



**St George's**  
University of London

# Financial Statements 2014



# Contents

---

	Page
Council membership 2013/2014	2
Operating and financial review	3
Public benefit statement	9
Corporate governance statement	10
Statement of Council's responsibilities	12
Independent auditor's report	13
Statement of principal accounting policies	14
Consolidated income and expenditure statement	16
Statement of total recognised gains and losses	17
Balance sheet	18
Consolidated cash flow statement	19
Notes to the accounts	20
Advisors	37

---

## Council membership 2013/14

---

### From 1 August 2013 to 31 July 2014 (up to and including 25 November 2014)

Professor Michael Spyer	(Chair of Council) (Appointed 1 October 2013)
Ms Judith Evans	(Chair of Council) (End of Term of Office, 30 September 2013)
Mr Anthony Bicknell	
Mr Michael Draper	
Professor Barry Gusterson	
Mr Don Kennedy	
Mr Chris North	
Ms Sue Rimmer	(appointed 1 March 2014)
Mr Christopher Smallwood	
Mr Michael Stevens	
Ms Catherine Swarbrick	
Mr Graham Turner	
Professor Julius Weinberg	
Ms Cathy Wilson	(Resigned 30 October 2013)
Professor Sir Nicholas Wright	

### Internal Members

Professor Peter Kopelman	Principal
Professor Adrian Clark	Dean of Research and Enterprise
Professor Andrew Kent	Dean of Education
Professor Deborah Bowman	(Appointed 1 October 2014) Dean of Students
Professor David Strachan	(Appointed 1 October 2014) Elected member of academic staff
Ms Kea Horvers	Elected member of support staff
Professor Patricia Hughes	(Retired 30 September 2014) Dean of Staff and Students
Professor Fiona Ross	(Resigned 30 June 2014) Elected member of academic staff
Mr Dheemal Patel	(Appointed 1 October 2014) Student Union President
Mr Mo Amer	(Appointed 1 October 2013) Student representative
Ms Lauren Wellburn	(Appointed 1 October 2013) Student representative

### In attendance

Mr Mark Bery	(Retired 30 July 2014) Chief Operating Officer
Mrs Sophie Bowen	Secretary and Academic Registrar
Ms Susan Trubshaw	Head of Governance, Legal and Assurance Services
Mr John Unsworth	Finance and Corporate Services Director

# Operating and Financial Review

## Nature of the Institution

St George's, University of London, (SGUL) established in 1733, is distinctive as the UK's only specialist medical and healthcare higher education institution. Its focus and ability to innovate, combined with its dedication to its students, staff and research, sets SGUL apart and provides its ability to achieve sustainable academic and financial outcomes 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 courses to UK and international students. Taught degrees are offered in healthcare science, biomedical science, physicians associates, and a four year and five year MBBS in medicine.

A significant element of our undergraduate and post graduate provision is offered through the Faculty of Health, Social Care and Education (FHSCE), which is jointly managed with Kingston University. These include taught degrees in diagnostic and therapeutic radiography and physiotherapy as well as Foundation degrees in nursing, social work, paramedic science, healthcare practice and breast imaging

In addition, a growing focus on internationalisation has led to diversification of education income through a successful franchise of the MBBS through partners in University of Nicosia, and a joint venture offering a range of foundation and degree level medical and biomedical programmes through a joint venture with INTO University Partners.

Clinical teaching is provided at St George's Healthcare NHS Trust and a number of healthcare providers in London, Surrey, and Sussex, in both hospital and community settings. 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.

## Our Vision

Our vision is to be a thriving medical and healthcare sciences university, in close partnership with a respected London teaching hospital, locally, nationally and internationally recognised for excellence and innovation in education and research. This translates across health and social care through:

- growing our excellent reputation for education by providing our students with an exceptional experience within an interdisciplinary environment;
- pursuing excellence and international recognition 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 high

performing universities and health service providers within and beyond London;

- developing high quality and effective governance, systems and infrastructure to support our education and research ambitions; and
- attracting, retaining and nurturing talented staff.

## The year's highlights

### Education

- Significant improvement in the National Student Survey scores, with an active student engagement programme.
- Continued growth in the FHSCE with a strong contribution to SGUL's results.
- Student enrolments maintained and, in some courses, exceeded despite increased competition for places.
- International joint venture with INTO University Partners improving, with income up 160% over the year.
- Collaborative agreements with prestigious USA medical schools for clinical placements on our international programmes.
- A long term extension to the successful franchise with the University of Nicosia.

### Research

- The submission for the 2014 research excellence framework, based on internationally recognised research publications.
- A £2.2m award from the Technology Strategy Board to Professor Phil Butcher for rapid molecular diagnostics of tuberculosis.
- A £3.0m award from the Medical Research Council to Professor Bridget Bax and Neopharm for clinical trials of autologous erythrocyte transplantation for enzyme replacement.
- An EU Horizon 2020 award of €2.2m for TB vaccination research to Dr Rajko Reljic.
- An NIHR award of £950k to Dr Steve Gillard on community mental health care.
- A Wellcome Senior Investigator award to Professor Steve Goodbourn on the interaction of viruses with the immune system.

### Financial

- An operating surplus of £135k for the year.
- Strong cash and investment resources of £20.8m, an improvement of £4.5m from last year.
- Continued investment of £2.8m in Estate and IT infrastructure.
- Public funding via HEFCE again reduced to 29% of income, reflecting the continued shift to student tuition

## Operating and Financial Review

fees, with total education income at similar levels.

- Good progress in a financial improvement programme, to fully mitigate grant reductions and fund the Strategic Futures restructure.

### Governance and reputation

- Education and Research Institutes established, populated and launched, with new Directors appointed.
- A place in the Times Higher Top 200 World University rankings for the first time.
- A Joint Board established with the St George's Healthcare NHS Trust to develop activities of common interest.
- New Instruments of Governance (Scheme and Statutes) approved by the University of London, reflecting governance good practice.
- A new bronze award on the Athena Swan scheme, which promotes the advancement, on merit, of the careers of women in science, engineering and technology in higher education

### Strategic Futures

The Strategic Futures programme was created to restructure SGUL's academic activities and enable us to deliver our strategic objectives more effectively. The means by which we derive tuition fee income for teaching and funding for research are changing radically through the shift to tuition fees and student loans and the increasing focus by research councils and similar funders on larger targeted grants. The programme has ensured that the most appropriate organisational structures and academic leaders were established to optimise funding and reduce costs. This will enable us to fulfil our academic mission and also to create funds for investment in research and education for the future, and developing our estate whilst enhancing our financial sustainability.

