for widening participation as set out below apart from low participating neighbourhoods which is a function of the location of the University College and also mature students which is mainly because of the subject mix.

Year	St Mary's	Benchmark (location adj.)	Difference
Participation from state schools or colleges			
2009/10	93.4%	93.7%	-0.3%
2008/09	95.3%	93.5%	+1.8%
2007/08	94.2%	92.9%	+1.3%
Participation from under-represented socioeconomic groups (4,5,6,7)			
2009/10	38.7%	35.4%	+3.3%
2008/09	39.6%	38.4%	+1.2%
2007/08	36.1%	35.3%	+0.8%
Participation from low participation neighbourhoods			
2009/10	7.1%	8.1%	-1.0%
2008/09	8.7%	8.0%	+0.7%
2007/08	6.3%	7.3%	-1.0%
Participation of mature students from low participation neighbourhoods whose highest qualification is not HE			
2009/10	2.8%	9/6%	-6.8%
2008/09	.4%	12.2%	-6.8%
2007/08	2.1%	8.5%	-6.4%
Percentage of full time first degree students in receipt of Disabled students allowance			
2009/10	6.3%	5.2%	+1.3%
2008/09	5.1%	5%	+.1%
2007/08	5.2%	4.8%	+0.4%

Enhance the academic achievement of all our students

The University College keeps under constant review the achievement of its students. It is also an issue that is in the public domain through league tables published by various national newspapers. In 2009/10, the proportion of students who gained a first or upper second dipped to 52% but in 2010/11 it increased back to 55%. There is still room for improvement and the University College has been undertaking a project to look at Black and Ethnic Minority achievement which is an issue for St Mary's as it is for the rest of the sector. The University College will also be undertaking a research project to consider achievement more globally to ensure that students are given the best possible support to meet their full potential.

To ensure that the University College's programmes remain competitive, up-to-date and fit for purpose, a curriculum review is being undertaken. The purpose of this review is to refresh our offer, to provide the opportunity to study interdisciplinary modules as well as undertake work experience modules to improve student employability. St Mary's students are welcomed by employers as demonstrated by the strong performance of our graduates at a time of rising unemployment.

Year Students Graduated	Employed, training or studying six months after graduation	HESA-assigned Benchmark	Performance above the Benchmark
2008/09	94.0%	90.09%	+3.1%
2007/08	97.6%	92.8%	+ 4.8%
2006/07	96.9%	94.3%	+ 2.6%
2005/06	96.8%	94.0%	+ 2.8%
2004/05	96.0%	93.4%	+ 2.6%

Strengthen research capacity

The University College has been investing the additional funds gained in the 2008 RAE to strengthen its research capacity in time for the new Research Excellence Framework exercise in 2014. There has been increased activity in applying for research funding, which has achieved some success in achieving external research funding to date. Much of this activity has been carried out by staff in the Research Centres and Groups across the institution, which has become more established as hubs of research excellence during 2010-11. The hubs provide support for staff across the institution, and are particularly helpful in building awareness of collaborative opportunities and support for early career researchers. A significant part of the research strategy is the appointment of professors in key areas, but the University College has struggled to recruit suitably qualified candidates. As a result it will be examining salaries for research professors to ensure that it can attract the expertise to lead an improving research culture. The drive to improve research is not only to add to knowledge and improve research income but also to ensure research informed teaching. This was an issue identified by the QAA, who considered the University College could be more explicit about where and how research informs teaching within the curriculum. As a result of this the University College will be developing a strategy for research led teaching as part of its curriculum review. The number of postgraduate research students has increased significantly in line with an increasingly active programme of events across the institution to support and develop the research culture for this group of students as well as research active staff.

Ensure that our knowledge and expertise benefits business and the wider community

The University College has been gradually developing its knowledge transfer activity. This has been aided by HEIF monies which have provided pump priming funds for the development of new activities across Academic Schools within the

established knowledge transfer centres. The University College's most successful knowledge transfer hub is the Centre for Workplace and Community Health which has negotiated contracts with business and public sector organisations to deliver health interventions.

Unfortunately the HEIF funding will be withdrawn with effect from 2011/12 which may affect the level of activity the University College is able to undertake. However, careful alignment of research and knowledge transfer activities within the discipline-based Centres will ensure that its research activity drives impact which delivers both commercial and community gain.

Continue to attract and develop high calibre staff

The University College, as a Catholic Higher Education Institution, is committed to promoting an ethos of community for staff members where all are encouraged to fulfil their potential. In terms of staff development there is ongoing development for academic staff through the relevant Academic Board Committee Strategies as well as a number of staff development days and funding to attend conferences. Staff are encouraged to be part of subject networks and also to undertake higher level qualifications. More emphasis has been placed in recent years on the development of non-academic skills and development for professional services staff including opportunities to undertake higher level qualifications. Enhanced training and development programmes on management competences for line managers have been introduced, accredited by the Institute of Leadership and Management (ILM). Learning and development opportunities for all staff members have also been supported by significant funding secured through the Government's Train to Gain initiative. Highlights during the year include support for 80 staff members to undertake national vocational qualifications for IT users (ITQs) and NVQs.

Improve the range and quality of facilities and services

The University has gradually been upgrading its estate through a planned programme of works and investment. Some of these are small scale improvements with high impact and which also improve the aesthetics of the campus. Others are major investments such as the new sports block which reached Practical Completion on August 2011. This facility has increased the level and quality of the sports facilities on offer, an important factor given the high numbers of students on sport and health related programmes and also the University College's involvement in elite sport. The new facility will also provide a gym for those who want to improve their general fitness as well as the many sports clubs and community use.

Although there have been improvements over the past few years, the University College Student Union and other student facilities are below the level of those of its competitors. For this reason it has undertaken a major refurbishment of one of its halls of residences and it is upgrading the Students' Union building to make it more attractive for day and evening use. Improvements to the Refectory and the St

Mary's Square are also envisaged. WIFI is being upgraded across the campus and the Halls of Residence all now have access to broadband.

The University College has also made improvements to learning resources, where we did not perform as well in the National Student Survey. The budget for library information resources (books, journals etc) was increased by £45,000 on an ongoing basis. There were also one off in year increases spent on books as well as furniture and equipment for the Learning Resources Centre. Some additional space has been converted (from staff office space) to provide a flexible social learning environment, the "Learning Lounge", for students. In addition the installation of new compact shelving in the LRC, for the new Law and Applied Physics programmes, has meant that the number of study spaces for students has been increased by over 10%. During the course of the year new student and staff portals, based on Microsoft SharePoint 2010, were launched. The investments did not come in time for students in their final year to rate the University College more highly in the NSS but it is hoped that this continued investment will improve the student experience and consequently the student experience.

Expand our international dimension

The University College is pursuing its International Strategy to both recruit more overseas students to its programmes but also to make strategic partnerships with higher education institutions abroad and international organisations. The number of students recruited has increased in 2011 as set out in the table below.

STUDENT TYPE	2007 – 2008	2008 - 2009	2009 - 2010	2010 - 2011
Postgraduate	5	8	31	26
Undergraduate	23	29	34	67
Study Abroad	44	66	60	64

In terms of partnerships, the University has a highly successful collaboration with the Mountbatten Institute to deliver an MBA and a Postgraduate Certificate in International Business Programmes to those on its internship programme. Including this development, income from overseas activity rose from £260K in 2007/08 to £1.4M in 2010/11. In addition, in 2011 the first degrees were also awarded to students in the BEDA College in Rome through an arrangement to validate their degrees.

Discussions are now ongoing with organisations in Malaysia and Hong Kong to franchise programmes in Management Studies, Business Law and Drama and Theatre Arts. These partnerships take time to develop as it is important to ensure

that a proper due diligence is undertaken to ensure that we are entering into appropriate relationships which will be of mutual benefit.

Engage in the opportunities afforded by London 2012

The University College will be participating in the London Olympics in many different ways. It will be hosting pre-games training camps for at least three different countries who will use the new and upgraded sports facilities for this purpose. There will also be several St Mary's students participating as athletes. Our students have been given opportunities to volunteer and we are developing activities as part of the cultural Olympiad.

Build a sustainable future

Government set national targets mean that there is a requirement for St Mary's to reduce its direct emissions and those caused by electricity and gas purchases by 34% by 2020 (against 2005 levels) and 80% by 2050 (against 1990 levels). There is also a required commitment to achieve these targets directly linked to HEFCE funding. Making efficient use and management of energy is therefore key to achieving these targets, resulting in both significant economic and environmental benefits. As a responsible institution St Mary's is required to turn these national goals into institutional targets that can be measured over time against regular milestones. In order to achieve this, St Mary's is reducing energy consumption in several ways. It developed an Environmental Statement and Energy Policy in 2010 to promote a cultural and physical change to energy use and conservation at St Mary's. The policy was accompanied by programmes and initiatives to educate staff and students, develop good practice and working partnerships with bodies such as the Carbon Trust and Energy Consortium.

St Mary's has worked closely with the Energy Consortium to consolidate energy accounts and realise cost savings on energy supply whilst negotiating favourable rates for the change-over to sustainable energy supply to substantial electricity usage areas of the main campus. Following the successful re-tendering of gas and electricity contracts St Mary's has enjoyed a reduction in costs to both. It is however worthy of note that these savings will reduce as fuel prices increase over coming months. As part of the negotiations for tender it was also agreed that automated metering would be installed at no cost. This has ensured accurate and timely billing whilst providing an accurate picture of energy use by area.

The new Sports Building incorporates 100m deep piled geo-thermal piping that will be connected to an array of heat pumps more commonly referred to as Ground Sourced Heat Pumps (GSHP), significantly reducing energy needs. The development also includes a host of additional energy saving and conservation measures that contribute to achievement of a 'BREEAM' standard of Excellence (Building Research Establishment Environmental Assessment Method).

A continued programme of campus wide improvements include potential installation of heating control and management system improvements being run in conjunction with additional replacement and improvement plans. As part of this process, St Mary's were successful with being granted a place on the Higher Education carbon Management Plan Programme which is recognised by HEFCE and hosted by Carbon Trust and currently Estates are working closely with them to prepare an updated Carbon Management Plan. After a long exercise our data collection and collation strategy meetings were held with both the Carbon trust and The Green Consultancy that resulted in the provision of a new carbon management plan which has since been approved by the Sustainability Group and Estates Committee. The carbon management plan is currently in its first year where the focus will be on raising awareness of energy reduction and conservation. It is anticipated that further CO2 emission reductions will be achieved by the re-gearing boiler plant timing and circulation systems ahead of a modifications and new installation program that will begin 2011/12.

As well as reducing its carbon footprint, the University College takes a view that it needs to source its supplies ethically. To this end it has become a Fair Trade University in 2011.

Key performance indicators

In July 2008, the Board of Governors approved key performance indicators to enable it to monitor the performance of the University College in those areas which are vital for its ongoing health and sustainability or where it has responsibilities to key stakeholders. In developing these indicators, it took into account the CUC Report on the *Implementation of Key Performance Indicators: Case Study Experience* (November 2006). It also took a stakeholder approach to their development, ensuring that they included indicators relating to staff, students, the Catholic Church and also key funding bodies as well as financial indicators. The KPIs will be reviewed with the approval of a new corporate plan.

The KPIs are being measured by means of a traffic light system. Most areas are amber/green which means *Satisfactory: this is broadly on track with some concerns which need to be addressed*. The performance indicators and the University College performance against them as at 31 July are shown below (previous year's figures in brackets).

