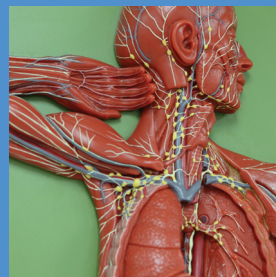


# Financial statements



**2013**



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# Council membership 2012/13

## From 1 August 2012 to 31 July 2013 (up to and including 26 November 2013)

Ms Judith Evans	(Chair of Council) (End of Term of Office-30 September 2013)
Professor Michael Spyer	(Chair of Council) (With effect from 1 October 2013)
Mr Anthony Bicknell	
Mr Michael Draper	
Professor Barry Gusterson	
Ms Gemma Hobcraft	(Resigned 30 June 2013)
Mr Don Kennedy	(With effect from 1 July 2013)
Mr Chris North	
Mr Christopher Smallwood	
Mr Michael Stevens	
Ms Catherine Swarbrick	
Mr Graham Turner	
Professor Julius Weinberg	
Ms Cathy Wilson	(Resigned 27 October 2013)
Professor Sir Nicholas Wright	

## Internal members

Professor Peter Kopelman	(Principal)
Professor Adrian Clark	Dean of Research and Enterprise
Professor Patricia Hughes	Dean of Staff and Students
Dr Andrew Kent	Dean of Education
Professor Alan Johnstone	(End of Term of Office - 30 September 2012) Elected member of academic staff
Professor Fiona Ross	(With effect from 1 October 2012) Elected member of academic staff
Mr Kenton Lewis	(Resigned October 2012) Elected member of support staff
Ms Kea Horvers	(With effect from 1 November 2012) Elected member of support staff
Mr Nana Adu	(End of Term of Office-30 September 2013) Student Representative
Mr Matthew Owen	(With effect from 1 October 2012) Students' Union President
Mr Mo Amer	(With effect from 1 October 2013) Students' Union President

## In attendance

Mr Mark Bery	Chief Operating Officer
Mrs Sophie Bowen	Secretary and Academic Registrar
Ms Susan Trubshaw	Head of Governance, Legal and Assurance Services
Mr John Unsworth	Finance & Commercial Director

# Operating and financial review

## Nature of the organisation

St George's, University of London, (SGUL) established in 1733, is distinctive as the UK's only independent medical and healthcare higher education institution. Its specialist focus and ability to innovate, combined with its dedication to its students, staff and research, sets SGUL apart and provides its ability to achieve and prosper during this challenging time for universities.

SGUL is co-located with St George's Healthcare NHS Trust on its main site in Tooting, South West London, which further contributes to SGUL's distinctive character.

SGUL provides a wide range of high quality undergraduate and postgraduate healthcare, medical and biomedical education programmes to students. Taught degrees are offered in biomedical science, healthcare science, diagnostic and therapeutic radiography, physiotherapy and a four year and five year MBBS in medicine. Foundation degrees in paramedic science, healthcare practice, breast imaging and biomedical science are offered through the Joint Faculty of Health, Social Care and Education, which is jointly managed with Kingston University.

Clinical teaching is provided at SGUL and a number of specialist hospitals in South West London, Surrey, and Sussex as well as in the community. We are recognised globally for the quality of our research with a high reputation in areas such as public health and epidemiology, infection and immunity, cardiology, stroke and neuroscience.

## Vision

SGUL's vision is to be a thriving medical and healthcare sciences university, integrated with a London teaching hospital, locally, nationally and internationally recognised for excellence and innovation in education and research translated across health and social care through:

- growing its excellent reputation for education and learning by providing its students with an exceptional experience within an interdisciplinary environment;
- pursuing the attainment of excellence in a focused scientific, clinical and educational research portfolio;
- promoting the sharing of knowledge, expertise and opportunities with local, regional, national and international communities.

- building and sustaining collaborative partnerships with universities, the NHS and other relevant organisations within and without London;
- developing and maintaining organizational processes and infrastructure to support SGUL's existing endeavours and to enable the development of new, rewarding opportunities; and
- attracting, retaining and nurturing the most talented staff.

## Public benefit statement

SGUL is an exempt charity under the terms of The Charities Act 1993. In setting and reviewing its objectives and activities, Council has had due regard to the Charity Commission's guidance on the reporting of public benefit and particularly to its supplementary public benefit guidance on the advancement of education.

The overall aim of SGUL is to advance learning and knowledge by teaching, research and translation in medicine, nursing, midwifery, the allied health professions, biological sciences, the treatment of illness and any other subject or area as it should determine.

SGUL is an internationally recognised specialist medical college of the University of London which provides an education to undergraduate and postgraduate students within an interdisciplinary environment, with over 1,000 students graduating each year from its courses. This education develops students academically and advances their interpersonal and leadership skills, thus preparing them to play full and effective roles within the healthcare field.

*In particular, SGUL provides:*

- excellent teaching and clinical facilities, in collaboration with its partners in the SW London area, within a hospital environment at one of London's busiest hospitals, St George's Healthcare NHS Trust; and
- social, cultural, musical, recreational and sporting facilities to enable each student to realise as much as possible of their academic and personal potential whilst studying at SGUL.

*It advances research through:*

- providing researchers with outstanding research facilities. This research has direct benefits to patients, and has demonstrated longer-term socio-economic impacts with regard to the health, well-being, and quality of life of the general population;
- encouraging and sponsoring visits from outstanding academics and healthcare experts from both the UK and overseas; and

# Operating and financial review

- encouraging and supporting the dissemination of research and healthcare advancements through lectures, seminars and the publication of papers in academic and professional journals or other suitable means.

SGUL maintains an extensive healthcare library and archive (including important special collections), so providing a valuable resource for students, researchers, academics and others by arrangement. The primary beneficiaries are the students, researchers, academic and NHS staff who are engaged in healthcare education, learning or research who also have an opportunity to attend educational events at SGUL or to use its research and teaching facilities. The general public also directly benefit from SGUL's healthcare research and activities.

SGUL admits as students those who have the highest potential for benefiting from the healthcare education that the medical school and its collaborative partners provide.

There are no ethnic, religious, geographic, socio-political and economic barriers and students, researchers and academics are drawn from the UK and overseas.

The focus of SGUL is to maintain its excellent reputation in a scientific, clinical and educational teaching and research portfolio; and, to this aim, it strives to attract, retain and nurture the most talented students and staff.

To raise educational aspirations and attract outstanding applicants who might not consider a healthcare career, or applying to the medical school, SGUL operates an extensive outreach programme. This programme consists of educational school open days, admissions symposia for teachers, as well as guidance and information on the SGUL website for prospective applicants.

SGUL offers a number of bursaries/awards each year to those students who achieve outstanding exam results and who are entitled to student support. In addition, Access to Learning Funds (ALF) and National Scholarship Programme Awards (NSP) are provided by the Government and are administered by SGUL to provide selective help for students who are in financial difficulties.

In order to fulfil its charitable purposes of advancing education, learning and research, SGUL employs both clinical and non-clinical staff. Annual pay increases normally follow national settlements applying to the university sector. External members of Council receive no remuneration for their services and any payments to them are for the reimbursement of reasonable expenses only in the performance of their duties.

## Finance review and results for the year

The financial year to 31 July 2013 was, in common with the previous year, very challenging. Total turnover reduced marginally to £84.2m with a reduced surplus for the year of £54k or 0.06% of turnover.

Research income fell by 2.0% to £14.7m. Income from charitable sources and the EU declined but on a positive note income from research councils, government bodies and industry and commerce increased.

The following tables analyse the SGUL's income and expenditure over the past two years:

<b>Income</b>	2012/13 £m	2011/12 £m
Funding council grants (HEFCE)	28.0	31.1
Academic fees and support grants	21.0	18.7
Research grants and contracts	14.7	15.0
Endowments and investment income	0.3	0.3
Other operating income	20.2	19.7
<b>Total</b>	<b>84.2</b>	<b>84.8</b>

<b>Expenditure</b>	2012/13 £m	2011/12 £m
Staff costs	47.7	48.5
Depreciation	6.5	6.0
Interest and other financial costs	1.0	0.8
Other operating expenses	28.7	29.3
<b>Total</b>	<b>84.0</b>	<b>84.6</b>
<b>Surplus</b>	<b>0.05</b>	<b>0.2</b>

SGUL continues to hold a strong cash position and, in view of the relatively low returns on cash deposits, some £5m was placed with investment brokers.

