

**ST MARY'S UNIVERSITY COLLEGE,
TWICKENHAM**

ANNUAL REPORT AND FINANCIAL STATEMENTS

31 JULY 2012

**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

The landscape for higher education (HE) is undergoing dramatic change and the year 2011/12 has been a significant one for St Mary's and other higher education institutions (HEIs) in England as we experienced the rolling-out of the new regime of higher student fees. St Mary's is determined to respond appropriately to the changing environment facing us and to ensure that we maintain and improve upon our standing with students and the wider academic and commercial world. It was with this in mind that we developed the 2011-16 Corporate Plan, with 2011/12 being the first year of the implementation of that plan.

Accordingly, and contrary to the gloomy prognostications made for the sector when the new tuition fee regime was announced (pessimism which we did not share), I am pleased to note that recruitment at St Mary's for students starting in September 2012 has been buoyant.

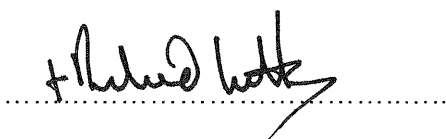
As part of the new Corporate Plan, the University College has continued its major reworking of the modular system by which we deliver our teaching and learning, to ensure our students get the best possible experience in the new era of higher tuition fees. This reworking of the modular system covers both teaching and learning and is also addressing how we prepare students for the world of work and beyond.

Another key strategic aim of the Corporate Plan is to enhance the quality and quantity of our research and enterprise capabilities, with the University College committed to greater investment in these areas. Accordingly, during 2011/12 the Governors approved the appointment of a number of Research Professors and further investment in preparation for Research Excellence Framework 2014 (REF) whilst a new Director of Enterprise and Business was appointed shortly after the year end.

2011/12 has not been without its challenges but, in the year ahead, we look forward to implementing additional initiatives around the curriculum and the structures we use to deliver our frontline and back office services to ensure that the University College continues to manage its resources effectively, to ensure both a sustainable future and to provide value for our students.

A highlight of the year was St Mary's service to the Olympics and the Olympics legacy. This focused on St Mary's being chosen as the pre-Olympics training centre by significant numbers of athletes from four nations: China, Ireland, Japan and South Africa and smaller numbers of athletes from six others. This was a very successful project with all the teams being extremely positive about all aspects of their experience. A number of athletes who competed at the Olympics and Paralympics had strong links to St Mary's being current or former students or regular users of our facilities. The highlight of the Olympics for St Mary's, however, was the winning by alumnus Mo Farrah of gold medals in the 10,000 and 5,000 metre races.

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.



Bishop Richard Moth

Chair of Governors

22 November 2012

ADMINISTRATIVE INFORMATION

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Members of the Board of Governors

*The listed members were Governors
throughout the year ended 31 July 2012
except as noted.*

Rt Rev Richard Moth (*Chair*) (*appointed 18/11/11*)
Professor Bernard Weiss (*Vice-Chair*)
Councillor Tony Arbour
Mr Anthony Bailey
Ms Siobhan Bellot (*resigned 1/8/11*)
Mr Anthony Carey
Professor Philip Esler
Mr Michael Foster
Professor Michael Hayes (*resigned 30/9/11*)
Mrs Veronica Heffernan (*resigned 29/6/12*)
Mrs Susan Handley-Jones (*from 29/3/12*)
Mr John James
Mr Don Kennedy
Dr Sandra McNally
Mrs Ruth Mellor
Mr Jonathan Miller (*resigned 31/7/12*)
Fr Mark Noonan CM
Mr Peter Pledger
Professor Andrew Sanders
Rt Rev George Stack (*resigned 29/9/11*)
Ms Oona Stannard (*resigned 29/3/12*)
Mr Peter Thomas (*from 29/3/12*)
Dr Anthony Towey
Mr Simon Uttley
Mr Jonathan Walsh
Dr Tim Walsh

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) Dr Claire Taylor (took up post on 1 September 2012) Mr David S Leen
Acting Clerk to the Board of Governors	Mr David S Leen
Principal bankers	HSBC Bank Plc 69 Pall Mall London SW1 5EY
External auditors	BDO LLP 2 nd Floor 2 City Place Beehive Ring Road Gatwick West Sussex RH6 0PA
Lawyers	Mills & Reeve LLP 1 St James Court Whitefriars Norwich NR3 1RU

HISTORY, LEGAL STATUS, OBJECTS AND MISSION

St Mary's University College, Twickenham ("St Mary's" or "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.

In 2006 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:

- the provision and conduct of a Catholic institution of higher education, and
- 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 prepare its students for flourishing lives, successful careers and social commitment through excellent, research-enriched teaching in a strong community of mutual respect based on our Catholic ethos and identity.

PUBLIC BENEFIT

The University College is an exempt charity under the terms of the Charities Act 1993. In preparing this statement of public benefit the governors, as trustees of the University College, have had regard to the Charity Commission's guidance on the reporting of public benefit and its supplementary public benefit guidance on the advancement of education. The University College meets its public benefit requirements through the teaching of a diverse curriculum and by educating a broad range of students. The University College also takes into account its public benefit and Catholic ethos when setting its fees and developing its strategy for widening participation. St Mary's Access Agreement, covering the fees charged to students and bursaries offered (which is approved by the Office for Fair Access) contains objectives which include outreach and other activities focussed on students from lower socio-economic groups.

INSTITUTIONAL STRATEGY

The legal objects of St Mary's and its public benefit obligations, together inform the institutional strategy of the University College which was refreshed in 2011 as a consequence of a major strategic review initiated and led by the Principal and involving hundreds of staff, students and Governors. The Strategy is now set out in the Corporate Plan 2011-16 approved by the Board of Governors in November 2011.

The Mission of St Mary's is as follows:

St Mary's prepares its students for flourishing lives, successful careers and social commitment through excellent research-enriched teaching in a strong community of mutual respect based on our Catholic ethos and identity.

This Mission is underpinned with seven institutional values:

- Generosity of spirit.
- Friendliness.
- Respect.
- Fairness.
- Reverence.
- Excellence.
- Professionalism.

The Mission is expressed in four Strategic Aims:

1. To be a distinctive institution with UK Higher Education, providing a unique experience for our students and staff by virtue of our values and identity as a Catholic university college.
2. To offer our students through excellent teaching and learning the opportunity to achieve their full academic and career potential.
3. To enhance the quality and quantity of our research, knowledge exchange and enterprise.
4. To manage our resources effectively and imaginatively to ensure a sustainable future and to provide maximum value for our students.

The University College continues to work on the aims outlined above and its achievements and any issues that have arisen are set out below.

TO BE A DISTINCTIVE INSTITUTION WITHIN UK HIGHER EDUCATION, PROVIDING A UNIQUE EXPERIENCE FOR OUR STUDENTS AND STAFF BY VIRTUE OF OUR VALUES AND IDENTITY AS A CATHOLIC UNIVERSITY COLLEGE

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 other institution's programmes and in 2010 we registered students on the BTh at St John's Seminary, Womersley and the Beda in Rome.

During 2011/12, a 'St Mary's Award' was piloted. Supported by a range of online resources, the aim of the award is to promote and recognise the social commitment of St Mary's students. The award will be formally launched in September 2012 and will contribute to the non-credit bearing component of the Higher Education Academic Report.

TO OFFER OUR STUDENTS THROUGH EXCELLENT TEACHING AND LEARNING THE OPPORTUNITY TO ACHIEVE THEIR FULL ACADEMIC AND CAREER POTENTIAL

Extend the Range of Educational Opportunities For All

The University College has a long tradition of widening participation, is successful in recruiting students from lower socio-economic groups (and whose parents had not previously participated in HE) and performs well against its Higher Education Funding Council for England (HEFCE) benchmarks for widening participation. In 2011/12 39% of St Mary's students came from families with incomes of less than £25,000 (similar to 2010/11) whilst 29% come from families with incomes of less than £15,000 (again similar to 2010/11).

The University College has an active outreach programme to target those from under-represented groups or 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. As part of its Access Agreement St Mary's is developing a scheme which employs Learning Advisors to develop academic literacy and pastoral support for students who are 'at-risk' of academic failure, drop-out or non-completion.

The University College keeps under constant review the achievement of all of its students. It is also an issue that is in the public domain through league tables published by various national newspapers. In 2011/12, the proportion of students who gained a first or upper second was 59%, compared with 55% in 2010/11. In September 2011, the Academic Board approved a restructure of the curriculum which necessitates the revalidation of all undergraduate programmes at the University College prior to September 2013. This process allows programmes to be refreshed so that they are up-to-date and fit for purpose. It also provides students with options for inter-disciplinary and work placements. The revalidation procedures were updated and approved before the programme of revalidations commenced and require programme proposers to outline practices specifically relating to employability, equality and diversity and research-enriched teaching.