Operating and Financial Review Year to 31 July 2011

Institutional character : positive engagement with the Church in meeting, training and development needs and in providing evidence based advice and support in relevant areas (Green)

30% of respondents to 2008/09 First Destinations Survey employed in Catholic Schools (30% 2007/8)	
314 students on programmes related Church needs (313)	
56 students in validated institutions relevant to the mission (48)	

Staff and Staff Development (Green/Amber)

Less than 4% of new staff terminated during probationary period 0.34% (0.50%)	
Less than 10% staff turnover 15.7% (10.4%)	
Results of 2009 staff survey were very good and the University College is considered to be an 'Employer of Choice'	
Grievances raised below benchmarked average of 5.4: 2 (1)	

Student demand, achievement & satisfaction (Green/Amber)

Recruited 1020 (1024) to a HEFCE student number cap of 975 (964) in 2011 and 516 (588) to a TDA target of 515(593) (NB 30 PGCE still to be recruited for 2011/12)	
Non-continuation rates below 10% for first year students: 6.5% against benchmark of 8.2% (11.8 against 9.9)	
Ratings in National Student Survey: to achieve a rating in the upper quartile: 4.2 against upper quartile mean of 4.3 (4.1 against 4.3)	
Number of students employed, training or studying six months after graduation 91% against HESA-assigned benchmark of 91.1% (94% against 90.09%)	

Financial Health (Green/Amber)

Net liquidity as number of days expenditure: 82 days (123 days)	
Net cash flow as a % of total income 13.39% (16.3%)	
Historical cost surplus as a % of total income 6.54% (3.93%)	
HEFCE and TDA funding as a proportion of income: Maintained at less than 50% of total income: 41.5% (44.3% without exceptional release of capital grant income)	
Discretionary reserves as a % of total income: 41% (37.6%)	
Staff costs as a % of total income: 58.65% (59.15%)	
Borrowing: External borrowing as a % of total income: 23.70% (28.2%)	

Quality (Green)

Confidence judgements received in the QAA Institutional Audit Report published in May 2011. No essential recommendations.	
OfSTED inspections: OfSTED report published with Grade 1 Outstanding in all areas.	
Total Research income £421K (£448)	

Management (Green)

HEFCE Service Audit and annual risk rating: positive audit report and to be considered 'not at higher risk' each year: not at higher risk for every year there has been a rating.	
External Audit opinion: An unqualified audit opinion each year: Unqualified audit opinion received for 2010/11 and 2009/10.	
Internal Audit report: in upper quartile of institutions using same internal auditors: Full or substantial assurance in all audits in 2010/11. Internal auditors report St. Mary's is in upper quartile.	

Key

Green
Good: this is on track, low risk

Green/Amber
Satisfactory: this is broadly on track with some concerns which need to be addressed

Amber
Mixed: Some significant concerns which could be damaging if not addressed, medium risk

Red
Problematic: serious concerns threaten this area, high risk to the institution's overall performance

Review of Operations

Student Recruitment

The University College has continued to have buoyant undergraduate recruitment and did not go into Clearing for the second year running. Undergraduate numbers have grown as a result of additional student numbers awarded in previous years and also the growth in international numbers. Postgraduate numbers have grown, in the main because of increases in serving teachers undertaking Masters programmes. Recruitment to teacher training programmes has also been strong.

Year	2007	2008	2009	2010	2011
FDn	124	184	219	215	203
Top up	62	47	30	37	38
1	888	1051	1129	1228	1304
2	780	772	915	1001	1070
3	825	761	751	881	974
4	68	39	30	27	46
Other	24	24	10	35	26
Total UG	2771	2878	3084	3426	3661
FT PGCE	298	297	326	304	325
PT PGCE	56	57	57	62	60
Total	3125	3232	3467	3792	4046

The student experience

In 2010/11 the University College worked hard to address some of the issues the National Student survey was raising, particularly learning resources and assessment feedback as well as providing better information about the actions being taken. Disappointingly, these interventions appear so far not to have worked to improve scores in these areas. However, the University College's position has improved overall against that of 2010. Those for teaching and learning stayed largely static. The University College will again be reviewing its performance and the results of the survey are feeding into the new Corporate Plan.

Overall Student Satisfaction	2010	2011
St. Mary's % Agree	84%	87%
Top Quartile % Agree	89%	89%
English HEIs % Agree	82%	83%

The University College takes its student views very seriously and students are engaged in the deliberative process to ensure that their views are heard. Students

are members of most of the Academic Board Committees and the Students' Union President is a member of the Board of Governors. In 2009/10 the University College strengthened the arrangements for dialogue with students with the establishment of a Student Experience Committee of the Board of Governors. This Committee acts as a channel of communication with the student body and considers how the student experience and the Students' Union can be approved at a strategic level. This Committee is working well and has considered issues relating to the Students Union, the curriculum review and other strategic issues.

The University College has also been working closely with the Students' Union to improve student representation and engagement. Programme representatives are a key part of the quality assurance system and a also dialogue between staff and students. Training for representatives is now well established to ensure that we are able to benefit from their input.

Teaching and Learning

The University College has continued to pursue its policy of continuous improvement to teaching and learning through its teaching and learning strategy. Its achievements in this area were affirmed by the Quality Assurance Agency Institutional Audit. The report of the Audit made the following overarching judgements:

- confidence can reasonably be placed in the soundness of the University College's current and likely future management of the academic standards of its own awards and those it delivers on behalf of the University of Surrey
- confidence can reasonably be placed in the soundness of the University College's current and likely future management of the quality of the learning opportunities available to students.

This represents the highest accolade achievable under the audit system. The report also highlighted the following areas of **good practice**:

- the use of the Principal's Dashboard of College indicators which provides easily accessible, key management data;
- the activity of the Centre for Workplace Learning in enhancing student employability;
- staff development activities such as learning lunches;
- the University College's promotion of selected enhancement themes, which encourage discussion and change at programme level.

There were no essential (mandatory) recommendations. There were 13 advisable and 7 desirable recommendations. The University College is working on the recommendations in areas where the Audit Team considered it could improve.

Some of these were around collaborative activity which is a relatively new area for the University College but steps have already been taken to strengthen its control.

The University College was also inspected by OfSTED and received an outstanding judgement for both its primary and secondary initial teacher training. This is a fantastic achievement for the School of Education and places us as one of only 13 institutions in the country and the only one in London to have Outstanding in both Primary and Secondary. The immediate effect was that we were awarded additional numbers by the TDA. It also means that the University College is recognised as a centre of excellence for teacher education and this will also bring longer term opportunities.

Tuition Fees

In 2010 Government announced that it would allow institutions to charge up to £9,000 per annum for tuition fees. Any institution that wished to charge over £6,000 was required to submit an Access Agreement to the Office of Fair Access to set out what activity it would undertake to widen participation from low participating groups and also its level of bursaries.

The University College reviewed the required income levels to replace the current HEFCE funded and took a principled decision not to charge fees at the maximum but to the level required to replace current income. It set its level of fee at £8,000 and its ACCESS Agreement, setting out how it would continue to work to attract students from low participation backgrounds, was approved in July. With a generous bursary and scholarship package to help attract those from low income backgrounds, its average fee will be £7,499. This allows the institution to make a bid for additional student numbers.

Employment matters

One of the University College's main resources is its staff. In order to ensure that the value the University College places in its staff, it is working towards gaining Investors in People (IiP) which focuses on leadership, communication and development. It has already achieved this in the School of Education and Catering Services and the process has brought real benefits to the departments and the University College more generally. More Schools and Services are currently undergoing assessment with all areas to be assessed by the end of 2012.

In the last few years the University College has been committed to a staff wellbeing project to prevent and address stress at work. Work includes an organisational risk assessment against the Health and Safety Executive's Management Standards and implementation of a dignity at work policy including institution-wide training. Progress during the year included the completion of the institution-wide staff consultation process to confirm and/or challenge the findings of the risk assessment. The analysis of the consultation has been completed and action plans developed to further enhance strategic wellbeing interventions.

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The University College initiative 'Activate St Mary's' which forms part of the wellbeing project places importance on the health and wellbeing of staff through healthy workplace interventions. Promoting health and wellbeing provides a platform for encouraging staff members to make better health choices and can reduce sickness absence and prevent work-related illness or injury. Interventions available to staff during the year include smoking cessation classes, a mile walk, participation in the national walk to work week, table tennis, badminton, chair massage and exercise classes. Other initiatives include regular cycle maintenance sessions to support the growing number of staff who now cycle to work. Through this initiative 12 staff have become workplace health champions and achieved the Royal Institute of Public Health Level 2 qualification

As staff is its main resource, it is also the University College's main area of expenditure. The University College reviews carefully any vacancy and its staff costs to ensure that these are reviewed before being replaced. In 2011 it also ran a voluntary severance scheme where staff were given a generous severance package if it was in their and the University College's interests. Staffing levels will be kept under review in 2011/12. A further area where costs were reduced was in the introduction of a defined contribution scheme for all new administrative staff following consultation with staff and the recognised trades unions. This scheme, which has enabled some staff to access pension provision for the first time, is based on good practice and includes a life assurance element in line with the defined benefits scheme which is no longer available to new staff. The new scheme does not cap the liability of the defined benefits scheme but it does ensure that there is no further exposure to these.

The new pension scheme achieved the National Association of Pension Fund's (NAPF) Pension Quality Mark Plus standard. This is the highest quality standard recognised by the pensions industry and is awarded to pension schemes that have overall contribution rates of 15% including an employer contribution of 10% or more. This quality standard also demonstrates that governance arrangements are in place to ensure the scheme operates in the best interest of members and communication materials are clear and easy to understand.

Considerable value is placed on the involvement of its staff members and on good communication with them. Staff members are encouraged to participate in formal and informal consultations at all levels including the membership of University College Committees. This year all staff have been able to participate in 'town meetings' to discuss the Strategic Review with 320 staff attending the meetings.

During 2009, the first independent externally organised staff survey was conducted. The University College achieved very high scores in respect of employee engagement and satisfaction. The most notable outcome of the survey was that the University College is considered to be an 'employer of choice' with the results placing St Mary's in the top 10 of over 200 organisations that the survey provider

has surveyed in the last 12 months. This year a performance award to recognise and reward excellent performance of professional services staff has been developed to compliment opportunities available to academic staff which will be launched in 2011-12.

Equality and Diversity

The University College is committed to providing equality of opportunity through its employment and student related policies and procedures. The University College strives to ensure fair and equal access to all opportunities for applicants, staff and students and monitors and benchmarks success against appropriate competitors.

Through its Disability Equality Scheme, it has made step changes to improve the accessibility of the campus and also the student and staff experience, making all reasonable adjustments. The University College also has a Gender Equality Scheme and work is ongoing to ensure parity for all staff and students whether male or female. Through its Racial Equality Policy and related action plan it is also working to ensure parity for staff and students, whatever their background. As well as this ongoing work, in 2010/11 the University College has been preparing for the Single Equality Scheme and is working to develop its data and its objectives as required.

Learning and development opportunities available to staff in relation to equality and diversity matters have been further enhanced during the year to further promote and embed equality.

The University College continues to recognise its social and statutory duties to employ disabled persons and will do all that is reasonably practicable to meet this responsibility.

Information Technology

Over the past two years, the University College has developed a new IT Strategy and is working on a Connected Campus project to align its key business systems to ensure that it maximises its investment, ensures efficiencies and the effective use of the data it holds. As part of this project the University College invested in 13 IT projects which were completed in 2011/12 which were focused on improving IT access and information for students. Some of the projects focussed on streamlining administrative processes such as introducing on-line enrolment which greatly helped with the efficiency as well as the student experience. Others were to expand students' access to IT. One of these was the decision to introduce Moodle as a replacement to the current virtual learning environment. This decision was taken in part because of cost savings but also because Moodle allows much more flexible and innovative integration of IT resources in the curriculum. The University College also introduced SharePoint as the operating system for both staff and student portals again to improve the flexibility of these. Both these developments will allow the University College to develop in the future. As with any IT project

there have been some unexpected issues but largely the projects were delivered to time and on budget.

The University College also brought its IT staff together in the Information Systems and Applications Unit which is intended to bring efficiencies in the way that IT is managed and also to ensure it is supporting all schools and professional services.