# Operating and financial review

## International activities

A key component of the University's Strategic Plan 2010–15 is to broaden SGUL's international activities to help achieve the following aims:

- to increase the number of international students studying at SGUL and to broaden its student intake, taking advantage of SGUL's international reputation for educational excellence;
- to strengthen SGUL's research portfolio by integrating the University's focused research strengths with international partners and students, and by increasing post graduate research numbers; and
- to increase and diversify SGUL's sources of income to help maintain its long term sustainable financial good health

Whilst the initial build-up phase of the international strategy has required investment by SGUL, it is anticipated that these activities will make a significant contribution to SGUL's income within the medium term.

### *Major Institutional Initiatives*

Two major international initiatives have been advanced during the year:

#### 1. MBBS franchise to the University of Nicosia, Cyprus

SGUL has franchised its 4 year Graduate Entry Programme to the University of Nicosia (UNic) which has established a new medical school. The first two years of the programme are delivered at a purpose built campus in UNic, with the clinical third and fourth years being delivered by partners within various sites, Cyprus, Chicago, USA and Tel Aviv, Israel, approved by SGUL within course validation procedures.

SGUL's primary roles within the franchise arrangement are to:

- validate the University of Nicosia as a suitable institution to operate the programme via the prescribed procedures laid down by the QAA;
- undertake programme development activities and provide training to UNic tutors teaching the programme;
- provide Quality Assurance of the programme, including supporting UNic in the set up and monitoring of required student support and administration and meeting the standards and requirements of the General Medical Council; and
- award the MBBS (Nicosia) to successful graduates of the programme.

The programme was successfully validated in June 2011 and started in September 2011 with a cohort of 30 students. In 2012 and 2013, 70 and 110 students respectively were enrolled on the programme which is being quality assured by the General Medical Council.

#### 2. Joint Venture with INTO

SGUL has established INTO SGUL Ltd, a major new joint venture with INTO University Partnerships LLP, (INTO UP) a private sector partner. INTO UP is a rapidly growing network of university based study centres, offering new and higher quality standards of preparation for undergraduate and postgraduate degrees in the UK and US. It has established, through its extensive network of agents worldwide, a number of successful partnerships with other major universities, including 10 universities within the UK. INTO SGUL is its first joint venture in medical education.

Programmes offered by INTO SGUL include:

- Undergraduate Foundation in Medical, Biomedical and Health Care Sciences, supporting recruitment to the INTO SGUL higher education programmes.
- BSc Biomedical Sciences (International) programme; and
- two international medical programmes – a four year and a six year programme. The undergraduate programmes (pre-clinical years) will be offered at SGUL, with the clinical years initially taking place in the US and other agreed locations internationally.

Student numbers have increased gradually since 13 Foundation students were recruited in 2011/12, to 22 in 2012/13 and 25 in 2013/14. New MBBS and Biomedicine programmes started in 12–13 with 13 MBBS students and similar numbers in 13–14.

Although recruitment has been slower than originally anticipated, our view remains that there is significant market demand for these courses evidenced by the recruitment to the SGUL University of Nicosia programmes. Important developments since the year end are the contractual agreements for the students' clinical years in the US. These have recently been agreed for the 2014 entry and it is expected that recruitment will continue to gain momentum as a result.

## Risks and uncertainties

A Risk Management and Efficiency Committee is responsible for the management of risk at strategic level. The main risks facing SGUL's are captured and monitored by this group and reported to the Audit Committee and Council on a regular basis.

# Operating and financial review

The main risk areas identified during 2012/3 were:

- impact of funding changes from Government
- restructure costs and relationships with staff and unions; and
- financial performance of the JV with INTO

## Future developments and collaborative arrangements

### Strategic plan:

Since SGUL's Strategic Plan 2010/15 was published there have been a number of important legislative and policy changes in the health and higher education sectors that have had a significant impact on SGUL.

These include a changing financial landscape with dramatic reductions in HEFCE funding for teaching, replaced by increased UK tuition fees, a more competitive and consumer based recruitment environment, increasingly focused and reduced research grant funding, major restructures in the NHS, which directly impact SGUL through changes to funding streams, commissioning and clinical recruitment.

SGUL will address these challenges through a refresh of its strategic plan, which will extend the planning horizon to 2020. It will also address SGUL's medium term financial sustainability through targeting a significantly improved operating surplus to enable investment in its academic and research offerings and the physical infrastructure required to support these academic activities. However, SGUL expects that its overall strategic objectives will be broadly unchanged:

Research – to pursue and attain excellence in focused scientific, clinical and translational research portfolios;

Education – to grow our reputation for high quality education and teaching by providing our students with exceptional experience within an interdisciplinary environment;

### Strategic Futures:

The Strategic Futures programme is a key strand in delivering these strategic objectives.

The methods by which SGUL derives tuition fee income for teaching and funding for research are changing radically and SGUL requires the most appropriate organisation structure to improve the quality of teaching and research, thereby improving

the student experience, optimise funding and provide better value. This will enable SGUL not only to fulfil its academic mission but also to invest in research and education for the future and ensure continuing financial sustainability.

The programme is primarily focused on academic and administrative restructures to achieve those objectives. Four new academic Institutes (three research focussed and one education focussed) are being created from existing divisions and are planned to be operational in February 2014. Administrative support structures are also being reviewed to align support for the new Institutes in the most cost effective manner. The economic climate will continue to put pressure on SGUL's academic and administrative support activities but the outstanding quality of our staff and of the research, teaching and professional support they undertake should continue to attract the funding it merits.

### Collaborations:

SGUL and NHS Trusts, including St George's Healthcare NHS Trust, are members of Health Education South London (previously the South London Local Education Training Board) which is responsible for commissioning multi-professional education. The Health Innovation Network (previously the South London Academic Health Science Network) brings together NHS Trusts, universities, clinical commissioning groups, the third sector, local authorities, industry, patients and others to implement evidence-based practice and innovation across south London in a systematic and comprehensive manner.

SGUL will continue to develop closer collaborative working with its neighbouring St George's Healthcare NHS Trust in the areas of education, research and shared services. A statement of commitment to work together to shape, influence and lead the development of healthcare policy and organisation is articulated in a memorandum of understanding between the two organisations.

A strategic alliance with St George's Healthcare NHS Trust and King's Health Partners is intended, in the first instance, to build on the research collaborations that have led to the award of a Collaboration for Leadership in Applied Health Research Centre (CLAHRC) for south London by the National Institute for Health Research.

We anticipate further collaborations around undergraduate and postgraduate health education and training in response to the ever-changing requirements of the NHS workforce and the developing ambitions of Health Education England and Health Education in South London. Any such developments are likely to involve our continuing close partnership with Kingston University through the Faculty of Health, Social Care and Education.

# Corporate governance statement

SGUL is committed to good practice in all aspects of corporate governance.

SGUL complies with the provisions of the Combined Code on Corporate Governance insofar as it relates to a higher education institution. SGUL also complies with the Guide for Members of Governing Bodies of Universities and Colleges in the UK: Governance Code of Practice and General Principles (March 2009), issued by the Committee of University Chairmen. This includes adherence to 'The Seven Principles of Public Life' (the Nolan Principles). Council has due regard to the Charity Commission's guidance on public benefit. In particular in delivering its objects, SGUL meets the charitable purposes of the advancement of education, and also the advancement of health or saving of lives.

The composition of Council is set out on page 2. Council is responsible for the overall strategic direction of SGUL. It comprises co-opted external members, students and employees appointed under the Scheme, the majority being non-executive. The role of Chair of the Council is separate from the role of the Principal. The matters specifically reserved to the Council for decision are set out in the Scheme, by custom and under the Financial Memorandum with the Higher Education Funding Council for England (HEFCE).

The Council meets at least four times a year and also uses various specialist Committees, including a Finance Committee (incorporating Investments and Estates), a Nominations and Honorary Awards Committee, a Remuneration Committee, a Human Resources Committee, and an Audit Committee, to which reports a Risk Management and Efficiency Committee. All of these Committees are formally constituted with terms of reference. Council and its Committees are currently chaired by co-opted members of Council, except for the Human Resources Committee, which is chaired by the Dean of Staff and Student Affairs.

Formal agendas, papers and reports are supplied to Council members in a timely manner, prior to meeting in accordance with the Standing Orders of Council. Briefings are provided when required. Council has strong and independent co-opted members and no individual or group dominates its decision making process.

The Council receives recommendations and advice in respect of its responsibilities from the Strategy, Planning and Resources Committee. This Committee's membership includes the Principal, Deans and Heads of Academic Divisions.

The Finance Committee recommends to Council the annual revenue and capital budgets and monitors performance in relation to approved budgets.

The Human Resources Committee considers proposals for all issues relating to the employment of staff and makes recommendations to the Council.