London 2012

Sport is an integral part of the student experience at St Mary's and we are proud of our investment in teaching and facilities in this area. The 30th Olympiad in London marked the culmination of a project lasting more than a decade to re-structure sport at St Mary's and to create a sporting environment that delivers both top end performance, as well as meeting the needs of students and the local community. The St Mary's Sports Village came into being with the opening of the new sport centre by Lord Coe in October 2011, a facility that complemented the extensive playing fields, existing indoor facilities, a first class track and field arena and a full suite of sport science and sport medicine facilities and services. The London Olympic Games became the perfect showcase for this unique initiative.

It was thus that fifteen past and present students, together with internationals who work out of these facilities, were selected for Team Great Britain (GB) for the Games. The result was 2 gold medals from Mo Farah in one of the iconic achievements of the Olympics and a bronze from Moe Sbihi in the men's rowing eight. If St Mary's was a country it would have come 36th in the medal table, ahead of the likes of Canada, Sweden and Argentina. There were also excellent performances from current student Ross Murray who made the semi-finals of the 1500m and Andrew Osagie who got to the final of the only track event where a world record was set. The 800m was one of the notable races in history over that distance and Andrew became the fourth fastest GB runner ever with a time of 1m 43.7, bettered only by Sebastian Coe, Steve Cram and Peter Elliot.

Another leading athlete (this time in the Paralympics) was David Weir who uses the sport science facilities at St Mary's and who won four gold medals at the London games.

St Mary's other key interest in the Olympic Games was the Pre-Games Training Camps starting approximately one week before the opening ceremony and continuing throughout the Games. Competitors from ten nations trained in our facilities in sports ranging from badminton and triathlon to athletics. The main squads were China, Ireland, Japan and South Africa and there were smaller squads from Australia, USA, New Zealand, Kenya, New Zealand and Mozambique.

The camps were a great success offering a package of facilities, support services and environment which allowed the athletes to relax and focus on preparing for their events in a safe, secure and quiet environment. We have great hopes of welcoming back at least some of the teams for future events.

TO ENHANCE THE QUALITY AND QUANTITY OF OUR RESEARCH, KNOWLEDGE EXCHANGE AND ENTERPRISE

Strengthen Research Capacity

The University College has continued to develop its research capacity in Schools, supported by a dedicated Research and Enterprise Development Team in Academic Affairs which was established in November 2011. Research Assessment Exercise (RAE) 2008 funds continue to be devolved to Schools to develop their research culture and to prepare for the Research Excellence Framework (REF) exercise in 2014 (for submission in 2013). Preparation for the REF has been overseen by a REF Group, chaired by the Deputy Principal and driven by the Director of Academic Affairs, who is the REF Institutional Contact. A Code of Practice on the Selection of Staff for REF 2014 was submitted to HEFCE in July 2012 for approval by the REF Equality and Diversity Advisory Panel.

There has been significant activity in applying for research funding during 2011/2012, which has achieved some success in achieving external research funding to date. The total value of applications was £1.4m, boosted significantly by an Alzheimer's Research UK (ARUK) bid for £0.5m in collaboration with Imperial College (£1.5m joint bid). One in three applications were successful which is pleasing. Much of this activity has been carried out by staff in the Research Centres and Groups, supported by the Research and Enterprise Development Team in Academic Affairs. Staff development training in sourcing funds and making applications has been well attended by staff in all Schools during 2011/12 and the University College is expecting additional numbers of external funding applications to be submitted during 2012/13.

In order to enhance research leadership and development at an advanced level in Schools, a new role of Research Professor was established and attempts are being made to recruit eight staff in areas of significant research activity across the institution. The potential candidates are expected to fulfil high level researcher excellence as part of the criteria. The drive to improve research is not only to add to knowledge and improve research income but also to ensure research enriches teaching in line with the institutional Mission. In June 2012 a new Research-enriched Teaching and Learning Policy was approved by Academic Board which will be implemented more fully during the forthcoming academic year.

The number of postgraduate research (PGR) students has almost doubled in the past 18 months to approximately 40 students. The PGR community is supported by an active programme of centralised training to promote the development of research skills and other transferable skills and includes opportunities for students to present their research in an informal setting. It is well attended and appears to provide a strong element of peer support within this growing research student community. The programme culminates annually in a multidisciplinary PGR student conference held in June each year.

All Academic Schools hold an annual series of research seminars, symposia and conferences which are open to staff and students across the University College. From June 2012 Schools will be required to submit an Annual Monitoring Report for Research to Academic Affairs annually. In addition to research events, Schools will be required to report on criteria taken from the Quality Assurance Agency for Higher Education (QAA) research degree awarding power (RDAP) information. A report will be compiled from this data in September 2012 advising on the readiness of the University College to submit an RDAP application during 2013.

Ensure That Our Knowledge and Expertise Benefits Business and the Wider Community

The University College has been gradually developing its Enterprise and Knowledge Exchange activity. This has been aided by Higher Education Innovative Funding (HEIF) monies which have provided start-up funds for the development of new activities across Schools. Much of this activity is on-going.

New Knowledge Exchange activity has either been funded by Schools (via the HEIF monies noted above) or by funding received as a result of external applications. External funding applications amounting to £2.2m for the University College had a conversion rate (value) of 41%, with success achieved in two thirds of applications submitted. The University College's most successful knowledge transfer hub is the Centre for Workplace and Community Health. The centre aims to work with public sector organisations to deliver health interventions.

In June 2012 Schools were asked to report on their Enterprise and Knowledge Exchange activities to ensure that the level of activity is properly monitored across the University College. This reporting will form the basis for target-setting in line with a new Enterprise Strategy which will be developed during 2012/13.

A new Director of Enterprise and Business Development has also been recruited to assist Schools and Services in the strategic development of this area in line with the Mission and Values of the University College.

TO MANAGE OUR RESOURCES EFFECTIVELY AND IMAGINATIVELY TO ENSURE A SUSTAINABLE FUTURE AND TO PROVIDE MAXIMUM VALUE FOR OUR STUDENTS

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 on-going 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 professional or 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 32 staff attending ESOL classes and supervisors in Catering Services and Estates and Facilities commencing an ILM Management and Supervisors programme.

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 applicants, staff and students and monitors and benchmarks equality data where possible against appropriate comparators.

In response to the Equality Act 2010, the University College devised a Single Equality Scheme with a number of equality objectives. The Scheme and Objectives seek to advance equality of opportunity in line with St Mary's commitment to social commitment and fairness.

Improve the Range and Quality Of Facilities and Services

The University College continues to improve and upgrade its estate through its planned programme of works and investment. The £8.5m sports facility project was completed in September 2011, creating a single sports centre by linking the new facility to the existing games hall and original 1960s sports block, which was refurbished at the same time. In addition to giving a huge boost to sport at the University College it will also facilitate the work of academic programmes in sport, health and physical education, as well as enabling St Mary's to do even more for the external community through a number of partnerships.

The completed facility was able to attract athletes from over ten countries as a London 2012 Olympics training venue, demonstrating that our sports facilities are world class.

During 2011/12 other improvements to the facilities of the University College include:

- Partial refurbishments of the Student Union facilities
- Re-roofing of campus buildings
- Refurbishment works at Teddington Lock sports campus
- Preliminary works on the re-instatement of the woodland walk
- Initiatives to reduce energy costs.

2012/13 looks set to be another exciting and progressive year for the University College facilities and infrastructure, with a handful of projects already underway. After consultation with the Local Authority Heritage Officer, who represents English Heritage, restoration of the Chapel stonework has begun and is due to be completed by October 2012.

Planning permission has been obtained for refurbishment works at the Teddington Locks Sports Campus where lighting will be installed in time for the autumn 2012 semester, together with part refurbishment of the changing rooms exterior. Phase two of the project includes structural repairs to the first floor and interior refurbishment. There are also planned refurbishments of several lecture theatres and key student facilities of the University College including the dining hall and Student Union facilities.

The University College will continue to use its resources as effectively as possible to avoid waste and inefficiencies to provide value for money for students, and to invest in the future whilst ensuring financial stability.

Build a Sustainable Future

The University College has in place an Environmental Statement and Energy Policy which seeks to promote a cultural and physical change to energy use and conservation at the institution. This policy is supported by a variety of programmes and initiatives to educate staff and students and develop good practice and working partnerships with bodies such as the Carbon Trust and Energy Consortium.

The new sports block thus incorporates 100m deep piled geo-thermal piping that is connected to an array of heat pumps more commonly referred to as Ground Sourced Heat Pumps, significantly reducing energy needs and includes a host of other energy saving and conservation measures that contribute to achievement of a Building Research Establishment Environmental Assessment Method (BREEAM) standard of excellence.

Energy prices are tracked using Utiylix and the Energy Consortium, enabling the University College to track and assess likely changes to supply costs in conjunction with projected requirements. As a result, during 2011/12 Gas supplies were re-tendered with the result that, during 2012/13 the University College will change suppliers, with a modest saving (as against a rise) in gas charges.

Another initiative during the period was the start of the replacement of existing radiator valves with more energy efficient Thermostatic Radiator Valves. A programme was also initiated to survey and assess potential for boiler decentralisation in order to replace existing high use and inefficient block boilers. The physical works associated with this is planned to take place during 2012/13. Whilst this will require an initial capital investment, the anticipated energy reductions will see this investment repaid within 5 years, whilst having an immediate beneficial impact in reducing CO2 emissions.