Public benefit and engagement with the Community

As a registered charity, the University College is required to demonstrate how it meets the requirement that its activities are of 'public benefit'. The governors, as charity trustees, are aware of their duties with regard to public benefit and are conversant with the Charity Commission guidance in this area. As outlined above, the charitable objects of the University College inform both the mission and the strategic aims of the institution and are the foundation of all that we do.

The main beneficiaries of the University College's Charitable Objects are its students. Within the limits of its funding, the University College aims to admit those students who are able to benefit from the educational experience that it offers. It has a history of widening participation to higher education and admits a high proportion of students from lower socio economic groups with no parental history of HE. The University College currently provides almost £1M in bursary support to students who meet the income criteria. In future with the advent of increased fees the University College is increasing its package of scholarships and bursaries to ensure that it continues to support students from under privileged backgrounds. Under the Access Agreement these will be extended and with the addition of bursaries for students from low income families to live in halls. This initiative is as a result of a retention project which demonstrated a link between those students who drop out and living at home.

The University College provides programmes of higher education which enable individual development but which also enrich the wider society by providing potential employees. In areas such as teaching, sport coaching and pastoral ministry our students can make a real difference.

In addition to the provision of education, the University College undertakes research which is widely published in the areas of Theology, Humanities, Education and Sport. The University College also undertakes knowledge transfer and enterprise activities so that the knowledge it has is used for the benefit of the wider society. An example of this is the centre for Workplace Health which works with employers to promote a healthy workforce.

At a local level, the University College makes its sporting facilities available to the local community through the provision of sport for school children and amateur sports clubs. This work will be enhanced with the opening of the new sports block and the upgrade of its other sporting facilities. It also works to promote elite sports

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people through facilities coaching and education. Several of our students competed in the 2008 Olympics and other world class championships, some winning medals. Others will compete in 2012 and our students will be volunteering at the events. Student volunteers also work with and serve in particular those living on the margins of society including the homeless.

Financial Review

Scope of the financial statements

The Board of Governors of the University College presents its results, including the results of its subsidiary, for the year ended 31 July 2011. The subsidiary, Strawberry Hill Enterprises Limited, donate any taxable profits to the University College. The subsidiary did not have a material effect on the results of net assets of the group for the year ended 31 July 2011.

Results for the year

The University College had the strongest financial year to date with a reported surplus of nearly twice that of the previous year. This was mainly driven by the significant growth in tuition fees signifying the University College's ability to continue to attract students.

The University College's Consolidated Income and Expenditure Account for the year to 31 July 2011 is summarised as follows:

	2011 £'000	2010 £'000	Change %
Income	34,805	32,592	6.79
Expenditure	32,721	31,499	3.88
Surplus after depreciation of assets at valuation	2,084	1,093	90.67
Surplus after disposal of assets	2,084	1,093	90.67
Surplus on an historical cost basis after taxation	2,272	1,281	77.36

In 2011, income grew by £2.2m, representing a 6.79% increase from £32.6m to £34.8m. In addition to the growth in tuition fees, there was substantial growth in other income. The growth in both income sources is in line with the University College's strategy to diversify its income sources thereby reducing dependency on funding body grants.

Total expenditure increased modestly by £1.2m to £32.7m representing a 3.88% increase over expenditure from the previous year. The relatively lower growth in overall expenditure was due to a net reduction in other operating expenses neutralised by the increase in headline staff costs.

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Capital financing, borrowings and cash flow

	2011 £'000	2010 £'000	Change %
Increase/ (Decrease) in cash and cash equivalents	(3,089)	8,813	135.05
Fixed assets	38,939	34,516	12.81
Net current assets	871	4,446	(80.41)
Total net assets, including pension liability	27,837	26,117	6.59

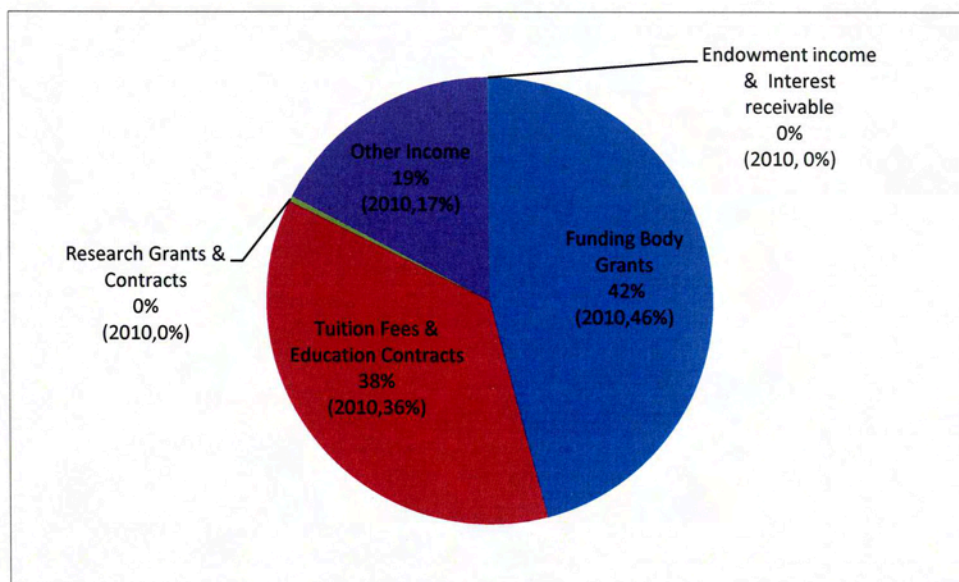
Amongst other operational outflows, payments for the new Sports Block Project including additional capital servicing costs for the year, resulted in £3m cash outflow.

Analysis of Results for the year

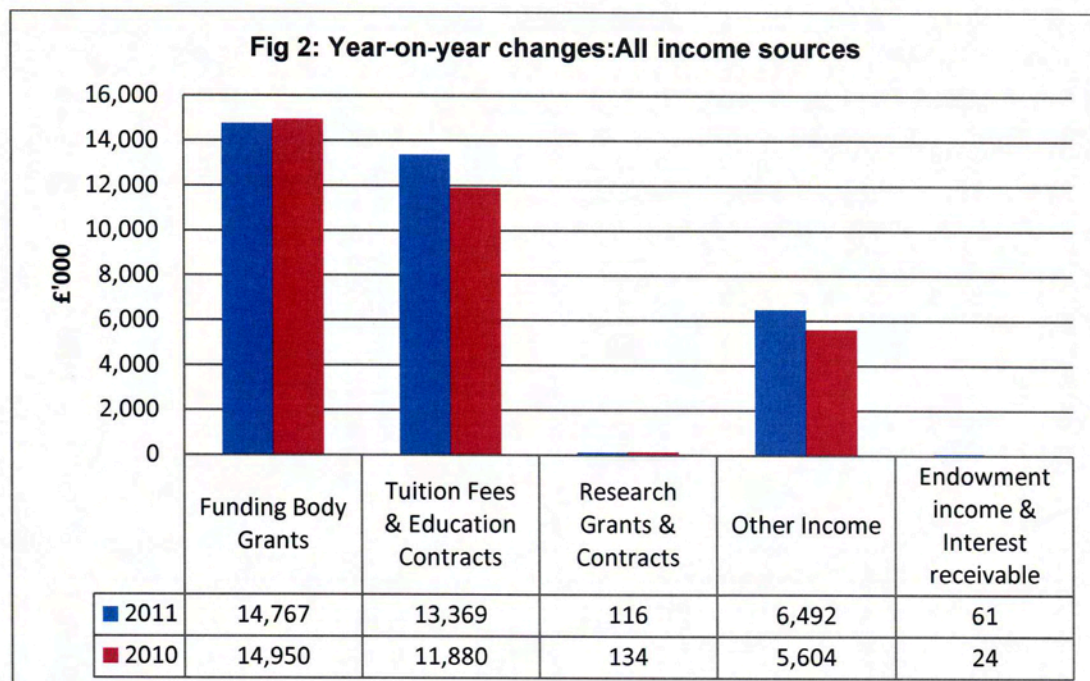
St Mary's University College Income

The sources of University College income is set out below.

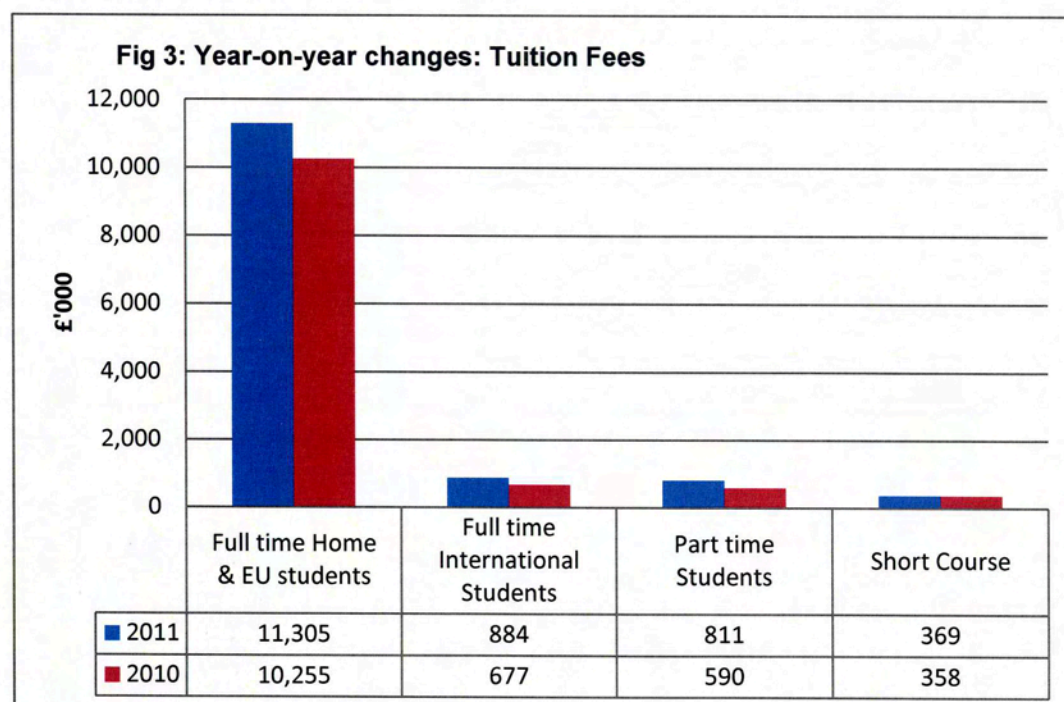
Fig 1: Income Sources



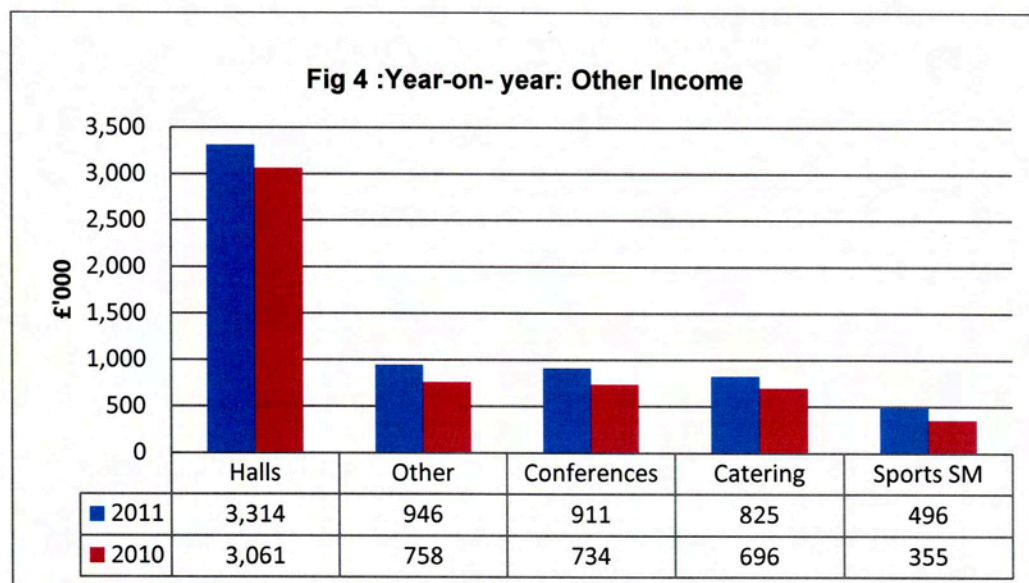
Dependency on funding body grants reduced from 46% in 2010 to 42% in 2011. There was also a significant growth in tuition fees and other income sources from 2010 to compensate for the reduction in income from grants.



