



LONDON
METROPOLITAN
UNIVERSITY

Annual Report and Accounts 2014–15

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London Metropolitan University

A company limited by guarantee with no share capital

Registered in the United Kingdom, registration number 974438

Registered Office:
166–220 Holloway Road
London
N7 8DB
Tel: 020 7423 0000
www.londonmet.ac.uk

The University is an exempt charity under the Charities Act 2011

London Metropolitan University is both a company limited by guarantee with no share capital and an exempt charity, regulated by the Higher Education Funding Council for England (HEFCE). The Charities Act 2011 places an obligation on charities to demonstrate explicitly how they provide public benefit.

The charity trustees of London Metropolitan University are its Board of Governors. They have had due regard to the Charity Commission's guidance on public benefit. This guidance requires, inter alia, that there must be clearly identifiable benefits related to the aims of the charity; that the benefit must be to the public, or to a section of the public; that where the benefit is to a section of the public, the opportunity to benefit must not be unreasonably restricted by geographical or other restrictions or by ability to pay fees; that people in poverty must not be excluded from the opportunity to benefit.

Our primary charitable purpose under the Charities Act, as set out in the company's Articles of Association, is to advance education including industrial, commercial, professional and scientific training for the benefit of the public by carrying on, conducting and developing a University and by promoting teaching and research.

The mission of the University is: **Transforming lives through excellent education**. Our academic vision is to be a university of choice, transforming lives for a diverse range of students from London, the UK and around the world. Further details are contained in our Strategic Plan 2015-2020.

Our students

In 2014-15, the University had 10,828 full-time and 3,258 part-time students based in the UK and 3,453 students studying on collaborative courses overseas (including part-time students expressed as full person equivalents).

Nearly 3,300 students graduated from the University between November 2014 and October 2015. 51% of bachelors awards were at either first or upper second level; 70% of masters awards achieved either merit or distinction.

The University was allocated more than £4.7m from HEFCE for 2014-15, in student opportunity funding which is used to widen access for disadvantaged and disabled students and improve the retention of certain 'at risk' groups of students. This sum was the 21st highest allocation granted to any UK Higher Education Institution by HEFCE that year (out of a total of 131 institutions) and constituted more than 35% of our total HEFCE teaching grant for 2014-15.

The following statistics relate to our 14,086 HE students in 2014-15:

- **61%** were from black and minority ethnic backgrounds;
- **41%** were over 25 years old;
- **12%** had a disclosed disability;
- **97%** of our young, full-time undergraduate entrants in 2014-15 were from state schools or colleges;
- **51%** of our young, full-time undergraduate entrants in 2014-15 were from socio-economic classifications 4-7.

Our bursary and scholarship schemes (primarily through the National Scholarship Programme in 2014-15) are designed to encourage students from diverse backgrounds to study at the University. Scholarships are also available for international students.

Our research

Research and knowledge exchange are an important part of the intellectual culture and life at the University. Staff and students engage in a wide variety of mainly applied research projects that deliver tangible benefits to a range of stakeholders. Evidence of the significant research undertaken at the University was provided in the University's submission to the most recent Research Excellence Framework (REF 2014).

Alongside the research undertaken by staff, London Met students have conducted research on topics such as: forecasting exchange rates, credit risk management, small and medium enterprise development, coastal land management, sustainable tourism, dietary interventions, postnatal depression, intelligent systems, experiences of asylum seekers and refugees, political radicalism, sex trafficking, forced migration, domestic violence, and musical instruments.

Our engagement with enterprise and community

The role of our enterprise activity is to encourage and demonstrate impact – both social and economic – from the University's knowledge base. This encompasses the creation of impact through education via delivery of Continuing Professional Development (CPD); impact through research delivered as Knowledge Transfer Partnerships (KTPs) or other forms of collaborative applied and contract research; impact on the student experience and employability through the development of enterprise skills and the opportunity to practice and develop them through placements and business creation; and impact on the wider community through public engagement in research and teaching.

Enterprise activities over the past twelve months include:

- The Student and Graduate Enterprise unit based within the Accelerator incubator provides an ideal environment for effectively engaging with our students as enterprise and entrepreneurship becomes an integral element within a number of courses offered by the University. The Student Business Hatchery, open solely to our graduates, goes from strength to strength, with support including an intensive 10 week start up programme focused on testing and validating a business opportunity followed by 6 months of free office space and mentorship to launch the new company. Our annual business competition – the Big Idea Challenge – also had its most successful year with the introduction of ‘Commercial, Social Impact and Creative’ categories. The 12 finalists received over 3,100 unique votes from 91 countries for their 60 second pitch videos. In 2014-15 Student and Graduate Enterprise engaged with over 1,500 students and received over 480 faculty wide applications for our competitions and competitive programmes.
- The Faculty of Social Science and Humanities has established Project Oracle, London’s first children and youth evidence hub, managed by The Social Innovation Partnership and London Metropolitan University. The project which is now in its third year is funded by the Greater London Authority (GLA), the Mayor’s Office for Police and Crime (MOPAC) and the Economic and Social Research Council (ESRC). It aims to improve the chances for children and young people in the capital by promoting quality evidence of what works, working with a wide range of charitable and non-governmental partners to improve their evaluation mechanisms.
- The Faculty of Social Science and Humanities is also home to the School of Social Professions, which produces several hundred graduates each year who are trained as teachers, social workers, youth workers, nursery workers and workers in health and social care. These graduates fill major gaps in the capital’s supply of skilled labour, and provide vital services to London residents.
- The Faculty of Life Sciences and Computing (FLSC) has an embedded World of Work (WOW) IT Agency which provides businesses and charitable organisations with affordable IT solutions. A WOW agency spin-off initiative, called WoWBiz, allows local businesses to get small projects completed at zero cost to businesses. Five WOW agency and eight WOWbiz projects have been carried out in 2014-2015, with about 100 students and graduates gaining work related learning experience on these two initiatives. There are three successful KTP projects in FLSC with partners including Coborn Ltd, Ask outlets and E-connect cars. FLSC provides a SALSA (food-safety standard) audit service and offers a dedicated SALSA mentoring and training service to small and medium sized food businesses. In 2014-2015, the faculty has provided the service to 9 businesses and delivered 3 food safety training courses. FLSC currently operates an elemental analysis service for the determination of carbon, hydrogen, and nitrogen (%CHN analysis). About 44 universities and businesses have benefited from this service. FLSC also offers psychology consultancy services on subjects such as ‘Consumer Psychology’, ‘Health psychology’, psychology experts from the faculty appeared in ITV Online and BBC News 24 to discuss subjects such as ‘consumerism at Christmas’ and ‘Black Friday’.
- The Sir John Cass Faculty of Art, Architecture and Design (the Cass) is working or continuing work on activities such as ‘Made in Hayes’, a cross faculty project commissioned by the local MP John McDonnell; The Roman Road Project, a three year project in partnership with Tower Hamlets to re-imagine the area around the Roman Road as a ‘Civic Neighbourhood’ forming its identity through collaborative architectural practice, tapping into the vibrant mix of social rituals and local customs; being an active member of the Aldgate Public Realm Working Group; Re-Fashion East Workshops designed to promote sustainable and non-exploitative fashion: the EU funded Grundtvig project ‘Time Case’, which explored the role of participation and cultural memory in building more cohesive communities; collaboration with the Toynbee Hall for MA students in the School of Design; with St Botolph’s without Aldgate, a competition for a new Hall to support the needs of the Church, community and local area; the National Art and Design Saturday club, an annual year-long project for local 14-16 year old school pupils from diverse backgrounds that leads to an exhibition at Somerset House; with Sir John Soane’s Museum to create designs that responded to the theme of the Primitive Hut, the results were exhibited outside Sir John Soane’s Museum in June, during the London Festival of Architecture; and hosted the opening event for Photomonth and the Faculty’s Bank Gallery was the main hub for the network of exhibitions across the East End.
- The London Guildhall Faculty of Business and Law continues to support its students to reach out into the business, legal and managerial communities. Examples include: assessment collaborations with Standard Chartered and State Street Banks where students present solutions to banking industry problems, sports development projects with Barclay’s Spaces for Sport and business case studies for Upper Street Events event management company; Accredited work placement modules with large and small organisations, for example Burberry, Credit Unions and local housing associations; industry visits, for example – Airbus and Boeing factories, the Bank of England and smaller local businesses e.g. Gail’s Bakery; experiential learning, including running a West End club night for several weeks which required sourcing acts and promotion; talks from professional bodies such as CIPD and CIMA; and Faculty teams competing in business challenges including the University Business Challenge, Amnesty International Raise-Off and the National Mooting (Legal) Competition
- Careers and Employability activities are provided across the whole student lifecycle and significant public benefits in 2014/15 include but are not limited to our partnership with Keystone Recruitment Agency to deliver ‘Met Temps’ for on campus jobs.

Environment

In 2014/15 London Metropolitan University was listed as in the top 15 Universities for carbon reduction, exceeding its carbon reduction target of 33% by the end of 2014 by 10%.

Payments to trustees

No payments were made to the charity trustees during the year except in reimbursement of expenses incurred on the University's business. These expenses amounted to £4k (2013-14 £4k).

Financial highlights

An operating deficit of £3m before staff restructuring costs and exceptional items. £5m better than the budgeted deficit of £8m, but £1m higher than 2013-14.

A surplus for the year of £66m, as a result of property transactions offsetting operational deficits and restructuring costs.

Income was £4m below budget for the year, after taking into account a £3m donation from the Sir John Cass's Foundation. Tuition fees were £8m below budget as, although we were re-awarded Highly Trusted Status in Autumn 2014, the re-growth of international student numbers was slower than expected, partly as a result of increasing scrutiny to ensure that sponsored students are likely to be awarded a student visa by UKVI. Planned growth from new recruitment and retention initiatives was also slower than expected.

As a result of the shortfall in income, we did not achieve two of the key financial performance indicator targets expressed as a percentage of income.

Measure	2014 - 15 Actual	2014 - 15 Target	2013 - 14 Actual
Operating deficit as a percentage of income	(2.5)%	(6.5)%	(0.6)%
Liquidity (total expenditure excluding depreciation)	264 days	37 days	54 days
Net operating cash flow as a percentage of income	(4.1)%	(1.4)%	(4.0)%
Cost of staff, excluding restructuring costs, as a percentage of income	65.1%	63.4%	61.0%
EBITDA	£1.1m	£0.4m	£5.4m

Steps put in place during the year to make cost-savings against budget compensated for the shortfall in income, so that the operating deficit before unbudgeted restructuring costs was £2m better than budget. A restructuring exercise, aimed at reducing staff cost towards our sector benchmark, reduced staff numbers by approximately 165 posts, with cost reductions from the start of 2015-16.

As part of the ongoing rationalisation of our estate to the required level, in September 2014 we completed the sale of the Stapleton House complex for £30.3m and, in June 2015, sold property at Commercial Road for £53m to the Department of Education, for use as a Free School. These exceptional property transactions, together with the sale of a house in Enfield and the handing back of our Jewry Street building to the Sir John Cass Foundation, the early surrender of two leases increased our surplus for the year to £66.3m.

Balance sheet

£14m was invested in the estate and IT infrastructure during the year.

The University's share of the deficit in the London Pensions Fund Agency fund rose by 9%, from £89.9m to £97.8m, mainly as a result of changes in actuarial assumptions. High past service pension costs as longevity increases continues to represent a significant risk to the University.

As a result of realised gains on property sales, our total funds increased from £33m to £80m. Cash and deposits totalled £78m at 31 July 2015, an increase of £62m from 31 July 2014.

Net assets before pension liabilities increased by 45%, from £123m to £178m.

Members of the Board of Governors

The members of the Board of Governors of London Metropolitan University as at 31 July 2015 are listed below.

Unless otherwise stated, all members served throughout the year.