This significant programme has now concluded with four new Institutes operating in shadow form during the year and operational from 1 August 2014. These comprise the Institute of Medical & Biomedical Education and three Research Institutes: Cardiovascular & Cell Sciences, Infection & Immunity and Population Health.

Separate but aligned institutes enable them to focus on their distinct characteristics and develop strategies to access funding and further develop their specialist expertise.

### Financial Review and results for the year

The financial year to 31 July 2014 has continued to be very challenging. However we have achieved a small operating surplus of £135k, similar to last year and an acceptable result in this tough financial climate.

The results include a number of factors which we have been able to mitigate, the main one being a sector wide reduction in HEFCE's teaching grant, in our case £0.8m, announced in March 2014. We also incurred severance costs of £0.7m arising from the Strategic Futures programme.

### Income analysis

Total income is similar to last year at £84.3m. This includes the government policy drive to fund education more significantly from student loans than via direct public funding. This is demonstrated by the continuing and substantial shift from HEFCE teaching grant to fees from student loans. Public funding across teaching and research grants now represents 29% of SGUL's income compared with 37% two years ago.

Research income continued to reduce as old awards were completed and the economic climate has caused funders to be more cautious in their investment. Research income was £11.6m in the year, 14% of total income, compared with 17.5% last year. The main reduction is £2.0m across the charity and commercial sectors. Encouragingly, there have been increased awards from UK research councils and the EU, which will bring increased income in 2014-15, reversing recent trends.

Further growth in the M Pharm. course, which is administered by Kingston University, has delivered income of £0.5m to SGUL this year.

Other income has increased, indicating a greater reliance on other sources of income, including our developing international activities and other collaborations. Income of £1.6m for 2013/14 is included in "other income" for recharges to partners, the prior year equivalent was classified as services rendered.

The following table analyses income over the past two years:

Income	2013/14	2012/13	% change
	£m	£m	
Funding Council Grants (HEFCE)	24.9	28.0	-11%
Academic Fees and Support Grants	25.2	21.0	20%
Research Grants and Contract	11.6	14.7	-21%
Endowment Income and Interest Receivable	0.8	0.3	167%
Research and Conferences	2.9	2.6	10%
Services Rendered	10.8	12.2	-11%
Other Income	8.1	5.4	50%
<b>Total Income</b>	<b>84.3</b>	<b>84.2</b>	

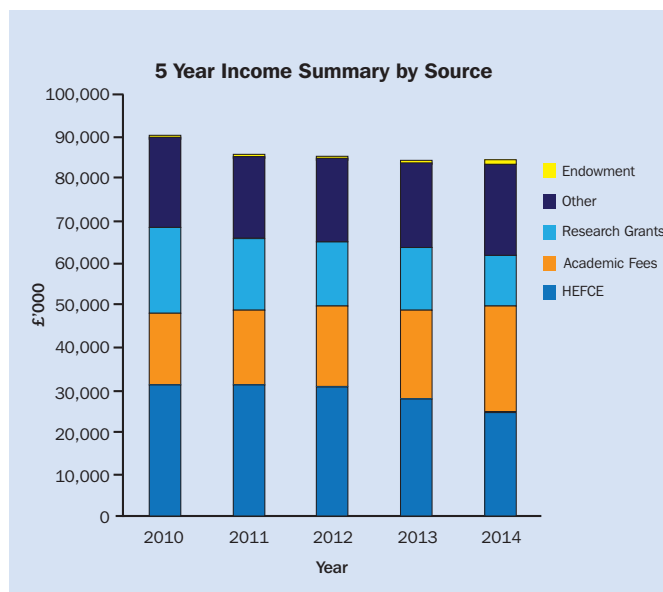
### Five year income summary

The profile of income over the past five years shows the change in the fee regime with a smaller proportion of HEFCE fees and a higher proportion of student funded fees year on year.

Research income has reduced over this period and the creation of the Research Institutes will enable a more strategic approach to accessing significant grants that are closely aligned to SGUL's research strategy.

The chart below shows the categories of income over the past five years:

## Operating and Financial Review



### Expenditure analysis

We have tightly controlled expenditure across all activities and categories this year. However, staff costs have increased by 4% due to sector level pay increases and the employment of additional staff to strengthen our teaching support functions. Other operating costs have reduced by 4% as we took specific action during the year to reduce and prioritise expenditure, reflecting lower HEFCE grants and a reduction in expenditure as we developed our Strategic Futures programme.

This reduction in non-pay spend was especially focussed on non grant funded research activity and administrative spend and enables us to enter 2014-15 with a stronger financial position.

The following table analyses expenditure over the past two years:

Expenditure	2013/14 £m	2012/13 £m	% change
Staff costs	49.7	47.7	4%
Depreciation	6.3	6.5	-3%
Interest and other Finance Costs	1.2	1.0	20%
Other Operating Expenses	27.4	28.7	-4%
<b>Total Expenditure</b>	<b>84.6</b>	<b>83.9</b>	

We continue to hold strong cash balances, some £12.2m at the year end. We generated £4.2m of cash from operating activities which enabled us to support our financing costs of £1.2m and a capital investment programme of £2.8m.

We have invested a further £2.3m in stock market investments with Cazenove, our investment fund managers, following a review of our cash resources, and having completed a drawdown of borrowings from Santander to fund the development of our international student facilities. We now

have £8.6m of SGUL funds in our investment portfolio and have taken action this year to realise an increase in value of our investments on these funds.

### Future developments and the financial outlook

#### Our strategic plan development

Since our Strategic Plan for 2010-15 was published there have been a number of important legislative and policy changes in the higher education and health sectors that have had a significant impact, including changes in government education funding, NHS funding constraint, tighter controls over research funding and increased sector competition. We are refreshing our strategic plan, extending the planning horizon to 2020 and will publish a refreshed plan during 2014-15. Our overall strategic objectives remain unchanged:

**Research** – to pursue and attain excellence in a focused scientific, clinical and educational research portfolio;

**Education** – to grow our excellent reputation for education and learning through providing our students with exceptional experience within an interdisciplinary environment;

**Community engagement** - To promote the sharing of knowledge, expertise and opportunities with our local, regional, national and international communities

However, there will be some changes of emphasis between the strategy refresh and the current strategic plan, including:

- Education growth is even more imperative;
- The design, organisation and management of the curriculum is important, to improve delivery effectiveness and a positive student experience;
- High quality research is fundamentally important to us, but SGUL needs to be more focused in its portfolio and develop distinctive institute strategies;
- International activity has a greater importance than in the current plan; and
- We will further emphasise our distinctive and diverse student population, which is a significant factor in our domestic and international recruitment and develop our good practice approach to equality and diversity for our staff and students.