Funding body grants reduced by 1.24% from £14.9m in 2010 to £14.8m in 2011. Excluding grant releases and other accounting adjustments, there was a 3.00% year on year net reduction in grants. Tuition fees grew by 12.53% from £11.9m in 2010 to £13.4m in 2011. There was also a 15.85% proportionate growth in other income from £5.6m in 2010 to £6.5m in 2011.

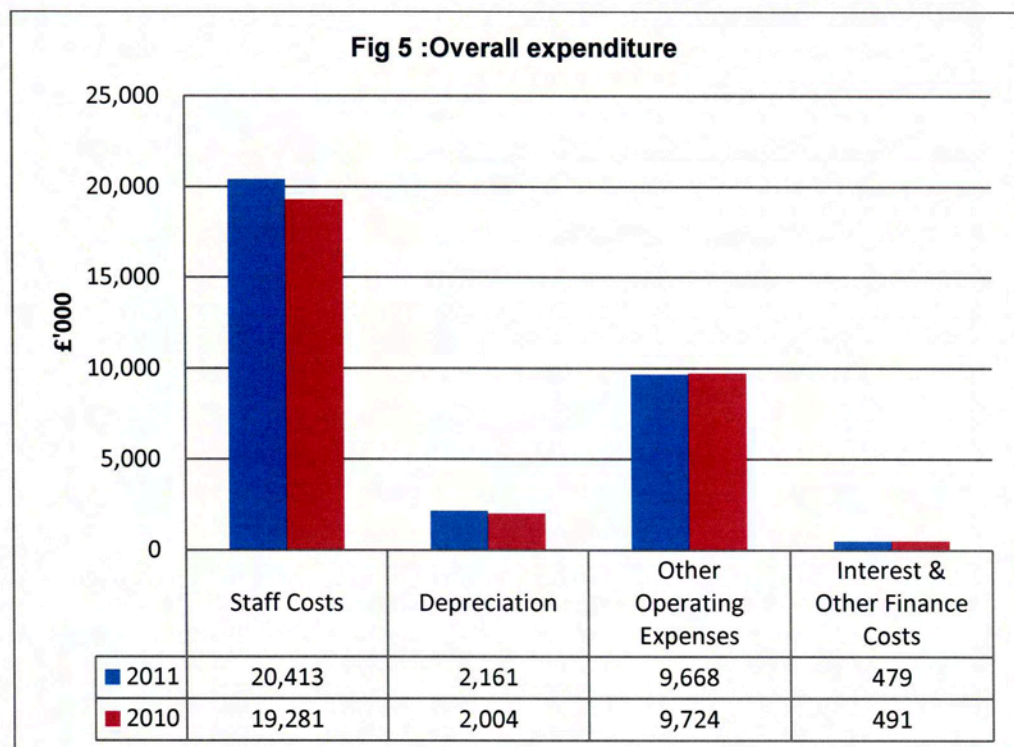


Income from tuition fees was boosted by additional growth in part time student numbers with part time student fees increasing by 37.46% from £0.6m in 2010 to £0.8m in 2011. In addition, the University College continued to attract more full time home and international students with overall growth in tuition fees driving the strong growth in total income as outlined in University College's financial strategy.



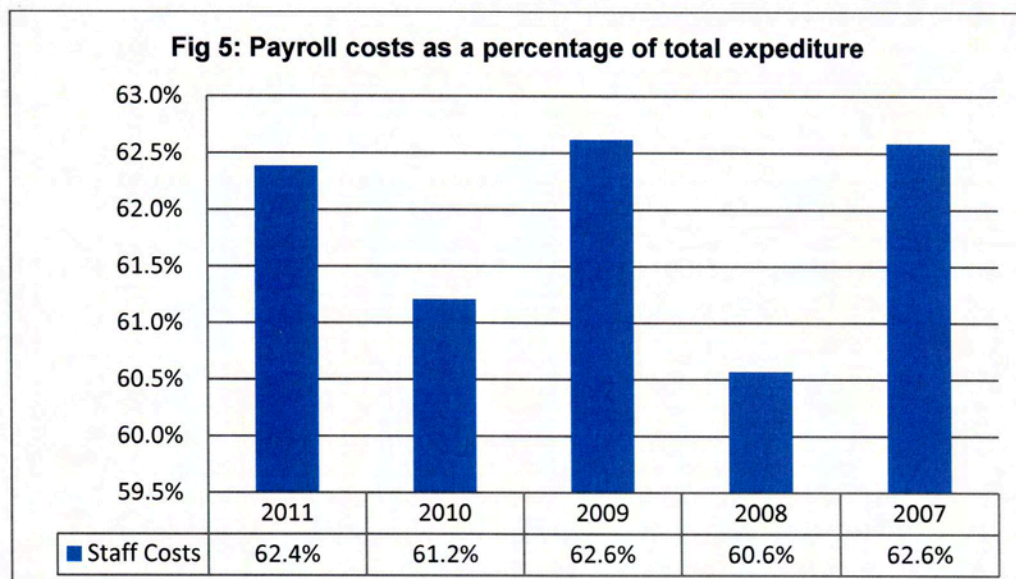
Growth in other income in 2011 also contributed substantially to the strong underlying financial performance of the University College. There was near full occupancy of the student halls and increased activity levels in Catering, Conferencing and Sports St Mary's (Sports SM).

Total Expenditure rose by 3.86% to £32.7m from £31.5 in 2010. This modest increase is in line with expectations following the implementation of the University College's Efficiency Reviews. The slight reduction in other operating expenses was mainly due to savings in Academic Departments. Excluding dilapidation provision for St Mary's Halls in 2010 there was 5.45% year-on -year increases in Estates and Premises costs. There was a 5.88% increase in headline staff costs from £19.3m in 2010 to £20.4m in 2011.



Staff Costs

Staff costs excluding FRS 17 pension adjustments and Voluntary Severance Scheme payments increased by 4.00% from £19.5m in 2010 to £20.4m in 2011. This increase in staff costs was mainly due to the addition of 4 posts, spinal pay increments and the extra costs incurred in the Local Government Pension Scheme with 27 employees joining the Scheme. However, when monitored as a proportion of total expenditure, staff costs in 2011 is comparable to that of the previous four years as depicted below.



Payment performance

The Late Payment of Commercial Debts (Interest) Act 1998, which came into force on 1 November 1998, requires institutions, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received. The University College adhered to this policy during the year except where there were genuine reasons for dispute and accordingly incurred no interest charges in respect of late payment for this period.

Taxation

The majority of the University College's activities do not fall to be charged to corporation tax.

Auditors

The Board appointed BDO LLP with effect from 1 May 2008 to carry out audits of the University College and its subsidiaries.

Reserves and Investment Policy

St Mary's University College continues to build up reserves with the addition of the surplus for 2010/11 financial year, but the challenging economic circumstances of the 2010/11 budget and future budgets highlights the need for efficiency reviews accompanied by sound investment decisions to enable financial sustainability to be achieved. The investment of funds is governed by the Treasury Management Policy (last reviewed in March 2009). The Treasury Management policy ensures that any surplus funds are deposited in holdings with a range of banks, the credit ratings of which are reviewed from time to time to ensure that the University College's investments are secure.

Managing Risk

The Higher Education Sector is going through a period of unprecedented change and this brings a number of risk factors which need to be carefully managed. Although some of these risks are common with other institutions, others are informed by the particularity of the University College.

Risk appetite

Risk Management is embedded in the operation of the University College, directed by the risk appetite defined by the Board of Governors. This was reviewed in year by the Board of Governors as follows:

'The University College Corporate Plan 2008-12 sets out an agenda for growth and expansion supported by careful investment in our strategic priorities. We recognise that the current economic climate poses additional and increased risk and uncertainty while presenting new opportunities. In this context the University College acknowledges it is operating in an inherently riskier environment and that it must ensure robust and effective risk management. (June 2010)'

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. The Register details strategic and recurrent risks together with the range of mitigating controls in place and the early warning indicators for each risk. The risk management process is reviewed by internal audit on an annual basis. This process enables the University College to ensure that even in the changed climate it is able to monitor and manage risks. Risk management processes were reviewed by the internal auditors as part of the 2010/11 programme and achieved a 'full assurance' assessment.

Financial viability

The significant cuts in HEFCE funding followed by the elimination of grant funding for humanities and social sciences will transform the financial base of the institution. In 2010/11 there were again in year cuts with the removal of funding for all but a minority of University College subjects rolled out between 2012 and 2015. There is also uncertainty on activity funded by the TDA (which constitutes a third of the academic portfolio) as the future regarding the modes of teacher training is still unclear.

Financial modelling has been undertaken for the projected level of finances as well as 15% cuts as directed by HEFCE. The University College continues to experience strong levels of applications for places and is at its highest level of student population. However, the impact of a tuition fee of £6-9K on both sector and St Mary's demand is unclear.

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To mitigate the risks the University College has been undertaking efficiency reviews and also introduced a voluntary severance scheme. It has also reformed its pension provision for professional services staff to limit its future exposure to the defined benefit scheme.

The 2011/12 budget contains a £650K provision (a Change Management Fund of £400K and an Investment Fund of £250K) to realign the academic portfolio and the support services where required.

Growth and student demand

The government's policy outlined in the White Paper will mean that the University College's student number cap will be reduced by at least 8% although the University College's fee levels will enable it to bid for additional student numbers. Current demand for postgraduate courses is good although this may also be affected by the higher fees. However, although the strategy for international student growth is ambitious St Mary's is well placed to grow its (relatively small) numbers in this area. The curriculum review is designed to ensure that St Mary's courses are vibrant, interesting and include the right skills for employment.

Student experience

Reviewing the overall student offer (the location, the courses, and the wider student experience) is critical and the University College is taking steps to ensure its continuous improvement. The range and quality of facilities and services offered is paramount. The change to a fully 'student centred' culture across all operations represents a challenge to some areas of the institution. The range of ongoing campus improvements continuing (new lecture hall facility opened Semester 2, 2010 and improved external spaces) and the sports centre on programme for summer 2011.

Retention continues to be a risk and an internship research project was undertaken to review interventions that would be effective in the St Mary's context. Much of this work has fed into the ACCESS Agreement and also the Strategic Review. In 2011/12 the University College will use this approach to review achievement.

Income diversification

The University College has out-performed financial targets in recent years and remains relatively lowly geared in terms of borrowings. However, the (over) reliance of Teaching activity for the vast majority of its income represents a significant risk. Significant progress in cost control and income diversification will be required and increases in research and knowledge transfer activity will boost this.


The estate

The estate remains a prime asset for students and staff. However there is a demanding Planned Maintenance Programme to deliver to retain and enhance this

position. With reductions in HEFCE Capital Grant Funding, the University College will need to deliver on its surpluses to be able to fund future projects.