	Date of appointment
Clive Jones (Chair, ASC, FRC,GC, RC [Chair])	
Rolande Anderson (FRC, RC)	23 March 2015
Kathryn Castle (AB, ASC, Emp)	
Pauline Curtis (AC, GC)	23 March 2015
Emir Feisal (FRC [Chair], RC)	
Rob Hull (Vice-Chair, AC [Chair], ASC, RC)	
Maureen Laurie (FRC, RC)	
Tony Millns (GC [Chair], RC)	
Ann Minogue (Vice-Chair, FRC, RC)	
Daleep Mukarji (AC, HSAG [Chair])	
Michael Murphy (AC, HSAG)	
Obie Opara (ASC, St)	
John Raftery (AB [Chair], ASC, FRC, GC, RC, Emp)	
Cathy Sullivan (Emp)	
Dianne Willcocks (ASC [Chair], GC)	

Independent co-opted committee members

Jane Broadbent (AC)

Richard Indge (AC)

Eileen Milner (ASC)

Avnish Savjani (AC)

In their capacity as directors, none of the Board of Governors held any interest in any contract with the University.

Three of the directors who served during the year to 31 July 2015 had contracts with the University in their capacity as employees. None of the directors had a beneficial interest in any Group company.

Changes in membership during the year and after the year-end

The Board agreed in July 2015 to discontinue the Academic Strategy Committee, with its remit being covered in future by the Academic Board and the Board of Governors.

John Duke's membership was changed on 25 September 2014 to serve as an independent co-opted member of the Finance and Resources Committee. John Duke stepped down as an independent co-opted member of FRC on 2 March 2015.

Katherine Farr passed away on 3 November 2014. Rob Hull succeeded her as chair of the Audit Committee until 31 July 2015.

Mark Robson stepped down as an independent Governor on 30 September 2014. Maureen Laurie and Daleep Mukarji stepped down as Independent Governors on 31 July 2015.

Adrian Kamellard was appointed as an Independent Governor and chair of the Audit Committee from 1 August 2015.

Obie Opara's second term as President of the Students' Union (and hence his second term as Student Governor) commenced on 1 July 2015.

KEY:

(AB) Member of Academic Board (AC) Member of Audit Committee (ASC) Member of Academic Strategy Committee (Emp) University Employee (FRC) Member of Finance and Resources Committee (GC) Member of Governance Committee (HSAG) Member of Health and Safety Assurance Group (RC) Member of Remuneration Committee (St) Student Governor

Senior Management Team

The members of the Senior Management Team of London Metropolitan University as at 31 July 2015 are listed below.

Senior Management Team

Vice-Chancellor and Chief Executive

Deputy Vice-Chancellor

Deputy Chief Executive

Dean of the CASS Faculty of Art Architecture and Design

Dean of Guildhall Faculty of Business and Law

Dean of Faculty of Life Sciences and Computing

Dean of the Faculty of Social Sciences and Humanities

Director of Office of Institutional Effectiveness

Clerk to the Board of Governors and University Secretary

Director of Finance

Professor John Raftery

Professor Peter McCaffery

Paul Bowler

Professor Robert Mull

Professor Stephen Perkins

Professor Dominic Palmer-Brown

Doctor Elizabeth Charman

Lynn Burke

Peter Garrod

Pam Nelson

Advisers

External Auditors

KPMG LLP
15 Canada Square
Canary Wharf
London E14 5GL

Bankers

Barclays Bank Plc
Holloway & Kingsland Business Centre
London E8 2JK

Endowment Investment Custodians

Fidelity Investments
Oakhill House
Hildenborough
Tonbridge
Kent TN11 9DZ

Endowment Investment Managers

Henderson Global Investors Ltd
201 Bishopsgate
London EC2M 3AE

Insurers

Arthur J. Gallagher
Station Square
One Gloucester Street
Swindon SN1 1GW

Zurich Municipal
Southwood Crescent
Farnborough
Hampshire GU14 0NJ

Internal Auditors

PricewaterhouseCoopers LLP
7 More London Riverside
London SE1 2RT

Property Advisers

DTZ Debenham Tie Leung Ltd
125 Old Broad Street
London EC2N 2BQ

Solicitors

Michelmores LLP
Woodwater House
Pynes Hill
Exeter
Devon EX2 5WR

Penningtons Manches LLP
Abacus House
33 Gutter Lane
London EC2V 8AR

Shoosmiths LLP
Russell House
1550 Parkway
Solent Business Park
Fareham, Whiteley
Hampshire PO15 7AG

Veale Wasbrough Vizards
Orchard Court
Orchard Lane
Bristol BS1 5WS

Weightmans LLP
Second Floor, 6 New Street Square
New Fetter Lane
London EC4A 3BF

Statement of responsibilities of the Board of Governors

The Education Reform Act 1988 vested the custody and control of all assets and affairs in the Board of Governors of the University.

Under the University's revised Articles of Association approved in July 2014 (to take effect on 1 August 2014), the Board of Governors is responsible for 'determining the educational character and mission of the University, for stewardship of its resources and for oversight of its activities' (Article 11.1).

The Companies Act 2006 and the Memorandum of Assurance and Accountability with HEFCE (the Memorandum) require the Board of Governors to ensure that financial statements are prepared for each financial year which give a true and fair view of the state of affairs of the University and the Group, and of the income and expenditure, cash flows and recognised gains and losses of the group for that period.

In causing the financial statements to be prepared, the Board has to ensure that:

- suitable accounting policies are selected and then applied consistently;
- judgments and estimates are made that are reasonable and prudent;
- applicable accounting standards and statements of recommended practice are followed. Any material departures are disclosed and explained in the financial statements; and
- the financial statements are prepared on a going concern basis unless it is inappropriate to presume that the Group will continue in operation.

To assist the members of the Board of Governors in discharging its ultimate responsibility, the University's Finance and Resources Committee and, where appropriate, the Audit Committee, are responsible for ensuring that proper accounting records are kept which disclose with reasonable accuracy at any time the financial position of the University and the Group and to enable it to ensure that the financial statements comply with the Companies Act 2006, the Accounts Direction issued by HEFCE and the Statement of Recommended Practice: Accounting for Further and Higher Education. The Finance and Resources Committee and the Audit Committee also have responsibilities for ensuring that the assets of the group are safeguarded and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Members of the Board of Governors are responsible for ensuring that funds from HEFCE are used only in accordance with the Memorandum of Assurance and Accountability with HEFCE and any other conditions which HEFCE may from time to time prescribe. Members of the Board must ensure that there are appropriate financial and management controls in place sufficient to safeguard public funds and ensure that they are used only in accordance with the conditions under which they have been made available. In addition, members of the Board are responsible for promoting the economic, efficient and effective management of the University's resources and expenditure, so that the benefits derived from the application of public funds provided by HEFCE are not put at risk.

Statement of Directors' responsibilities in respect of the Directors' report, the Strategic report and the financial statements

The directors are responsible for preparing the Directors' report, the Strategic report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

Under company law the Board of Governors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the University and of the profit or loss of the University for that period. In preparing these financial statements, the directors are required to:

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

The Board of Governors is responsible for keeping adequate accounting records that are sufficient to show and explain the Group and University's transactions and disclose with reasonable accuracy at any time the financial position of the Group and University and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the University and to prevent and detect fraud and other irregularities.

The Board of Governors is responsible for the maintenance and integrity of the corporate and financial information included on the University's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

This statement is intended to help readers understand the corporate governance procedures that are in place at the University. It covers the period from 1 August 2014 to the date of approval of the audited financial statements.

The moral and ethical environment

The University endeavours to conduct its business in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership).

In accordance with these principles the University maintains a publicly accessible register of governors' interests and declared charity trusteeships. Provisions relating to the declaration of interests are specified in the University's Articles and in the Board Regulations approved by the Board. All governors are asked to declare their interests on appointment and at least annually thereafter. Members are asked to declare any interests they may have in business on the agenda at the beginning of each meeting of the Board and its sub-committees.

The Board has regard to the voluntary Higher Education Code of Governance issued by the Committee of University Chairs (CUC). During the year, the Board's Governance Committee carried out a mapping of the University's compliance with the new edition of the Code published by the CUC in December 2014 and found that there were no fundamental gaps in the University's compliance. The mapping will inform further development of the University's governance in 2015-16. As the University is a charity, the Board has also had regard to the Charity Commission's guidance on public benefit.

How the University is governed

The University is a company limited by guarantee and an exempt charity, which means that the governors are simultaneously company directors and charity trustees. Its governing document is the Memorandum and Articles of Association. The current Articles were approved by the Privy Council on 3 June 2014, and adopted by the Board of Governors on 24 July 2014 to take effect from 1 August 2014.

The Board consists of staff, student and independent (non-executive) members, and is structured so that the independent members form an absolute majority. The roles of Chair and Chief Executive (Vice-Chancellor) are separated. The Articles stipulate that neither staff nor student members of the Board are eligible to serve as Chair of the Board. There is thus a clear division of responsibility.

The Board is responsible for the ongoing strategic direction of the University, its financial solvency, approval of major developments, and the receipt of regular reports from the Executive on the day-to-day operations of the University and its subsidiary companies. Under the Articles of Association a number of matters are reserved to the Board. During the year, the Board approved a Scheme of Delegation to define how responsibilities are delegated to the Board's Committees and to the Vice-Chancellor and other members of the Executive. The Board also approved Board Regulations which set out in detail how matters which the University's Articles envisage being governed by Regulations will operate and how matters set out in the Articles will operate on a day to day basis. The Board Regulations provide an overarching framework for other University Regulations, including the Academic Regulations (approved by the Academic Board under delegated authority), the Financial Regulations and the Scheme of Delegation.

The Board has established an Academic Board which is responsible under delegated authority from the Board of Governors for maintaining and enhancing the academic performance of the University in teaching, examining and research, and for advising the Board of Governors on matters relating to the educational character and mission of the University. In November 2014 the Board of Governors approved new terms of reference for the Academic Board, reflecting the Articles of Association, to improve the Academic Board's engagement with academic strategy.

London Metropolitan University's Students' Union is a company limited by guarantee with charitable status. While the Students' Union is an independent organisation with considerable responsibility for and autonomy in its own affairs, the University's Board of Governors is responsible under the Education Act 1994 for general oversight. The University values its students and to that end the President of the Students' Union is a member of the Board of Governors. The Board also appoints one of the Students' Union's external trustees and has appointed Rob Hull to this role.

Governance during the year

In the year to 31 July 2015 the Board met six times. In addition it held two Strategy Days, in December 2014 and June 2015, where it discussed the development of a new Strategic Plan for the University covering the period 2015-2020. The Strategic Plan was approved by the Board on 2 July 2015.

The Board's sub-committees are:

- Academic Strategy Committee (in abeyance for 2014-15 and formally discontinued by the Board of Governors on 2 July 2015)
- Audit Committee (met four times in 2014-15)
- Finance and Resources Committee (met four times in 2014-15)
- Governance Committee (met three times in 2014-15)
- Health and Safety Assurance Group (met twice in 2014-15)
- Remuneration Committee (met once in 2014-15)

These committees are formally constituted with appropriate terms of reference, approved by the Board of Governors, which are regularly reviewed. The Scheme of Delegation approved by the Board in November 2014 defines the responsibilities delegated to committees by the Board. The Board of Governors receives a report of each committee meeting, which is presented to the Board by the chair of the committee. With the exception of the Health and Safety Assurance Group, the majority of each committee's membership consists of independent governors and co-opted members, and the chair is always an independent governor.

Following a review of the Board's effectiveness in 2013-14, the Academic Strategy Committee was in abeyance in 2014-15 while its relationship with the Academic Board was reviewed. Following a review by the Academic Board of the academic committee system (including the Academic Board, the Academic Board's subcommittees and the Academic Strategy Committee), the Board of Governors agreed on 2 July 2015 that the Academic Strategy Committee should be replaced with an annual meeting between the Board and the Academic Board to discuss academic strategy.

The Audit Committee, chaired by Katherine Farr until her death in November 2014 and then by Rob Hull until 31 July 2015, reviews the work of the internal and external auditors and considers their reports, together with recommendations for the improvement of the systems of internal control and management responses and implementation plans. It reviews the University's annual financial statements and the appropriateness of its accounting policies. It also provides oversight of the risk management process on the Board's behalf. The committee receives and considers reports from HEFCE insofar as they affect the University's business and monitors adherence to regulatory requirements. Members of the Executive attend Audit Committee meetings as necessary, but are not members of it. The Chair of the Board is not a member and does not attend its meetings. Adrian Kamellard was appointed as an Independent Governor from 1 August 2015 and also became chair of the Audit Committee from that date.