The other Committees of Council (Nominations and Honorary Awards and Remuneration) meet less frequently because of the limited nature of their activities. These Committees make reports to Council following their meetings.

The Audit Committee normally meets four times a year, with external and internal auditors invited to attend meetings as appropriate. The Committee considers detailed reports from the internal and external auditors and other relevant reports including any from HEFCE, together with recommendations for the improvement of the systems of internal control, value for money studies and management's response and implementation plans. It also monitors adherence to regulatory requirements. Senior executives attend meetings of the Audit Committee as necessary but are not members of the Committee. Once a year the Committee meets the internal and external auditors without the presence of senior executives. Council is responsible for ensuring that a sound system of internal control is maintained, which supports the achievement of policies, aims and objectives, while safeguarding the public and other funds and assets for which Council is responsible, in accordance with the responsibilities assigned to Council in the Scheme and the Financial Memorandum with HEFCE.

Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material mismanagement or loss. The system of internal controls is based on an ongoing process designed to identify the principal risks to the achievement of policies, aims and objectives; to evaluate the nature and extent of those risks; and to manage them efficiently, effectively and economically. Council is of the view that the process has continued to identify, evaluate and manage significant risks throughout the year to 31 July 2013 and up to the date of the approval of the annual Financial Statements.

During the year Council has maintained the Risk Management Policy throughout the SGUL by:

- Reviewing the Risk Management Policy to ensure it continues to identify risk and evaluates the likelihood and impact and communicates this to management;



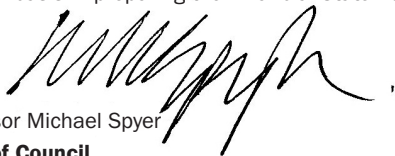
# Corporate governance statement

- Holding regular meetings of the Risk Management and Efficiency Committee to develop policies and embed risk management processes into the organisation;
- Producing a risk register and reports of the Risk Management and Efficiency Committee for review by Council and Audit Committee;
- Reviewing the risk register which clearly identifies the likelihood and impact of risks. Responsibility for risks has been allocated and the residual risk determined taking account of control mechanisms in operation;
- Requesting the Audit Committee to provide advice on the effectiveness of the establishment and implementation of risk management procedures;
- Commissioning internal audits from Deloitte, the SGUL's independent internal auditors. The audit planning is carried out jointly with senior executives and is based primarily on SGUL's risk register.

Council receives reports from the Chair of the Audit Committee concerning internal control, the outcome of all audits of SGUL's activities, including the reports from internal and external auditors and other agencies. Regular reports are received from senior executives on progress of key projects. In this way Council is assured that there is a sound system of internal control and that risk is considered as part of the normal management process.

Regular reviews of council effectiveness are conducted with independent and elected members of Council, as well as reviews of members' contributions. Key points from the reviews are presented to Council and an action plan agreed to continuously improve the effectiveness of its operation. In addition an external effectiveness review of Council was conducted in 2013, and a report was made to Council in July 2013.

After making appropriate enquiries, Council considers that SGUL has adequate resources to continue in operational existence for the foreseeable future. SGUL continues to adopt the going concern basis in preparing the Financial Statements.



Professor Michael Spyer  
**Chair of Council**

# Statement of Council's responsibilities

In accordance with the Scheme and Statutes of St George's University of London (SGUL), the Council is responsible for the direction and management of SGUL's affairs and is required to present audited Financial Statements for each financial year.

Council is responsible for ensuring that proper accounting records are kept which disclose with reasonable accuracy at any time the financial position of SGUL and enable it to ensure that the Financial Statements are prepared in accordance with the Scheme, the Statement of Recommended Practice in Accounting for Further and Higher Education Institutions and other relevant accounting standards. In addition, within the terms and conditions of a Financial Memorandum agreed with the Higher Education Funding Council for England, the Council, through the Principal, is required to prepare Financial Statements for each financial year which give a true and fair view of the state of affairs of SGUL and of the surplus or deficit and cash flows for that financial year.

## **Council has ensured that, in preparing the Financial Statements:**

- suitable accounting policies are selected and applied consistently;
- judgments and estimates are made that are reasonable and prudent;
- applicable accounting standards have been followed, and
- Financial Statements are prepared on the going concern basis since the Council is satisfied that SGUL has adequate resources to continue in operation for the foreseeable future.

In practice Council delegates responsibility to the Finance Committee for ensuring that proper accounting records are maintained and Financial Statements are prepared by the Finance & Commercial Director.

Council, through the Principal and the Finance Committee, has taken reasonable steps to ensure that funds from the Higher Education Funding Council for England are used only for the purposes for which they have been given and in accordance with the Financial Memorandum and any other conditions which the Funding Council may from time to time prescribe. The Principal is responsible for advising the Council if, at any time, any action or policy under consideration by Council appears to the Principal to be incompatible with the terms of the Financial Memorandum agreed with HEFCE.

## **Council, through the Audit Committee, has taken reasonable steps to:**

- ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources;
- safeguard the assets of SGUL and to prevent and detect fraud; and
- Secure the economical, efficient management of SGUL resources and expenditure.

## **The key elements of the 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 divisions;
- a comprehensive medium and short-term planning process, supplemented by detailed annual income, expenditure, capital and cash flow budgets;
- regular reviews of key performance indicators and business risks and quarterly 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 significant capital or revenue expenditure being subject to formal detailed appraisal and review according to approval levels set by Council;
- comprehensive Financial Regulations, detailing financial controls and procedures, approved by the Audit Committee and Finance Committee; and
- a professional firm appointed as Internal Auditors, whose annual programme is approved by the Audit Committee and endorsed by Council. The Internal Auditors provide the Council with a report on internal audits undertaken within SGUL and an opinion on the adequacy and effectiveness of the system of internal control, including internal financial control.

Any system of internal financial control can however, only provide reasonable, but not absolute, assurance against material misstatement or loss.

# Independent auditor's report

to the Council of St George's, University of London

We have audited the group and University financial statements (the "financial statements") of St George's, University of London for the year ended 31 July 2013 which comprise the Group Income and Expenditure Account, the Group and University Balance Sheets, the Group Cash Flow Statement, the Statement of Group Total Recognised Gains and Losses, 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 Council, in accordance with the Charters and Statutes of the University. Our audit work has been undertaken so that we might state to the University Council those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the University Council for our audit work, for this report, or for the opinions we have formed.

## Respective responsibilities of the University Council and auditor

As explained more fully in the Statement of Responsibilities of the University Council set out on page 9 the Council is responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit, and express an opinion, on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

## Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and University's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Council; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Financial Statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the affairs of the Group and University as at 31 July 2013 and of the Group's income and expenditure, recognised gains and losses and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education.

## Opinion on other matters prescribed in the HEFCE Audit Code of Practice issued under the Further and Higher Education Act 1992

In our opinion, in all material respects:

- funds from whatever source administered by the University for specific purposes have been properly applied to those purposes
- income has been applied in accordance with the University's Statutes; and
- funds provided by HEFCE have been applied in accordance with the Financial Memorandum and any other terms and conditions attached to them.

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

We have nothing to report in respect of the following matter where the HEFCE Audit Code of Practice issued under the Further and Higher Education Act 1992 requires us to report to you if, in our opinion:

- the statement of internal control included as part of the Corporate Governance Statement is inconsistent with our knowledge of the University and group.

Chris Wilson



For and on behalf of KPMG LLP, Statutory Auditor  
Chartered Accountants  
1 Forest Gate, Brighton Road  
Crawley  
RH11 9PT

Date:

27 November 2013

# Statement of principal accounting policies

## 1 Basis of preparation

The Financial Statements have been prepared under the historical cost convention, as modified by the revaluation of Investments, and in accordance with both the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education Institutions 2007, and applicable United Kingdom Accounting Standards.

The consolidated Financial Statements do not include those of the Students' Union because it is a separate independent charity, and it is not controlled by SGUL.

## 2 Basis of consolidation

SGUL and Kingston University have a joint arrangement (referred to as the Faculty of Health, Social Care and Education) to provide education for nursing, midwifery, social work and other allied health professions under contracts with several NHS entities. Under the terms of the Joint Agreement, assets and liabilities are divided equally, and 50% of the value of the appropriate assets and liabilities has been included in the relevant Balance Sheet figures. The arrangement has been accounted for as a Joint Arrangement that is not an Entity in compliance with FRS9. Income arising from contracts with the NHS entities is recorded in the Income and Expenditure Account under Academic Fees and Support Grants (Note 2).