Data quality

A key risk that is being monitored by the University College is that of data quality. The University College has over the last three years invested both staff and other resources into improving the quality of its data, particularly that for students, to ensure that it has data integrity and also that its returns to HEFCE and the Higher Education Statistics Agency are fit for purpose and compliant. Audits, internal and external, undertaken to assure the Audit Committee of the process and integrity of the returns have demonstrated that the efforts to manage this risk have ensured greater data quality. This was validated by the recent HEFCE Assurance Service audit of the Higher Education Students Early Statistics Surveys student number returns which (although highlighting the high rate of non-completions) concluded there were no funding implications arising from the audit.



.....
Professor Philip F Esler
Principal
24 November 2011

Statement of Corporate Governance

The conduct of the University College's affairs is governed by the Memorandum and Articles of Association which were adopted by the Board of Governors upon incorporation on 1 August 2007. The University College is committed to implementing best practice in all aspects of corporate governance. The annual reports have for some years confirmed the University College's compliance with the aspects relevant to universities and colleges of the Chairmen of University Councils (CUC) Governance Code of Best Practice on the Financial Aspects of Corporate Governance. The University College also complies with the CUC Governance Code of Practice issued in November 2004. It also endeavours to undertake its business in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership).

In the opinion of the governors, the University College complies with all the provisions of the Combined Code in so far as they apply to the Higher Education Sector, and it has complied throughout the year ended 31 July 2011.

The Board of Governors

The Board of Governors is responsible for the University College's long-term objectives and for strategies in relation to the educational character and mission of the University and for providing overall financial and organisational control. It is responsible for bringing independent judgement to bear on issues of strategy, performance, resources and standards of conduct.

Its Primary Responsibilities are set out below:

1. complying with the charitable purposes of the University College;
2. preserving and developing the educational character and mission of the University College and overseeing its activities;
3. corporate planning to set the mission, vision and strategic direction for the University College, taking into account the interests of stakeholders, and approving the associated strategic plans, targets and performance indicators benchmarked against other institutions where appropriate;
4. approving annual operating plans and monitoring the performance of the institution against planned strategies, operational targets and performance indicators;
5. ensuring the effective and efficient use of resources, and compliance with the terms and conditions of funding, the solvency of the University College and for safeguarding its assets;

Statement of corporate governance and internal control Year to 31 July 2011

6. approving annual estimates of income and expenditure, budgets and accounts and ensuring that resources are available to meet the strategic plans and targets;
7. ensuring the establishment and monitoring of systems of governance, control and accountability (including financial and operational controls) and risk management with adequate arrangements for internal and external audit;
8. appointing, grading, appraisal, suspension, dismissal and determination of the pay and conditions of service of the Principal, the Vice-Principals and the holder of such other senior posts as the Governors may determine;
9. setting employment policies and a framework for the pay and conditions of staff and promoting equality and diversity;
10. ensuring clear procedures for handling internal grievances and for managing conflicts of interest;
11. approving and overseeing the estate strategy for the management of the University College's land and buildings;
12. setting the health and safety policy and overseeing its implementation;
13. ensuring the Students' Union operates in a fair and democratic manner and is accountable for its finances;
14. approving all investments and borrowings for the furtherance of the University College.

The University College's Board of Governors consists of twenty four members: three ex-officio Governors; eleven Governors nominated by the Catholic Education Service (CES) and the Archbishop of Westminster (or nominee); up to two appointed by the University of Surrey with any balance filled by Governors co-opted by the Board; one appointed by the London Borough of Richmond-upon-Thames; one Vice-Principal on a rotating basis; three elected members of staff; one student elected by the Students' Union; and up to two Governors co-opted by the Board. The Governors nominated by the CES and the Archbishop of Westminster are appointed following public advertisement and interview, and recommendation from the Nominations Committee. Nominated and representative Governors are normally appointed for three years, the student Governor for one year.

The Clerk to the Board of Governors maintains a register of financial and personal interests of the governors. The register is available for inspection at the above address.

All governors are able to take independent professional advice in furtherance of their duties at the University College's expense and have access to the Clerk to the Board of Governors, 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 corporate governance and internal control Year to 31 July 2011

The Board of Governors conducts its business through a number of committees. Each committee has terms of reference, which have been approved by the Board of Governors. Full minutes of all meetings, except those deemed to be confidential by the Board of Governors, are available from the Clerk to the Governors.

Finance and Staffing Committee

The Governors' Finance & Staffing Committee consists of up to six Governors, including the Principal and the Vice-Principal and meets three times a year.

The Governors' Finance and Staffing Committee *inter alia* recommends to the Board the University College's annual revenue and capital budgets and monitors performance in relation to the approved budgets. It also recommends policies and procedures in relation to Human Resources matters.

Audit Committee

The Audit committee, chaired by a qualified accountant, meets four times a year and consists of at least three non-staff Governors with additional members with appropriate experience co-opted if appropriate.

The Audit Committee meets, with the Internal Auditors, to consider detailed internal audit reports and recommendations for the improvement of the University College's system of internal control, together with management's response and implementation plans and with the External Auditors, to discuss audit findings. It also receives and considers reports from the Higher Education Funding Council for England as they affect the University College's business and monitor adherence with the regulatory requirements. It reviews the audit issues arising from the University College's annual financial statements and the accounting policies. It also reviews the controls in place for data quality. While senior management attend meetings of the Audit Committee as necessary, they are not members of the Committee, and the Committee meets at least annually with the Internal and External Auditors on their own for independent discussions.

Remuneration Committee

There is a Remuneration Committee which determines the remuneration of senior staff, including the Principal, which comprises up to five Governors.

Nominations Committee

The Nominations Committee comprises the Chair, the Chief Executive of the Catholic Education Service (CES), the Principal and one other governor representing the CES. The Committee considers nominations for vacancies in the Board of Governors membership under the Memorandum and Articles of Government, and undertakes its duties with reference to the CUC Governance Code of Practice.

Statement of corporate governance and internal control Year to 31 July 2011

Other Committees

The Academic Strategy Committee, Estates Committee, Health and Safety Committee Student Experience Committee are all formally constituted with terms of reference and are chaired by a non-staff member of the Board. The Honorary Awards Committee, which is chaired by the Principal, is currently under review.

Reviews of Effectiveness

The Board of Governors conducts periodic reviews of effectiveness in accordance with the CUC Code of Practice. The last of these was undertaken in 2009 when the Board agreed that it would establish an Academic Strategy Committee to act as a channel of communication between the Board of Governors and the Academic Board. It also established a more strategic forum for communication with students with a review of the Student Services Committee which became the Student Experience Committee. A review of induction was also undertaken.

Statement of Internal Control

Scope of responsibility

The Board of Governors is ultimately responsible for the University College's system of internal control and for reviewing its effectiveness. 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 purpose of the system of internal control

The system of internal control is based on an ongoing process designed to identify the principal risks to the achievement of policies, aims and objectives; to evaluate the extent of those risks; and to manage them efficiently, effectively and economically. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of University College policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. Procedures were in place to provide a full statement on internal control for the whole of the financial year 2010/11 and up to the date of approval of the annual report and financial statements.

Capacity to handle risk

The Board is of the view that there is a formal ongoing process for identifying, evaluating and managing the University College's significant risks that has been in place and operational throughout the year through the University College's Risk Register. The Register and the process are regularly reviewed by the Board and by the Audit Committee.

Statement of corporate governance and internal control Year to 31 July 2011

The University College's Internal Audit Service operates to standards defined in the HEFCE Audit Code of Practice. The internal auditors submit regular reports which include the independent opinion on the adequacy and effectiveness of the system of internal control, together with recommendations for improvement.

The risk and control framework

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

- clear definitions of the responsibilities of, and the authority delegated to, heads of academic and administrative departments;
- 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;
- comprehensive Financial Regulations, detailing financial controls and procedures, approved by the Board of Governors.

Also, the University College 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 College and an opinion on the adequacy and effectiveness of the University College's system of internal control including financial control.

Review of effectiveness

The Audit Committee, on behalf of the Board of Governors, has reviewed the effectiveness of the systems of internal control. Any system of internal financial control can, however, only provide reasonable, but not absolute, assurance against material misstatement or loss.

During 2010/11 the University College has undertaken the following action.

- Reviewed and continued to embed its risk management policy.
- Continued to progress its risk management strategy.
- Reported to the Audit Committee which oversees risk management.
- Reported to the Board of Governors, including an Annual Monitoring Report on risk management.

Statement of corporate governance and internal control Year to 31 July 2011

- Continued the strategy that the Internal Audit Service adapt audit planning arrangements, methodology and approach conforming to the latest professional standards reflecting the adoption of risk management.
- Risk management has been incorporated more fully into the corporate planning and decision-making processes of the University College.

The Board receives periodic reports from the Audit Committee concerning internal control. Arrangements are in place to require regular reports from managers on the steps they are taking to manage risks in their areas of responsibility, including progress reports on key projects.

The Board's review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the Senior Staff and managers within the institution who have responsibility for the development and maintenance of the control framework, and by comments made by the external auditors in their management letter and other reports.

Going concern

After making appropriate enquiries, the Board of Governors considers that the University College has adequate resources to continue in operational existence for the foreseeable future. For this reason, it continues to adopt the going concern basis in preparing the financial statements.

Statement of Responsibility of the Board of Governors Year to 31 July 2011

Statement of Responsibilities of the Board of Governors

The members of the Board of Governors, who are also the directors of St Mary's University College for the purposes of company law, are responsible for preparing the Annual Report and Financial Statements in accordance with the Companies Act 2006 and for being satisfied that the financial statements give a true and fair view. The members of the Board are also responsible for preparing the financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and with the Statement of Recommended Practice – Accounting for Further and Higher Education.

Company law requires members of the Board to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the University College and of the surplus of income over expenditure of the University College for that period. In preparing the financial statements, the members of Board are required to:

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

The members of the Board are also required to give a report in the Financial Statement which includes the legal and administrative status of the University College. The members of the Board are responsible for the keeping of adequate accounting records which disclose with reasonable accuracy, at any time, the financial position of the University College, and which enable them to ensure that the financial statements are prepared in accordance with the Companies Act 2006, its Memorandum and Articles of Association, the Accounts Direction issued by the Higher Education Funding Council for England (HEFCE) and the Statement of Recommended Practice: Accounting for Further and Higher Education, as well as reflecting best practice in public sector corporate governance. They are also responsible for taking steps that are reasonably open to them in order to safeguard the assets of the University College and to prevent and detect fraud and other irregularities.

Members of the Board of Governors are responsible for ensuring that funds from the Higher Education Funding Council for England are used only in accordance with the Financial Memorandum with the Funding Council and any other conditions that the Funding Council may prescribe from time to time. Members of the Board must ensure that 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

Statement of Responsibility of the Board of Governors Year to 31 July 2011

and effective management of the University College'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. Members of the Board confirm that so far as they are aware, there is no relevant audit information of which the University College'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 College's auditors are aware of that information.

Financial statements are published on the University College'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 group's website is the responsibility of the members of Board. The Board members' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Independent Auditors' Report to the Board of Governors of St Mary's University College

We have audited the financial statements of St Mary's University College for the twelve months ended 31 July 2011 which comprise the Consolidated Income and Expenditure Account, Consolidated Statement of Total Recognised Gains and Losses, the Balance Sheets for the Group and the University, the Consolidated Cash Flow Statement, the Statement of Principal Accounting Policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and section 124B of the Education Reform Act 1988. Our audit work has been undertaken so that we might state to the company's members 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 company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of the Board of Governors and Auditors

As explained more fully in the statement of responsibilities of the Board of Governors, the members of the Governing Body (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law, regulatory requirements and International Standards on Auditing (UK and Ireland) and the Audit Code of Practice issued by the Higher Education Funding Council for England. Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

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 Financial Memorandum with the Higher Education Funding Council for England.

Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and the University College's affairs as at 31 July 2011 and of the Group's surplus of income over expenditure for the twelve months then ended;
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and the Statement of Recommended Practice: "Accounting for Further and Higher Education Institutions";
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and the Education Reform Act 1988;
- income from the Higher Education Funding Council for England, Training and Development Agency for Schools, grants and income for specific purposes and from other restricted funds administered by the University have been applied only for the purposes for which they were received; and
- income has been applied in accordance with the University's statutes and where appropriate with the applicable Financial Memorandum with the Higher Education Funding Council for England.
-

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Report of the Board of Governors for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

- the parent University College has not kept adequate accounting records, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent University College financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Governors' remuneration specified by law are not made; or

Independent auditors' report 31 July 2011

- we have not received all the information and explanations we require for our audit.

BDO LLP.

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

Date: *25 November 2011*

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

Consolidated income and expenditure account 31 July 2011

	Note	2011 £'000	2010 £'000
Income			
Funding Body grants	1	14,767	14,950
Tuition fees and education contracts	2	13,369	11,880
Research grants and contracts	3	116	134
Other income	4	6,492	5,604
Endowment and investment income	5	61	24
Total incoming resources		34,805	32,592
Expenditure			
Staff costs	6	20,413	19,281
Other operating expenses	7	9,668	9,724
Depreciation	10	2,161	2,004
Interest and other finance costs	8	479	490
Total expenditure		32,721	31,499
Surplus after depreciation of assets at valuation and before taxation		2,084	1,093
Taxation		—	—
Surplus on continuing operations after taxation and before surplus on disposal of assets	9	2,084	1,093
Surplus on disposal of assets		—	—
Surplus for the year retained within General Reserves		2,084	1,093

All activities are continuing. The notes on page 44 to 60 form part of these financial statements.

Statement of Group historical cost surpluses and deficits 31 July 2011

	2011 £'000	2010 £'000
Surplus on continuing operations retained within General Reserves	2,084	1,093
Difference between historical cost depreciation and the actual depreciation charge for the period calculated on the revalued amount	188	188
Historical cost surplus for the year retained within General Reserves	2,272	1,281

Statement of Group total recognised gains and losses 31 July 2011

	2011 £'000	2010 £'000
Surplus on continuing operations retained within General Reserves	2,084	1,093
Actuarial gains/(losses) in respect of pension scheme	(277)	1,212
Total recognised gains/(losses) relating to the period	1,807	2,305
Reconciliation		
Opening reserves and endowments	19,795	17,490
Total recognised gains/(losses) for the year	1,807	2,305
Closing reserves and endowments	21,602	19,795

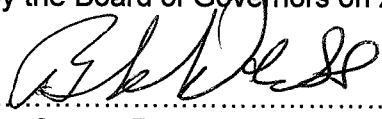
Consolidated balance sheet 31 July 2011

Company Registration Number 5977277

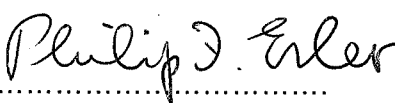
	Notes	2011 £'000	2011 £'000	2010 £'000	2010 £'000
		Consolidated	University College	Consolidated	University College
Fixed assets					
Tangible assets	10	38,939	38,359	34,516	33,872
Current assets					
Stocks		26	11	30	14
Debtors	12	1,336	1,610	1,312	1,628
Cash at bank and in hand		6,835	6,793	9,931	9,910
		8,197	8,414	11,273	11,552
Creditors: amounts falling due within one year	13	(7,326)	(7,260)	(6,827)	(6,758)
Net current assets		871	1,154	4,446	4,794
Total assets less current liabilities		39,810	39,513	38,962	38,666
Creditors: amounts falling due after one year	14	(7,244)	(7,244)	(8,242)	(8,242)
		32,566	32,269	30,720	30,424
Provision for liabilities and charges	15	(1,038)	(1,038)	(920)	(920)
Net assets excluding pension liability		31,528	31,231	29,800	29,504
Net pension liability	18	(3,691)	(3,691)	(3,683)	(3,683)
Net assets including pension liability		27,837	27,540	26,117	25,821
Deferred capital grants	16	6,235	6,235	6,322	6,322
Reserves					
Income and expenditure account, excluding pension reserve	17	14,254	13,957	12,251	11,955
Pension reserve	18	(3,691)	(3,691)	(3,683)	(3,683)
Income and expenditure account including pension reserve		10,563	10,266	8,568	8,272
Revaluation reserve	19	11,039	11,039	11,227	11,227
Total Funds		27,837	27,540	26,117	25,821

The notes on pages 47 to 62 form part of these financial statements.

The financial statements on pages 36 to 60 were approved and authorised for issue by the Board of Governors on 24 November 2011 and were signed on its behalf by:



Professor Bernard Weiss
 (Governor)



Professor Philip Esler
 (Governor and Principal)

Consolidated cash flow statement 31 July 2011

		2011 £'000	2010 £'000
Net cash inflow from operating activities	20(a)	4,629	5,120
Returns on investments and servicing of finance			
Other Interest received		61	24
Interest paid		(479)	(282)
		(418)	(258)
Capital expenditure and financial investment			
Payments made to acquire fixed assets		(6,578)	(2,815)
Deferred capital grants received		237	2,960
		(6,341)	145
Net cash inflow/(outflow) before financing		(2,130)	5,007
Financing	20(c)	(959)	3,806
Increase/(decrease) in cash		(3,089)	8,813

Reconciliation of net cash flow to movement in net funds/(debt)

		2011 £'000	2010 £'000
Increase/(Decrease) in cash in the year		(3,089)	8,813
(Increase)/Decrease in debt financing		959	(3,806)
Change in the net debt		(2,130)	5,007
Net funds/(debt) at 1 August 2010		724	(4,283)
Net funds/(debt) at 31 July 2011	20(b)	(1,406)	724

The notes on pages 46 to 62 form part of these financial statements.

Statement of principal accounting policies 31 July 2011

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

Basis of Accounting and Basis of Preparation

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings for which a cost is not readily ascertainable, and in accordance with both the Statement of Recommended Practice: Accounting for Further and Higher Education (SORP) and applicable Accounting Standards. They conform to guidance published by the HEFCE and the TDA.

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the University College and its subsidiary undertaking, Strawberry Hill Enterprises Limited (SHE). Intra-group sales and profits are eliminated fully on consolidation. In accordance with Financial Reporting Standard (FRS) 2, the consolidated financial statements do not include those of the St Mary's Students' Union. The Students' Union is a separate body in which the University College has no financial interest and no control or significant influence over its policy decisions.

The University College has taken advantage of the exemption contained within section 408 of the Companies Act 2006 not to present its own income and expenditure account.

Recognition of Income

The recurrent grants from HEFCE and the TDA represent the funding allocations attributable to the current financial year and are credited direct to the income and expenditure account. Recurrent grants are recognised in line with planned activity. Any under-achievement against this planned activity is adjusted in-year and reflected in the level of recurrent grant recognised in the income and expenditure account.

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

Income from tuition fees is recognised in the period for which it is received and includes all fees payable by students or their sponsors.

Income from grants, contracts and other services rendered (including projects of a duration exceeding one year) is included to the extent of the completion of the contract or service concerned and matched to spend incurred in respect of the income so included; any payments received in advance of such performance are recognised on the balance sheet as liabilities.

All income from short-term deposits is credited to the income and expenditure account in the period in which it is earned.

Statement of principal accounting policies 31 July 2011

Post retirement benefits

Retirement benefits to employees of the University College are provided by the Teachers' Pension Scheme (TPS) for academic staff and the London Borough of Richmond upon Thames Superannuation Scheme (LBRTSS) for non academic staff. These are defined benefit schemes which are externally funded and contracted out of the State Earning-Related Pension Scheme (SERPS).

Contributions to the TPS are calculated so as to spread the cost of pensions over employees' working lives with the University College in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of quinquennial valuations using a prospective benefit method.

As stated in note 18, the TPS is a multi employer scheme and the University College is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution scheme and the contributions recognised as they are paid each year.

The assets of the LBRTSS are measured using closing market values. LBRTSS liabilities are measured using the projected unit method. The increase in the present value of the liabilities of the scheme expected to arise from employee service in the period is charged to the operating surplus. The expected return on the scheme's assets and the increase during the period in the present value of the scheme's liabilities, arising from the passage of time, are included in pension finance costs. Actuarial gains and losses are recognised in the statement of total recognised gains and losses.

Enhanced pension

The actual costs of any enhanced ongoing pensions to former members of staff are paid by the University College annually. An estimate of the expected future cost of any enhancement to the ongoing pensions of former members of staff is charged in full to the University College's income and expenditure account in the year that the member of staff retires. In subsequent years a charge is made to provisions in the balance sheet using factors published by the Teachers' Pension Scheme.

Leased Assets

Costs in respect of operating leases are charged on a straight line basis over the lease term.

Land and Buildings

All land and buildings were transferred following incorporation on 1 August 2007 to the University College from the College Trust, including assets previously vested in either the Trustees of the College Trust or the Trustees of the Catholic Education Service. The University College halls of residence were professionally valued in 1993 on an existing use basis. All other land and buildings were professionally valued in 1993 on a depreciated replacement cost basis. Additions subsequent to the valuation are stated at cost.

Statement of principal accounting policies 31 July 2011

Buildings are depreciated over their expected useful lives of 50 years and building extensions and improvements over their expected useful lives of 10 years. Freehold land is not depreciated.

Where buildings are acquired or improved with the aid of specific grants they are capitalised and depreciated as above. The related grants are treated as deferred capital grants and released to income over the expected useful life of the buildings or improvements. Finance costs which are directly attributable to the construction of land and buildings are not capitalised as part of the cost of those assets.

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying amount of the fixed asset may not be recoverable.

Buildings under construction are accounted for at cost, based on the value of architects' certificates and other direct costs incurred to 31 July. They are not depreciated until they are brought into use.

Furniture, Equipment and Motor Vehicles

Items costing less than £1,000 per individual item or group of related items are written off in the year of acquisition. All other equipment is capitalised. Capitalised equipment is stated at cost and depreciated over its expected useful life of 5 years other than for desk-top IT equipment which is written down over 4 years. Where an asset is acquired with the aid of specific grants it is capitalised and depreciated as above. The related grant is treated as deferred capital grant and released to income over the expected useful life of the equipment.

Taxation

The University College is a charity within the meaning of section 506(1) of The Taxes Act 1988. Accordingly, the University College is potentially exempt from taxation in respect of income or capital gains received within the categories covered by Section 505 of The Taxes Act 1988 or Section 256 of The Taxation of Chargeable Gains Act 1992 to the extent that such income or gains are applied to exclusively charitable purposes. The University College receives no similar exemption in respect of Value Added Tax. For this reason the University College is generally unable to recover input VAT it suffers on goods and services purchased. Non pay expenditure is therefore shown inclusive of VAT with any partial recovery netted off against these figures.

The University College's subsidiary company is subject to corporation tax and VAT in the same way as any commercial organisation. Strawberry Hill Enterprises Limited has entered into Gift Aid arrangements with the University College under which their annual taxable profits, if any, are transferred to the University College.

Statement of principal accounting policies 31 July 2011

Foreign Currencies

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated into sterling either at year end rates or, where there are related forward foreign exchange contracts, at contract rates. The resulting exchange differences are dealt with in the determination of income and expenditure for the financial year.

Investments

Fixed asset investments that are not listed on a recognised stock exchange are carried at historical cost less any provision for impairment in their value.

Provisions

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

Agency arrangements

The University College acts as an agent in the collection and payment of Learner Support Funds. Related payments received from HEFCE and subsequent disbursements to students are excluded from the Income and Expenditure account and are shown separately in note 23 except for the 5 per cent of the grant received which is available to the University College to cover administration costs relating to the grant. The University College employs one member of staff whose responsibilities include the administration of Learner Support Fund applications and payments.

In addition, the University College acts as an agent in the collection and payment of training bursary payments to students following TDA-approved teacher training courses. The University College receives a fee, approximately 2% of the bursary payable to the students to cover the cost of administering the bursaries. The administration fee is included in the Income and Expenditure account. However, the main bursary and its disbursement are shown separately in note 24.