The Finance and Resources Committee, chaired by Emir Feisal, reviews and recommends to the Board of Governors the University's annual capital and revenue budgets and the financial forecasts submitted to HEFCE. Its role includes inter alia reviewing the University's financial regulations and its draft financial statements, monitoring financial performance, and considering estates and human resources matters. No members of the Finance and Resources Committee serve on the Audit Committee.

In February 2015 HEFCE conducted an Assurance Review to examine how the University exercises accountability for the public funding which it receives. The report of the review concluded that HEFCE was able to place reliance on the University's accountability information and that the governance of the University appeared to be working well.

The Governance Committee, chaired by Tony Millns, is responsible for making recommendations to the Board about filling vacancies in Board and Committee membership and about the award of honorary degrees. It has a remit to consider any governance matters.

The Health and Safety Assurance Group, chaired by Daleep Mukarji until 31 July 2015 (succeeded on 1 August 2015 by Michael Murphy), is responsible for providing assurance that the University is managing the delivery of its responsibilities relating to health and safety; has the necessary systems, policies, and staffing to ensure adoption of good practice and compliance with its statutory responsibilities; and that the Health and Safety Strategy approved by the Board is being implemented effectively by the executive. Operational matters are considered by the Health and Safety Committee, which is an executive committee.

The Remuneration Committee, chaired by Clive Jones, considers the salaries and terms and conditions of service of senior staff, including the Vice-Chancellor, the Deputy Vice-Chancellor, the Deputy Chief Executive, the Director of Finance and the University Secretary.

Mark Robson was a member of the Board of HEFCE from July 2012 until the end of his term on the Board of Governors in September 2014. This was considered to give him a declarable interest in every meeting he attended and his interest was declared and noted accordingly.

Internal control

The Board of Governors is responsible for ensuring a sound system of internal control to support the University's policies and objectives. It is responsible for safeguarding the public and other funds available to the University under the Memorandum of Assurance and Accountability with HEFCE.

Internal control is designed to manage rather than eliminate the risk of failing to achieve business objectives. It can only provide reasonable, not absolute, assurance against material misstatement or loss. It is also designed to prevent and detect fraud and other irregularities.

The system of internal control is informed by a continuous process to identify, evaluate and manage the University's significant risks, linked to the achievement of institutional objectives. This process covers business, operational and compliance as well as financial risk, and has been in place for the year ended 31 July 2015 and up to the date of approving these financial statements.

The effectiveness of the system of internal control is assessed in the following ways:

- The Board receives regular progress reports on Risk Management and confirms there is a clear policy and plan of risk management, which has been communicated to the Faculties and Professional Service Departments (PSDs). In March 2015 the Director of the Strategic Programme Office commenced a review of risk management good practice and has started the process of revising the current policy documents and process with changes expected to be approved in November 2015;
- The Corporate Risk Register is updated throughout the year and identifies the main risk owners and risk-mitigating actions. Risks are scored by likelihood and impact and are ranked accordingly. Risk registers are also maintained for each Faculty and PSD, as well as for major projects in which the University is involved;
- The Executive Group meets quarterly as a Risk Committee to review all aspects of the Corporate Risk Register;
- The Audit Committee oversees the arrangements for risk management and at each meeting receives a report on the Corporate Risk Register as well as a monitoring report on the risk management processes in place in Faculties and PSDs. Members of the Board receive the minutes of each meeting of the Audit Committee;
- At each meeting the Audit Committee also receives a presentation on local risk management by a Dean of Faculty or head of PSD. This enables the Committee to test local understanding of risk management and to act as a 'critical friend' to the University;
- Each year the Audit Committee approves a programme of specific internal audits for the following year, in addition to a programme of continuous auditing of the core financial systems. The programme of internal audit is based around a structured assessment of system risks within the University's operations and is reviewed in-year to ensure that emerging issues are addressed;
- The Audit Committee receives reports from the internal auditors at each meeting. These reports provide an independent opinion of the adequacy and effectiveness of the University's arrangements for risk management and the internal control systems, together with appropriate recommendations. The internal auditors also report as a matter of course on the progress made in implementing recommendations from previous reports; and
- The Director of Finance and the University Secretary attend meetings of the Audit Committee and have direct and independent access to members of that Committee, as do the internal and external auditors.

The Board, through the Audit Committee, has reviewed the effectiveness of the system of internal control operating in 2014-15 and up to the date of approval of the financial statements.

Significant internal control issues

The issue of significant internal control that arose during 2011-12 continued through to the beginning of the year under review, namely the UK Visas and Immigration's (UKVI's) suspension and subsequent revocation in 2012 of the University's Highly Trusted Sponsor Status (HTS) licence.

Following satisfactory audits of the University's Tier 4 and Tier 2 responsibilities, a new licence was awarded on 9 April 2013 with an 'A' rating. This enabled the University to resume recruitment of international students, albeit with some restrictions, and allowed an application for full HTS status to be made on 9 April 2014. In September 2014 the University was informed by UKVI that its application had been successful.

The financial statements on pages 30 to 63 were approved by the Board of Governors of London Metropolitan University on 26 November 2015, and signed on its behalf by:

Clive Jones

Chair of the Board of Governors

Professor John Raftery

Vice-Chancellor and Chief Executive

The Board of Governors (the Board), as the directors of London Metropolitan University, presents the University's annual report and audited financial statements for the year ended 31 July 2015.

Basis of preparation of the financial statements

The financial statements have been prepared to comply with the Companies Act 2006 and the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education.

The Board has examined financial forecasts based upon these audited financial statements and estimates of income, expenditure and cash flow for the period to 31 July 2018. For the purpose of their going concern review, the Board has focused on the period to 30 November 2016.

The Board approved a budget for 2015-16 in July 2015 which showed a planned operating deficit of £21m. To address this, a major review of the University's sustainability ('Project Oak Tree') commenced in May 2015 and reported to the Board in October 2015. As a result, the Board approved a plan 'One Campus | One Community', to consolidate the University on a single campus, bringing all of its teaching and academic departments together to create a showpiece campus in Islington with investment of £125m, and facilitating the reduction operational costs through rationalisation of services.

The cash flow forecast for 2015-16 shows a cash balance of £33m at 31 July 2016 after funding £28m of capital investment and £3m repayments of loans and grant. A £10m overdraft facility has been put in place to support the University's working capital requirements should there be fluctuations in cash receipts and payments compared with the monthly cash flow forecast. The forecast cash balance at 31 July 2017, before raising finance to fund the intended investment in 'One Campus | One Community' is -£4m after funding £20m capital investment and £3m repayments of loans and grant in 2016-17. To fund the required investment and ensure that we maintain sufficient working capital, properties at Aldgate have been placed on the market. The forecasts will be regularly updated as detailed planning for 'One Campus | One Community' is developed.

Based upon its review of the financial forecasts, the Board is satisfied that these financial statements are properly prepared on a going concern basis. The Board considers that the use of the going concern basis is appropriate because, at the date of approval of the financial statements, it is not aware of any material uncertainties related to events or conditions that might cast significant doubt as at the date of approval of the financial statements about the ability of the University to continue as a going concern.

Constitution

London Metropolitan University is a company limited by guarantee with no share capital, with up to 15 members limited in liability to the sum of £1 each.

In the event of winding up, each member of the University and any person who ceased to be a member within one year of the date of the winding up is liable to contribute a sum not exceeding £1.

Subsidiary trading company

London Metropolitan University Enterprises Limited has entered into Gift Aid arrangements in order that its taxable profits can be donated to the University. In 2014-15 the company made a surplus of £462k (2013-14: deficit £15k). This company is fully consolidated into the Group accounts.

Donations

The Group makes no political or charitable donations.

Auditors

A resolution to re-appoint KPMG LLP as auditors will be proposed at the next Annual General Meeting.

Creditor payment policy

The University is committed to the prompt payment of its suppliers' bills. The University aims to pay bills in accordance with agreed contractual conditions or, where no such conditions exist, within 45 days of receipt of goods and services or the presentation of a valid invoice.

Approval of financial statements by the Board

The financial statements on pages 30 to 63 were approved by the Board of Governors of London Metropolitan University on 26 November 2015, and signed on its behalf by:

Clive Jones
Chair of the Board of Governors

166–220 Holloway Road
London N7 8DB

Strategic Management

2014-15 was the final year of our 'Strategic Plan 2013/15'. This was designed to build on the 2010/13 strategic plan, by reconfirming our mission, extending several key aspects of the 2010/13 plan while also including new features to meet the University's rapidly changing circumstances. It was a transitional plan to a bolder repositioning of the University from 2015 onwards, as an institution able to meet its aspirations for quality education through a clearer focus upon higher education outputs, staff service, student satisfaction, rationalisation of estates and technological facilitation of learning.

Our priorities for 2013/15 were:

- **Quality Higher Education**
- **Fair Access**
- **Sustainability**

Commentary on each of these strategic priorities is included in the business performance section below.

A significant factor during 2013-14 has been the worsening of our forecasts of student numbers and, as a result, our financial forecasts. To mitigate the impact of lower than forecast enrolment during 2014-15, in March 2015 a number of immediate actions were approved by the Board, including a redundancies to reduce staffing levels towards sector benchmarks. They also approved the 'Project Oak Tree' review of our financial sustainability, referred to below.

Strategic Plan 2015-2020

Our new Strategic Plan 2015-2020 was published in July 2015. In his foreword, the Vice-Chancellor recognised that London Met enters the 2015-2020 period facing greater challenges than perhaps at any point in its history, some internal and specific to the University and others relating to the rapid and radical changes in higher education as a whole. The two primary goals of the 2015-2020 Strategic Plan are to secure financial sustainability and to improve outcomes for our students. Full details can be found in our Strategic plan 2015-2020, available on the University's website.

Since the Board's approval of the Strategic Plan 2015-2020, attention has been focused firmly on its delivery. The success of the Strategic Plan is reliant on the University community understanding and uniting behind it. Over the Summer, the University has worked to develop a nuanced academic vision to translate that mission into what type of university London Met should aim to be, and how the institution should seek to differentiate itself. The result of this work is a new clarity and a clear differentiation.

London Met students are more mature, more diverse, more local and more disadvantaged than those at comparable universities. Students place their trust, and invest significant amounts of their time and money in London Met, primarily to enhance their prospects of employment and fulfilling careers. London Met responds to this in three ways: through curriculum, delivery and partnership.

- Curriculum needs to be fit for the needs of the time with a clear focus on higher skills and employment, as well as educational outcomes.
- Delivery needs to be in ways that enable learners to access bespoke engagement with courses, leading to asynchronous participation that can fit around existing complex lives.
- Partnership is exemplified in three ways: First, through a vigorous and public focus on working in partnership with the student community, for example on the Student Led Module Feedback Scheme (to be launched in December 2015) and the Peer Assisted Student Support (PASS) scheme, launched in February 2015. Second, by providing access to high quality student placements through a network of employers and voluntary organisations, which the University will assist with. Third, through a 'presumption in favour' of all appropriate part time vacancies at the University being filled by current students, leading to more students becoming more invested and more engaged with the University.

The Summer has also seen an intense focus on 'Oak Tree', the project to develop options for a sustainable London Met. As the work on Oak Tree progressed, the outlook with respect to student numbers continued to deteriorate, as the impact of the lifting of the student number cap and the tightening of visa requirements became clearer. Based on the continuation of current trends and extensive modelling, the University and its specialist advisers, Ernst and Young (E&Y), have used a projected 2017/18 student headcount of approximately 10,000 in developing and considering the Oak Tree options.

At its meeting on 8 October 2015, after considerable discussion of options, the Board approved the disposal of properties at Aldgate and Moorgate and the investment of £125m to consolidate the University onto a single site at Holloway, accompanied by a major programme of organisational design and performance improvement.

This provides a coherent vision of a united London Met, to realise an exciting future for our students and staff – One Campus|One Community.

From September 2017, we will start to move all teaching to Holloway, to enable greater collaboration and an enhanced student experience.