SGUL's consolidated Financial Statements also include its subsidiary undertakings, St George's Estates Limited, St George's Enterprises Limited, St George's Global Partners Ltd, which owns a 50% shareholding in INTO SGUL Ltd and the Eleanor Peel Chair of Geriatric Medicine Fund for the financial year to 31st July 2013. The latter is a separate charity but is included because SGUL exercises effective control over the charity.

## 3 Recognition of income

Income from HEFCE recurrent grants, tuition fees and education contracts are included in the Income and Expenditure Account in the period in which it is receivable.

Income from research grants and contracts is included to the extent of the expenditure incurred on an accruals basis during the year, together with any related contributions towards overhead costs.

Income from endowments and investments is credited to the Income and Expenditure Account on a receivable basis. Income from specific endowments not expended in accordance with the restrictions of the endowment is transferred from the Income and Expenditure Account to specific endowments. All income from short-term deposits is credited to the Income and Expenditure Account on a receivable basis.

Non-recurrent grants from HEFCE or other bodies in respect of the acquisition or construction of fixed assets are treated as deferred capital grants and amortised in line with depreciation over the life of the assets. Other non-recurrent grants from HEFCE are recognised as income to the extent of the equivalent expenditure during the year.

## 4 Maintenance of premises

Expenditure on maintenance is included as a charge in the year in which it occurs.

## 5 Pension arrangements (see also note 25 to the accounts)

Pension schemes are accounted for in accordance with FRS17 "Retirement Benefits".

Defined contribution scheme contributions are charged to the Income and Expenditure Account as they become payable.

SGUL's principal schemes are the Universities Superannuation Scheme (USS) and Superannuation Arrangements of the University of London (SAUL). Through the Joint Faculty of Health, Social Care and Education, SGUL also participates indirectly with the Royal Borough of Kingston upon Thames Pension Fund through its jointly employed employees. The Schemes are defined benefit schemes and so provide benefits based on final pensionable pay. The assets of the Schemes are held separately from SGUL. Defined benefit multi employer schemes, where SGUL is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis, are accounted for as defined contribution schemes.

SGUL also participates in the National Health Service Superannuation Scheme. This is an unfunded scheme with statutory backing. As a result, the amount charged to income and expenditure account represents the contributions payable to the Scheme in respect of the accounting period.

## 6 Tangible fixed assets

### (a) Land and buildings

Land and buildings are stated at cost. New buildings and whole building refurbishments are depreciated over a period of 50 years. Partial refurbishments including infrastructure upgrades are depreciated over a period of 10 years. SGUL has a minority interest in the equity of its leasehold properties, which was granted by the Secretary of State for Health and is now assigned to St George's Healthcare NHS Trust. In the event of disposal of any of these properties, the majority of proceeds would revert to the Treasury.

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

# Statement of principal accounting policies

## (b) Equipment and furniture

Equipment costing less than £10,000 per individual item is written off to the Income and Expenditure Account in the year of acquisition. All other equipment is capitalised at cost. Capitalised equipment is depreciated over its estimated useful economic life as follows: -

Motor vehicles and other general equipment	20% per annum
Equipment acquired for specific research or other projects	*20% per annum
Computer equipment	33% per annum
Computer related software	10% per annum

\*(or over the term of the grant)

## (c) Leases

Rental costs under operating assets are charged to expenditure in equal annual amounts over the period of the lease.

Where assets are acquired with the aid of a specific grant, the related grant is credited to a deferred capital grant account and released to income over the expected useful economic life of the asset.

## 7 Intangible fixed assets

Patents, licences, trade marks and other similar rights over assets are charged to the Income and Expenditure Account in full in the year in which they are incurred.

## 8 Investments

Listed fixed assets investments are included in the Balance Sheet at market value. Fixed asset investments that are not listed on a recognized stock exchange are carried at historical cost less any provisions for impairment.

## 9 Stocks

Stocks are stated at the lower of cost and net realisable value. Where necessary, provision is made for obsolete, slow moving and defective stocks.

## 10 Taxation

SGUL is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore meets the definition of a charitable company for UK corporation tax purposes. Accordingly, SGUL is exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes. The trading subsidiary companies St George's Enterprises Ltd and St George's Global Partners Ltd are subject to corporation tax, whilst the non-trading and charitable activities are outside the scope of corporation tax.

SGUL 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 costs of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature.

## 11 Accounting for charitable donations

### (a) Unrestricted donations

Charitable donations are recognised in the accounts when a charitable donation has been received or if, before receipt, there is sufficient evidence to provide the necessary certainty that the donation will be received and the value of the incoming resources can be measured with sufficient reliability,

### (b) Endowment funds

Where charitable donations are to be retained for the benefit of SGUL as specified by donors, these are accounted for as endowments. There are three main types:

- Unrestricted permanent endowments – the donor has specified that the fund is to be permanently invested to generate an income stream for the general benefit of the University;
- Restricted expendable endowments – the donor has specified a particular objective other than the purchase or construction of tangible fixed assets, and SGUL can convert the donated sum into income;
- Restricted permanent endowments – the donor has specified that the fund is to be permanently invested to generate an income stream to be applied to a particular objective.

### (c) Donations of fixed assets

Donations received to be applied to the cost of a tangible fixed asset are shown on the Balance Sheet as a deferred capital grant. The deferred capital grant is released to the Income and Expenditure Account over the same estimated useful life that is used to determine the depreciation charge associated with the tangible fixed asset.

## 12 Provisions

Provisions are recognised when there is 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.

## 13 Foreign currency translation

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate of the rate of exchange ruling at the Balance Sheet date and the gains or losses on translation are included in the Income and Expenditure Account.

# Consolidated income and expenditure account

for the year ended 31 July 2013

	Note	Consolidated 2012/13 £'000	Consolidated 2011/12 £'000
<b>Income</b>			
Funding council grants (HEFCE)	1	28,003	31,112
Academic fees and support grants	2	20,960	18,711
Research grants and contracts	3	14,749	14,980
Other operating income	4	20,202	19,654
Endowment income and interest receivable	5	277	303
Total income: group and share of joint ventures		84,191	84,760
Less: share of income from joint ventures	23	(385)	(127)
Net income		83,806	84,633
<b>Expenditure</b>			
Staff costs	6	47,714	48,496
Depreciation	9	6,520	5,984
Interest and other finance costs	18	1,030	786
Other operating expenses	7	28,734	29,293
Total expenditure: group and share of joint ventures		83,998	84,559
Less: share of joint ventures expenditure	23	(624)	(511)
Net expenditure		83,374	84,048
<b>Surplus after depreciation of fixed assets at cost and before tax</b>		432	585
Share of operating loss in joint venture	23	(239)	(384)
Taxation		-	-
Surplus for the year		193	201
Transfer from accumulated income in endowment funds	15a	139	-
Surplus for the year retained within general reserves	8	54	201

The consolidated income and expenditure of SGUL and its subsidiaries relates wholly to continuing operations.

Notes on pages 17 - 32 form part of the Financial Statements.

# Statement of total recognised gains and losses

for the year ended 31 July 2013

	Note	2012/13 £'000	2011/12 £'000
Surplus for the year	8	54	201
(Reduction in value)/appreciation of fixed asset investments	9a	433	(31)
(Decrease)/increase of endowment assets	10	608	(591)
<b>Total recognised gains/(losses) since last year</b>		<b>1,095</b>	<b>(421)</b>

This statement reconciles the movement in total net assets between Balance Sheet dates by adding back items taken direct to Endowments or Reserves

	2012/13 £'000	2011/12 £'000
<b>Reconciliation</b>		
Opening reserves and endowments	24,966	25,387
Total recognised gains and losses for the year	1,095	(421)
Closing reserves and endowments	26,061	24,966

Notes on pages 17 - 32 form part of the Financial Statements.