In addition, the process of replacing existing light fittings with more efficient low energy emitter types and installation of motion detectors continues, to both better control and reduce usage of electricity.

The University College participates in the Higher Education Carbon Management Plan Programme, which is recognised by HEFCE and hosted by the Carbon Trust. As part of the carbon management plan for the University College, during 2011/12 awareness of the plan and of the need to save energy was raised through the development of web / portal pages giving energy saving advice and direction.

KEY PERFORMANCE INDICATORS

In July 2008 the Board of Governors approved key performance indicators (KPIs) to enable it to monitor the performance of the University College in those areas considered vital to the on-going health and sustainability of the University College and / or where it has particular responsibilities to key stakeholders.

The KPIs are measured by a traffic light system. Most areas are on track or broadly so but with one or two areas of concern which need to be addressed. The KPIs for 2011/12 (together with comparatives for 2010/11) are shown below

Most pleasing of the results was the satisfactory assurance review carried out by HEFCE and the fact that in the National Students Survey, the University College achieved an upper quartile result.

The main disappointment was the report by the QAA on the Diploma in Higher Education and BSc in Clinical Hypnosis run in collaboration with the Brief Strategic Therapy and Clinical Hypnosis Foundation.

OPERATING AND FINANCIAL REVIEW Year to 31 July 2012

KEY PERFORMANCE INDICATORS

Student demand, achievement & satisfaction	2011/12	2010/11
Recruited at or in excess of HEFCE student number cap and TA target	✓ 1020 v 975 X 541 v 551	✓ 1020 v 975 ✓ 516 v 515
Non-continuation rates for first year students below 10%	X 14%	✓ 6.5%
To achieve upper quartile overall rating in National Student Survey	✓	✓
Percentage of students employed, training or studying 6 months after graduation versus HESA-benchmark of 90% (91%)	✓ 93%	✓ 91%

Institutional Character	2011/12	2010/11
Percentage of respondents to First Destinations Survey employed in Catholic schools	n/a	✓ 30%
Students on programmes related to Church needs	✓ 310	✓ 314

Financial Health	2011/12	2010/11
HEFCE and TA funding represent under less than 50% of income	✓ 39.3%	✓ 42.4%
Historical cost surplus in excess of 3% of income	✓ 11.4%	✓ 6.5%
Staff costs equate to less than 60% of income	✓ 56.2%	✓ 58.7%

Quality	2011/12	2010/11
Positive outcome from HEFCE Assurance reviews	✓	n/a
Positive outcome from QAA reviews	X	✓

Staff / Staff Development	2011/12	2010/11
Less than 4% of new staff terminated during probation	✓ 0.2%	✓ 0.3%
Staff turnover of less than 10%	✓ 7.9%	X 15.7%
Grievances raised below benchmark average of 5.4	✓ 4	✓ 2

Management	2011/12	2010/11
Unqualified external audit opinion	✓	✓
Ranked in upper quartile by Internal Audit of similar institutions	X	✓
Positive audit report from HEFCE and judged 'not at higher risk'	✓	✓

REVIEW OF OPERATIONS

Student Recruitment

The University College has continued to have buoyant undergraduate recruitment and undergraduate student numbers have grown as a result of additional student numbers awarded in previous years and the growth in international students.

	2008/09	2009/10	2010/11	2011/12	2012/13
FDN	184	219	215	203	233
Top up	47	30	37	38	58
1	1,051	1,129	1,228	1,304	1,177
2	772	915	1,001	1,070	1,121
3	761	751	881	974	1,025
4	39	30	27	46	34
Other	24	10	35	26	24
Total UG	2,878	3,084 +7%	3,426 +11%	3,661 +7%	3,672 -%
FT PGCE	297	326	304	325	322
PT PGCE	57	57	62	60	61
Total	3,232	3,467	3,792	4,046	4,055

The Student Experience

In the past couple of years the University College has worked hard to address some of the issues raised by the National Students Survey and its own internal student surveys. As a result, it is pleasing to note that for 2011/12 the University College equalled or improved upon its scores for 2010/11. St Mary's achieved a top quartile result in four of the seven main headings being: 'Teaching on my course', Assessment and Feedback', Personal Development and 'Overall Student Satisfaction'. In terms of this last category, this is the second year in a row in which the rating achieved by the University College has risen.

Teaching And Learning

The University College has continued to pursue its policy of continuous improvement to teaching and learning through implementation of the Learning, Teaching and Assessment (LTA) Strategy. Following a strategic review during the year and in response to the new Corporate Plan, a new LTA Strategy for 2012-2016 has been developed following wide consultation with staff and students. This will be presented to Academic Board during semester one of 2012/2013 for approval.

The restructuring of the curriculum - which consists of moving from a 15 credit module base to 20 credit base (with 40 credit dissertation) - was approved by Academic Board in September 2012 and should result in significant opportunities to share innovations and enhance the curriculum in all programme areas. The revalidations are on-going and provide options for all students to take modules outside of their programme (including inter-disciplinary modules) and to take work placements.

The (re)validation process was updated in the light of the requirements of the restructure and has provided an opportunity to scrutinise and enhance programme quality across the institution in a systematic manner. The revalidation procedures were updated and approved before the programme of revalidations commenced and require programme proposers to outline practices specifically relating to employability, equality and diversity and research-enriched teaching.

A new Virtual Learning Environment (VLE), branded simmsCAPital, was launched in September 2011 and has been used widely and successfully by staff and students across the University College. A St Mary's Award, which is supported by a range of online resources, was piloted during the academic year to promote and recognise the social commitment of St Mary's students. This will be formally launched in September 2012 and will contribute to the non-credit bearing component of the Higher Education Achievement Report.

Following a University College project on Student Retention during 2011 and Student Attainment during 2012, St Mary's will be well placed to drive evidence-based improvements in both areas during 2012/13. The findings of these reports will be incorporated into the LTA Strategies (and associated action plans at institutional and School level) and also be used to inform a number of performance indicators at programme, School and institutional level to monitor progress in relevant areas. In addition the results will also be used to inform developments relating to the wider student experience across the institution.

A number of key documents have been produced during 2011/12 including a new Employability Strategy, a new Research-enriched Teaching Policy (both of which have been approved by Academic Board) and an updated Assessment Policy. The student Personal Development Planning scheme has also been updated and will be developed further during 2012/13 in order to fulfil the needs of students in documenting their progress online.

The University College monitors and responds to institutional data. Such data is reported to the Teaching and Learning Committee (TLC) and Academic Board directly and is also available on the Principal's Dashboard. The data is taken into consideration in the development of Programme Annual Monitoring Reports, which are scrutinised at School and institutional level. In addition each programme report also provides a commentary and an annual action plan to address issues identified on a wide range of information and data sets including external examiner feedback, the National Student Survey for undergraduate and equality and diversity. On an institutional level information published in national league tables on the quality of teaching and learning at the University College is presented to staff at TLC and staff development days.

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 funding and took a principled decision not to charge fees at the maximum but to the level required to replace current income. For 2012/13 it has, therefore, 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 2011. With a generous bursary and scholarship package to help attract those from low income backgrounds, tuition fees for 2012/13 are considered to be competitive.

Employment Matters

One of the University College's main resources is its staff and the institution seeks to continue investing in this key resource. Accordingly, St Mary's is working towards gaining Investors in People ("IiP"), which focuses on leadership, communication and development. The School of Education and Catering Services had previously achieved IiP accreditation and were joined during 2011/12 by the Human Resources Department and the School of Sport, Health and Applied Science. IiP brings real benefits to the departments which achieve accreditation and more Schools and Services will undertake the assessment in 2012/13.

OPERATING AND FINANCIAL REVIEW Year to 31 July 2012

As staff is the main resource and the main area of expenditure, the Senior Management Team reviews, carefully, all requests for new and replacement staff in order to actively and effectively manage staff costs. In 2011/12, for the second year running, St Mary's offered staff the opportunity to leave under a generous voluntary severance scheme, which several staff took advantage of.

St Mary's places considerable value on the involvement of and communication with its staff members. Staff are encouraged to participate in formal and informal consultations at all levels including the membership of University College committees whilst the University College utilises a range of communication tools, most notably its intranet 'staff.net', which is available to all staff.

Information Technology (Systems & Applications)

In Spring 2011, the University College brought together its IT staff into a single department to bring efficiencies in the way that IT is managed and also to ensure it is supporting all users.

The IT department is leading on rewriting the University College's ICT Strategy to continue to align its key business systems with business strategy and processes. Leveraging our information systems and online services is crucial to ensuring the University College can deliver the best possible learning experience for our current and future students whether on campus, at home or overseas.

Following on from the success of last year a number of new projects have started as part of a two year portfolio, some of which are already starting to be successfully delivered within budget, time and scope. Some projects focus on streamlining administrative processes such as introducing on-line enrolment which greatly helps with efficiency as well as with the student experience. Others expand students' access to IT such as a new wireless network to better support mobile connectivity.