Financial strategy

Our financial strategy aims by the end of the strategic planning period to:

- Produce an annual operating surplus of greater than 5% of income, with an aim of 8%.
- Reduce staff costs as a percentage of income to match the average for similar London Higher Education Institutions.
- Improve operating cash flow as a percentage of income to match the sector average
- Maintain liquidity as a number of days expenditure, matching the sector average

Business model

The University has four faculties: the Cass Faculty of Art, Architecture and Design; the London Guildhall Faculty of Business and Law; the Faculty of Life Sciences and Computing and the Faculty of Social Sciences and Humanities. These faculties are supported by Professional Service Departments, including Academic Registry, Student Services, Library Services and other corporate services.

Our Resource Allocation Model attributes fee, grant and other income to each of our four faculties, based on student enrolments and other work done in each faculty. Professional Service Department and other indirect costs are allocated using cost drivers based on staff numbers, student numbers and estates usage.

Business environment

Higher Education institutions in England operate in a challenging environment that has changed significantly over the last five years and continues to change.

The transition from teaching grant to student fees emphasises the focus on students as our main funder. The introduction of Key Information Sets, the National Student Satisfaction Survey and the Destinations of Leavers from Higher Education survey provide easily accessible data that our stakeholders can use to compare institutional performance.

The previously state-funded university sector faces growing competition from private providers, who are able to respond swiftly to market demands without the legacy requirements of large estates, nationally negotiated pay and contracts and mandatory membership of sector pension schemes. The lifting of the student number cap means that all Higher Education Institutions (HEIs) are free to increase their size. There is also increasing competition from universities overseas, many of which now offer teaching in English, both for students from outside the UK and for UK 'home' students.

These factors have contributed to increasing competition in all our main areas of student recruitment.

Principal risks and uncertainties

The Risk Committee has been closely monitoring the University's specific risks as well as emerging risks to the sector.

During 2014-15 the major risks to the University have been, and continue to be:

- failure to improve our academic reputation;
- failure to achieve financial sustainability;
- failure to meet student recruitment and retention targets.

While the overall risk rating and the mitigations against these risks have varied through the year these continue to be the main risks for the University. Risk controls include savings plans, scenario planning, a project management approach to major initiatives and regular review by senior managers. Risks are reported to the Audit Committee and the Board of Governors.

Business Performance

Quality Higher Education

During 2014-15 the University continued the implementation of Met2020, a project designed to improve and invest in our core activities. Student outcome work-streams addressed student recruitment, retention, progression, achievement and satisfaction. Significant investment supported a variety of projects including piloting a new academic mentor scheme and additional resource to match student number growth in particular subject areas and particular modes of study, as well as improvements in infrastructure and additional marketing. The staff- focused work-stream aims to enhance staff development and engagement.

Our Strategic Plan 2012-2020 builds on Met2020 with a key priority of improving Academic Sustainability through its Programme to Improve Student Outcomes.

National Student Survey

In the National Student Survey 2015, London Metropolitan University achieved an overall satisfaction rate of 78% – a 2% increase on last year – which is the University's highest ever rating. The overall satisfaction rate excluding students taught at partner colleges was marginally higher at 79%.

There were year-on-year improvements in terms of students' satisfaction with assessment and feedback (+5%); course organisation and management (+4%); academic support (+4%); and teaching (+3%).

We launched a University-wide Course Leaders' Forum to support effective course management through the dissemination of good practice aimed at enhancing student belonging and success. New management information has also been developed to support Course Leaders in evaluating course performance as well as module performance.

Destination of Leavers Survey

The Destination of Leavers in Higher Education survey of those graduating in 2013-14 reported that 88.8% of our FT, First Degree, UK-domiciled graduates were employed or engaged in further study within six months of completing their course. This was just 0.1% below the target for our group of benchmark institutions set by HESA each year. This employment rate represented a considerable improvement of 7.4% on the 2013-14 and is the highest rate ever achieved by London Metropolitan University.

Fair Access

Student numbers

Student numbers, taken from the returns submitted to the Higher Education Statistics Agency (HESA) in the autumn of each academic year are shown in the table below, expressed as full person equivalents.

	2014–15	2013–14	2012–13
Full Time (Home/EU)	10,277	12,434	13,347
Full Time (Overseas)	551	543	957
Part Time	3,258	3,297	3,833
Total	14,086	16,274	18,137

The University saw a drop in student numbers for 2014-15 due to a number of factors. Re-growth of our international student base has been much slower than expected and we face growing competition in our home and EU student market as a result of loosening by government of Student Number Control.

Recruitment for both undergraduate and postgraduate home students was down on 2013-14. Postgraduate courses with professional accreditation remain strong as does the Undergraduate offering at Year 0 / Level 3.

Awards

The following tables summarise the activity conducted through the University Awards Board between November 2014 and October 2015; a small number of awards for collaborative partners remain to be agreed. The numbers of awards at the undergraduate level are significantly down compared to last year which reflects the decline in enrolment after the boom recruitment year of 2011-12. Postgraduate taught masters awards continue to decline due to the impact of the reductions in student numbers described above.

Totals for Bachelors degrees show:

	2014–15	%	2013–14	%	2012–13	%
1st	373	13.9	541	13.8	460	13.4
2:1	1,000	37.5	1,637	41.9	1,310	38.1
2:2	981	36.8	1,414	36.2	1,275	37.1
3rd	258	9.7	283	7.2	295	8.6
Non– Honours	55	2.1	36	0.9	97	2.8
Total	2,667		3,911		3,437	

The proportion of good honours degrees (firsts and upper seconds) decreased this year from 56% to 51%. This is mainly attributed to a reduction in 2.1's; 1st class degrees remained at a similar proportion to last year.

Totals for Masters degrees show:

	2014–15	%	2013–14	%	2012–13	%
Distinction	140	22.6	157	20.9	236	20.6
Merit	291	47.0	336	44.8	549	48.0
Pass	188	30.4	257	34.3	360	31.4
Total	619		750		1,145	

The proportion of merits and distinctions has increased compared with previous years at 69.6% (2013-14: 65.7%).

Sustainability

Income and expenditure

Our operating deficit for 2014-15 (defined as surplus excluding pension cost adjustments, staff restructuring costs and exceptional items) was £2.7m, £4.8m better than the budgeted operating deficit of £7.5m. Unbudgeted staff restructuring costs increased this to a deficit of £5.5m before property transactions.

Income was £4m below budget for the year, as the re-growth of international student numbers following re-award of Highly Trusted Status in Autumn 2014 was slower than expected, partly as a result of increasing scrutiny to ensure that sponsored students are likely to be awarded a student visa by UKVI. Planned growth from new recruitment and retention initiatives was also slower than expected.

We are grateful for the donation of £3m from the Sir John Cass's Foundation, to be used for the benefit of our students. We are also grateful for a bequest of £0.3m from the estate of Warwick Comely, a former lecturer at the University, which has been added to our Lord Limerick Memorial Bursary Fund.

To generate funds to invest in a reduced estate, the sale of the Stapleton House complex for £30.3m was completed in September 2014 and, in June 2015, the University sold its property at Commercial Road for £53m, for use as a Free School. The building was leased back at peppercorn rent for one year following sale. These property transactions, together with the sale of a house in Enfield and the handing back of our Jewry Street building to the Sir John Cass Foundation, generated surpluses on disposal of £67.8m. We also completed the early surrender to the landlord of two leasehold buildings, allowing the release of onerous lease provisions of £3.9m. As a result of these exceptional property transactions, our surplus for the year was £66.3m.

The ongoing operating deficit, caused by an underlying trend of reduced student enrolments leading to steep falls in income which are difficult to match with immediate cost reductions, remains a major cause of concern. Steps put in place during the year to make cost-savings against budget to compensate for the shortfall in income, which included vacancy freezes and tight non-staff cost control, achieved staff cost savings of £5m from budget and non-staff cost savings of £3.2m against budget, but the University remains significantly out-of-line with sector norms for staff cost as a percentage of income, at above the highest quartile figure published by HEFCE.

A restructuring exercise aimed at reducing staff cost towards our sector benchmark reduced staffing by approximately 165 posts, with cost reductions from the start of 2015-16.

The following tables compare 2014-15 and 2013-14 performance:

	2014-15 £'m	2013-14 £'m	Movement %
Income			
Funding body grants	22.8	34.6	(34)
Tuition fees	78.6	74.5	6
Other income	10.0	6.0	67
Total income	111.4	115.1	(3)
Expenditure			
Staff cost (excluding restructuring costs)	69.9	70.3	(1)
Other operating expenses	34.5	34.3	1
Depreciation	8.7	8.8	(1)
Interest payable and other finance costs	1.0	2.4	(58)
Total operating expenditure	114.1	115.8	(1)
Operating deficit	(2.7)	(0.7)	286

Our Strategic Plan 2013-15 adopted four measures of financial health:

	2014–15 Actual	2014–15 Budget	2013–14 Actual
Operating deficit as a percentage of income	(2.5)%	(6.5)%	(0.6)%
Liquidity (total expenditure excluding depreciation)	264 days	37 days	54 days
Net operating cash flow as percentage of income	(4.1)%	(1.4)%	(4.0)%
Cost of staff, excluding restructuring costs, as a percentage of income	62.7%	63.4%	61.0%

As a result of the shortfall in income, we did not achieve two of the key financial performance indicator targets expressed as a percentage of income. Although the operating deficit as a percentage of income was achieved, without the donation from Sir John Cass's Foundation, this indicator would be (7.5%), also below budget.

Balance sheet

Our consolidated net assets at 31 July 2015 were £80m, an increase of £47m compared to 31 July 2014. This arose as a result of realising property value increases compared to the historical net book value previously in the balance sheet when Stapleton House and Commercial Road property was sold.

This figure is after taking into account a pension deficit of £98m (2014: £90m), a rise of 9%. £11.5m of this deficit relates to unfunded benefits for inherited liabilities, the contributions for which are reimbursed to the University annually by HEFCE. High past service pension costs as longevity increases continue to represent a significant risk to the University.

Net assets excluding the pension fund deficit increased by £55m (45%) from £123m to £178m.

Fixed assets

Expenditure during the year on fixed assets was £14m. Assets disposed of had a net book value on disposal of £16m. Our depreciation charge for the year was £9m, bringing the total net book value of land, buildings and equipment to £121m at 31 July 2015 (2014: £131m).

Properties were sold at Holloway Road (Stapleton House complex), at Commercial Road and in Enfield (a house). The Jewry Street building, previously occupied under a right of use under a Charity Commission Scheme, was returned to Sir John Cass's Foundation and our right of occupation waived.

The finance lease on the Holloway Road Learning Centre was redeemed in full and the building transferred to freehold property.

Current assets

The main change in net current assets is an increase in cash balances, including investments in short-term deposits. These increased from £16m at 31 July 2014 to £78m at 31 July 2015 as a result of receipts from property sales. The net operating cash outflow within this overall increase remains a cause for concern, at £5m (2013-14: £5m), to be addressed in the One Campus One Community project.

Creditors and provisions for liabilities

Creditors falling due within one year decreased by £3m, from £24m at 31 July 2014 to £21m, in line with reductions in expenditure.

Creditors falling due after more than one year decreased from £13m at 31 July 2014 to £11m, as £2.5m of grant was repaid to HEFCE during the year.

The provision for the cost of future lease obligations for properties not in operational use is no longer required as the properties have been handed back to the freeholders. £2m of the provision was utilised in the year to pay rent and other costs and the remaining £4m released as an exceptional credit to the income and expenditure account.

Treasury management

The University continued to experience significant pressure on its operational cash flow during 2014-15, as it addressed the continuing impact of the sudden reduction in income from declining enrolment.

Cash flow monitoring forms a significant part of the University's financial controls. Day-to-day cash and short-term investments are managed through rolling annual cash flow forecasts which are updated every month. Annual capital cash flow forecasts are updated every year with planning and annual budget cycles, so that any future borrowing requirements can be identified and negotiated well in advance of need. Our cash position remains under pressure at certain points during the year, particularly before the third Student Loan Company fee payment point in May. We have put in place a £10m overdraft facility to address working capital risk.

The University's treasury management policy manages risk by specifying a minimum credit rating requirement for each counterparty used, restricting the amount deposited with counterparties in any single country and restricting the percentage deposit with any single counterparty. The University's foreign currency earnings represent a small proportion of its income and the overall exposure to exchange rate fluctuations is small.