Notes to the financial statements 31 July 2011

1 Funding Body grants

	2011 £'000	2010 £'000
Recurrent Grant		
Higher Education Funding Council	8,097	8,327
Training and Development Agency	5,003	5,135
Specific Grants		
Special initiatives – HEFCE	562	282
Special initiatives – TDA	748	694
Specific grants – Redundancy compensation	33	47
Deferred capital grants released in year		
Buildings (note 16)	268	268
Equipment (note 16)	56	197
	14,767	14,950

2 Tuition fees and education contracts

	2011 £'000	2010 £'000
Full time Home and EU students	11,304	10,255
Full time International students	884	677
Part time students	812	590
Short Course	369	358
	13,369	11,880

3 Research grants and contracts

	2011 £'000	2010 £'000
Research Councils and Charities	112	100
Industry and Commerce	-	-
Governmental	4	34
	116	134

4 Other income

	2011 £'000	2010 £'000
Residences, catering and conferences	5,050	4,491
Other services rendered	75	92
Other income	1,367	1,021
	6,492	5,604

5 Endowment and Investment Income

	2011 £'000	2010 £'000
Bank interest	61	24

Notes to the financial statements 31 July 2011

6 Staff and students

	2011 £'000	2010 £'000
(a) Staff costs:		
Wages and salaries	17,011	16,109
Social security costs	1,290	1,257
Other pension costs (including FRS 17 adjustments)	2,112	1,915
	20,413	19,281
(b)(i) Emoluments of the Former Principal:		
Salary	12	140
Benefits	—	3
Pension Contributions	2	20
	14	163
(b)(ii) Emoluments of the Current Principal:		
Salary	117	-
Benefits	—	-
Pension Contributions	17	-
	134	-

Travel expenses reimbursed to 3 Governors during the year amount to £1,528 (2010: £980 reimbursed to 3 members). No payments were made to Governors for serving as a trustee during the year (2010: nil). No payments to Governors were made for services, other than under a contract of employment, during the year (2010: nil).

(c) Remuneration of other higher paid staff

In the current and previous years no other employee's remuneration exceeded £100,000 (excluding employer's national insurance and pension contributions).

(d) Average weekly number of persons (including senior post-holders) employed by the University College during the year, expressed as full-time equivalents, was:

	Total full-time equivalents	
	2011	2010
Academic departments	198	197
Research	3	5
Management and Specialist	19	20
Technical	22	20
Other	251	247
	493	489

(e) Number of students:

	2011	2010
Expressed as full-time equivalents – census date: July 2011:		
Full-time students	3,497	3511
Part-time students	866	729
Totals	4,363	4,240

Notes to the financial statements 31 July 2011

7 Other operating expenses

	2011 £'000	2010 £'000
Academic departments	2,877	3,087
Academic services	850	707
Premises	2,495	2,757
Residences, catering and conference	1,187	1,056
Research grants and contracts	160	62
Administration and central services	1,376	1,361
Other expenses	723	694
	9,668	9,724

Other operating expenses include:

	2011 £'000	2010 £'000
Auditors' remuneration		
External audit – audit of group statutory accounts	39	37
– audit of subsidiaries statutory accounts	4	4
Internal audit	14	23
Other services, excluding audit – taxation services	8	6
(Decrease) /Increase in provision for doubtful debts	38	267
Operating lease rentals – land and buildings	160	160

8 Interest and Other Finance Costs

	2011 £'000	2010 £'000
Bank and other loans wholly repayable within five years	457	281
Pension finance interest (note 18)	22	209
	479	490

9 Surplus on continuing operations after taxation and before surplus on disposal of assets

The surplus on continuing operations for the year is made up as follows:

	2011 £'000	2010 £'000
University College surplus for the year	2,083	549
Strawberry Hill Enterprises Ltd surplus/(loss) for the year	1	544
	2,084	1,093

Notes to the financial statements 31 July 2011

10 Tangible fixed assets

Consolidated	Freehold		Alterations and improvements £'000	Furniture, equipment and vehicles £'000	Total £'000
	Land £'000	Buildings £'000			
Cost or valuation					
At 1 August 2010	5,519	30,344	8,717	3,114	47,694
Additions	—	—	1,305	510	1,815
Additions under construction	—	4,758	9	—	4,767
Write offs and disposals	—	—	—	(505)	(505)
At 31 July 2011	5,519	35,102	10,031	3,119	53,771
Cost	500	24,108	10,031	3,119	37,758
Valuation	5,019	10,994	—	—	16,013
	5,519	35,102	10,031	3,119	53,771
Depreciation					
At 1 August 2010	—	7,013	4,438	1,727	13,178
Charge in year	—	714	827	620	2,161
Write offs and disposals	—	—	—	(505)	(505)
At 31 July 2011	—	7,727	5,265	1,840	14,832
Net book values					
At 31 July 2011	5,519	27,375	4,766	1,279	38,939
At 31 July 2010	5,519	23,331	4,279	1,387	34,516

The depreciation charge has been funded by:

	2011 £'000	2010 £'000
Deferred capital grants released (note 16)	324	465
Revaluation reserve	188	188
General income	1,649	1,351
	2,161	2,004

Notes to the financial statements 31 July 2011

10 Tangible fixed assets (continued)

University College	Freehold Land £'000	Buildings £'000	Alterations and improve- ments £'000	Furniture, equipment and vehicles £'000	Total £'000
Cost or valuation					
At 1 August 2010	5,519	29,590	8,717	2,920	46,746
Additions	—	—	1305	505	1,810
Additions under construction	—	4,758	9	—	4,767
Write offs and disposals	—	—	—	(505)	(505)
At 31 July 2011	5,519	34,348	10,031	2,920	52,818
Cost	500	23,354	10,031	2,920	36,805
Valuation	5,019	10,994	—	—	16,013
	5,519	34,348	10,031	2,920	52,818
Depreciation					
At 1 August 2010	—	6,844	4,438	1,592	12,874
Charge in year	—	676	827	587	2,090
Write offs and disposals	—	—	—	(505)	(505)
At 31 July 2011	—	7,520	5,265	1,674	14,459
Net book values					
At 31 July 2011	5,519	26,828	4,766	1,246	38,359
At 31 July 2010	5,519	22,746	4,279	1,328	33,872

The transitional rules set out in FRS 15 Tangible Fixed Assets have been applied on implementing FRS 15. Accordingly, the book values at implementation have been retained. Land and buildings have been accounted for in accordance with the relevant accounting policy. The historical cost equivalent of the revalued assets is £1,744k.

11 Investments- Subsidiary Undertakings

Nominees of the University College hold 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 Trustees of the University College through a Gift Aid arrangement. The University College's interest in the company at 31 July 2011 was 2 Ordinary shares, at a cost of £2 (2010: £2).

Notes to the financial statements 31 July 2011

12 Debtors

	Consolidated		University College	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Amounts falling due within one year:				
Debtors	968	1,060	857	962
Prepayments and accrued income	368	252	368	252
Amounts due from subsidiary company	—	—	385	414
	1,336	1,312	1,610	1,628

13 Creditors: amounts falling due within one year

	Consolidated		University College	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Bank overdraft	—	6	—	—
Bank loans	998	959	998	959
Expense creditors	529	669	574	680
Social security and other taxes	450	480	435	476
Other creditors	1,940	1,420	1,922	1,412
Accruals and deferred income	3,409	3,293	3,331	3,231
	7,326	6,827	7,260	6,758

14 Creditors: amounts falling due after more than one year

Unsecured bank loans are repayable as follows:

	Consolidated		University College	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
In one year or less	998	959	998	959
Between one and two years	1,040	999	1,040	999
Between two and five years	2,811	3,255	2,811	3,255
In five years or more	3,393	3,988	3,393	3,988
Greater than one year	7,244	8,242	7,244	8,242
Total	8,242	9,201	8,242	9,201

The bank finance consists of a £4.5m loan from Bank Santander for the building of R Block Sports Building. The loan is repayable at a fixed rate of 4.95% over 20 years. At 31 July 2011, the amount outstanding was £4,275,000 (2010: £4,500,000).

Notes to the financial statements 31 July 2011

14 Creditors: amounts falling due after more than one year (continued)

Also included in the bank finance is the £6 million loan from Barclays Bank plc to build new halls of residence. The loan is repayable at a fixed rate of 5.09% over 10 years. At 31 July 2011 the amount outstanding was £2,923,000 (2010: £3,525,000). A further loan of £1,500,000 from Barclays Bank plc was taken out in August 2007 in respect of the £4 million Refectory development. This loan is repayable at a fixed rate of 6.02% over 10 years. At 31 July 2010 the amount outstanding was £1,044,000 (2010 : £1,176,000).

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

The interest charged to the income and expenditure account is that attributable to the year.

15 Provision for liabilities and charges

	Consolidated and University College	
	2011 £'000	2010 £'000
Pension Enhancement Provision:		
Balance at 1 August 2010	360	347
Utilised in the year	(29)	(28)
Transfer from Income and expenditure	17	41
Balance at 31 July 2011	348	360
Specific Provision:		
Balance at 1 August 2010	46	46
Movement in the year	—	—
Balance at 31 July 2011	46	46
St Mary's Halls Dilapidations Provision:		
Balance at 1 August 2010	514	—
Movement in the year	—	514
Balance at 31 July 2011	514	514
Section 106 Planning Provision		
Balance at 1 August 2010	—	—
Movement in the year	130	—
Balance at 31 July 2011	130	—
Total provisions	1,038	920

15 Provision for liabilities and charges (continued)

The University College pays enhanced pension entitlements to staff who have taken early retirement under a reorganisation programme which ended in 1989/90. The calculation of the cost of early retirement provisions charged to the Income and Expenditure Account in the year of retirement is based on the total capital cost of providing enhanced pensions with allowance for future investment returns at 2.93% (2009/10: 2.94%) in excess of price inflation. During 2010/11, actual payments of £29k (2009/10: £28k) have been charged to the provision. The provision will be released against the cost to the University College of enhanced pension entitlements over the estimated life expectancy of relevant employees.

In addition to the enhanced pensions which are being provided above, the University College also provides enhanced pension contributions to a further 14 former employees. HEFCE is providing the University College with additional funds each year to meet these contributions. Although HEFCE does not have a legal obligation to continue making these payments, the University College expects them to do so. As 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 University College's balance sheet. Were the position to change, the estimated cost to the University College of meeting these pension payments was £499k as at 31 July 2011 (2009/10 : £545k).

16 Deferred capital grants

	Consolidated and University College			
	Buildings £'000	Furniture and equipment £'000	2011 Total £'000	2010 Total £'000
Funding Body				
Written down value at 1 August 2010	6,217	105	6,322	3,827
Receivable during the year				
HEFCE/Sport England	237	—	237	2,960
Released to Income and Expenditure Account	(268)	(56)	(324)	(465)
Written down value at 31 July 2011	<u>6,186</u>	<u>49</u>	<u>6,235</u>	<u>6,322</u>

The deferred grant of £0.24m from Sport England is secured by a charge over the Sports Block to which it relates.

Notes to the financial statements 31 July 2011

17 General reserves

(a) Income and expenditure account	Consolidated		University College	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
At 1 August 2010	8,568	6,075	8,272	6,323
Surplus after depreciation of assets at valuation	2,084	1,093	2,083	549
Release from revaluation reserve – depreciation	188	188	188	188
Historical cost surplus after taxation for the year	2,272	1,281	2,271	737
Actuarial gain/(loss) in respect of pension scheme	(277)	1,212	(277)	1,212
At 31 July 2011	10,563	8,568	10,266	8,272
Balance represented by				
Income and expenditure account excluding pension reserve	14,254	12,251	13,957	11,955
Pension reserve	(3,691)	(3,683)	(3,691)	(3,683)
At 31 July 2011	10,563	8,568	10,266	8,272

18 Pensions

The University College's employees belong to two principal pension schemes, the Teachers' Pensions Scheme (TPS) for academic staff and the London Borough of Richmond upon Thames Superannuation Scheme for support staff.