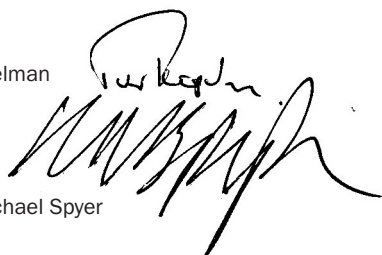
# Balance sheet

for the period ended 31 July 2013

	Note	Consolidated 2012/13 £'000	SGUL 2012/13 £'000	Consolidated 2011/12 £'000	SGUL 2011/12 £'000
<b>Fixed assets</b>					
Tangible assets	9	73,935	73,935	76,330	76,330
Investments	9a	6,147	6,147	714	714
Investment in joint venture:					
Share of gross assets	23	409	-	272	272
Share of gross liabilities	23	(1,033)	-	(656)	(656)
		79,458	80,082	76,660	76,660
<b>Endowment asset investments</b>	10	4,840	3,451	4,371	3,150
<b>Current assets</b>					
Stocks and stores in hand		5	5	6	6
Debtors	11	11,924	11,897	14,130	14,098
Cash at bank and in hand		10,038	9,746	14,816	14,395
		21,967	21,648	28,952	28,499
<b>Creditors: amounts falling due within one year</b>	12a	(24,299)	(24,365)	(30,163)	(30,025)
<b>Net current assets</b>		(2,332)	(2,717)	(1,211)	(1,526)
<b>Total assets less current liabilities</b>		81,966	80,816	79,820	78,284
<b>Creditors: amounts falling due after one year</b>	12b	(25,230)	(25,230)	(21,252)	(21,252)
<b>Net assets</b>		56,736	55,586	58,568	57,032
Represented by:					
<b>Deferred capital grants</b>	13	30,675	30,675	33,602	33,602
<b>Endowments</b>					
Permanent restricted	14	2,492	1,103	2,206	985
Permanent expendable	14	2,348	2,348	2,165	2,165
		4,840	3,451	4,371	3,150
<b>Reserves</b>					
Revaluation reserve	15	519	519	86	86
General reserve	15a	20,702	20,941	20,509	20,194
		21,221	21,460	20,595	20,280
<b>Total funds</b>		56,736	55,586	58,568	57,032

Notes on pages 17 – 32 form part of the Financial Statements and were approved by Council on 26 November 2013 and signed on its behalf by:

**Principal** Professor Peter Kopelman



**Chair of Council** Professor Michael Spyer



**Treasurer** Mr Michael Stevens



# Consolidated cash flow statement

for the year ended 31 July 2013

	Note	2012/13 £'000	2011/12 £'000
Net cash inflow/(outflow) from operating activities	17	(560)	16,403
Returns on investments and servicing of finance	18	(753)	(483)
Capital expenditure and financial investment	19	(8,249)	(13,760)
Cash inflow/(outflow) before use of liquid resources and financing		(9,562)	2,160
Financing	21	4,784	4,420
Increase/(decrease) in cash		(4,778)	6,580

# Reconciliation of net cash flow to movement in net funds

for the year ended 31 July 2013

	Note	2012/13 £'000	2011/12 £'000
Increase/(decrease) in cash		(4,778)	6,580
Net cash movement		(4,778)	6,580
Increase in loans	21	(4,784)	(4,420)
Change in net debt		(9,562)	2,160
Net debt at 1 August 2012	20	(5,199)	(7,359)
Net debt at 31 July 2013	20	(14,761)	(5,199)

Notes on pages 17 - 32 form part of the Financial Statements.

# Notes to the accounts

for the year ended 31 July 2013

## 1 Funding council grants (HEFCE)

	2012/13 £'000	2011/12 £'000
Recurrent grant	23,454	25,884
Specific grants		
Higher Education innovation fund	935	935
Voluntary Giving Matched Funding	-	919
Deferred capital grants released in year		
Building (note 13)	3,555	3,244
Equipment (note 13)	59	130
	<b>28,003</b>	<b>31,112</b>

## 2 Academic fees and support grants

	2012/13 £'000	2011/12 £'000
Full-time students charged home fees	9,149	6,243
Full-time students charged overseas fees	2,750	2,546
Part time fees	114	175
Non-medical education and training funded by NHS	8,864	9,624
Short course fees	83	123
	<b>20,960</b>	<b>18,711</b>

## 3 Research grants and contracts

	2012/13 £'000	2011/12 £'000
Research councils	1,843	1,688
Other UK Central Government bodies	3,358	2,968
UK Health and Hospital Authorities	659	686
UK based charitable bodies	4,994	6,181
UK industry and commerce	900	316
EU grants	1,035	1,669
EU other	269	463
Overseas	1,039	882
Other sources	652	127
	<b>14,749</b>	<b>14,980</b>

# Notes to the accounts

for the year ended 31 July 2013 continued

## 4 Other operating income

	2012/13 £'000	2011/12 £'000
Residences and conferences	2,618	1,580
Services rendered	12,200	12,288
Released from deferred capital grants (note 13)	189	189
Other income	5,195	5,597
	<b>20,202</b>	<b>19,654</b>

## 5 Endowment income and interest receivable

	2012/13 £'000	2011/12 £'000
Income from endowment asset investments	39	127
	<b>39</b>	<b>127</b>
Other investment income (note 18)	238	176
	<b>277</b>	<b>303</b>

## 6 Staff costs

The average monthly number of persons employed by SGUL during the period expressed as full time equivalent was:

	2012/13 Number	2011/12 Number
Teaching and research activities	405	436
Teaching support services	196	188
Income generating activities	8	9
Catering and residencies	2	2
Administration and central services	128	122
Premises	26	22
Other	25	29
	<b>790</b>	<b>808</b>

# Notes to the accounts

for the year ended 31 July 2013 continued

## 6 Staff costs continued

<b>Employment costs:</b>	<b>2012/13 £'000</b>	<b>2011/12 £'000</b>
Wages and salaries	<b>39,253</b>	40,114
Social security costs	<b>3,299</b>	3,502
Other pension costs	<b>5,162</b>	4,880
	<b>47,714</b>	48,496
Teaching and research activities	<b>27,726</b>	28,367
Teaching support services	<b>11,152</b>	11,739
Income generating activities	<b>341</b>	396
Catering and residences	<b>44</b>	53
Administration and central services	<b>6,494</b>	6,008
Premises	<b>836</b>	862
Other	<b>1,121</b>	1,071
	<b>47,714</b>	48,496

The number of staff including the Principal, who received emoluments in the following ranges, excluding employers' contributions, was:

	<b>2012/13 Number</b>	<b>2011/12 Number</b>
£100,001–£110,000	<b>5</b>	4
£110,001–£120,000	<b>5</b>	3
£120,001–£130,000	<b>2</b>	7
£130,001–£140,000	<b>8</b>	5
£140,001–£150,000	<b>5</b>	4
£150,001–£160,000	<b>3</b>	3
£160,001–£170,000	<b>4</b>	3
£170,001–£180,000	<b>2</b>	2
£180,001–£190,000	<b>2</b>	1
£190,001–£200,000	<b>0</b>	2
£200,001–£210,000	<b>1</b>	1
£220,001–£230,000	<b>1</b>	1
£230,001–£240,000	<b>1</b>	0
£260,001–£270,000	<b>0</b>	1
	<b>39</b>	37

### Emoluments of the Principal

	<b>2012/13 £'000</b>	<b>2011/12 £'000</b>
Salary	<b>153</b>	153
NHS Distinction Award	<b>76</b>	76
Pension contributions	<b>41</b>	43
Total emoluments	<b>270</b>	272

# Notes to the accounts

for the year ended 31 July 2013 continued

## 7 Other operating expenses

	2012/13 £'000	2011/12 £'000
Teaching activities	4,224	4,610
Research activities	3,502	4,374
Administration	2,284	1,800
Endowment expenditure	95	151
Voluntary severance costs	195	541
Premises costs	7,307	7,401
Services rendered	2,590	2,568
General education expenditure	4,417	3,901
Internal auditors remuneration	54	86
External auditors remuneration in respect of audit services	71	67
External auditors remuneration in respect of subsidiaries	3	3
External auditors remuneration in respect of other services	110	36
Residences and conferences operating expenses	1,242	828
Grants to Student Union	229	229
Other expenses	2,224	2,570
Hire of other assets – operating leases	187	128
	<b>28,734</b>	<b>29,293</b>

## 8 Surplus on continuing operations

	2012/13 £'000	2011/12 £'000
The surplus on continuing operations for the period is made up as follows:		
Surplus for the year	226	573
St George's Global Partners Ltd deficit	(239)	(384)
St George's Enterprises Ltd surplus transferred to SGUL	28	–
The Eleanor Peel Chair of Geriatric Medicine surplus	39	12
	<b>54</b>	<b>201</b>

# Notes to the accounts

for the year ended 31 July 2013 continued

## 9 Tangible assets

SGUL and Consolidated

	Freehold	Long leasehold	Equipment	Assets in the course of construction	Total
	£'000	£'000	£'000	£'000	£'000
<b>Valuation/cost</b>					
At 1 August 2012	19,514	75,424	12,394	10,446	117,778
Additions (note 19)	983	1,609	630	903	4,125
Transfers	7,442	2,319	474	(10,249)	(14)
At 31 July 2013	27,939	79,352	13,498	1,100	121,889
<b>Depreciation</b>					
At 1 August 2012	1,906	30,050	9,492	-	41,448
Charge for year	535	5,143	842	-	6,520
Transfer	-	-	(14)	-	(14)
At 31 July 2013	2,441	35,193	10,320	-	47,954
<b>Net book value</b>					
At 31 July 2013	25,498	44,159	3,178	1,100	73,935
At 31 July 2012	17,608	45,374	2,902	10,446	76,330