Average daily cash balances in 2014-15 were £36.7m (2013-14: £20.6m). Interest earned on the balances was £0.2m (2013-14: £0.1m) giving an average return for the year of 0.6% (2013-14: 0.7%).

Financial forecasts

In July 2015 the Board of Governors and senior management of the University considered a range of assumptions used to derive financial forecasts for the three years to July 2018.

The forecast assumed a 10% increase in international student numbers from 2014-15 to 2015-16, following the regaining of our Highly Trusted Status, with an overall increase of 65% over the forecast period as returning student numbers grow. Home and EU student numbers were forecast to decline in line with recent trends, as changes in student number controls are implemented and as the number of higher education institutions operating in London (both public and private) continues to increase. The impact of this was mitigated by the increase in Home and EU fees to the £9,000 cap.

It also assumed a £9m (39%) reduction in funding council grants over the forecast period, taking the overall reduction in income from 2013-14 to 2017-18 to £3m (3%).

The forecasts reflected expected reductions in cost where these had been put into place, but did not assume any further reductions in cost as a result of Project Oak Tree or other initiatives, instead providing a base case for action. They included inflationary increase in staff costs. The forecasts showed an operating deficit of approximately £21m per annum throughout the forecast period, with staff cost as a percentage of income increasing to 70% by 2017-18.

Forecasts are regularly reviewed and will be revised as detailed planning for One Campus | One Community is finalised, to ensure that the University returns to operating surplus and is able to generate operating cash to fund investment.

The cash balance at 31 July 2016 is forecast at £33m, after capital investment of £28m and no capital receipts. We remain reliant on capital receipts to fund capital expenditure without new borrowing.

Key figures for the two years to 31 July 2017 are as follows:

	2015-16 £'m	2016-17 £'m
Total income	102.6	103.8
Expenditure		
Staff costs (excluding restructuring cost)	(69.1)	(71.3)
Other operating expenses	(54.5)	(52.8)
Operating deficit	(21.0)	(20.3)

The key risk to the forecast is failure to meet student enrolment and retention targets, leading to shortfalls in fee income. Each 1% change in student enrolments is equivalent to approximately £0.8m of income.

Scenario and contingency plans are in place to mitigate the impact of changes in student enrolment.

Human Resources

The University's human resources policies and practices are designed to support institutional sustainability by being flexible, responsive and productive. Their aim is to promote an institutional culture which values professionalism, customer focus, teamwork, innovation and creativity, accountability, diversity and continuous improvement. Our employment framework helps managers recruit and retain good staff and get the best from them through targeted performance review and development aligned to our strategic plan.

We monitor our pay against sector median benchmarks and we remain a London Living Wage employer.

New staffing initiatives carried out during the year included:

- A two week staff development festival;
- A graduate intern scheme for our recent graduates; and
- A peer-nominated staff award scheme for individuals and teams.

A restructuring and staffing reduction exercise reduced our staffing establishment to help address identified over-resourcing and a cost structure higher than our benchmark group. The restructuring spanned all four faculties, five of our professional services departments and the Vice-Chancellor's Office.

A parallel review and reorganisation of the student front offices and the Academic Registry delivered a revised and improved student front office structure with management transferred from faculties and consolidated within the new Academic Registry.

Efficiency and sustainability continued to be key elements of restructuring this year. Where staffing reductions were necessary, to minimise the impact on staff, in addition to the use of normal formal consultation provisions and the University's redeployment procedure, a voluntary severance scheme was successfully used to mitigate the need for compulsory redundancies. We continued our focus on clear and open communications during change processes, with clear communication of the context and rationale from the Vice-Chancellor at the outset and use of our dedicated 'Consultation Information' web pages and 'Frequently Asked Questions' resource.

Employee health and wellbeing

Employee health and wellbeing is monitored against sector benchmarks and is reviewed by the Health and Safety Committee.

Equality and diversity

Our policies and practices aim to respond proactively to changes in employment legislation and to promote equality of opportunity in all areas of employment within the University. Our commitments, aims and responsibilities, including our general equality duty and duties in respect of the protected characteristics listed in the Equality Act 2010 are set out in our Equality and Diversity policy covering protected equality characteristics. Our Single Equality Scheme sets out a range of planned equality actions that are monitored for progress annually.

As at 31 July 2015, the gender of our workforce was 54% female and 46% male, very similar to the 2014 proportions of 52% female and 48% male. 1% of our staff have declared a disability (2014: 2%).

Ethnic Group	2015	2014	% Change
Asian	12%	11%	1
Black	13%	12%	1
Mixed	4%	4%	–
Other	3%	3%	–
White	61%	63%	(2)
Unknown/refused	7%	7%	–

Staff development

We continue to offer our range of online management development training, with topics including coaching and conduct. These are supplemented by a range of customised bite-sized workshops targeted at meeting specific identified faculty and departmental needs.

The Wider Management group of senior managers and their next-line reports met each month, with events including briefings, discussions, networking and development activities.

An additional internal networking and ideas exchange programme was launched during the year, with monthly meetings in which each faculty and professional service department management team met with another team, cycling through faculties and departments so that a different teams met every month, to discuss work priorities and explore opportunities for working better together.

Trades unions

Senior Managers and Human Resources staff met with our recognised trades unions regularly during the year to discuss a wide range of employment matters including restructuring, employment practices, change management and policy updates.

Staff numbers

As at 31 July 2015, the University employed a full-time equivalent of 1,390 staff, 19 (1%) fewer than at the same point in 2014.

	2015	2014	% Change
Senior staff	52	47	11
Academic staff	520	517	3
Administrative staff	576	607	(5)
Casual staff	86	68	26
Hourly paid lecturers	155	170	(9)
Total	1,389	1,409	(1)

The increase in senior staff reflects appointments to posts vacant at 31 July 2014. The increase in casual staff numbers reflects continued growth in student employment via the Met Temps student employment service.

Staff turnover (calculated as the total number of leavers during the academic year excluding redundancies divided by the year end number of staff) remains very similar to 2013-14.

	2014-15 %	2013-14 %
Senior staff	2	19
Academic staff	8	7
Administrative staff	6	7
All staff	7	7

Staff turnover including redundancies was 15% (2013-14: 16%).

Estates

Our estates strategy is to revitalize the University's educational and social environment, with a physical estate that supports the University's mission by supporting its students' learning, being of good quality, safe, affordable and environmentally sustainable.

2014-15 continued the implementation of the Estates Master Plan to improve sustainability by reducing the size and cost of the estate and improving its quality. Actions included:

- Disposal of the Commercial Road/Met Works property for £53 million with completion in June 2015. A lease back until 31 August 2016 was agreed at a peppercorn rent to allow for the planned move of Cass courses from the building
- Early surrender of the Spring House lease in November 2014 with no dilapidations liability. The lease would otherwise have expired in February 2016.
- Early surrender of the Ladbroke House lease agreed on 1 September 2015 with no dilapidations liability. The lease would otherwise have expired in August 2016.
- Completion of the hand-back of Jewry Street to the Sir John Cass's Foundation with no dilapidations liability.
- Capital works at Moorgate, Central House, Old Castle Street and Tower Complex to provide enhanced facilities for students.
- Completion of the Aldgate and Holloway student front offices.
- A new soft facilities management contract started on 1 September 2014, with a higher service specification for cleaning and other services. This has achieved improved feedback from students and staff.
- Staffing longer opening hours in the libraries in response to student feedback
- The Estates Strategy was reviewed and rewritten in September 2014. This includes capital investment in building fabric and infrastructure to protect the value of the University's assets and reduce the risk of failure of elements of the external envelope of buildings with the associated risk to health and safety. 2014-15 was the first year of a 10 year plan which reflects relative risks and the University's strategy for further disposals, identified and evaluated during 'Project Oak Tree' and to be taken forward as part of 'One Campus | One Community'.

Environmental sustainability

The University's continued to reduce its carbon footprint during 2014/15, with a 43% cumulative reduction against the 2009 baseline. A new Carbon Management Plan has been developed with a 50% reduction target by 2020. The efforts the University has undertaken to reduce its environmental footprint have been recognised, in winning a Green Apple Award for sustainability and shortlisting as a finalist for the Green Gown Awards 2015 for carbon reduction. The University was also listed in the top 15 of Universities for carbon reduction in an article published by the Times Higher Education website.

To meet the aims of the University's Environmental Sustainability Policy of reducing the environmental impact of operations, projects have been implemented in the key areas of energy, waste, travel, construction, biodiversity and awareness.

- **Energy** – Carbon targets have been met and exceeded through implementing technologies such as building management system upgrades, lighting control, improving insulation and upgrading glazing.
- **Water** – Cisterniser controls are included as part of the standard specification. 48 dual flush controls have been installed in the Tower Building through funding from Thames Water.
- **Waste** – Transforming Energy Efficiency at Central House aims to recycle 100% of the waste produced during the glazing upgrade. A new waste contractor was employed with 100% of waste being diverted from landfill.
- **Travel** – 70 new cycle parking spaces have been created to encourage staff and students to cycle to University. Funding was obtained by TfL to purchase bike racks, lockers and provide Dr Bike sessions for staff and students.
- **Construction** – Ska rating has been introduced for larger refurbishments and a standard specification for small refurbishments to minimise our environmental impact. Ska assesses fit-out projects against a set of sustainability good practice measures. The University aims for a silver rating.
- **Awareness** – a Green Week was held in March 2015. The Estates Department worked closely with the Student Union to achieve a Bronze Green Impact award.
- **Biodiversity** – staff took part in a 'Big Dig' to improve the biodiversity of the Tower Courtyard. Staff volunteered to plant a wild meadow to encourage insects and installed bee hotels and bird boxes.

Tehnology

Our technology strategy supports the University's mission by enabling learning, communication and access to services 'anywhere, any time, any device' through its reliable provision of technology infrastructure, information management and support services.

Key measures delivered in 2014-15 include:

- One of the highest NSS scores for the University with a score of 86% for IT. The 10% uplift in 'feedback section' of the NSS can be attributed to the 'online submission' initiative.
- 99.9% uptime for key services.
- 84% of staff users responding to 'End of Year' survey rate their Weblearn experience as positive.
- ISS was awarded 1 Team, 2 Project teams and 1 Individual staff awards.

Strategic projects delivered in 2014-15 include:

- Roll-out of BoB (Box of Broadcasts) and Institutional Repository.
- Roll-out of search enhancements, student and staff Intranet and Social Media Policy in partnership.
- Roll-out of digital signage and Google internal maps.
- Roll-out of Student Front Office bespoke case management software including appointments system.
- Roll-out of Management Information Programme.
- Replacement of core technology infrastructure.

We have audited the group and University financial statements (the "financial statements") of London Metropolitan University for the year ended 31 July 2015 which comprise the Consolidated income and expenditure account, Consolidated statement of historical cost surplus/(deficit) for the year, Balance sheets, Consolidated cash flow statement, Consolidated statement of total recognised gains and losses, Accounting policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Board of Governors in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and paragraph 13(2) of the University's Articles of Government and section 124B of the Education Reform Act 1988. Our audit work has been undertaken so that we might state to the Board of Governors 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 Board of Governors for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Board of Governors and auditor

As explained more fully in the Statement of responsibilities of the Board of Governors set out on pages 10-11 the Board of Governors (who are the Directors of the company for the purposes of company law) 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 Board of Governors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Strategic 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 the University as at 31 July 2015 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 with the 2007 Statement of Recommended Practice – Accounting for Further and Higher Education;
- meet the requirements of HEFCE's *Accounts direction to higher education institutions for 2014-15 financial statements*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 Group or the University for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation;
- funds provided by HEFCE have been applied in accordance with the Memorandum of Assurance and Accountability and any other terms and conditions attached to them; and
- the corporate governance and internal control requirements of HEFCE's *Accounts direction to higher education institutions for 2014-15 financial statements* have been met.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Director's report, the Strategic report and the Statement of corporate governance for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the University, or returns adequate for our audit have not been received from branches not visited by us; or
- the University financial statements are not in agreement with the accounting records and returns;
- certain disclosures of directors' remuneration specified by law are not made;
- we have not received all the information and explanations we require for our audit.