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 2012. The subsidiary, Strawberry Hill Enterprises Limited, donates 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 2012.

Results For The Year

The University College continued its sound financial performance, underpinned by growth in student numbers and increase in tuition income to achieve a surplus of £4.2m.

	2012 £'000	2011 £'000	Change %
Income	36,901	34,805	6%
Expenditure	32,677	32,721	(1%)
Surplus after depreciation of assets at valuation	4,224	2,084	103%
Surplus after disposal of assets	4,224	2,084	103%

The result for the year benefited from a number of non-recurring items, notably an exceptionally high level of income from international students and the release of certain previously deferred grant income. Excluding non-recurring items the surplus for 2011/12 would have been similar to that for 2010/11.

OPERATING AND FINANCIAL REVIEW Year to 31 July 2012

Expenditure decreased marginally by £0.1m representing a 1% decrease from 2010/11, although staff related costs rose as a result of increased staff numbers.

Capital Financing, Borrowings and Cash Flow

	2011/12 £'000	2010/11 £'000	Change %
Increase/ (Decrease) in cash and cash equivalents	2,067	(3,089)	n/a
Fixed assets	39,549	38,939	1.6%
Net current assets	3,313	871	280.3%
Total net assets, including pension liability	29,456	27,837	5.8%

Although the net surplus for the year was £4.2m, the actuarial loss of £2.6m in respect of the pension schemes meant that net assets increased by only £1.6m.

In 2011/12 there were no significant new capital projects which required financing during the year. During 2011/12, the University College engaged the services of Royal London Cash Management Limited ("RLCM"), who manage the cash assets in accordance with the investment policy set out by the Board.

Tuition / Academic Income

As expected funding from grants was slightly lower in 2011/12, down by £0.3m from 2010/11 to £14.4m. This was more than offset by strong growth in income from tuition fees and education contracts. Underpinning this growth was the continued increase in student numbers, combined with revised rates for tuition fees in 2011/12. In addition, a number of grants which had previously been deferred were released to the income and expenditure account in the 2011/12 year.

Figure 1

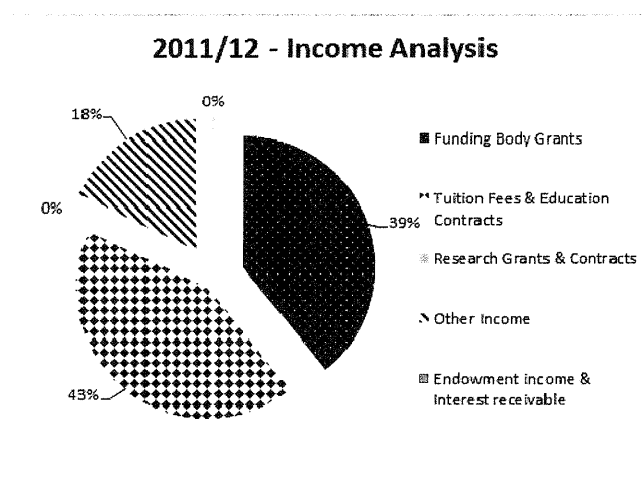
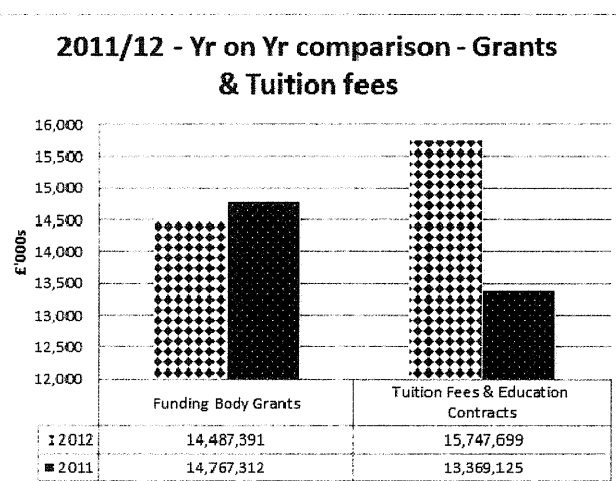
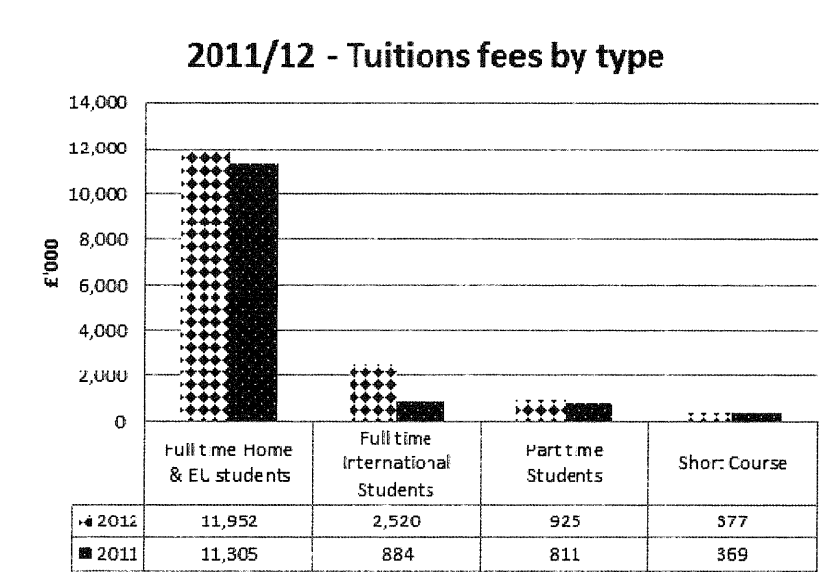


Figure 2



The growth in tuition fees reflects good levels of retention and recruitment of new students, together with the benefit of significant non-recurring income from overseas students.

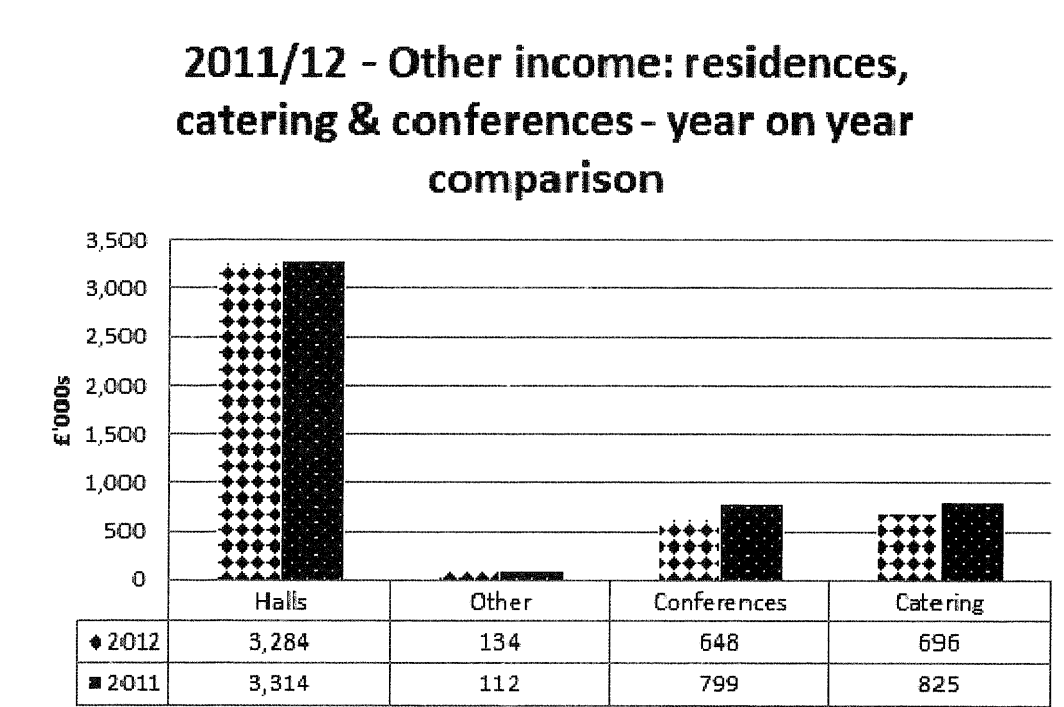
Figure 3



Other Income

Income from other sources reduced slightly in 2011/12 from that in previous years. A primary factor was that in 2011/12 the facilities of the University College were used by a number of countries with teams competing in the London 2012 Olympics. As a result, revenues from other summer activities such as conferences, catering and accommodation were down on 2010/11.