# Notes to the accounts

for the year ended 31 July 2013 continued

## 9a Investments

	Consolidated 2012/13 £'000	SGUL 2012/13 £'000	Consolidated 2011/12 £'000	SGUL 2011/12 £'000
At 1 August 2012	714	714	745	745
Additions at cost (note 19)	5,000	5,000	-	-
Revaluation (unrealised)	433	433	(31)	(31)
At 31 July 2013	6,147	6,147	714	714
Represented by:				
Unit Trusts	6,147	6,147	714	714
	Cost 2012/13 £	Cost 2011/12 £	Cost 2012/13 £	Cost 2011/12 £
<b>Subsidiary companies</b>				
St George's Enterprises Limited (100% owned)	2	2	2	2
St George's Global Partners Limited (100% owned)	2	2	2	2
St George's Estates Limited (100% owned)	2	2	2	2
	6	6	6	6

## 10 Endowment asset investments

	Consolidated 2012/13 £'000	SGUL 2012/13 £'000	Consolidated 2011/12 £'000	SGUL 2011/12 £'000
<b>Balance at 1 August 2012</b>	4,371	3,150	4,962	3,688
Surplus/(deficit) on activity (note 14)	(139)	(139)	(417)	(428)
Unrealised gain on revaluations	608	440	(174)	(110)
Balance at 31 July 2013	4,840	3,451	4,371	3,150
Represented by:				
Equities	4,702	3,313	4,095	2,874
Bank balances	138	138	276	276
Endowment asset investments	4,840	3,451	4,371	3,150

## 11 Debtors

	Consolidated 2012/13 £'000	SGUL 2012/13 £'000	Consolidated 2011/12 £'000	SGUL 2011/12 £'000
Trade debtors	4,379	4,379	3,116	3,116
Research grant balances	3,661	3,661	6,688	6,688
St George's Healthcare NHS Trust	1,407	1,407	2,767	2,767
Other debtors	1,609	1,582	880	848
Accrued income	343	343	315	315
Prepayments	525	525	364	364
	11,924	11,897	14,130	14,098

# Notes to the accounts

for the year ended 31 July 2013 continued

## 12a Creditors: amounts falling due within one year

	Consolidated 2012/13 £'000	SGUL 2012/13 £'000	Consolidated 2011/12 £'000	SGUL 2011/12 £'000
Bank loans	865	865	493	493
Research grants and contracts	8,821	8,821	13,036	13,036
Social security and other taxation payable	-	-	34	34
St George's Healthcare NHS Trust	703	703	154	154
Other creditors	11,608	11,674	11,598	11,269
Accruals and deferred income	2,302	2,302	4,848	4,848
Amounts due to subsidiary undertakings	-	-	-	191
	<b>24,299</b>	<b>24,365</b>	30,163	30,025

## 12b Creditors: amounts falling due after one year

	Consolidated 2012/13 £'000	SGUL 2012/13 £'000	Consolidated 2011/12 £'000	SGUL 2011/12 £'000
Bank loan – Barclays	14,627	14,627	14,962	14,962
Bank loan – Santander	9,307	9,307	4,562	4,562
HEFCE repayable strategic development fund	1,296	1,296	1,728	1,728
	<b>25,230</b>	<b>25,230</b>	21,252	21,252

	Consolidated 2012/13 £'000	SGUL 2012/13 £'000	Consolidated 2011/12 £'000	SGUL 2011/12 £'000
The Barclays bank loan is payable as follows:				
In one year or less	337	337	326	326
Between one and two years	359	359	337	337
Between two and five years	1,191	1,191	1,129	1,129
In five years or more	13,077	13,077	13,496	13,496
Total	<b>14,964</b>	<b>14,964</b>	15,288	15,288

The Barclays bank loan is unsecured and has a fixed interest rate of 5.09%.

	Consolidated 2012/13 £'000	SGUL 2012/13 £'000	Consolidated 2011/12 £'000	SGUL 2011/12 £'000
The Santander bank loan is payable as follows:				
In one year or less	528	528	167	167
Between one and two years	528	528	333	333
Between two and five years	1,586	1,586	1,000	1,000
In five years or more	7,193	7,193	3,229	3,229
Total	<b>9,835</b>	<b>9,835</b>	4,729	4,729

The Santander bank loan is unsecured and has a fixed interest rate of 4.6%.



# Notes to the accounts

for the year ended 31 July 2013 continued

## 13 Deferred capital grants

	Funding Council £'000	Other Grants £'000	Total £'000
Consolidated and SGUL			
At 1 August 2012			
Building	28,996	4,424	33,420
Equipment	31	151	182
<b>Total</b>	<b>29,027</b>	<b>4,575</b>	<b>33,602</b>
Transfers:			
Building	(60)	151	91
Equipment	60	(151)	(91)
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>
Income:			
Building	876	-	876
Equipment	-	-	-
<b>Total</b>	<b>876</b>	<b>-</b>	<b>876</b>
Released to income and expenditure:			
Building (notes 1 and 4)	(3,085)	(189)	(3,274)
Released against non capitalised estates works	(470)	-	(470)
Equipment (note 1)	(59)	-	(59)
<b>Total</b>	<b>(3,614)</b>	<b>(189)</b>	<b>(3,803)</b>
At 31 July 2013			
Building	26,257	4,386	30,643
Equipment	32	-	32
<b>Total</b>	<b>26,289</b>	<b>4,386</b>	<b>30,675</b>

## 14 Endowments

Consolidated and SGUL	Consolidated			SGUL		
	Permanent restricted £'000	Permanent expendable £'000	Total £'000	Permanent restricted £'000	Permanent expendable £'000	Total £'000
Capital value	2,064	2,783	4,847	890	2,782	3,672
Accumulated income	142	(618)	(476)	95	(617)	(522)
At 1 August: 2012	2,206	2,165	4,371	985	2,165	3,150
Appreciation of SGUL investments	107	333	440	107	333	440
Appreciation of Eleanor Peel Investments	168	-	168	-	-	-
Income for the year	23	72	95	23	72	95
Expenditure for the year	(12)	(222)	(234)	(12)	(222)	(234)
At 31 July 2013	2,492	2,348	4,840	1,103	2,348	3,451
Represented by:						
Capital value	2,339	3,116	5,455	997	3,115	4,112
Accumulated income	153	(768)	(615)	106	(767)	(661)
	2,492	2,348	4,840	1,103	2,348	3,451

# Notes to the accounts

for the year ended 31 July 2013 continued

## 15 Revaluation reserve

	Note	2012/13 £'000	2011/12 £'000
Movements on SGUL and the consolidated revaluation reserve			
At 1 August 2012		86	117
Revaluation (unrealised)		433	(31)
At 31 July 2013		519	86

## 15a Movement on general reserve

	Note	2012/13 £'000	2011/12 £'000
At 1 August 2012		20,509	20,308
Surplus on continuing operations	8	54	201
Transfers from endowment reserves		139	0
At 31 July 2013		20,702	20,509

## 16 Capital commitments

		2012/13 £'000	2011/12 £'000
Consolidated and SGUL			
Commitments approved but not contracted		1,186	390
Commitments contracted as at 31 July 2013		1,567	4,186

## 17 Reconciliation of consolidated operating surplus to net cash from operating activities

	Note	2012/13 £'000	2011/12 £'000
Surplus on general fund		54	201
Reduction in RLCM fixed asset investment		139	-
Depreciation	9	6,520	5,984
Deferred capital grants released to Income	13	(3,803)	(3,563)
Endowment income	18	(39)	(127)
Investment income	18	(238)	(176)
Share of deficit in joint venture	23	239	384
Interest paid on bank loan	18	1,030	786
Decrease/(increase) in stocks		-	(2)
Decrease/(increase) in debtors	11	2,205	15,854
Decrease in creditors (excluding loans)	12 & 12a	(6,667)	(2,938)
Net cash inflow from operating activities		(560)	16,403

# Notes to the accounts

for the year ended 31 July 2013 continued

## 18 Return on investment and servicing of finance

	Note	2012/13 £'000	2011/12 £'000
Income from endowments	5	39	127
Other investment income			
Income on investments	5	58	21
Interest on cash deposits	5	180	155
Foreign currency exchange gain	5	-	-
		<b>238</b>	176
Interest paid on bank loan		<b>(1,030)</b>	(786)
Net cash inflow/(outflow) from returns on investment and servicing of finance		<b>(753)</b>	(483)