We will develop these themes and the financial implications during the coming year, so that, over our current planning horizon:

- SGUL will be a leading specialist provider of healthcare and medical education, developing the people to meet today's healthcare needs and tomorrow's healthcare challenges;
- we will be at the heart of a system that is defined by its collaborative relationships with partners from education and health, the private and public sectors, notably St George's Healthcare NHS Trust and Kingston University; and

## Operating and Financial Review

- we will conduct research into global health issues which will translate into patient benefit, starting with the population of South West London and extending to an international dimension.

### Financial outlook

Our main financial challenge is to improve its operating surplus from the current breakeven position sufficiently to be able to invest in our education growth and research grant activity, through high quality staff and developing our physical infrastructure.

The financial outlook remains difficult with further reductions in HEFCE teaching and research grants in 2014-15 and the full year costs of targeted staff recruitment and other investment in 2013-14. We have made provision for restructuring cost and investment in 2014-15 which, although a short term cost, will enable us to achieve a sustainable financial surplus over our financial planning cycle.

We have introduced a financial improvement programme across the institution, which has focused on growing, within determined limits, our successful MBBS courses, investing in current and new courses, selective investment in research capability and reducing our support service costs to ensure they are at an appropriate level for our academic activity.

This is progressing well and it is pleasing to see strong growth in student enrolment in Autumn 2014, ahead of our targets. It is also encouraging to see the value of new research projects growing significantly this year across all three Research Institutes.

We have reviewed our financial forecasts against HEFCE's new Memorandum of Assurance and Accountability and are well placed to deliver on a robust and financially sustainable financial plan.

### International Partnerships

A key component of SGUL's strategic plan is to broaden its international activities through:

- increasing the number of international students studying with us and broadening the student intake, taking advantage of our international reputation for educational excellence;
- strengthening our research portfolio by integrating our focused research strengths with international partners and students and by increasing post graduate research numbers; and
- increasing and diversifying our sources of income to generate a surplus that improves our long term financial sustainability.

### Our international joint venture with INTO University Partnerships

We established INTO St George's, University of London (INTO SGUL) in 2011, a joint venture with INTO University Partnerships (IUP), a major private sector partner. IUP is a rapidly growing network of university-based study centres, offering new and high quality standards of preparation for undergraduate and postgraduate degrees in the UK and US. It has established a number of successful partnerships with other major universities, including 11 universities in the UK. INTO SGUL is its first joint venture in medical education.

Courses offered by INTO SGUL include:

- pre University Foundation in Medical, Biomedical and Health Sciences, supporting recruitment to INTO SGUL higher education international courses;
- BSc Biomedical Sciences (International); and
- two international medical courses over four and six years leading to the degree of MBBS. The undergraduate courses (pre-clinical years) will be offered at our campuses, with the clinical years taking place in the US and other agreed locations. Our international medical courses are subject to the General Medical Council's quality assurance processes for new overseas courses.

Our investments in our new international markets are starting to bear fruit with student numbers substantially increasing in 2014-14, supported by our increasingly strong presence and reputation abroad.

Agreements have been signed during the year and since the year end to confirm UK placements with local placement providers, which are a good reflection of our strong local relationships in the health sector. There are also new and exciting strategic developments with prestigious medical schools in the USA; a partnership agreement has been signed with Joan C Edwards School of Medicine, Marshall University in West Virginia and we are in discussions with Sidney Kimmel Medical College, Thomas Jefferson University in Pennsylvania on a number of teaching developments. These arrangements include clinical placements for international MBBS students, opportunities for student exchanges, collaboration in research and the development of an innovative medical course. These agreements provide the springboard for further growth and high quality learning.

Recruitment to courses has grown well during the year with 46 students compared with 35 in 2012-13. This has increased significantly in 2014-15 with 145 students enrolling and growth is across all courses. It is anticipated that INTO SGUL as a whole will make a positive financial contribution in the coming year with further improvements to come as student recruitment continues to increase.

Our medical franchise to the University of Nicosia, Cyprus

We franchised our 4 year Graduate Entry Programme to the



## Operating and Financial Review

University of Nicosia (UNIC)'s medical school starting in September 2011. The first two years of the course are delivered at UNIC's purpose built campus, with the clinical third and fourth years being delivered by partners within Cyprus, Tel Aviv and Chicago, approved and accredited by SGUL and, as with INTO SGUL, the course is subject to the General Medical Council's quality assurance processes for new overseas programmes.

Our primary roles within the franchise arrangements are to:

- quality assurance of the course and ensuring compliance with SGUL regulations and UK Quality Assurance Agency (QAA) Quality Code expectations;
- support programme activities and ongoing support for staff teaching the course in Cyprus and other locations;
- manage assessment and student conduct processes; and
- award the MBBS to successful graduates.

The programme has continued to grow successfully with 91 students enrolled, similar to last year and the first cohort is graduating in Summer 2015.

### Faculty of Health, Social Care and Education

We will capitalise on the requirements of Health Education England in undergraduate and postgraduate education and training. Such developments will naturally involve our long standing partnership with Kingston University through the Faculty of Health, Social Care and Education. This produced another strong financial performance during the year, with our share of income up 13%, a surplus of £1.5m.

Most of the income comes from NHS commissions and is therefore subject to NHS funding levels and caps on recruitment to commissioned courses. We have been successful in increasing student recruitment and maintained a tight control over overheads to offset increased staff resources, which enabled us to produce a surplus at a similar level as last year

The forward outlook is more challenging with downward pressure on fees and increased competition for commissions from the NHS. We are investing to improve the student experience in certain areas so do not expect the same level of financial growth as in recent years, although we still expect to achieve our planned surplus.

### Other clinical and academic partnerships

We continue to develop closer collaborative working through the co-location and interdependence with St George's Healthcare NHS Trust in the areas of education, research and shared services. The 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. This commitment was further

enhanced with the creation of a Joint Implementation Board to oversee matters of common interest, the appointment of a joint medical director, the fourth joint senior appointment across the two organisations, and a successful joint bid with King's Health Partners to the National Institute for Health Research for a South London collaboration for leadership in applied health research and care (CLAHRC).

We anticipate further collaborations around undergraduate and postgraduate health education and training in response to the requirements of the NHS workforce and the developing ambitions to capitalise on opportunities for translational research through closer working partnership in cardiovascular medicine, neuroscience and infection & immunity.