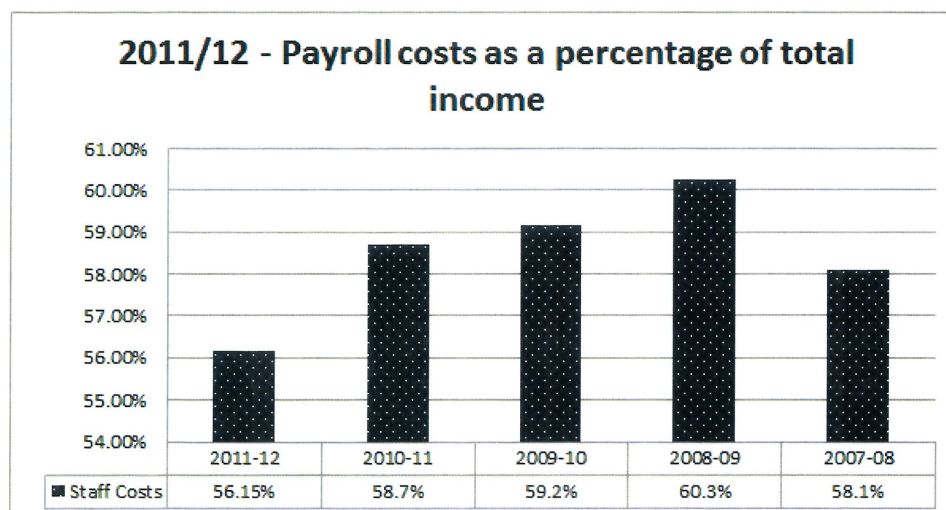
Figure 4



Staff Costs

Staff costs are slightly higher in the 2011/12 financial year than they were in 2010/11, however as a proportion to total income they are down. Staff (FTEs) employed by the University College increased by 13, to 517 - the main driver behind the increased expenditure.

Figure 5

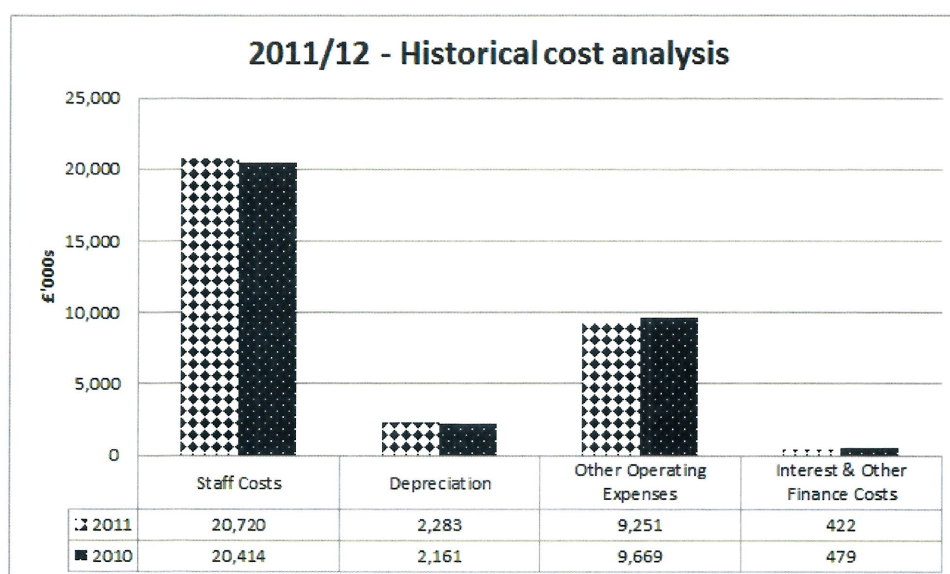


Other Operating Costs

An encouraging sign for the University College was that other operating costs were significantly reduced in 2011/12. A key focus for the University College for 2011/12 and going forward is the efficient allocation and use of resources, and the reduced operating expenditure is a sign of success in this area. Such savings have been achieved, in part, through the successful introduction during 2011/12 of an e-procurement system (an electronic form of purchasing goods and services).

Another focus of the University College during 2011/12 was the recovery of long overdue tuition fee debts. As a result of success in this area the University College has been able to reduce its provision for doubtful debt at the year end.

Figure 6



Interest Expense

In accordance with its repayment schedules, the University College has reduced its overall debt and, consequently, interest expenditure has fallen.

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

BDO LLP were the appointed auditors of the University College and its subsidiaries for the year.

Reserves and Investment Policy

The University College has been able to add to its strong reserves base with a healthy surplus in 2011/12. Although the year's result is a positive one, the board is aware of the economic challenges facing the institution and wider industry and has highlighted the need for efficient resources management and sound investment decision making to ensure continued financial sustainability is achieved.

The investment of funds is governed by the Treasury Management Policy (last reviewed in June 2012). 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 to other institutions, others reflect the particular circumstances 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.

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 Risk 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.

The Estate

The estate remains a prime asset for students and staff. There is, however, a demanding planned maintenance programme to deliver to retain and enhance this position. With the elimination of HEFCE Capital Grant Funding, the University College will need to deliver on-going surpluses to be able to fund future projects such as the potential development of additional library buildings.

Financial Viability

The University College continues to deliver a healthy net surplus each year and future projections indicate no significant change in this situation. For 2012/13 the University College intends to use its current healthy financial position to invest heavily in a number of areas – notably in academic research posts and in the finance department – in order to ensure that the University College is well placed to benefit from the Research Excellence Funding exercise due in 2014 and to ensure that its financial systems are of the required standard in an increasingly challenging environment. Accordingly, net surplus for 2012/13 is expected to be substantially lower than that for 2011/12.

As part of its annual cycle of business, its Audit Committee has formally reviewed the financial sustainability of the university college and is satisfied with the outcomes of its review.

Growth, Student Demand And Income Diversification

For 2012/13 the University College expects to meet its HEFCE student numbers cap and Teaching Agency target. As 2012/13 is the first year in which 'full' tuition fees have been in place it is currently still unclear what, if any, effect the new funding regime will have on future student numbers. As part of the strategy to deal with this uncertainty, the University College is investing significant funds in its research activities and is looking to improve its offering to overseas students to provide alternate sources of income.

Student Experience

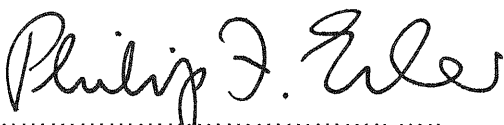
Reviewing the overall student offer (the courses, the facilities and the wider student experience) is a critical and on-going necessity for the University College to ensure that the St Mary's offering continues to be in demand from students. In this respect, it is pleasing that 2011/12 was the second year in succession that the University College achieved an improved rating from the National Students Survey.

Data Quality

A key risk that is being constantly monitored by the University College is that of data quality. The University College has over the last three years invested in both staff and other resources to improve the quality of its data, particularly that for students, to ensure that its data continues to have integrity. 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.

Academic Quality

The University College considers high academic quality to be of critical importance and manages this risk accordingly.



.....
Professor Philip F Esler

Principal

22 November 2012

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL Year to 31 July 2012

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 2012.

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;
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;

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL Year to 31 July 2012

8. Appointing, grading, appraisal, suspension, dismissal and determination of the pay and conditions of service of the Principal, the Deputy 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 not more than twenty four members, being: 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.

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 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.

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL Year to 31 July 2012

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 monitors adherence with 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.

Other Committees

The Academic Strategy Committee, Estates Committee, Health and Safety Committee and 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.

Review of effectiveness

The Board of Governors conducts periodic reviews of effectiveness in accordance with the CUC Code of Practice. The last review was undertaken in 2009. The next review is scheduled for autumn 2012.

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL Year to 31 July 2012

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 on-going process designed to identify the principal risks to the achievement of policies, aims and objectives; to evaluate the extent of those risks; and to manage them efficiently, effectively and economically. Procedures were in place to provide a full statement on internal control for the whole of the financial year 2011/12 and up to the date of approval of this annual report and financial statements.

Capacity To Handle Risk

The Board is of the view that there is a formal on-going process for identifying, evaluating and managing the significant risks facing the University College and that the process and associated procedures has been in place and operational throughout the year, notably through the regular review and updating of the Risk Register. The Risk Register and associated risk management processes are reviewed regularly by the Audit Committee and the Board.

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 their independent opinion on the adequacy and effectiveness of the system of internal control, together with any 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.

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL Year to 31 July 2012

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 control can, however, provide only reasonable, but not absolute, assurance against material misstatement or loss.

During 2011/12 the University College has:

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

The Board receives periodic reports from the Audit Committee (including copies of Audit Committee meetings) and arrangements are in place to ensure regular reports from managers on their actions to manage the risks in their areas of responsibility.

The Board's review of the effectiveness of the system of internal control is informed by the work of the Internal Auditors and senior staff and managers and by any comments made by the External Auditors in their management letter or 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 RESPONSIBILITIES OF THE BOARD OF GOVERNORS Year to 31 July 2012

The members of the Board of Governors, who are also the directors of St Mary's University College, Twickenham 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 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 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 website of the University College's is the responsibility of the members of Board. The Board members' responsibility also extends to the on-going integrity of the financial statements contained therein.

INDEPENDENT AUDITORS' REPORT 31 July 2012

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 2012 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 College, the Consolidated Cash Flow Statement 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 (the Board of Governors), as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006, section 124B of the Education Reform Act 1988 and paragraph 154 of the Charities Act 2011. 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.

We have been appointed as auditor under section 144 of the Charities Act 2011 and section 124B of the Education Reform Act 1998 and report in accordance with regulations made under section 154 of the Charities Act 2011 and section 124B of the Education Reform Act 1998.