**Fleur Nieboer: (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor**

Chartered Accountants
15 Canada Square
Canary Wharf
London, E14 5GL

27 November 2015

Consolidated income and expenditure account

	Notes	2014–15 £'000	2013–14 £'000
Income			
Funding body grants	1	22,844	34,620
Tuition fees	2	78,587	74,535
Research grants and contracts	3	1,733	1,281
Other operating income	4	7,927	4,426
Endowment income and interest receivable	5	288	225
Total income		111,379	115,087
Expenditure			
Staff costs	6	69,852	70,256
Staff restructuring costs	6	2,678	1,673
Other operating expenses	8	34,565	34,294
Depreciation	11	8,737	8,844
Interest payable and other finance costs	9	1,029	2,387
Total expenditure		116,861	117,454
Deficit for the year on continuing operations after depreciation of assets at valuation		(5,482)	(2,367)
Exceptional items			
	10		
Surplus on disposal of freehold property		67,805	229
Loss on disposal of long leasehold property		(245)	–
Release of onerous obligations under operating leases		4,165	–
Decrease/(increase) in onerous obligations under operating leases		–	70
Net reinstatement/(repayment) of capital grant		–	429
Surplus/(deficit) for the year on continuing operations after exceptional items	23	66,243	(1,639)
Surplus for the year transferred from accumulated income in endowment reserve	14, 23	28	56
Surplus/(deficit) for the year retained within general reserves		66,271	(1,583)

All items of income and expenditure arise from continuing operations.

Consolidated statement of historical cost surplus/(deficit) for the year

	Notes	2014-15 £'000	2013-14 £'000
Surplus/(deficit) for the year on continuing operations before and after tax		66,243	(1,639)
Difference between historical cost depreciation charge and the actual charge calculated on valuation of assets	23	24	24
Historical cost surplus/(deficit) for the year		66,267	(1,615)

	Notes	Group		University	
		2015 £'000	2014 £'000	2015 £'000	2014 £'000
Fixed assets					
Tangible assets	11, 12	120,588	131,847	120,745	128,744
Investments	13	64	64	64	64
		120,652	131,911	120,809	128,808
Endowment asset investments	14	1,162	757	1,162	757
Current assets					
Stock	15	41	44	41	41
Debtors	16	9,734	9,194	9,734	9,759
Assets held for sale	17	-	8,115	-	8,115
Current asset investments	18	66,500	13,000	66,500	13,000
Cash at bank and in hand		11,790	3,017	11,767	3,000
		88,065	33,370	88,042	33,915
Creditors					
Amounts falling due within one year	19	(20,987)	(23,531)	(21,212)	(23,426)
Net current assets		67,078	9,839	66,830	10,489
Total assets less current liabilities		188,892	142,507	188,801	140,054
Creditors					
Amounts falling due after more than one year	20	(10,846)	(12,892)	(10,846)	(12,892)
Provisions for liabilities	21	(300)	(6,294)	(300)	(6,294)
Total net assets excluding pension liability		177,746	123,321	177,655	120,868
Net pension liability	24	(97,843)	(89,869)	(97,843)	(89,869)
Total net assets including pension liability		79,903	33,452	79,812	30,999
Represented by:					
Deferred capital grants	22	47,182	60,330	47,182	57,637
Endowments					
Expendable		931	550	931	550
Permanent		231	207	231	207
	14	1,162	757	1,162	757
Reserves					
General reserve	23	128,672	61,480	128,581	61,720
Pension reserve	23,24	(97,843)	(89,869)	(97,843)	(89,869)
Revaluation reserve	23	730	754	730	754
Total reserves		31,559	(27,635)	31,468	(27,395)
Total funds		79,903	33,452	79,812	30,999

The Financial Statements on pages 30 to 63 were approved by the Board of Governors of London Metropolitan University on 26 November 2015, and were signed on its behalf by:

Clive Jones
Chair of the Board of Governors

Professor John Rafferty
Vice-Chancellor and Chief Executive

Registered company number: 974438

Consolidated cash flow statement

	Notes	2014-15 £'000	2013-14 £'000
Net cash outflow from operating activities	27	(4,597)	(4,593)
Returns on investments and servicing of finance	28	2,043	90
Capital receipts/(expenditure)	29	68,897	(9,613)
Management of liquid resources	30	(53,893)	11,424
Financing	31	(3,677)	(487)
Increase/(decrease) in cash in the year		8,773	(3,179)

Reconciliation of net cash flow to movement in net funds

Increase/(decrease) in cash in the year		8,773	(3,179)
Change in short term deposits	30	53,893	(11,424)
Change in debt: loans	32	(213)	(160)
Change in debt: finance lease	32	3,889	648
Change in net funds in the year	32	66,342	(14,115)
Net funds brought forward from previous year	32	11,381	25,496
Net funds at 31 July	32	77,723	11,381

Consolidated statement of total recognised gains and losses

	Notes	2014–15 £'000	2013–14 £'000
Surplus/deficit for the year		66,243	(1,639)
Unrealised gain on endowment asset investments	14	38	18
Gross additions to endowment asset investments	14	395	132
Actuarial loss recognised in the LPFA pension fund	24	(7,077)	(20,459)
Total recognised gains/(losses) relating to the year		59,599	(21,948)
Total funds as per balance sheet:			
Opening reserves and endowments	14, 23	(26,878)	(4,930)
Total recognised gains/(losses) for the year		59,599	(21,948)
Closing reserves and endowments	14, 23	32,721	(26,878)

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

(A) Basis of preparation

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

The financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education and in accordance with applicable Accounting Standards.

Going concern

The Board approved a budget for 2015-16 in July 2015 which showed a planned operating deficit of £21m. To address this, a major review of the University's sustainability, 'Project Oak Tree', commenced in May 2015 and reported to the Board in October 2015. As a result, the Board approved a plan 'One Campus | One Community', to consolidate the University on a single campus, bringing all of its teaching and academic departments together to create a showpiece campus in Islington with investment of £125m, and facilitating the reduction operational costs through rationalisation of services.

The cash flow forecast for 2015-16 shows a cash balance of £33m at 31 July 2016 after funding £28m of capital investment and £3m repayments of loans and grant. A £10m overdraft facility has been put in place to support the University's working capital requirements should there be fluctuations in cash receipts and payments compared with the monthly cash flow forecast. The forecast cash balance at 31 July 2017, before raising finance to fund the intended investment in 'One Campus | One Community' is -£4m after funding £20m capital investment and £3m repayments of loans and grant in 2016-17. To fund the required investment and ensure that we maintain sufficient working capital, properties at Aldgate have been placed on the market. The forecasts will be regularly updated as detailed planning for 'One Campus, One Community' is developed.

Based upon its review of the financial forecasts, the Board is satisfied that these financial statements are properly prepared on a going concern basis. The Board considers that the use of the going concern basis is appropriate because, at the date of approval of the financial statements, it is not aware of any material uncertainties related to events or conditions that might cast significant doubt as at the date of approval of the financial statements about the ability of the University to continue as a going concern.

(B) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the University and all its subsidiary undertakings for the financial year to 31 July. Intra-group transactions are eliminated on consolidation.

Under the exemption in Section 230 of the Companies Act 2006, the University is not required to present its own income and expenditure account. The University's operating deficit for the year ended 31 July 2015 is £5,451k (2013-14: £2,352k deficit).

(C) Income recognition

Recurrent grants from Funding Councils are recognised in the period which they are receivable.

Fee income is credited to the income and expenditure account using a time-apportionment method over the period of the course. It is stated gross of scholarships and provisions for doubtful debts, both of which are included in other operating expenses. Where the amount of the tuition fee is reduced by a discount for prompt payment, income receivable is shown net of the discount. Where it is funded by the National Scholarship Programme (NSP), the income is shown net, the fee waiver element of the award being netted off against tuition fee income. The NSP cash bursary and all other bursaries and scholarships are accounted for as expenditure and not deducted from income.

Grants for specific purposes, including research grants and contracts, are included in income to the extent that expenditure is incurred during the financial year, together with any related contributions towards overhead costs. Deferred credits, which are attributable to subsequent financial years, are included in creditors under the classification of accruals and deferred income.

Non-recurrent grants received in respect of the acquisition or construction of fixed assets are treated as deferred capital grants and are amortised to the income and expenditure account in line with the depreciation policy over the life of the related asset.

Endowment and investment income is credited to the income and expenditure account on a receivable basis. Income from restricted endowments not expended in accordance with the restrictions of the endowment, is transferred from the income and expenditure account to restricted endowments. Any realised gains or losses from dealing in the related assets are retained within the endowments in the balance sheet.

Changes in value arising on the revaluation or disposal of endowment assets i.e. the appreciation or depreciation of endowment assets, are added to or subtracted from the funds concerned and shown in the balance sheet by adjusting the relevant endowment asset and fund. These changes are reported in the statement of total recognised gains and losses.

The University acts as an agent in the collection and payment of training bursaries from the National College for Teaching and Leadership (NCTL) and of Access and Student Support Funds from HEFCE. Related payments received from the NCTL and HEFCE and subsequent disbursements to students are excluded from the income and expenditure account.

Charitable donations are recognised in the accounts when the 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 resource can be measured with sufficient reliability. Where charitable donations are to be retained for the benefit of the University as specified by the donors, these are accounted for as endowments.

(D) Taxation status

The University is an exempt charity within the meaning of schedule 3 of the Charities Act 2011 (formerly schedule 2 of the Charities Act 1993). It 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, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by section 287 CTA 2009 and sections 471 and 478-488 CTA 2010 (formerly s505 of ICTA 1988) and section 256 of the Taxation of Chargeable Gains Act 1992, to the extent such income or gains are applied to exclusively charitable purposes.

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

The University's subsidiary undertakings are subject to corporation tax and VAT in the same way as any commercial organisation.

(E) Tangible fixed assets

Upon implementation of FRS15: Tangible Fixed Assets, the University opted to include assets in its books at historical cost or revalued cost at the date of introduction of the FRS. No regular revaluation of assets is undertaken by the University. Periodic revaluations are undertaken to assess whether any impairment has occurred that would require adjustment to the carrying amount. A review of impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying amount of any fixed asset may not be recoverable.

(i) Land and buildings

Freehold and leasehold land and buildings are shown in the balance sheet at historical cost or, where assets were transferred to the University at nil cost, at their valuation on transfer (deemed cost).

The freehold and leasehold interests in properties occupied by London College of Furniture, which merged with London Guildhall University on 1 April 1990, were formally transferred to the University with effect from 1 April 1991. These properties, with the exception of 41-71 Commercial Road, are shown in the balance sheet at valuation at 31 July 1993 less accumulated depreciation. The freehold property at Central House is included in the balance sheet at valuation on 17 August 1996 less accumulated depreciation.

Freehold land is not depreciated as it is considered to have an indefinite useful life.

Freehold buildings are depreciated over 50 years or their remaining expected economic life if shorter. Leasehold buildings are depreciated over the unexpired period of the lease or their remaining expected economic life, if shorter.

Alterations and building improvements are depreciated over 20 years or their remaining expected economic useful life, if shorter.

(ii) Assets held under finance leases

Leasing agreements that transfer to the University substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright. Such assets are included in fixed assets and are depreciated over the shorter of the lease term or their useful economic life. The capital elements of the leasing commitments are shown in creditors as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged to the income and expenditure account in proportion to the capital element outstanding.

(iii) Assets held under operating leases

The annual rentals arising from operating leases are charged to operating profit on a straight line basis over the lease term.

(iv) Assets under construction

Assets under construction are accounted for at cost, and are not depreciated until they have been completed.

(v) Assets used by the University

A value is attributed to the benefit of assets which the University does not own and for which no annual rental is paid. The assets are included in fixed assets at their valuation, with a corresponding credit to deferred capital grants, and thereafter depreciated over the period of use.

(vi) Assets acquired or modified with the aid of specific grants

Where buildings are acquired or modified with the aid of specific grants, they are capitalised and depreciated. The related grants are credited to a deferred capital grant account and released to the income and expenditure account over the expected useful economic life of the related asset on a straight line basis, consistent with the depreciation policy.

(vii) Repairs and maintenance

Expenditure to ensure that a tangible fixed asset maintains its previously recognised standard of performance is recognised in the income and expenditure account in the period it is incurred. The University has a planned maintenance programme, which is reviewed on an annual basis.