We, alongside local NHS Trusts, including St George's Healthcare NHS Trust and the South West London St George's Mental Health Trust, are members of Health Education South London which is responsible for commissioning multi-professional education.

We are also members of the Health Innovation Network which brings together NHS Trusts, universities, clinical commissioning groups, the charity sector, local authorities, industry, patients and others to implement good practice and innovation across South London in a systematic and comprehensive manner.

A strategic alliance with St George's Healthcare Trust and King's Health Partners developed during the year, to build on the research collaborations that have led to the CLAHRC NIHR award mentioned above.

# Operating and Financial Review

---

## Risks and Uncertainties

Our Risk Management and Efficiency Committee's role is to have oversight of all strategic risks, to monitor risk management and to review local and significant project risk registers. This is set out in more detail in the Statement of Corporate Governance.

During the year the Committee reviewed its role to ensure it remains appropriate to the current operating climate. It has proposed that a new approach to managing strategic risks is adopted next financial year that refocuses the monitoring of strategic risks in relevant committees, with a shorter, more flexible strategic risk register. This register will focus on key institutional and sector themes; identify the relevant monitoring committee and responsible senior lead and key current risks. There will be an explicit link to relevant institutional Key Performance Indicators.

The main risks facing SGUL are identified and monitored by this group and reported to the Audit Committee and Council on a regular basis. The main areas of financial risk considered by the Committee during 2013-14 were:

- the main challenges we face in terms of financial sustainability;
- the impact of funding changes from the regulator, HEFCE;
- the nature and scale of the academic restructure, into Education and Research Institutes (Strategic Futures);
- the financial performance of the international joint venture with INTO University Partners; and
- to manage our estate for continued financial and environmental sustainability.

These were mitigated during the year through robust and regular financial reporting to senior management, tight control over costs following the in-year grant reduction by HEFCE, regular reviews by the Strategic Futures Board of progress on the academic restructure, strong governance of the INTO JV, including actions to manage the growth in student recruitment and a capital programme focused on key IT and Estates improvements.

## Public Benefit Statement

SGUL is an exempt charity under the terms of The Charities Act 1993. In setting and reviewing its objectives and activities, our 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.

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

We are 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, we provide:

- excellent teaching and clinical facilities, in collaboration with its partners in the SW London area and within a co-located hospital environment at 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.

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
- 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.

We maintain an extensive healthcare library and archive (including important special collections), providing a valuable resource for students, researchers, alumni, 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. However, beneficiaries also include the students, researchers and academics who have the opportunity to attend educational events and use our research and teaching facilities.

The general public also directly benefit from our healthcare research and activities.

We admit students who have the highest potential for benefiting from the healthcare education that SGUL 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 abroad. We are rapidly increasing the number of international students to supplement our strong UK recruitment.

We are focussed on maintaining an excellent reputation in a scientific, clinical and educational teaching and research portfolio; and attracting, retaining and nurturing the most talented students and staff.

Our three year 'Single Equality Scheme' is directly allied to our Strategic Plan. The scheme is an action plan designed to embed equality and diversity throughout all SGUL's work.

We operate an extensive outreach programme, to raise educational aspirations and attract outstanding applicants who might not consider a healthcare career, or in applying to the medical school. This programme includes educational school open days, admissions symposia for teachers, visits by current students to school and colleagues, residential summer schools for students from under-represented groups in HE, as well as guidance and information on our website for prospective applicants.

We offer a number of bursaries/awards each year to students who are entitled to student support. In addition, there is an extensive package of bursaries and support awards to provide selective help for students who are in financial difficulties.

SGUL holds open days, open lectures and seminars and similar events oriented to the local community and their engagement with SGUL.

We employ both clinical and non-clinical staff to enable it to fulfil its charitable purposes of advancing education, learning and research. All salaries, stipends and employment related benefits are objectively reasonable, compared to academic and clinical earnings generally; annual pay increases normally follow national settlements applying to the university sector. External members of Council receive no remuneration for their services.

## 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 they relate 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 and 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 Chief Executive, the Principal. The matters specifically reserved to the Council for decision are set out in the Scheme, by custom, and under the Memorandum of Assurance and Accountability between the Higher Education Funding Council for England (HEFCE) and Higher Education Institutions.

The Council meets at least five times a year and also utilises various specialist Committees, including a Finance Committee (incorporating oversight of Investments and Estates), a Nominations and Honorary Awards Committee, a Remuneration Committee, a Human Resources Committee, and an Audit 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 Deputy Principal.

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. 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, whose membership includes the Principal, Deans and Directors of Education and Research Institutes and Senior Administrative staff.

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, Remuneration and Investments) 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 Committee as necessary but are not members of the Committee. The Committee meets the internal and external auditors once a year 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 Memorandum of Assurance and Accountability 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 2014 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 University by:

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

## Corporate Governance Statement

---

- requesting the Audit Committee to provide advice on the effectiveness of the establishment and implementation of risk management procedures; and
- commissioning internal audits from Deloitte, 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 with independent and elected members of Council are conducted. Key points from the reviews are presented to Council and an action plan agreed to continuously improve the effectiveness of its operation.

After making appropriate enquiries, Council considers that SGUL has adequate resources to continue in operational existence for the foreseeable future. The University 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 in accordance with generally accepted accounting practice.

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's 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 2014 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, or 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 12 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 Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 2014 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

26 November 2014

# 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 Strategic Health Authorities. 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 Strategic Health Authorities 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 includes a 50% shareholding in INTO University Partnerships Ltd and the Eleanor Peel Chair of Geriatric Medicine Fund for the financial year to 31st July 2014. 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 the SGUL. Defined benefit multi-employer schemes, where the 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 the 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. There are no outstanding financial obligations for land and buildings held under finance leases.

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.