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 College have been properly applied only for the purposes for which they were received and whether income has been applied in accordance with the Statutes and, where appropriate, with the Financial Memorandum with the Higher Education Funding Council for England.

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 2012 and of the Group's surplus of income over expenditure for the twelve months then ended;

INDEPENDENT AUDITORS' REPORT 31 July 2012

- 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, the Education Reform Act 1988 and the Charities Act 2011;
- income from the Higher Education Funding Council for England, the Teaching Agency, grants and income for specific purposes and from other restricted funds administered by the University College have been applied only for the purposes for which they were received; and
- income has been applied in accordance with the University College'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
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of the following matters where the Charities Act 2011 requires us to report to you if, in our opinion:

- the information given in the Trustees' Annual Report is inconsistent in any material respect with the financial statements; or
- sufficient accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.



James Aston, Senior Statutory Auditor
for and on behalf of BDO LLP, Statutory Auditor
Gatwick
United Kingdom
Date: 26 November 2012

BDO LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006.

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

CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT 31 July 2012

	Note	2012 £'000	2011 £'000
Income			
Funding body grants	1	14,487	14,767
Tuition fees and education contracts	2	15,748	13,369
Research grants and contracts	3	57	116
Other income	4	6,561	6,492
Endowment and investment income	5	48	61
Total income		36,901	34,805
Expenditure			
Staff costs	6	20,720	20,413
Other operating expenses	7	9,251	9,668
Depreciation	10	2,283	2,161
Interest and other finance costs	8	423	479
Total expenditure		32,677	32,721
Surplus after depreciation of tangible fixed assets at valuation and before tax		4,224	2,084
Taxation		—	—
Surplus after depreciation of assets at valuation and tax		4,224	2,084
Surplus on disposal of assets		—	—
Surplus for the year retained within general reserves		4,224	2,084

All activities are continuing. The notes on page 32 to 50 form part of these financial statements.

STATEMENT OF GROUP HISTORICAL COST SURPLUSES AND DEFICITS 31 July 2012

	2012 £'000	2011 £'000
Surplus on continuing operations before taxation	4,224	2,084
Difference between historical cost depreciation and the actual charge for the year calculated on the re-valued amount	189	188
Valuation gains realised on the disposal of tangible fixed assets	—	—
Historical cost surplus for the year before taxation	4,413	2,272
Historical cost surplus for the year after taxation	4,413	2,272

STATEMENT OF GROUP TOTAL RECOGNISED GAINS AND LOSSES 31 July 2012

	2012 £'000	2011 £'000
Surplus on continuing operations after depreciation of assets at valuation and disposal of assets and tax	4,224	2,084
Actuarial gain/(loss) in respect of pension scheme	(2,583)	(277)
Total recognised gain relating to the year	1,641	1,807
Reconciliation		
Opening reserves and endowments	21,602	19,795
Total recognised gains/(losses) for the year	1,641	1,807
Closing reserves and endowments	23,243	21,602

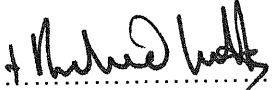
BALANCE SHEET 31 July 2012

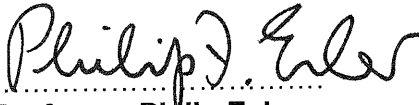
Company Registration Number 5977277

	Notes	2012 £'000	2012 £'000	2011 £'000	2011 £'000
		Consolidated	University College	Consolidated	University College
Fixed assets					
Tangible assets	10	39,549	39,013	38,939	38,359
Current assets					
Stocks		29	14	26	11
Debtors	12	2,023	2,272	1,336	1,610
Cash at bank and in hand		9,137	8,965	6,835	6,793
		<u>11,189</u>	<u>11,251</u>	<u>8,197</u>	<u>8,414</u>
Less: Creditors: amounts falling due within one year	13	<u>(7,876)</u>	<u>(7,700)</u>	<u>(7,326)</u>	<u>(7,260)</u>
Net current assets		<u>3,313</u>	<u>3,551</u>	<u>871</u>	<u>1,154</u>
Total assets less current liabilities		<u>42,862</u>	<u>42,564</u>	<u>39,810</u>	<u>39,513</u>
Less: Creditors: amounts falling due after one year	14	<u>(6,202)</u>	<u>(6,202)</u>	<u>(7,244)</u>	<u>(7,244)</u>
		<u>36,660</u>	<u>36,362</u>	<u>32,566</u>	<u>32,269</u>
Less: Provision for liabilities and charges	15	<u>(1,195)</u>	<u>(1,195)</u>	<u>(1,038)</u>	<u>(1,038)</u>
Total net assets excluding pension liability		<u>35,465</u>	<u>35,167</u>	<u>31,528</u>	<u>31,231</u>
Net pension liability	18	<u>(6,009)</u>	<u>(6,009)</u>	<u>(3,691)</u>	<u>(3,691)</u>
Total net assets including pension liability		<u>29,456</u>	<u>29,158</u>	<u>27,837</u>	<u>27,540</u>
Deferred capital grants	16	<u>6,213</u>	<u>6,213</u>	<u>6,235</u>	<u>6,235</u>
Reserves					
Income and expenditure account, excluding pension reserve	17	<u>18,402</u>	<u>18,104</u>	<u>14,254</u>	<u>13,957</u>
Pension reserve	18	<u>(6,009)</u>	<u>(6,009)</u>	<u>(3,691)</u>	<u>(3,691)</u>
Income and expenditure account including pension reserve		<u>12,393</u>	<u>12,095</u>	<u>10,563</u>	<u>10,266</u>
Revaluation reserve	19	<u>10,850</u>	<u>10,850</u>	<u>11,039</u>	<u>11,039</u>
Total Funds		<u>29,456</u>	<u>29,158</u>	<u>27,837</u>	<u>27,540</u>

The notes on pages 32 to 50 form part of these financial statements.

The financial statements on pages 26 to 50 were approved and authorised for issue by the Board of Governors on 22 November 2012 and were signed on its behalf by:


 Bishop Richard Moth
 Governor (Chairman)


 Professor Philip Esler
 Governor (Principal)

CONSOLIDATED CASH FLOW STATEMENT Year to 31 July 2012

		2012 £'000	2011 £'000
Net cash inflow from operating activities	20(a)	5,033	4,629
Returns on investments and servicing of finance			
Other Interest received		47	61
Interest paid		(422)	(479)
		(375)	(418)
Capital expenditure and financial investment			
Payments made to acquire fixed assets		(1,939)	(6,578)
Deferred capital grants received		347	237
		(1,592)	(6,341)
Net cash inflow/(outflow) before financing		3,066	(2,130)
Financing	20(c)	(999)	(959)
Increase/(decrease) in cash		2,067	(3,089)

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

		2012 £'000	2011 £'000
Increase/(Decrease) in cash in the year		2,067	(3,089)
(Increase)/Decrease in debt financing		999	959
Change in the net debt		3,066	(2,130)
Net funds/(debt) at 1 August		(1,406)	724
Net funds/(debt) at 31 July	20(b)	1,660	(1,406)

The notes on pages 32 to 50 form part of these financial statements.

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES 31 July 2012

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) 2007 and applicable Accounting Standards. They conform to guidance published by the HEFCE & TA.

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the University College and its subsidiary undertaking, Strawberry Hill Enterprises Limited (SHE) for the financial year ending 31 July. Intra-group transactions are eliminated on consolidation.

The St Mary's Students' Union has not been consolidated as it's a separate enterprise which over which the University College had limited influence both in areas of financial control and 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

Recurrent grants from HEFCE and the TA 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 TA or other bodies received in respect of the acquisition of fixed assets are treated as deferred capital grants and released to the income and expenditure account over the expected useful economic life of the related asset on a basis consistent with its depreciation policy.

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) are 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.

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).

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES 31 July 2012

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 on-going 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 on-going 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.

Financial Instruments

Cash, bank and loan balances are recorded at their current values. Interest earned on bank accounts and interest charged on loans are recorded as interest receivable and interest payable respectively in the period to which they relate. Bank charges are recorded as operating expenditure in the period which they relate.

Investments in liquid resources are readily disposable current asset investments. They include some money market deposits, held for more than 24 hour, which can only be withdrawn without penalty on maturity or by giving notice of more than one working day. These investments are measured at fair value. Any movements in fair value are immediately recognised in the income and expenditure account.

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.

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.

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES 31 July 2012

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.

Depreciation

Buildings, furniture, equipment and motor vehicles are depreciated on a straight-line basis to the income and expenditure account over their estimated useful lives. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the University College will obtain ownership by the end of the lease term. Land is not depreciated.

Buildings, furniture, equipment and motor vehicles are depreciated from the date they are installed and are ready for use.

Where assets 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.

The estimated useful lives for the current and comparative years of significant assets are as follows:

- | | |
|---|----------|
| • Buildings | 50 years |
| • Building extensions & improvements | 10 years |
| • Furniture, equipment & motor vehicles | 5 years |
| • Desk-top IT equipment | 4 years |

Taxation

The University College is considered to pass the tests set out in Paragraph 1 Schedule 6 of the Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the University College is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 of the Corporation Tax Act 2011 or Section 256 of the Taxation Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes. Subsidiary companies are liable to corporation tax.