## 19 Capital expenditure and financial investment

	Note	2012/13 £'000	2011/12 £'000
Tangible assets acquired	9	<b>(4,125)</b>	(14,448)
Deferred capital grants received	13	876	688
Fixed asset investments in the year		<b>(5,000)</b>	-
		<b>(8,249)</b>	(13,760)

## 20 Analysis of changes in net debt

	At 1 August 2012 £'000	Cash Flow 2012/13 £'000	At 31 July 2013 £'000
Consolidated and SGUL			
Cash at bank and in hand	14,816	(4,778)	<b>10,038</b>
Bank loan	(20,015)	(4,784)	<b>(24,799)</b>
	(5,199)	(9,562)	<b>(14,761)</b>

## 21 Changes in financing during the year

	2012/13 £'000	2011/12 £'000
Consolidated and SGUL		
Loan repayment in year	<b>(493)</b>	(309)
Bank loan drawn down in year	<b>5,277</b>	4,729
Net cash inflow from financing	<b>4,784</b>	4,420

## 22 Access funds

	2012/13 £'000	2011/12 £'000
Grant from HEFCE	53	59
Interest received	0	-
Grants to students	<b>(53)</b>	(58)
Balance refundable to/(payable by) HEFCE	0	1

The funding council grants are available solely for students; SGUL only acts as a paying agent. The grants and related disbursements are therefore excluded from the Income and expenditure account.

# Notes to the accounts

for the year ended 31 July 2013 continued

## 23 investment in joint venture

SGUL is one of two partners with a 50% interest in INTO St George's Hospital Medical School LLP, a joint venture established as a limited liability partnership. The interest is held on SGUL's behalf by its wholly owned subsidiary, St George's Global Partners Ltd. The arrangement is treated as a joint venture and is accounted for using the gross equity method, such that 50% of the partnership's gross assets and liabilities are incorporated into the consolidated balance sheet of the institution and 50% of its net income and expenditure is reported in the institution's consolidated income and expenditure account.

	2012/13 £'000	2011/12 £'000
Income and expenditure account – SGUL share		
Overseas tuition fees	156	93
Residences	67	30
Other income	162	4
SGUL share of joint venture income	385	127
Staff costs	126	73
Depreciation	20	14
Administration	63	94
Premises	45	98
General educational expenditure	257	139
Other expenses	113	93
SGUL share of joint venture expenses	624	511
SGUL share of joint venture deficit	(239)	(384)
SGUL share of joint venture retained losses	(385)	–
	(624)	(384)
Balance sheet – SGUL share		
Fixed assets	94	86
Debtors	249	102
Cash and bank balances	66	84
Creditors – amounts due within one year	(543)	(356)
Creditors – amounts due after more than one year	(490)	(300)
SGUL share of joint venture net assets	(624)	(384)

# Notes to the accounts

for the year ended 31 July 2013 continued

## 24 Related party transactions

SGUL enjoys a close relationship with St George's Healthcare NHS Trust and other health providers and purchaser organisations that actively support medical education. A number of these organisations are represented on the University's Council. Income from these organisations is included within Other Operating Income – services rendered (Note 4) and the balance owed by St George's Healthcare NHS Trust, being the most material, is set out in Note 11 and amounts due to St George's Healthcare NHS Trust in Note 12.

The Faculty of Health, Social Care and Education provides education for nursing, midwifery and other allied health professions. The Dean of the Faculty is a member of the Strategy Planning and Resources Committee. Under the terms of the Joint Arrangement Agreement, the assets, liabilities, income and expenditure of the Faculty are divided equally between SGUL and Kingston University. The University's share of the gross income from the contract is recorded under Academic Fees and Support Grants in Note 2, and expenses are included under the appropriate expenditure headings.

The Students' Union is a separately registered legal entity with the Charity Commission. It is a related party through representation by its President on Council. SGUL provides space and an annual subvention to the Students' Union. The Students' Union provide hospitality services and items from its retail outlets to SGUL from time to time, for which a charge is made.

Transactions with Council Members are very few and limited to reimbursement of expenses. Council Members complete a statement of related party interests each year detailing any entities for which they are a Director, Partner, Proprietor or Trustee and with which SGUL undertakes business.

## 25 Pension schemes

SGUL participates in three pension schemes for its employees – the Universities Superannuation Scheme (USS), the Superannuation Arrangements of University of London (SAUL), the National Health Service Superannuation Scheme (NHSS) and indirectly participates in the Royal Borough of Kingston upon Thames pension scheme through its joint activity with Kingston University. Each of these schemes are described below.

### USS

USS is a defined benefit scheme which is contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate fund administered by the trustee, Universities Superannuation Scheme Limited.

The appointment of directors to the board of the trustee is determined by the company's Articles of Association. Four of the directors are appointed by Universities UK; three are appointed by the University and College Union, of whom at least one must be a USS pensioner member; and a minimum of three and a maximum

of five are co-opted directors appointed by the board. Under the scheme trust deed and rules, the employer contribution rate is determined by the trustee, acting on actuarial advice.

The latest triennial actuarial valuation of the scheme was at 31 March 2011. This was the second valuation for USS under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. The actuary also carries out regular reviews of the funding levels. In particular, he carries out a review of the funding level each year between triennial valuations and details of his estimate of the funding level at 31 March 2013 are also included in this note.

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

To calculate the technical provisions, it was assumed that the valuation rate of interest would be 6.1% per annum, salary increases would be 4.4% per annum (with short-term general pay growth at 3.65% per annum and an additional allowance for increases in salaries due to age and promotion reflecting historic scheme experience, with a further cautionary reserve on top for past service liabilities) and pensions would increase by 3.4% per annum for 3 years following the valuation then 2.6% per annum thereafter.

Standard mortality tables were used as follows:

Male members' mortality	S1NA {"light"} YoB tables – No age rating
Female members' mortality	S1NA {"light"} YoB tables – Rated down 1 year

Use of these mortality tables reasonably reflects the actual USS experience but also provides an element of conservatism to allow for further improvements in mortality rates the CMI 2009 projections with a 1.25% pa long term rate were also adopted. The assumed life expectations on retirement at age 65 are:

Males (females) currently aged 65	23.7 (25.6) years
Males (females) currently aged 45	25.5 (27.6) years

# Notes to the accounts

for the year ended 31 July 2013 continued

At the valuation date, the value of the assets of the scheme was £32,433.5 million and the value of the scheme's technical provisions was £35,343.7 million indicating a shortfall of £2,910.2 million. The assets therefore were sufficient to cover 92% of the benefits which had accrued to members after allowing for expected future increases in earnings.

The actuary also valued the scheme on a number of other bases as at the valuation date. On the scheme's historic gilts basis, using a valuation rate of interest in respect of past service liabilities of 4.4% per annum (the expected return on gilts) the funding level was approximately 68%. Under the Pension Protection Fund regulations introduced by the Pensions Act 2004 the scheme was 93% funded; on a buy-out basis (i.e. assuming the scheme had discontinued on the valuation date) the assets would have been approximately 57% of the amount necessary to secure all the USS benefits with an insurance company; and using the FRS17 formula as if USS was a single employer scheme, using a AA bond discount rate of 5.5% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2011 was 82%.

As part of this valuation, the trustees have determined, after consultation with the employers, a recovery plan to pay off the shortfall by 31 March 2021. The next formal triennial actuarial valuation is as at 31 March 2014. If experience up to that date is in line with the assumptions made for this current actuarial valuation and contributions are paid at the determined rates or amounts, the shortfall at 31 March 2014 is estimated to be £2.2 billion, equivalent to a funding level of 95%. The contribution rate will be reviewed as part of each valuation and may be reviewed more frequently.

The technical provisions relate essentially to the past service liabilities and funding levels, but it is also necessary to assess the ongoing cost of newly accruing benefits. The cost of future accrual was calculated using the same assumptions as those used to calculate the technical provisions but the allowance for promotional salary increase was not as high. Analysis has shown very variable levels of growth over and above general pay increases in recent years, and the salary growth assumption built into the cost of future accrual is based on more stable, historic, salary experience. However, when calculating the past service liabilities of the scheme, a cautionary reserve have been included, in addition, on account of the variability mentioned above.

As at the valuation date the Scheme was still a fully Final Salary Scheme for future accruals and the prevailing employer contribution rate was 16% of Salaries.