### (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.



## Statement of principal accounting policies

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, trademarks 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 recognised 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 2014

	Note	Consolidated 2013/14 £'000	Consolidated 2012/13 £'000
<b>Income</b>			
Funding Council Grants (HEFCE)	1	24,857	28,003
Academic fees and support grants	2	25,185	20,960
Research grants and contracts	3	11,635	14,749
Other operating income	4	21,832	20,202
Endowment Income and Interest Receivable	5	807	277
<b>Total Income: Group and share of joint ventures</b>		<b>84,316</b>	84,191
Less: share of income from joint ventures	23	(625)	(385)
<b>Net Income</b>		<b>83,691</b>	83,806
<b>Expenditure</b>			
Staff Costs	6	49,711	47,714
Depreciation	9	6,285	6,520
Interest and other finance costs	18	1,219	1,030
Other operating expenses	7	27,427	28,734
<b>Total Expenditure: Group and share of joint ventures</b>		<b>84,642</b>	83,998
Less: Share of joint ventures expenditure	23	(1,402)	(624)
<b>Net expenditure</b>		<b>83,240</b>	83,374
<b>Surplus after depreciation of fixed assets at cost and before tax</b>		<b>451</b>	432
Surplus on sale of fixed assets		363	
Share of operating loss in joint venture	23	(777)	(239)
Taxation		-	-
<b>Surplus for the year</b>		<b>37</b>	193
Transfer from accumulated income in endowment funds	15a	98	(139)
<b>Surplus for the Year Retained Within General Reserves</b>		<b>135</b>	54

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

Notes on pages 20-36 form part of the Financial Statements

## Statement of total recognised gains and losses

for the year ended 31 July 2014

	Note	2013/14 £'000	2012/13 £'000
Surplus for the year		37	193
(Reduction in Value) / Appreciation of Fixed Asset Investments	15	(298)	433
Increase of Endowment Assets	10	116	469
<b>Total recognised (Losses)/Gains since last year</b>		<b>(145)</b>	1,095

2012/13 surplus for the year restated to position before endowment transfer, in line with 2013/14

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

	2013/14 £'000	2012/13 £'000
<b>Reconciliation</b>		
Opening reserves and endowments	26,061	24,966
Total recognised losses and gains for the year	(145)	1,095
Closing reserves and endowments	25,916	26,061

Notes on pages 20-36 form part of the Financial Statements

# Balance Sheet

for the period ended 31 July 2014

	Note	Consolidated 2013/14 £'000	SGUL 2013/14 £'000	Consolidated 2012/13 £'000	SGUL 2012/13 £'000
<b>Fixed assets</b>					
Tangible Assets	9	70,110	70,110	73,934	73,934
Investments	9a	8,592	8,582	6,148	6,148
Investment in Joint Venture:					
Share of gross assets	23	603	-	409	-
Share of gross Liabilities	23	(2,004)	-	(1,033)	-
		77,301	78,692	79,458	80,082
<b>Endowment asset investments</b>	10	4,857	3,438	4,840	3,451
<b>Current assets</b>					
Stocks and Stores in Hand		4	4	5	5
Debtors	11	10,532	10,438	11,924	11,897
Cash at Bank and in Hand		12,164	11,984	10,038	9,746
		22,700	22,426	21,967	21,648
<b>Creditors: amounts falling due within one year</b>	12a	(24,614)	(24,714)	(24,299)	(24,365)
<b>Net current assets</b>		(1,914)	(2,288)	(2,332)	(2,717)
<b>Total assets less current liabilities</b>		80,244	79,842	81,966	80,816
<b>Creditors: amounts falling due after one year</b>	12b	(26,293)	(26,293)	(25,230)	(25,230)
<b>Net assets</b>		53,951	53,549	56,736	55,586
Represented by:					
<b>Deferred capital grants</b>	13	28,035	28,035	30,675	30,675
<b>Endowments</b>					
Permanent Restricted	14	2,549	1,129	2,492	1,103
Permanent Expendable	14	2,309	2,309	2,348	2,348
		4,858	3,438	4,840	3,451
<b>Reserves</b>					
Revaluation Reserve	15	221	221	519	519
General Reserve	15a	20,837	21,855	20,702	20,941
		21,058	22,076	21,221	21,460
<b>Total funds</b>		53,951	53,549	56,736	55,586

**Principal:** Professor Peter Kopelman



**Chair of Council:** Professor Michael Spyer



**Treasurer:** Mr Michael Stevens



## Consolidated cash flow statement

for the year ended 31 July 2014

	Note	2013/14 £'000	2012/13 £'000
Net Cash Inflow / (Outflow) from Operating Activities	17	4,231	(560)
Returns on Investments and Servicing of Finance	18	(511)	(753)
Capital Expenditure and Financial Investment	19	(3,417)	(8,249)
Cash Inflow / (Outflow) before Use of Liquid Resources and Financing		303	(9,562)
Financing	21	1,823	4,784
Increase / (Decrease) in Cash		2,126	(4,778)

## Reconciliation of net cash flow to movement in net funds

for the year ended 31 July 2014

	Note	2013/14 £'000	2012/13 £'000
Increase / (decrease) in Cash		2,126	(4,778)
Net Cash movement		2,126	(4,778)
Increase in Loans	21	(1,823)	(4,784)
Change in Net Debt		303	(9,562)
Net Debt at 1 August	20	(14,761)	(5,199)
Net Debt at 31 July	20	(14,458)	(14,761)

# Notes to the Accounts

for the period ended 31 July 2014

## 1 Funding council grants (HEFCE)

	2013/14 £'000	2012/13 £'000
Recurrent Grant	20,325	23,454
Specific Grants:		
Higher Education Innovation Fund	935	935
National Scholarship Programme	129	-
Deferred Capital Grants Released in Year		
Building	3,456	3,555
Equipment	12	59
	<b>24,857</b>	<b>28,003</b>

## 2 Academic fees and support grants

	2013/14 £'000	2012/13 £'000
Full-time students charged home fees	11,508	9,149
Full-time students charged overseas fees	2,516	2,750
Part time fees	86	114
Non-medical Education & Training funded by NHS	11,004	8,864
Short Courses Fees	71	83
	<b>25,185</b>	<b>20,960</b>

## 3 Research grants and contracts

	2013/14 £'000	2012/13 £'000
Research Councils UK	2,267	2,190
National Institute for Health Research	1,465	2,241
European Commission	1,734	1,035
Charitable Bodies	4,079	5,219
Industry and Commerce	726	1,595
Other	1,364	2,469
	<b>11,635</b>	<b>14,749</b>

## Notes to the Accounts

for the period ended 31 July 2014 continued

### 4 Other operating income

	2013/14 £'000	2012/13 £'000
Residences and conferences	2,866	2,618
Services rendered	10,802	12,200
Released from deferred capital grants	157	189
Other income	8,007	5,195
	<b>21,832</b>	20,202

Income of £1.6m included in "other income" for recharges to partners, prior year equivalent was classified as services rendered.

### 5 Endowment income and interest receivable

	2013/14 £'000	2012/13 £'000
Income From Endowment Asset Investments	75	39
Other Investment Income	732	238
	<b>807</b>	277

### 6 Staff costs

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

	2013/14 Number	2012/13 Number (restated)
Teaching and Research Activities	413	445
Teaching Support services	165	139
Income generating Activities	14	8
Catering and residences	2	2
Administration and Central services	164	160
Premises	24	26
Other	39	25
	<b>821</b>	805

Staff numbers are restated for 2012/13 due to reclassification of staff numbers in the Joint Faculty.