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

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.

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES 31 July 2012

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 TA-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 2012

1 Funding Body grants

	2012 £'000	2011 £'000
Recurrent Grant		
Higher Education Funding Council	7,763	8,097
Training and Development Agency	5,146	5,003
Specific Grants		
Special initiatives – HEFCE	798	562
Special initiatives – TA	365	748
Specific grants – redundancy compensation	46	33
Deferred capital grants released in year		
Buildings (note 16)	330	268
Equipment (note 16)	39	56
	14,487	14,767

2 Tuition fees and education contracts

	2012 £'000	2011 £'000
Full time home and EU students	11,924	11,304
Full time international students	2,521	884
Part time students	925	812
Short course	378	369
	15,748	13,369

3 Research grants and contracts

	2012 £'000	2011 £'000
Research councils and charities	37	112
Governmental	20	4
	57	116

4 Other income

	2012 £'000	2011 £'000
Residences, catering and conferences	4,763	5,050
Other services rendered	78	75
Other income	1,720	1,367
	6,561	6,492

5 Endowment and investment income

	2012 £'000	2011 £'000
Bank interest	48	61

NOTES TO THE FINANCIAL STATEMENTS 31 July 2012

6 Staff and students

	2012 £'000	2011 £'000
(a) Staff costs:		
Wages and salaries	17,283	17,011
Social security costs	1,306	1,290
Other pension costs (including FRS 17 adjustments)	2,131	2,112
	20,720	20,413
(b) Emoluments of the Principal:		Restated
Salary	141	148
Benefits	3	—
Pension contributions	20	18
	164	166

Professor Arthur Naylor resigned as Principal on 30 September 2010. Professor Phillip Esler was appointed as Principal on 1 October 2010. The 2011 Principal emoluments have been restated to include the total remuneration paid to both Principals during the financial year.

Travel expenses reimbursed to 3 Governors during the year amount to £540 (2011: £1,528 reimbursed to 3 members). No payments were made to Governors for serving as a trustee during the year (2011: nil). No payments to Governors were made for services, other than under a contract of employment, during the year (2011: nil).

(c) Remuneration of other higher paid staff

In the current year only one other employee's remuneration (excluding national insurance and pension contributions) exceeded £100k (2011: nil), which fell into the band £100k - £110k. The Principals remuneration fell within the band £140k - £150k (2011: £140k - £150k).

(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	
	2012	2011 Restated
Academic departments	209	204
Research	3	3
Management and Specialist	16	19
Technical	20	22
Other	269	256
	517	504

(e) Number of students:	2012	2011
Expressed as full-time equivalents		
Full-time students	4,051	3,497
Part-time students	834	866
Totals	4,885	4,363

NOTES TO THE FINANCIAL STATEMENTS 31 July 2012

7 Other operating expenses

	2012 £'000	2011 £'000
Academic departments	2,493	2,877
Academic services	945	850
Premises	2,184	2,495
Residences, catering and conference	1,006	1,187
Research grants and contracts	289	160
Administration and central services	1,460	1,376
Other expenses	874	723
	9,251	9,668

Other operating expenses include:

	2012 £'000	2011 £'000
Auditors' remuneration		
External audit – audit of group statutory accounts	36	39
– audit of subsidiaries statutory accounts	5	4
Internal audit	43	14
Other services, excluding audit – taxation services	5	8
(Decrease) /Increase in provision for doubtful debts	(241)	38
Operating lease rentals – land and buildings	5	160

8 Interest and Other Finance Costs

	2012 £'000	2011 £'000
Bank and other loans wholly repayable within five years	399	457
Pension finance interest (note 19)	24	22
	423	479

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:

	2012 £'000	2011 £'000
University College surplus for the year	4,223	2,083
Strawberry Hill Enterprises Ltd surplus/(loss) for the year	1	1
	4,224	2,084

NOTES TO THE FINANCIAL STATEMENTS 31 July 2012

10 Tangible fixed assets

Consolidated	Freehold		Alterations and improvements	Furniture, equipment and vehicles	Total
	Land £'000	Buildings £'000	£'000	£'000	£'000
Cost or valuation					
At 1 August 2011	5,519	35,102	10,031	3,119	53,771
Additions	—	1,002	422	1,016	2,440
Additions under construction	—	—	453	—	453
Write offs and disposals	—	—	—	—	—
At 31 July 2012	5,519	36,104	10,906	4,135	56,664
Cost	500	25,110	10,906	4,135	40,651
Valuation	5,019	10,994	—	—	16,013
	5,519	36,104	10,906	4,135	56,664
Depreciation					
At 1 August 2011	—	7,727	5,265	1,840	14,832
Charge in year	—	754	849	680	2,283
Write offs and disposals	—	—	—	—	—
At 31 July 2012	—	8,481	6,114	2,520	17,115
Net book values					
At 31 July 2012	5,519	27,623	4,792	1,615	39,549
At 31 July 2011	5,519	27,375	4,766	1,279	38,939

The depreciation charge has been funded by:

	2012 £'000	2011 £'000
Deferred capital grants released (note 16)	369	324
Revaluation reserve	189	188
General income	1,725	1,649
	2,283	2,161

NOTES TO THE FINANCIAL STATEMENTS 31 July 2012

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 2011	5,519	34,348	10,031	2,920	52,818
Additions	—	1,002	422	1,016	2,440
Additions under construction	—	—	453	—	453
Write offs and disposals	—	—	—	—	—
At 31 July 2012	<u>5,519</u>	<u>35,350</u>	<u>10,906</u>	<u>3,936</u>	<u>55,711</u>
Cost	500	24,356	10,906	3,936	39,698
Valuation	5,019	10,994	—	—	16,013
	<u>5,519</u>	<u>35,350</u>	<u>10,906</u>	<u>3,936</u>	<u>55,711</u>
Depreciation					
At 1 August 2011	—	7,520	5,265	1,674	14,459
Charge in year	—	717	848	674	2,239
Write offs and disposals	—	—	—	—	—
At 31 July 2012	<u>—</u>	<u>8,237</u>	<u>6,113</u>	<u>2,348</u>	<u>16,698</u>
Net book values					
At 31 July 2012	<u>5,519</u>	<u>27,113</u>	<u>4,793</u>	<u>1,588</u>	<u>39,013</u>
At 31 July 2011	<u>5,519</u>	<u>26,828</u>	<u>4,766</u>	<u>1,246</u>	<u>38,359</u>

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 2012 was 2 Ordinary shares, at a cost of £2 (2011 - £2).

NOTES TO THE FINANCIAL STATEMENTS 31 July 2012

12 Debtors

	Consolidated		University College	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Amounts falling due within one year:				
Debtors	1,716	968	1,617	857
Prepayments and accrued income	307	368	307	368
Amounts due from subsidiary company	—	—	348	385
	2,023	1,336	2,272	1,610

13 Creditors: amounts falling due within one year

	Consolidated		University College	
	2012 £'000	2011 £'000 Restated	2012 £'000	2011 £'000 Restated
Bank overdraft	235	—	71	—
Bank loans	1,040	998	1,040	998
Expense creditors	1,215	529	1,211	529
Social security and other taxes	98	450	85	435
Other creditors	809	1,940	799	1,922
Accruals and deferred income	4,479	3,409	4,436	3,331
Amounts due to subsidiary company	—	—	58	45
	7,876	7,326	7,700	7,260

14 Creditors: amounts falling due after more than one year

Unsecured bank loans are repayable as follows:

	Consolidated		University College	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
In one year or less	1,040	998	1,040	998
Between one and two years	1,084	1,040	1,084	1,040
Between two and five years	2,144	2,811	2,144	2,811
In five years or more	2,974	3,393	2,974	3,393
Greater than one year	6,202	7,244	6,202	7,244
Total	7,242	8,242	7,242	8,242

The bank finance consists of a £4.5m loan from Bank Santander for the building of the new Sports Block Building. The loan, which was taken out in July 2010, is repayable at a fixed rate of 4.95% over 20 years. At 31 July 2012, the amount outstanding was £4,050,000 (2011: £4,275,000).

NOTES TO THE FINANCIAL STATEMENTS 31 July 2012

Also included in the bank finance is the £6 million loan from Barclays Bank plc to build new halls of residence. The loan, which was taken out in August 2005, is repayable at a fixed rate of 5.09% over 10 years. At 31 July 2012 the amount outstanding was £2,290,448 (2011: £2,923,000).

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 2012 the amount outstanding was £902,783 (2011 : £1,044,000).