(viii) Heritage assets

A heritage asset is an asset with historic or artistic qualities that is held and maintained principally for its contribution to knowledge and culture. The University has a number of these assets in the form of furniture, books, pamphlets, periodicals and visual materials. These assets are not capitalised as reliable cost information is not available and conventional valuation approaches lack sufficient reliability.

(ix) Equipment and furniture

Equipment and furniture costing less than £6,000 per individual item or group of items is written off to the income and expenditure account in the year of acquisition. All other equipment is capitalised.

Capitalised equipment and furniture is shown in the balance sheet at cost and depreciated over its expected useful life, as follows:

Computers, major software systems, other equipment and furniture – over 5 years

Boiler system – over 25 years.

(F) Stock

All stock is included in the financial statements at the lower of cost and net realisable value.

(G) Pension scheme arrangements

The principal pension schemes for the University's staff are the Teachers' Pension Scheme (TPS) and the Universities Superannuation Scheme (USS) for academic staff, and the London Pensions Fund Authority (LPFA) scheme for non-academic staff.

The schemes are statutory, contributory, defined benefit and are contracted out of the State Earnings-Related Pension Scheme. The LPFA scheme and the funds of the USS are valued every three years. The funds of the TPS are normally valued every five years. In the intervening years, the actuaries review the progress of the schemes.

The University is able to identify its share of the underlying assets and liabilities of the LPFA scheme and thus fully adopt FRS17. The scheme assets are measured at fair values. Scheme liabilities are measured on an actuarial basis using the projected unit method and are discounted at appropriate high quality bond rates.

It is not possible to identify the University's share of the underlying assets and liabilities in the TPS and USS schemes and hence, using the exemption under FRS17, contributions to the scheme are accounted for as if they were defined contribution schemes. The employer contributions payable to the schemes are charged as expenditure in the period to which they relate.

(H) Investments

Investments in subsidiaries and associated undertakings are shown in the University's balance sheet at cost less any provision for impairment in their value.

Endowment asset investments are included in the University's balance sheet at market value.

(I) Cash flows and liquid resources

Cash flows comprise increases or decreases in cash. Cash includes cash in hand, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are in practice available within 24 hours without penalty. No investments, however liquid, are included as cash.

Liquid resources comprise assets held as a readily disposable store of value, including term deposits, government securities and loan stock held as part of the University's treasury management activities. They exclude any such assets held as endowment asset investments.

(J) Provisions and contingent liabilities

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

Provisions for staff-related restructuring costs are recognised when the University has confirmed redundancy to the members of staff concerned.

The University provides for its onerous obligations under operating leases, including future rental costs and the estimated cost of dilapidations, at the date where the decision to vacate the properties has been ratified by the Board of Governors. The estimated timings and amounts of liabilities are estimated using the advice of external property experts.

Contingent liabilities arise where either the obligation is possible rather than present, or the outflow of economic benefit is possible rather than probable, or there is an inability to measure the economic outflow; these are disclosed by way of a note.

(K) Bad debt provision

Debtors are included in the financial statements net of provision for doubtful debts. The basis of calculation of the provision is reviewed each year end to reflect current levels of debt recovery.

(L) Foreign currencies

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the dates of the transaction. Monetary assets and liabilities denominated in foreign currencies are shown in the balance sheet at the rate of exchange ruling at the year end date. Exchange differences are dealt with in the income and expenditure account.

(M) Endowment funds

Where charitable donations are to be retained for the benefit of the University as specified by the donor, these are accounted for as endowments. There are two main types:

(i) Restricted permanent endowments

Where the donor has specified that the fund is to be permanently invested to generate an income stream to be applied to a particular objective.

(ii) Restricted expendable endowments

Where the donor has specified a particular objective and the University can convert the donated sum into income.

2014–15 2013–14
£'000 £'000

1. Funding body grants

Recurrent grants

Higher Education Funding Council for England	15,952	28,105
National College for Teaching and Leadership	349	211

Specific grants

Knowledge exchange funding	1,547	1,547
Inherited pension liability reimbursement	1,173	1,173
National Scholarship Programme	950	624
Other	31	5

Deferred capital grants released

Buildings	2,449	2,558
Equipment	393	397
	22,844	34,620

2. Tuition fees

Full-time students:		
Home and EU fees	64,331	59,579
Overseas fees	4,576	4,464
Part-time students fees	9,680	10,492
	78,587	74,535

Fees are shown net of £400k fee waivers from the National Scholarship Programme.

3. Research grants and contracts

Research councils	169	393
UK based charities	222	121
European Union	709	60
Other	633	707
	1,733	1,281

4. Other operating income

Consultancy	227	420
Trading income	1,223	1,858
Sale of materials and other departmental income	228	203
Rental income and hire of facilities	749	369
Validation income	1,308	221
Other grants and contracts	322	(241)
Deferred capital grants released – non HEFCE	392	564
Donations and miscellaneous income	3,478	1,032
	7,927	4,426

Donations and miscellaneous income includes a philanthropic gift of £2.5m from the SirJohn Cass's Foundation.

5. Endowment income and interest receivable

Income from endowment investments	15	3
Interest receivable from short-term investments	201	145
Other interest receivable	72	77
	288	225

	2014–15 £'000	2013–14 £'000
6. Staff costs		
Costs:		
Academic staff	37,487	39,106
Other staff	32,365	31,150
	<u>69,852</u>	<u>70,256</u>
Comprising:		
Wages and salaries	55,789	56,486
Social security costs	4,626	4,639
Pension costs	9,437	9,131
	<u>69,852</u>	<u>70,256</u>
Staff restructuring costs	2,678	1,673
	<u>72,530</u>	<u>71,929</u>
The average number of full-time equivalent employees during the year was:		
	2014–15	2013–14
Academic staff	648	668
Other staff	755	721
	<u>1,403</u>	<u>1,389</u>

7. Remuneration of directors and higher-paid staff

A. Directors

The University's Board of Governors do not receive remuneration from the University in their capacity as governors. During the year three governors (2013-14: three) were remunerated in their capacity as employees of the University. The figures below relate entirely to these governors on a pro-rata basis for their period in office.

	2014–15 £'000	2013–14 £'000
Directors' emoluments		
Salaries	271	456
Pension contributions	42	46
	<u>313</u>	<u>502</u>
Highest paid director		
Vice-Chancellor and Chief Executive		
Salary	220	412
Pension contributions	35	41
	<u>255</u>	<u>453</u>

The Vice-Chancellor is a member of The London Pensions Fund Authority (LPFA). As at 31 July 2015 his gross accrued pension per annum was £74k and his accrued tax free lump sum was £140k. Changes in tax rules on pension contributions affecting annual and lifetime allowances, cause these figures to be under review, with likely retrospective reduction.

The former Vice-Chancellor resigned on 31 July 2014. His salary for 2013-14 included an accrued payment in lieu of notice of £159k.

During the year £4k (2014-15: £4k) was paid in respect of governors' expenses. A total of four governors received expenses (2013-2014: three).

B. Higher-paid staff

The number of other higher-paid staff (excluding the Vice-Chancellor and Chief Executive) who received remuneration (excluding pension contributions) in the following ranges was:

	No.	No.
£100,001 to £110,000	2	2
£130,001 to £140,000	1	1
£160,001 to £170,000	2	2
	5	5

8. Analysis of total expenditure by activity

	Staff Costs £'000	Other operating expenses £'000	Depreciation £'000	Interest payable £'000	2014-15 £'000	2013-14 £'000
Academic departments	36,800	6,480	1,821	–	45,101	51,686
Academic services	5,292	3,511	208	–	9,011	9,074
Administration and central services	21,863	14,585	902	–	37,350	29,912
Premises	3,847	10,775	5,712	128	20,462	21,548
Research grants and contracts	882	386	94	–	1,362	1,309
Other expenditure	3,846	(1,172)	–	901	3,575	3,925
	72,530	34,565	8,737	1,029	116,861	117,454

Other operating expenses includes:

Operating lease rentals		
– land and buildings	2,699	2,477
– other	676	608
External auditor's remuneration (excluding VAT):		
– audit of these financial statements	62	62
– audit of the University's subsidiary	4	6
– other audit services	11	11
Internal auditor's remuneration	143	143
Students' Union grant	546	555

In addition to the external auditor's remuneration disclosed above, £8,500 (excluding VAT) was incurred for advice relating to the disposal of the premises on Commercial Road. This has been included in the surplus on disposal of freehold property (note 10).

Included in other operating expenses under the heading administration and central services is £315k of National Scholarship Programme cash bursaries.

The total shown for other expenditure includes £2,678k of staff restructuring costs (2013-14: £1,673k) and £897k (2013-14: £2,252k) in respect of FRS17 adjustments to staff costs, other operating expenses and interest payable.

2014–15 2013–14
£'000 £'000

9. Interest payable and other finance costs

Interest payable on bank loans, overdrafts and other loans, repayable wholly or partly in less than five years

Finance lease

Net charge on pension scheme deficit

3	21
125	137
901	2,229
1,029	2,387

10. Exceptional Items

Surplus on disposal of freehold property

Loss on disposal of long leasehold property

Decrease in onerous obligations under operating leases

Net reinstatement of capital grant

67,805	229
(245)	–
4,165	70
–	429
71,725	728

The surplus on disposal of freehold property relates to the sale of four freehold academic properties; Stapleton House, Eden Grove, Index House and a property on Commercial Road. These generated a surplus on disposal of £67,244k. A freehold residential property was also sold, which generated a surplus on disposal of £279k (note 11).

The loss on disposal of long leasehold property relates to the vacated premises in Jewry Street. Alterations and improvements were undertaken on this property, which were capitalised. These were partly financed by a capital grant. The loss is made up of the book value at year end of £323k, less the unreleased capital grant balance of £78k.

The decrease in onerous obligations under operating leases represents the release of the provision relating to the University's obligations for Ladbrooke House (note 21). It was agreed with the landlord that the property be re-occupied by the University in February 2015, in exchange for the surrender of the lease agreement on 1 September 2015. The lease on the property was due to end in August 2016.

11. Tangible fixed assets (Group)

	Land and buildings					Equipment and furniture £'000	Total £'000
	Freehold £'000	Under construction £'000	Alterations and improvements £'000	Short finance leasehold £'000	Long leasehold £'000		
Cost							
At 1 August 2014	92,221	990	65,481	7,551	10,675	29,832	206,750
Additions	–	937	8,167	–	–	4,700	13,804
Disposals	(10,782)	–	(2,821)	–	(9,500)	(2,700)	(25,803)
Transfers	7,551	(990)	990	(7,551)	–	–	–
At 31 July 2015	88,990	937	71,817	–	1,175	31,832	194,751
Depreciation							
At 1 August 2014	24,387	–	19,032	5,266	1,633	24,585	74,903
Charge for year	1,932	–	3,587	–	20	3,198	8,737
Eliminated on disposal	(4,021)	–	(1,591)	–	(1,332)	(2,533)	(9,477)
Transfers	5,266	–	–	(5,266)	–	–	–
At 31 July 2015	27,564	–	21,028	–	321	25,250	74,163
Net book value at 31 July 2015	61,426	937	50,789	–	854	6,582	120,588
Net book value at 31 July 2014	67,834	990	46,449	2,285	9,042	5,247	131,847
Cost of land included in above	7,294	–	–	–	–	–	7,294
Alterations and improvements							
Net book value at 31 July 2015	39,927	–	–	–	–	–	39,927

London Metropolitan University occupied premises in Jewry Street rent free under a right of use from the Sir John Cass's Foundation, by virtue of a Charity Commission Scheme dated 24 April 1970, under Section 18 of the Charities Act 1960. The University had the obligation to repair and maintain the building. Jewry Street is included in 'long leasehold' buildings as at 1 August 2014 at a valuation of £9.5m. This valuation was prepared for the University on an existing use basis by Drivers Jonas LLP in October 2008. On 11 June 2015 the University signed an agreement with the Foundation to vacate the premises and return it to the Foundation.