## Notes to the Accounts

for the period ended 31 July 2014 continued

### 6 Staff costs (continued)

Employment costs:	2013/14	2012/13
	£'000	£'000
Wages and salaries	40,845	39,253
Social Security costs	3,371	3,299
Other pension costs	5,495	5,162
	<b>49,711</b>	47,714
Teaching and Research Activities	27,849	27,726
Teaching Support services	11,570	11,152
Income generating Activities	384	341
Catering and residences	61	44
Administration and Central services	7,526	6,494
Premises	831	836
Other	1,490	1,121
	<b>49,711</b>	47,714

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

	2013/14	2012/13
	Number	Number
£100,001 - £110,000	6	5
£110,001 - £120,000	6	5
£120,001 - £130,000	2	2
£130,001 - £140,000	7	8
£140,001 - £150,000	3	5
£150,001 - £160,000	7	3
£160,001 - £170,000	4	4
£170,001 - £180,000	3	2
£180,001 - £190,000	-	2
£190,001 - £200,000	1	-
£200,001 - £210,000	-	1
£220,001 - £230,000	1	1
£230,001 - £240,000	1	1
£260,001 - £270,000	-	-
	<b>41</b>	39

#### Emoluments of the Principal

	2013/14	2012/13
	£'000	£'000
Salary	161	153
NHS Distinction Award	76	76
Pension Contributions	27	41
Total emoluments	<b>264</b>	270



# Notes to the Accounts

for the period ended 31 July 2014 continued

## 7 Other operating expenses

	2013/14	2012/13
	£'000	£'000
Teaching activities	4,106	4,224
Research activities	2,199	3,502
Administration	1,527	2,284
Endowment Expenditure	102	95
Voluntary severance costs	678	195
Premises costs	8,061	7,307
Services Rendered	2,683	2,590
General Education Expenditure	4,197	4,417
Internal Auditor's Remuneration	41	54
External Auditor's Remuneration in respect of Audit Services	68	71
External Auditor's Remuneration in respect of Subsidiaries	3	3
External Auditor's Remuneration in respect of Other Services	38	110
Residences & Conferences Operating expenses	1,030	1,242
Grants to Student Union	229	229
Other Expenses	2,322	2,224
Hire of other assets - operating leases	143	187
	<b>27,427</b>	<b>28,734</b>

## 8 Surplus on continuing operations

	2013/14	2012/13
	£'000	£'000
The surplus on continuing operations for the period is made up as follows:		
Surplus for the year	876	226
St George's Global Partners Ltd deficit	(777)	(239)
St George's Enterprises Ltd transferred to SGUL	3	28
The Eleanor Peel Chair of Geriatric Medicine surplus	33	39
	<b>135</b>	<b>54</b>

## Notes to the Accounts

for the period ended 31 July 2014 continued

### 9 Tangible Assets

	Note	Freehold £'000	Long leasehold £'000	Equipment £'000	Assets in the course of construction £'000	Total £'000
<b>Valuation/cost</b>						
At 1 August 2013		27,936	79,352	13,498	1,100	121,886
Additions	19	-	1,972	347	473	2,792
Disposals		(360)	-	(327)	-	(687)
Transfers		-	566	483	(1,049)	-
At 31 July 2014		27,576	81,890	14,001	524	123,991
<b>Depreciation</b>						
At 1 August 2013		2,441	35,193	10,320	-	47,954
Charge for year		554	4,966	765	-	6,285
Disposals		(40)	-	(318)	-	(358)
Transfer		-	-	-	-	-
At 31 July 2014		2,955	40,159	10,767	-	53,881
<b>Net book value</b>						
At 31 July 2014		24,621	41,731	3,234	524	70,110
At 31 July 2013		25,497	44,159	3,178	1,100	73,934

SGUL realised a profit from the sale of a residential property in Cranmer Terrace of £350k

### 9a Investments

	Note	Consolidated 2013/14 £'000	SGUL 2013/14 £'000	Consolidated 2012/13 £'000	SGUL 2012/13 £'000
<b>At 1 August 2013</b>		<b>6,148</b>	<b>6,148</b>	715	715
Additions at cost	19	2,300	2,300	5,000	5,000
Revaluation (unrealised)		464	454	433	433
Unrealised gain/(loss)		(320)	(320)	-	-
At 31 July 2014		<b>8,592</b>	<b>8,582</b>	6,148	6,148
Represented by:					
Unit Trusts		<b>8,592</b>	<b>8,582</b>	6,148	6,148
		<b>Cost 2013/14 £</b>	Cost 2012/13 £	<b>Cost 2013/14 £</b>	Cost 2012/13 £
Subsidiary companies					
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
		<b>6</b>	6	<b>6</b>	6

# Notes to the Accounts

for the period ended 31 July 2014 continued

## 10 Endowment Asset Investments

	Note	Consolidated	SGUL	Consolidated	SGUL
		2013/14	2013/14	2012/13	2012/13
		£'000	£'000	£'000	£'000
<b>At 1 August 2013</b>		<b>4,839</b>	<b>3,450</b>	4,092	2,871
(Deficit) on activity	14	(98)	(98)	139	139
Unrealised gain on revaluations		116	86	608	440
<b>At 31 July 2014</b>		<b>4,857</b>	<b>3,438</b>	4,839	3,450
Represented by:					
Equities		3,211	2,263	4,702	3,313
Other funds		1,251	882		
Cash and bank balances		395	293	138	138
<b>Endowment asset investments</b>		<b>4,857</b>	<b>3,438</b>	4,840	3,451

## 11 Debtors

	Consolidated	SGUL	Consolidated	SGUL
	2013/14	2013/14	2012/13	2012/13
	£'000	£'000	£'000	£'000
Trade Debtors	3,791	3,791	4,379	4,379
Research Grant balances	2,099	2,099	3,661	3,661
St. Georges Healthcare NHS Trust	2,364	2,364	1,407	1,407
Other debtors	1,240	1,146	1,609	1,582
Accrued Income	577	577	343	343
Prepayments	461	461	525	525
	<b>10,532</b>	<b>10,438</b>	11,924	11,897