Following UK government legislation, from 2011 statutory pension increases or revaluations are based on the Consumer Prices Index measure of price inflation. Historically these increases had been based on the Retail Prices Index measure of price inflation.

Since the previous valuation as at 31 March 2008 there have been a number of changes to the benefits provided by the scheme although these became effective from October 2011.

These include:

#### **New entrants**

Other than in specific, limited circumstances, new entrants are now provided on a Career Revalued Benefits (CRB) basis rather than a Final Salary (FS) basis.

#### **Normal pension age**

The Normal pension age was increased for future service and new entrants, to age 65.

#### **Flexible retirement**

Flexible retirement options were introduced.

#### **Member contributions increased**

Contributions were uplifted to 7.5% p.a. and 6.5% p.a. for FS Section members and CRB Section members respectively.

#### **Cost sharing**

If the total contribution level exceeds 23.5% of Salaries per annum, the employers will pay 65% of the excess over 23.5% and members would pay the remaining 35% to the fund as additional contributions.

#### **Pension increase cap**

For service derived after 30 September 2011, USS will match increases in official pensions for the first 5%. If official pensions increase by more than 5% then USS will pay half of the difference up to a maximum increase of 10%.

The actuary has estimated the funding level as at 31 March 2013 under the scheme specific funding regime has fallen from 92% to 77%. This estimate is based on the results from the valuation at 31 March 2011 allowing primarily for investment returns and changes to market conditions. These are cited as the two most significant factors affecting the funding positions which have been taken into account for the 31 March 2013 estimation.

On the FRS17 basis, using an AA bond discount rate of 4.2% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2013 was 68%. An estimate of the funding level measured on a historic gilts basis at that date was approximately 55%.

# Notes to the accounts

for the year ended 31 July 2013 continued

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

Assumption	Change in assumption	Impact on shortfall
Investment return	Decrease by 0.25%	Increase by £1.6 billion
The gap between RPI and CPI	Decrease by 0.25%	Increase by £1 billion
Rate of salary growth	Increase by 0.25%	Increase by £0.6 billion
Members live longer than assumed	1 year longer	Increase by £0.8 billion
Equity markets in isolation	Fall by 25%	Increase by £4.6 billion

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

The trustee believes that over the long-term equity investment and investment in selected alternative asset classes will provide superior returns to other investment classes. The management structure and targets set are designed to give the fund a major exposure to equities through portfolios that are diversified both geographically and by sector. The trustee recognises that it would be theoretically possible to select investments producing income flows broadly similar to the estimated liability cash flows. However, in order to meet the long-term funding objective within a level of contributions that it considers the employers would be willing to make, the trustee needs to take on a degree of investment risk relative to the liabilities. This taking of investment risk seeks to target a greater return than the matching assets would provide whilst maintaining a prudent approach to meeting the fund's liabilities. Before deciding what degree of investment risk to take relative to the liabilities, the trustee receives advice from its internal investment team, its investment consultant and the scheme actuary, and importantly considers the views of the sponsoring employers to support the scheme if the investment does not deliver the expected returns.

The positive cash flow of the scheme means that it is not necessary to realise investments to meet liabilities, and the scheme actuary has confirmed that this is likely to remain the position for the next ten years or more. The trustee believes that this, together with the ongoing flow of new entrants into the scheme and most critically the ability of the employers to provide additional support to the scheme should additional contributions be required, enables it to take a longer-term view of its investments. Some short-term volatility in returns can be tolerated and need not feed through directly to the contribution rate. However, the trustee is mindful of the difficult economic climate which exists for defined benefit pensions schemes currently, and the need to be clear about the responses that are available should the deficits persist and a revised recovery plan becomes necessary following the next actuarial valuation of the schemes at March 2014. The trustee is making preparations ahead of the next valuation to compile a formal financial management plan, which will bring together – in an integrated form – the various funding strands of the covenant strength investment strategy and funding assumptions, in line with the latest guidance from the Pensions regulator.

At 31 March 2013, USS had over 148,000 active members and the University had 377 active members participating in the scheme.

The total pension cost for SGUL was £2,614,563 (2012: £2,670,151). This includes £Nil outstanding contributions at the balance sheet date. The contribution rate payable by the institution was 16% of pensionable salaries.

# Notes to the accounts

for the year ended 31 July 2013 continued

## SAUL

SAUL is subject to triennial valuations by professionally qualified and independent actuaries. The latest valuation was carried out as at 31st March 2011 using the projected unit credit method in which the actuarial liability makes allowance for projected earnings. The main assumptions used to assess the technical provisions were:

	31 March 2011
Discount rate	
– Pre-retirement	6.80% p.a.
– Post-retirement	4.70% p.a.
General* salary increases	3.75% p.a. until 31 March 2014, 4.50% p.a. thereafter
Retail Prices Index Inflation (“RPI”)	3.50% p.a.
Consumer Price Index Inflation (“CPI”)	2.80% p.a.
Pension Increases in Payment (excess over GMP)	2.80% p.a.
Mortality – base table	SAPS Normal (year of birth) tables with an age rating of +0.5 years for males and -0.4 years for females.
Mortality – future improvements	Future improvements in line with CMI 2010 projections with a long term trend rate of 1.25% p.a.

\*An additional allowance is made for promotional salary increases.

The actuarial valuation applies to SAUL as a whole and does not identify surpluses or deficits applicable to individual employers. As a whole, the market value of SAUL's asset was £1,506 million representing 95% of the liability for benefits after allowing for expected future increases in salaries.

Based on the strength of the Employer covenant and the Trustee's long-term investment strategy, the Trustee and the Employers agreed to maintain Employer and Member contributions at 13% of Salaries and 6% of salaries respectively following the valuation. The above rates will be reviewed when the results of the next formal valuation(as at 31 March 2014) are known.

A comparison of the SAUL's assets and liabilities calculated using assumptions consistent with FRS 17 REVEALED SAUL to be in deficit at the last formal valuation date(31 March 2011). As part of this valuation, the Trustee and Employer have agreed that no additional contributions will be required to eliminate the current shortfall.

The more material changes(the introduction of a Career Average Revalued Earnings, or “CARE”, benefit structure) to SAUL's benefit structure will apply from 1 July 2012. As a consequence, the cost of benefit accrual is expected to fall as existing final salary members are replaced by new members joining the CARE structure. This will allow an increase proportion of the expected asset return to be used to eliminate the funding shortfall. Based on conditions as at 31 March 2011, the shortfall is expected to be eliminated by 31 March 2021, which is 10 years from the valuation date.

The total pension cost for SGUL was £555,728 (2011: £552,163). SGUL had 160 active members participating in the scheme as at 31 March 2013.

## NHSS

The NHSS is funded centrally by the Treasury on a current cost basis. It is an unfunded, multi-employer scheme and as such it is likely that it is not possible to identify St George's share of the assets and liabilities and it is therefore accounted for on a contributions basis. Surpluses or deficits which arise at future valuations may impact on SGUL's future contribution commitment. A formal valuation of the scheme last took place on 31 March 1999 and the employers' rate is 14%. Between valuations, the Government Actuary provides an update of the scheme liabilities on an annual basis.

The pension cost charged to SGUL's Income and Expenditure Account for the year was £1,091,189 (2012: £1,086,239). SGUL had 143 active members participating in the scheme as at 31 March 2013.

## Royal Borough of Kingston upon Thames Pension Fund

SGUL indirectly participates in the Royal Borough of Kingston upon Thames pension scheme providing benefits based on final pensionable pay. Because it is not possible to identify SGUL's share of the scheme assets and liabilities on a consistent and reasonable basis, as permitted by FRS 17 'Retirement benefits' the scheme has been accounted for, in these Financial Statements as a defined contribution scheme.

The scheme currently has a deficit and whilst it is not possible to consistently and reasonably identify the share of this deficit, there is a potential liability in future years if the deficit continues. The Joint Faculty of Health Social Care and Education had 65 active members participating in the scheme at 31 March 2013. The last actuarial valuation was carried out by Hymans Robertson LLP Limited in 2013. The employer contribution rate is 23.3%.



# Notes to the accounts

for the year ended 31 July 2013 continued

## 26 Operating leases

SGUL has entered into non cancellable operating leases for its photocopiers. The charge to expenses for the year ended 31st July 2013 was £187k (included in Note 7). The total of future minimum lease payments under these non-cancellable operating leases for each of the following periods is:-

	Consolidated and SGUL 2012/13 £'000	Consolidated and SGUL 2011/12 £'000
Within 1 year	187	128
Between one and five years	187	188
	<b>374</b>	316

# Advisers

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*(From 1st July 2013)*

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**Solicitors:** Mills & Reeve LLP  
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