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	
	2012 £'000	2011 £'000
<u>Pension Enhancement Provision:</u>		
Balance at 1 August	348	360
Utilised in the year	(30)	(29)
Transfer from income and expenditure	51	17
Balance at 31 July	369	348
<u>Other Specific Provisions:</u>		
Balance at 1 August	46	46
Movement in the year	650	—
Balance at 31 July	696	46
<u>St Mary's Halls Dilapidations Provision:</u>		
Balance at 1 August	514	514
Movement in the year	(514)	—
Balance at 31 July	—	514
<u>Section 106 Planning Provision</u>		
Balance at 1 August	130	—
Movement in the year	—	130
Balance at 31 July	130	130
Total provisions	1,195	1,038

NOTES TO THE FINANCIAL STATEMENTS 31 July 2012

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 1.44% (2011: 2.93%) in excess of price inflation. During 2012, actual payments of £30k (2011 £29k) 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 £715k as at 31 July 2012 (2011 £499k).

Specific provisions include amounts related to the proposed merger of two of the academic schools within the University College and to the closure of a course previously run by the University College in collaboration with another organisation. With regard to the latter matter, although the University College believes it has no legal liability related to the decision to close the course, as an act of goodwill the University College has decided to make an offer of financial recompense to all students who were enrolled to study on the course.

16 Deferred capital grants

	Consolidated and University College			
	Buildings £'000	Furniture and equipment £'000	2012 Total £'000	2011 Total £'000
Funding Council				
Written down value at 1 August	6,186	49	6,235	6,322
Movement during the year:				
Funding grants received	237	110	347	237
Released to Income and Expenditure Account	(330)	(39)	(369)	(324)
Written down value at 31 July	<u>6,093</u>	<u>120</u>	<u>6,213</u>	<u>6,235</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 2012

17 General reserves

Income and expenditure account	Consolidated		University College	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
At 1 August	10,563	8,568	10,266	8,272
Surplus after depreciation of assets at valuation	4,224	2,084	4,223	2,083
Release from revaluation reserve – depreciation	189	188	189	188
Historical cost surplus after taxation for the year	4,413	2,272	4,412	2,271
Actuarial gain/(loss) in respect of pension scheme	(2,583)	(277)	(2,583)	(277)
At 31 July	12,393	10,563	12,095	10,266
Balance represented by				
Income and expenditure account excluding pension reserve	18,402	14,254	18,104	13,957
Pension reserve	(6,009)	(3,691)	(6,009)	(3,691)
At 31 July	12,393	10,563	12,095	10,266

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. In addition, for new, non-academic staff, the University College has a defined contribution scheme which is run by Friends Life.

The total pension cost for the year ended 31 July 2012 was £2,173k (2011: £1,737k), this included an amount of £21k (2011: £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 with CPI at 2.2%p.a.

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.

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 2011 to 31 July 2012.

NOTES TO THE FINANCIAL STATEMENTS 31 July 2012

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.

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 2012 was £1,607k (2011: £1,637k) of which employer's contributions totalled £1,281k (2011: £1,291k) and employees' contributions totalled £326k (2011: £346k).

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 2013 is £1,233k.

Financial Reporting Standard (FRS) 17 - Retirement benefits

The following information is based upon a full actuarial valuation of the Fund at 31 March 2010 updated to 31 July 2012 by a qualified independent actuary.

NOTES TO THE FINANCIAL STATEMENTS 31 July 2012

The major assumptions used by the actuary were:

	2012 %	2011 %
Price increases		
CPI	2.2	2.7
Salary increases	4.5	5.0
Pension increases	2.2	2.7
Discount rate	4.1	5.3
Expected return on assets - Equities	5.6	7.0
- Bonds	3.5	4.6
- Property	3.7	5.1
- Cash	2.8	4.0

With regard to mortality assumptions life expectancy is based on the SAPs year of birth tables (with loadings applied depending on membership class), with future improvements from 2007 in line with the Medium Cohort projections and subject to a 1% minimum underpin. 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	24.8 years

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

	2012 £'000	Proportion %	2011 £'000	Proportion %
Equities	11,792	74	10,464	73
Bonds	2,549	16	2,293	16
Property	1,434	9	1,290	9
Cash	159	2	287	2
Total market value of assets	15,934		14,334	

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

Analysis of the amount shown in the balance sheet	2012 £'000	2011 £'000
Total market value of assets	15,934	14,334
Present value of scheme liabilities	(21,943)	(18,025)
Net pension liability	(6,009)	(3,691)

NOTES TO THE FINANCIAL STATEMENTS 31 July 2012

Analysis of the amount charged to staff costs income and expenditure account	2012 £'000	2011 £'000
Employer service cost (net of employee contributions)	992	894
Losses on curtailments and settlements	—	106
Total operating income/(charge)	992	1,000

Analysis of the amount that is credited to other finance income in the income and expenditure account

Expected return on pension scheme assets	954	871
Interest on pension liabilities	(978)	(893)
Net return on pension scheme	(24)	(22)

The actual return on assets during the year was £434k.

Amount recognised in the statement of total recognised gains and losses (STRGL)	2012 £'000	2011 £'000
Actual return less expected return on pension scheme assets	(520)	(187)
Experience adjustments and the effects of changes in the assumptions underlying the Scheme liabilities	(2,063)	(90)
Actuarial gain/(loss) recognised in STRGL	(2,583)	(277)

Analysis of the movement in the present value of the scheme liabilities and corresponding analysis

	2012 £'000	2011 £'000
Opening present value of the defined benefit obligation	18,025	16,076
Movement in the year		
Current service cost	992	894
Interest cost	978	893
Contributions by members	326	346
Actuarial losses/(gains)	2,063	90
Losses/(Gains) on curtailments	—	106
Estimated benefits paid	(441)	(380)
Closing present value of the defined benefit obligation	21,943	18,025

Analysis of the movement in the fair value of the scheme assets

	2012 £'000	2011 £'000
Opening fair value of employer assets	14,334	12,393
Movement in the year		
Expected return on assets	954	871
Contributions by members	326	346
Contributions by employer	1,281	1,291
Actuarial (losses)/gains	(520)	(187)
Estimated benefits paid	(441)	(380)
Closing fair value of employer assets	15,934	14,334

NOTES TO THE FINANCIAL STATEMENTS 31 July 2012

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

History of experience gains and losses	2012 £'000	2011 £'000	2010 £'000	2009 £'000	2008 £'000
Defined benefit obligation	(21,943)	(18,025)	(16,076)	(14,458)	(12,004)
Plan assets	15,934	14,334	12,393	9,492	8,742
Deficit	(6,009)	(3,691)	(3,683)	(4,966)	(3,262)
Experience adjustment on plan liabilities	(168)	(816)	—	25	84
Experience adjustment on plan assets	(520)	(187)	1,133	(886)	(2,098)

19 Revaluation reserve

	Consolidated and University College	
	2012 £'000	2011 £'000
Balance at 1 August 2011 and 31 July 2012	14,431	14,431
Contribution to depreciation:		
Balance at 1 August	3,392	3,204
Released during the year	189	188
Balance at 31 July	3,581	3,392
Net revaluation		
At 31 July 2012	10,850	11,039

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

	2012 £'000	2011 £'000
Surplus on continuing operations	4,224	2,084
Depreciation	2,283	2,161
Deferred capital grants released to income	(370)	(324)
Interest receivable	(48)	(61)
Interest payable	423	479
Pension cost less contributions payable	(265)	(269)
Decrease/(Increase) in stocks	(3)	4
Decrease/(Increase) in debtors	(687)	(24)
Increase/(decrease) in creditors	(681)	462
Increase/(decrease) in provisions	157	117
Net cash inflow from operating activities	5,033	4,629

NOTES TO THE FINANCIAL STATEMENTS 31 July 2012

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

	At 1 August 2011 £'000	Cash flows £'000	At 31 July 2012 £'000
Cash at bank and in hand	6,836	2,301	9,137
Bank overdraft	—	(235)	(235)
Debt due within one year	(998)	(42)	(1,040)
Debt due after one year	(7,244)	1,042	(6,202)
Total	(1,406)	3,066	1,660

20 (c) Financing

	2012 £'000	2011 £'000
New Loans	—	—
Capital Repayment	(999)	(959)
Total	(999)	(959)

21 Operating lease commitments

	Consolidated and University College	
	2012 £'000	2011 £'000
At 31 July 2012 annual commitments under operating leases were as follows:		
Land and buildings which expire after more than 5 years	5	160

22 Capital commitments

Provision has not been made for the following capital commitments at 31 July 2012.

	2012		2011	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Commitments contracted	—	—	503	503
Authorised but not contracted	554	554	1,127	1,127
	554	554	1,630	1,630

NOTES TO THE FINANCIAL STATEMENTS 31 July 2012

23 Access to Learner Support funds

	2012 £'000	2011 £'000
Balance unspent at 1 August	4	7
Funding Council grants	84	76
	88	83
Disbursed to students	(82)	(77)
Audit and administration costs	(2)	(2)
Balance unspent at 31 July	4	4

24 Training salaries

	2012 £'000	2011 £'000
Balance owed at 1 August	(43)	(9)
Funding Council grants	856	1,819
Disbursable to students	(882)	(1,853)
Balance owed at 31 July	(69)	(43)

25 Related party transactions

Grants were paid to St Mary's Students Union amounting to £186k (2011: £170k), an organisation in which the president Mr Jonathan Miller was a member of the St Mary's University College Board of Governors during the financial year.

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.