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

	Consolidated	SGUL	Consolidated	SGUL
	2013/14	2013/14	2012/13	2012/13
	£'000	£'000	£'000	£'000
Bank Loans	1,192	1,192	865	865
Research grants and contracts	5,908	5,908	8,821	8,821
St George's Healthcare NHS Trust	668	668	703	703
Other Creditors	14,638	14,511	11,608	11,674
Accruals and Deferred Income	2,208	2,208	2,302	2,302
Amounts due to Subsidiary Undertakings	-	227	-	-
	<b>24,614</b>	<b>24,714</b>	24,299	24,365

## Notes to the Accounts

for the period ended 31 July 2014 continued

### 12b Creditors: Amounts falling due within one year

	Consolidated 2013/14 £'000	SGUL 2013/14 £'000	Consolidated 2012/13 £'000	SGUL 2012/13 £'000
Bank Loan - Barclays	14,268	14,268	14,627	14,627
Bank Loan - Santander	11,162	11,162	9,307	9,307
HEFCE Repayable Strategic Development Fund	863	863	1,296	1,296
	<b>26,293</b>	<b>26,293</b>	25,230	25,230

	Consolidated 2013/14 £'000	SGUL 2013/14 £'000	Consolidated 2012/13 £'000	SGUL 2012/13 £'000
The Barclays bank loan is payable as follows:				
In one year or less	359	359	337	337
Between one and two years	375	375	359	359
Between two and five years	1,256	1,256	1,191	1,191
In five years or more	12,637	12,637	13,077	13,077
<b>Total</b>	<b>14,627</b>	<b>14,627</b>	14,964	14,964

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

	Consolidated 2013/14 £'000	SGUL 2013/14 £'000	Consolidated 2012/13 £'000	SGUL 2012/13 £'000
The Santander bank loan is payable as follows				
In one year or less	833	833	528	528
Between one and two years	833	833	528	528
Between two and five years	2,500	2,500	1,586	1,586
In five years or more	7,829	7,829	7,193	7,193
<b>Total</b>	<b>11,995</b>	<b>11,995</b>	9,835	9,835

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

## Notes to the Accounts

for the period ended 31 July 2014 continued

### 13 Deferred capital grants

	Funding Council £'000	Other Grants £'000	Total £'000
Consolidated & SGUL			
At 1 August 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>
Income:			
Building	647	335	982
Equipment	-	6	6
<b>Total</b>	<b>647</b>	<b>341</b>	<b>988</b>
Released to Income and Expenditure:			
Building (Note 1 and 4)	(2,710)	(160)	(2,870)
Released Against Non Capitalised Estates Works	(746)	-	(746)
Equipment (Notes 1)	(12)	-	(12)
<b>Total</b>	<b>(3,468)</b>	<b>(160)</b>	<b>(3,628)</b>
At 31 July 2014			
Building	23,448	4,561	28,009
Equipment	20	6	26
<b>Total</b>	<b>23,468</b>	<b>4,567</b>	<b>28,035</b>

### 14 Endowments

	Consolidated			SGUL		
	Permanent Restricted £'000	Permanent Expendable £'000	Total £'000	Permanent Restricted £'000	Permanent Expendable £'000	Total £'000
Capital Value	2,339	3,116	5,455	997	3,115	4,112
Accumulated Income	153	(768)	(615)	106	(767)	(661)
At 1 August 2013	2,492	2,348	4,840	1,103	2,348	3,451
New endowments	-	11	11	-	11	11
Income for the Year	18	60	78	18	60	78
Expenditure for the Year	(19)	(157)	(176)	(19)	(157)	(176)
	(1)	(97)	(98)	(1)	(97)	(98)
Transfer between funds	10	(10)	-	10	(10)	-
Increase/(decrease) in market value	48	57	105	17	57	74
At 31 July 2014	2,549	2,309	4,858	1,129	2,309	3,438
Represented by:						
Capital Value	2,387	3,184	5,571	1,014	3,184	4,198
Accumulated Income	162	(875)	(713)	115	(875)	(760)
	2,549	2,309	4,858	1,129	2,309	3,438

## Notes to the Accounts

for the period ended 31 July 2014 continued

### 15 Revaluation reserve

	Note	2013/14 £'000	2012/13 £'000
Movements on SGUL and the Consolidated revaluation reserve			
At 1 August 2013		519	86
Revaluation (unrealised)		(298)	433
At 31 July 2014		221	519

### 15a Movement on general reserve

	Note	2013/14 £'000	2012/13 £'000
At 1 August 2013		20,702	20,648
Surplus on continuing operations	8	37	193
Transfers from endowment reserves		98	(139)
At 31 July 2014		20,837	20,702

### 16 Capital commitments

	Note	2013/14 £'000	2012/13 £'000
Consolidated & SGUL			
Commitments approved but not contracted		905	1,186
Commitments contracted as at 31 July 2013		615	1,567

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

	Note	2013/14 £'000	2012/13 £'000
Surplus on general fund		135	54
Reduction in RLCM fixed asset investment		-	139
Depreciation	9	5,927	6,520
Deferred Capital Grants released to Income	13	(3,628)	(3,803)
Endowment Income	18	-	(39)
Realised gain on investment	9a	(144)	-
Unrealised gain on reserves	15	(298)	-
Investment Income	18	(708)	(238)
Share of Deficit in joint venture	23	777	239
Interest Paid On Bank Loan	18	1,219	1,030
Decrease / (Increase) in Stocks		1	-
Decrease / (Increase) in Debtors	11	1,392	2,205
Decrease in Creditors (excluding loans)	12 & 12a	(442)	(6,667)
Net Cash Inflow from Operating Activities		4,231	(560)

## Notes to the Accounts

for the period ended 31 July 2014 continued

### 18 Return on investment and servicing of finance

	Note	2013/14 £'000	2012/13 £'000
Income from Endowments		-	39
Other Investment Income			
Income on Investments		617	58
Interest on Cash Deposits		115	180
Foreign Currency Exchange Loss		(24)	-
		<b>708</b>	238
Interest Paid on Bank Loan		<b>(1,219)</b>	(1,030)
Net Cash Outflow from Returns on Investment and Servicing of Finance		<b>(511)</b>	(753)

### 19 Capital expenditure and financial investment

	Note	2013/14 £'000	2012/13 £'000
Tangible Assets Acquired	9	<b>(2,792)</b>	(4,125)
Tangible Asset Disposals	9	<b>687</b>	-
Deferred Capital Grants received	13	<b>988</b>	876
Fixed Asset Investments in the year		<b>(2,300)</b>	(5,000)
		<b>(3,417)</b>	(8,249)

### 20 Analysis of changes in net debt

	At 1 August 2013 £'000	Cash flow 2013/14 £'000	At 31 July 2014 £'000
Consolidated & SGUL			
Cash at Bank and In Hand	10,038	2,126	<b>12,164</b>
Bank Loan	(24,799)	(1,823)	<b>(26,622)</b>
	(14,761)	303	<b>(14,458)</b>

## Notes to the Accounts

for the period ended 31 July 2014 continued

### 21 Changes in financing during year

	2013/14 £'000	2012/13 £'000
Consolidated & SGUL		
Loan repayment in year	(920)	(493)
Bank Loan Drawn Down In Year	2,743	5,277
Net cash inflow from financing	1,823	4,784

### 22 Access funds

	2013/14 £'000	2012/13 £'000
Grant from HEFCE	70	53
Interest received	-	-
Grants to students	(70)	(53)
Balance refundable to/(payable by) HEFCE	-	-

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 period ended 31 July 2014 continued

### 23 Investment in joint venture

SGUL University 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 the University's behalf by its wholly owned subsidiary, St George's Global 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.