The total pension cost for the year ended 31 July 2011 was £1,737k (2010: £1,844k), this included an amount of £13k (2010: £13k notional credit) being notional interest in respect of enhanced pension entitlements for staff who have taken early retirement. The calculation of the cost of early retirement provisions charged to the Income and Expenditure account in the year of retirement is based on the total capital cost of providing enhanced pensions with allowance for future investment returns at 5% in excess of price inflation.

Teachers' Pension Scheme

Under the definitions set out in Financial Reporting Standard 17 - Retirement benefits, the Teacher's Pension Scheme (TPS) is a multi-employer pension 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 College. As a result, contributions to this scheme are accounted for as if the scheme was a defined contribution scheme.

Notes to the financial statements 31 July 2011

The University College has set out below the information available on the Scheme and the implications for the University College in terms of the anticipated contribution rates.

The employers' contribution rates for the University College's academic staff were 14.1% of pensionable salaries from 1 August 2010 to 31 July 2011.

The Teachers' Pension Scheme is a statutory, contributory, unfunded, defined benefit scheme. The regulations under which the TPS operates are the Teachers' Pensions Regulations 1997, as amended. Contributions are credited to the Exchequer on a "pay as you go" basis under arrangements governed by the Superannuation Act 1972. A notional asset value is ascribed to the Scheme for the purposes of determining contribution rates.

The last valuation of the TPS related to the period 1 April 2001 to 31 March 2004. The Government Actuary's report of October 2006 revealed that the total liabilities of the Scheme (pensions currently in payment and the estimated cost of future benefits) amounted to £166,500 million. The value of the assets (estimated future contributions together with the proceeds from the notional investments held at the valuation date) was £163,240 million. The assumed real rate of return is 3.5% in excess of prices and 2% in excess of earnings. The rate of real earnings growth is assumed to be 1.5%. The assumed gross rate of return is 6.5%.

As from 1 January 2008, and as part of the cost-sharing agreement between employers' and teachers' representatives, the standard contribution has been assessed at 19.75%, plus a supplementary contribution rate of 0.75% (to balance assets and liabilities as required by the regulations within 15 years); a Standard Contribution Rate (SCR) of 20.5%. This translates into an employee contribution rate of 6.4% and employer contribution rate of 14.1% payable. The cost-sharing agreement has also introduced, effective for the first time from the 2008 valuation, a 14% cap on employer contributions payable.

The 2006 interim actuarial review, published in June 2007, did not recommend any changes to the SCR and concluded, as at 31 March 2006, and using the above assumptions, that the Scheme's total liabilities amounted to £176,600 million.

A copy of the Government Actuary's 2004 valuation report and 2006 interim valuation report can be found on the TeacherNet website at www.teachernet.gov.uk/pensions.

London Borough of Richmond Upon Thames Superannuation Scheme

The London Borough of Richmond Upon Thames Superannuation Scheme, of which the University College is an admitted body, is a funded defined benefit scheme, with the assets held in separate trustee administered funds. The total contribution made for the year ended 31 July 2011 was £1,637k (2010: £1,376k) of which employer's contributions totalled £1,291k (2010: £1,071k) and employees'

Notes to the financial statements 31 July 2011

contributions totalled £346k (2010: £305k).

Currently, support staff contributions range from 5.5% to 7.5% of salary and are determined on an annual basis by reference to earnings bandings. The University College currently contributes 26.4%. The employer contributions expected to be paid into the scheme during the year ended 31 July 2012 is £1,361k.

Financial Reporting Standard (FRS) 17 - Retirement benefits

The following information is based upon a full actuarial valuation of the Fund at 31 March 2007 updated to 31 July 2011 by a qualified independent actuary.

The major assumptions used by the actuary were:

	2011 %	2010 %
Price increases		
Salary increases	5.0	4.9
Pension increases	2.7	2.9
Discount rate	5.3	5.4
Expected return on assets - Equities	7.0	7.3
- Bonds	4.6	4.8
- Property	5.1	5.3
- Cash	4.0	4.4

With regard to mortality assumptions life expectancy is based on the PFA92 and PMA92 tables, projected to calendar year 2033 for non pensioners and 2017 for pensioners. Based on these assumptions, average future life expectancies at age 65 are summarised below:

	Males	Females
Current pensioners	20.1 years	22.9 years
Future pensioners	22.0 years	24.9 years

The University College's share of assets in the fund and the expected rates of return were:

	2011 £'000	Proportion %	2010 £'000	Proportion %
Equities	10,464	73	9,047	73
Bonds	2,293	16	2,231	18
Property	1,290	9	991	8
Cash	287	2	124	1
Total market value of assets	14,334		12,393	

The following amounts, at 31 July, were measured in accordance with the requirements of FRS 17:

Notes to the financial statements 31 July 2011

Analysis of the amount shown in the balance sheet	2011 £'000	2010 £'000
Total market value of assets	14,334	12,393
Present value of scheme liabilities	(18,025)	(16,050)
Present value of unfunded liabilities		(26)
Net pension liability	(3,691)	(3,683)

Analysis of the amount charged to staff costs income and expenditure account	2011 £'000	2010 £'000
Employer service cost (net of employee contributions)	894	793
Losses on curtailments and settlements	106	—
Total operating income/(charge)	1,000	793

Analysis of the amount that is credited to other finance income in the income and expenditure account	2011 £'000	2010 £'000
Expected return on pension scheme assets	871	682
Interest on pension liabilities	(893)	(891)
Net return on pension scheme	(22)	(209)

The actual return on assets during the year was £1,713K.

Amount recognised in the statement of total recognised gains and losses (STRGL)	2011 £'000	2010 £'000
Actual return less expected return on pension scheme assets	(187)	1,133
Experience gains/(losses) arising on the scheme liabilities	—	—
Change in index used for future pension increases from RPI to CPI	—	986
Changes in financial and demographic assumptions underlying the Scheme liabilities	(90)	(907)
Actuarial gain/(loss) recognised in STRGL	(277)	1,212

Analysis of the movement in the present value of the scheme liabilities and corresponding analysis	2011 £'000	2010 £'000
Opening present value of the defined benefit obligation	16,076	14,458
Movement in the year		
Current service cost	894	793
Interest cost	893	891
Contributions by members	346	305
Actuarial losses/(gains)	90	907
Change in index used for future pension increases from RPI to CPI	—	(986)
Losses/(Gains) on curtailments	106	—
Estimated unfunded benefits paid	—	(2)
Estimated benefits paid	(380)	(290)
Closing present value of the defined benefit obligation	18,025	16,076

Notes to the financial statements 31 July 2011

Analysis of the movement in the fair value of the scheme assets	2011 £'000	2010 £'000
Opening fair value of employer assets	12,393	9,492
Movement in the year		
Expected return on assets	871	682
Contributions by members	346	305
Contributions by employer	1,291	1,071
Contributions in respect of unfunded benefits		2
Actuarial (losses)/gains	(187)	1,133
Estimated unfunded benefits paid		(2)
Estimated benefits paid	(380)	(290)
Closing fair value of employer assets	14,334	12,393

Amounts for the current and previous four periods are as follows:

History of experience gains and losses	2011 £'000	2010 £'000	2009 £'000	2008 £'000	2007 £'000
Defined benefit obligation	(18,025)	(16,076)	(14,458)	(12,004)	(10,656)
Plan assets	14,334	12,393	9,492	8,742	9,358
Deficit	(3,691)	(3,683)	(4,966)	(3,262)	(1,298)
Experience adjustment on plan liabilities	(816)	—	25	84	1
Experience adjustment on plan assets	(187)	1,133	(886)	(2,098)	319

19 Revaluation reserve

	Consolidated and University College	
	2011 £'000	2010 £'000
Balance at 1 August 2010 and 31 July 2011	14,431	14,431
Contribution to depreciation:		
Balance at 1 August 2010	3,204	3,016
Released during the year	188	188
Balance at 31 July 2011	3,392	3,204
Net revaluation		
At 31 July 2011	11,039	11,227

Notes to the financial statements 31 July 2011

20 (a) Reconciliation of the consolidated operating surplus to net cash flow from operating activities

	2011 £'000	2010 £'000
Surplus on continuing operations	2,084	1,093
Depreciation	2,161	2,004
Deferred capital grants released to income	(324)	(465)
Interest receivable	(61)	(24)
Interest payable	479	282
Pension cost less contributions payable	(269)	(71)
Decrease/(Increase) in stocks	4	5
Decrease/(Increase) in debtors	(24)	178
Increase/(decrease) in creditors	462	1,591
Increase in provisions	117	527
Net cash inflow from operating activities	4,629	5,120

20 (b) Analysis of changes in net funds/debt

	At 1 August 2010 £'000	Cash flows £'000	At 31 July 2011 £'000
Cash at bank and in hand	9,931	(3,095)	6,836
Bank overdraft	(6)	6	—
Debt due within one year	(959)	(39)	(998)
Debt due after one year	(8,242)	998	(7,244)
Total	724	(2,130)	(1,406)

20 (c) Financing

	2011 £'000	2010 £'000
New Loans	—	4,500
Capital Repayment	(959)	(694)
Total	(959)	3,806

21 Operating lease commitments

	Consolidated and University College	
	2011 £'000	2010 £'000
At 31 July 2011 annual commitments under operating leases were as follows:		
Land and buildings which expire after more than 5 years	160	160

Notes to the financial statements 31 July 2011

22 Capital commitments

Provision has not been made for the following capital commitments at 31 July 2011.

	2011		2010	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Commitments contracted	503	503	6,415	6,415
Authorised but not contracted	1,127	1,127	1,220	1,220
	1,630	1,630	7,635	7,635

Sports Centre Project

St. Mary's University College is refurbishing its main sports building situated at Campus Grounds, Twickenham and constructing a new 1971m² sports hall facility. The estimated total cost of the project is £8,555k. The refurbishment of the existing sports hall which consists of a new roof, flooring and offices was completed in November 2010 at a cost of £1,310k. The new sports block opened in October 2011 with an estimated final cost of £7,245k. The whole of the estimated cost of £8,555k is contractually committed, with actual expenditure to date of £8,225k. Morgan Sindall Plc were awarded the contract for the construction work which commenced in May 2010.

Other Commitments

St. Mary's University College is also carrying out other Building Improvements works that includes changing room refurbishment (£90k) and floodlighting (£74k) at Teddington Lock Playing Fields and the refurbishment of Old House Building located on campus grounds. Other improvements are planned though yet to be authorised or contractually committed.

23 Access to Learner Support funds

	2011 £'000	2010 £'000
Balance unspent at 1 August	7	14
Funding Body grants	76	87
	83	101
Disbursed to students	(77)	(83)
Audit and administration costs	(2)	(11)
Balance unspent at 31 July	4	7

Notes to the financial statements 31 July 2011

24 Training salaries

	2011 £'000	2010 £'000
Balance owed at 1 August	(9)	70
Funding Body grants	1,819	1,970
Disbursable to students	(1,853)	(2,049)
Balance owed at 31 July	(43)	(9)

25 Related Party Transactions

Grants were paid to St Mary's Students Union amounting to £170k (2010: 155k), an organisation in which the president Ms Siobhan Bellot is a member of the St Mary's University College Board of Governors.

Due to the nature of the University College's operations and the composition of the Board of Governors (being drawn from local public and private sector organisations), it is inevitable that transactions will take place with organisations in which a member of the Board of Governor's may have an interest. The University College's Register of Interests is updated annually.

All transactions involving organisations in which a member of the Board of Governors may have an interest are conducted at arm's length and in accordance with the University College's financial regulations and procurement policy.