	2013/14 £'000	2012/13 £'000
Income and Expenditure account - SGUL share		
Overseas tuition fees	212	156
Residences	67	67
Other income	346	162
SGUL share of Joint Venture income	625	385
Staff costs	131	126
Depreciation	24	20
Administration	102	63
Premises	366	45
General education expenditure	290	257
Other expenses	489	113
SGUL share of Joint Venture expenses	1,402	624
SGUL share of Joint Venture deficit	(777)	(239)
SGUL share of Joint Venture retained losses	(624)	(385)
	<b>(1,401)</b>	<b>(624)</b>
Balance Sheet - SGUL Share		
Fixed assets	123	94
Debtors	378	249
Cash & Bank balances	102	66
Creditors - amounts due within one year	(814)	(543)
Creditors - amounts due after more than one year	(1,190)	(490)
SGUL share of joint Venture net assets	<b>(1,401)</b>	<b>(624)</b>

# Notes to the Accounts

for the period ended 31 July 2014 continued

## 24 Related Party Transactions

SGUL enjoys a close relationship with St George's Healthcare NHS Trust and other SGUL's 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 independent 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 2014 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 period ended 31 July 2014 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. In 2011 the actuary estimated that if experience remained in line with the assumptions made, the shortfall at 31 March 2014 would be £2.2 billion, equivalent to a funding level of 95%.

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 increases 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 were included, in addition, on account of the variability mentioned above.

As at the 2011 valuation 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 2011 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 benefits 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%.

However, changes in market conditions between March 2011 and March 2014 have had an impact on scheme funding. The next formal triennial actuarial valuation will take place as at 31 March 2014, and work is currently underway to update the actuarial assumptions and allow for any adjustments to the overall funding approach adopted by the trustee board in consultation with stakeholders.

As work on the 2014 valuation is not yet complete the trustee cannot provide the final figure however, an estimate has been provided using the assumptions used to deliver the 2011 actuarial valuation. On that basis, the actuary has estimated that the funding level under the scheme specific funding regime will have fallen from 92% at March 2011 to 85% at March 2014. This estimate is based on the results from the valuation at 31 March 2011 allowing primarily for investment returns and changes to market conditions.

The funding level has decreased mainly due to a decrease in real gilt yields, reducing the implied net discount rate and therefore placing a higher value on the schemes liabilities. This increase has been partially offset by a higher than expected investment return.

On the FRS17 basis, using an AA bond discount rate of 4.5% per annum based on spot yields, the actuary estimates that the funding level at 31 March 2014 was 75%. An estimate of the funding level measured on a historic gilts basis at that date was approximately 61%.

## Notes to the Accounts

for the period ended 31 July 2014 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 (Valuation rate of interest)	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's role is to set risk and return parameters which reflect the strength of the sponsoring employers and the nature of the scheme's liabilities. These parameters, taken together with the anticipated returns form the basis of the trustee's funding strategy. These parameters are informed by advice from its internal investment team, its investment consultant and the scheme actuary, as well as an independent assessment of the support available from the sponsoring employers. The trustee remains confident that it can continue to take a long-term view of the scheme funding backed as it is by a robust Higher Education (HE) sector.

The fund is invested in a wide range of asset classes, both publicly traded (including equities and fixed income) and private (including private equity, infrastructure, property and timberland). A diversified portfolio helps to spread investment

risk across different asset classes and to boost the level of confidence in maintaining sufficient investment returns from the fund as a whole. This investment approach is innovative and responsible, and targeted at achieving returns required to meet the scheme's liabilities. Recently, the trustee has invested directly in infrastructure assets. These investments are typically illiquid, but can achieve attractive inflation-linked returns in ways often not available in the publicly traded markets and which can match the scheme's liabilities to a high degree.

At 31 March 2014, USS had over 162,000 active members and the University had 352 active members participating in the scheme.

The total pension cost for SGUL was £2,676,330(2013: £2,614,563). 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 period ended 31 July 2014 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 ears 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 £603,644 (2013: £555,728). SGUL had 160 active members participating in the scheme as at 31 March 2014.

## 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 £1,116,612 (2013: £1,091,189). SGUL had 134 active members participating in the scheme as at 31 March 2014.

## 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 74 active members participating in the scheme at 31 March 2014. The last actuarial valuation was carried out by Hymans Robertson LLP Limited in 2013. The employer contribution rate is 25.2%.

## Notes to the Accounts

for the period ended 31 July 2014 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 2014 was £143k (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 2013/14 £'000	Consolidated and SGUL 2012/13 £'000
Within 1 year	143	187
Between 1 and five years	146	187
	<b>289</b>	<b>374</b>

## Advisors

---

### Bankers:

Barclays Bank PLC  
1 Churchill Place  
London E14 5HP  
(From 1st July 2013)

### Solicitors:

Mills & Reeve LLP  
Francis House  
112 Hills Road  
Cambridge CB2 1PH

### Auditor's:

#### Internal

Deloitte LLP  
Internal Audit Limited  
3 Victoria Square  
Victoria Street  
St Albans  
Hertfordshire AL1 3TF

#### External

KPMG LLP  
1 Forest Gate  
Brighton Road  
Crawley RH11 9PT

### Investment managers:

Cazenove Fund Management  
Limited  
12 Moorgate  
London EC2R 6DA  
Royal London Cash  
Management  
55, Gracechurch Street,  
London EC3V ORL



**St George's, University of London**

Cranmer Terrace  
London SW17 0RE

tel: **020 8672 9944**

fax: **020 8672 6940**

web: **[www.sgul.ac.uk](http://www.sgul.ac.uk)**