On 1 September 2014 the University completed the sale of three freehold academic properties: Stapleton House, Eden Grove and Index House (The Stapleton House complex). These properties were classified as assets held for sale as at 1 August 2014. The sale generated a surplus of £22.4m as follows: sales proceeds of £30.3m, release of deferred capital grant of £663k, less costs associated with the disposal of £379k less book value at disposal of £8.2m. The surplus is disclosed in exceptional items (note 10).

On 22 May 2015 the University completed the sale of 72 Broadland Avenue, Enfield, Middlesex, a freehold residential property. The sale generated a surplus of £279k as follows: sales proceeds of £335k, less costs associated with the disposal of £6k less book value at disposal of £50k. The surplus is disclosed in exceptional items (note 10).

On 18 June 2015 the University completed the sale of a freehold academic property on Commercial Road. The sale generated a surplus of £45.3m as follows: sales proceeds of £53m, release of deferred capital grant of £120k, less lease surrender premium and associated costs of disposal of £3.4m less book value at disposal of £4.4m.

The 'short finance leasehold' building related to the Learning Centre at Holloway Road. The building was leased to the

University for 25 years from January 1995, with an option to buy at a fixed price after 20 years. Lloyds Bank plc held a charge for this lease over properties which formed part of the Stapleton House, Index House and Eden Grove complex. The sale of the three properties completed on 1 September 2014, when the charge held by Lloyds Bank plc over the properties was terminated and the finance lease was redeemed in full. The property has been reclassified as a freehold property.

The most recent valuation of the group's properties, prepared by Drivers Jonas LLP as at 31 July 2009, found that there was no impairment in value

12. Tangible fixed assets (University)

	Land and buildings					Equipment and furniture	Total
	Freehold	Under construction	Alterations and improvements	Short finance leasehold	Long leasehold		
Cost	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 August 2014	88,317	990	64,735	7,551	10,675	27,095	199,363
Additions	–	937	8,167	–	–	4,700	13,804
Disposals	(6,878)	–	(2,328)	–	(9,500)	(675)	(19,381)
Transfers	7,551	(990)	1,243	(7,551)	–	–	253
At 31 July 2015	88,990	937	71,817	–	1,175	31,120	194,039
Depreciation							
At 1 August 2014	23,110	–	18,760	5,266	1,633	21,850	70,619
Charge for year	1,932	–	3,574	–	20	3,196	8,722
Eliminated on disposal	(2,863)	–	(1,373)	–	(1,331)	(667)	(6,234)
Transfers	5,266	–	187	(5,266)	–	–	187
At 31 July 2015	27,445	–	21,148	–	322	24,379	73,294
Net book value at 31 July 2015	61,545	937	50,669	–	853	6,741	120,745
Net book value at 31 July 2014	65,207	990	45,975	2,285	9,042	5,245	128,744
Cost of land included in above	7,294	–	–	–	–	–	7,294
Alterations and improvements							
Net book value at 31 July 2015	39,741	–	–	–	–	–	39,741

The University owns a number of heritage assets, described below, which are not included in the balance sheet of London Metropolitan University:

The TUC Library Collection, established in 1922, was transferred to the University of North London in 1996. The holdings include reference and historical works on the trades union movement, union publications from the UK and overseas, documents relating to working conditions and industrial relations in various industries and countries, and material collected from the various campaigns and policy areas in which the TUC has been involved since its foundation in 1868.

The Irish History Archive consists of materials donated in a number of different media over the last twenty years, the most significant of which is the Paul Hill Prison Letters (1974-89). The original collections were inherited by the University from the Irish in Britain History Group in 1989 and have been substantially augmented.

The Frederick Parker Collection is made up of a study collection of British chairs from 1600 to the present day. There are 167 chairs in the Collection of which 140 are on view. Archives include photographs of every Frederick Parker model made between 1872 and 1939, some on glass plates, the complete range of their reference books, and many drawings

of proposed items for specific customers.

13. Investments (University and Group)

	1 August 2014 £'000	Impairment in value £'000	31 July 2015 £'000
CVCP Properties plc	64	–	64

CVCP Properties plc

CVCP Properties plc was set up by the Committee of Vice-Chancellors and Principals (now known as Universities UK) to buy and manage its headquarters building. The University has a small (less than 20%) shareholding in the company.

Subsidiaries

The companies whose results are consolidated in these statements are as follows:

London Metropolitan University Enterprises Limited

The company is registered and incorporated in England and is wholly owned by the University. Its principal business activities were the provision of consultancy services and a print centre. The company ceased trading on 1 August 2014. In 2014-15 the company made a surplus of £462k (2013-14: deficit £15k), and the net assets at 31 July 2015 are £222k (2014: £242k net liabilities).

London Metropolitan University Nigeria Limited

The company is registered and incorporated in Nigeria and is wholly owned by the University. Its principal business activity was to provide qualitative counselling to students wishing to study at London Metropolitan University on behalf of the University. It does not trade in its own right and the University has no material investment in the company. The company ceased trading on 31 May 2014 and is in the process of preparing a final set of accounts for 2014.

	2015 £'000	2014 £'000
14. Endowment asset investments (University and Group)		
Endowment assets		
Balance at 1 August	757	663
Appreciation of endowment asset investments	38	18
Maturity of fixed interest stock	(15)	–
Increase in cash balances held for endowment funds	382	90
Decrease in endowment debtor balances	–	(20)
Increase in endowment creditor balances	–	6
Balance at 31 July	1,162	757

Represented by:

Shares in Henderson Managed Growth Fund	440	411
Cash and other current assets	682	289
Fixed interest stocks	–	19
Unit trusts	40	38
Total	1,162	757

	Restricted Permanent £'000	Restricted Expendable £'000	2015 £'000	2014 £'000
Endowment reserves				
Balance at 1 August	188	491	679	603
Capital	19	59	78	60
Accumulated income	207	550	757	663
Additions	–	395	395	132
Investment income	–	15	15	3
Expenditure	–	(43)	(43)	(59)
	–	(28)	(28)	(56)
Increase in market value of investments	25	13	38	18
Balance at 31 July	232	930	1,162	757
Represented by:				
Capital	212	841	1,053	679
Accumulated income	20	89	109	78
	232	930	1,162	757

Top five endowment funds by value:

Lord Limerick Memorial Bursary Fund	592	238
Rubber Fund	124	113
Library Fund	78	70
Teaching Studies Fund	64	59
Wood Brothers Prize Fund	46	41
	904	521

2015 2014
£'000 £'000

15. Stock

Group

Raw materials	26	27
Goods purchased for resale	15	17
	41	44

University

Raw materials	26	24
Goods purchased for resale	15	17
	41	41

16. Debtors

Group

Amounts falling due within one year:		
Trade debtors	5,448	4,009
Amounts due from HEFCE	1,385	1,204
Loans to staff and students	103	98
Other debtors	25	161
Prepayments and accrued income	2,773	3,722
	9,734	9,194

University

Amounts falling due within one year:		
Trade debtors	5,448	3,934
Amounts due from HEFCE	1,385	1,204
Loans to staff and students	103	98
Other debtors	25	154
Prepayments and accrued income	2,773	3,722
Amounts due from subsidiary companies	-	647
	9,734	9,759

17. Assets held for sale (University and Group)

Carrying value of assets held for sale previously classified under fixed assets (notes 11 and 12)

Freehold property academic – land	-	2,098
Freehold property academic – building	-	5,220
Freehold property academic – alterations and improvements	-	797
	-	8,115

The assets held for sale comprised three freehold academic properties: Stapleton House, Eden Grove and Index House. The sales completed on 1 September 2014.

2015
£'000

2014
£'000

18. Current asset investments (University and Group)

Deposits maturing in one year or less	66,500	13,000
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Current asset investments comprise short-term deposits with more than 24 hours maturity at the balance sheet date placed with banks and building societies operating in the London market and licensed by the Financial Services Authority.

The interest rates for these deposits are fixed for the duration of the deposit at the time of placement.

At 31 July 2015 the weighted average interest rate of the fixed rate deposits was 0.8% per annum (31 July 2014: 0.6%) and the remaining weighted average period for which the interest rate is fixed on these deposits was 173 days (31 July 2014: 71 days). The fair value of these deposits was not materially different from the book value.

19. Creditors – amounts falling due within one year

Group		
Bank mortgage and other loans	403	644
Trade creditors	7,478	5,820
Amounts owed to HEFCE	2,898	2,945
Taxation and pension contributions	2,479	2,547
Obligations under finance lease	–	3,889
Other creditors	95	361
Accruals	5,090	4,587
Deferred income	2,544	2,738
	20,987	23,531
University		
Bank mortgage and other loans	403	644
Trade creditors	7,478	5,771
Amounts owed to HEFCE	2,898	2,945
Taxation and pension contributions	2,479	2,547
Obligations under finance lease	–	3,889
Other creditors	95	361
Accruals	5,090	4,531
Deferred income	2,544	2,738
Amounts owed to subsidiary companies	225	–
	21,212	23,426

Included in bank mortgage and other loans is a bank mortgage secured on Eden Grove which was repayable in quarterly instalments until September 2016 at a fixed rate of 6.69%. The mortgage was repaid in full on 18 August 2014 and the building sold on 1 September 2014.

The obligations under finance lease relate to the Learning Centre building. The lease was repaid in full on 1 September 2014 following the sale of the Stapleton House complex which completed on the same date.

	2015 £'000	2014 £'000
20. Creditors – amounts falling due after more than one year (University and Group)		
HEFCE grant repayment		
Payable between one and two years	2,500	2,500
Payable between two and five years	7,500	10,000
	10,000	12,500
HEFCE revolving green fund loans (interest free, unsecured)		
Principal payable between one and two years	339	214
Principal payable between two and five years	464	71
	803	285
SALIX energy efficiency loans (interest free, unsecured)		
Principal payable between one and two years	43	64
Principal payable between two and five years	–	43
	43	107
Total	10,846	12,892

The HEFCE grant repayment relates to overpayments of grant to the University from 2005-06 to 2007-08. The total amount repayable was £36.5m. £24.0m has been repaid to 31 July 2015. The remaining payment will be made at £2.5m per annum until 2019-20.

The HEFCE revolving green fund loans were awarded for investments in University energy-efficiency initiatives. Two interest free loans were awarded to the University, the first for £750k (2013-14: £250k) for a building retrofit and the second for £106k (2013-14: £250k) for a number of small scale projects. The loan for the small scale projects will be fully repaid in May 2018 and the loan for the building retrofit will be fully repaid in November 2018.

The SALIX energy efficiency loans were awarded for investment in energy-efficient technologies. Five loans were awarded to the University in 2010-11, one loan was awarded in 2011-12 and three loans were awarded in 2012-13. They are repayable in two equal instalments per annum (except for 2010-11 when one repayment was due). The loans awarded in 2010-11 were fully repaid in September 2014, the loan awarded in 2011-12 was fully repaid in September 2015 and two of the loans awarded in 2012-13 will be fully repaid in September 2016, with the remaining loan being fully repaid in March 2017.

	2015 £'000	2014 £'000
21. Provisions for liabilities (University and Group)		
Onerous obligations under operating leases		
At 1 August	5,994	8,904
Decrease Utilised	– (1,829)	(70) (2,840)
Release of provision	(4,165)	–
At 31 July	<u>–</u>	<u>5,994</u>
Contract claims		
At 1 August	300	300
At 31 July	<u>300</u>	<u>300</u>
Repayment of capital grant		
At 1 August	–	3,265
Release of provision	–	(3,265)
At 31 July	<u>–</u>	<u>–</u>
Total		
At 1 August	6,294	12,469
Decrease Utilised	– (1,829)	(70) (2,840)
Release of provision	(4,165)	(3,265)
At 31 July	<u>300</u>	<u>6,294</u>

The University vacated and mothballed leased properties at 133 Whitechapel High Street in 2009-10, at 2 Goulston Street, Ladbrooke House in July 2012 and Spring House in January 2014. The leases at both 133 Whitechapel High Street and 2 Goulston Street ended on January 2014. The provision for onerous obligations under operating leases reflected the University's estimated residual obligations under these leases. £1,829k (2014: £2,840k) was released during 2014-15 against the provision, representing rent and other building costs.

The remaining provision of £4,165k related to Ladbrooke House and was released following an agreement between the University and the Landlord, in February 2015, for the early surrender of the lease on 1 September 2015.

The contract claim provision relates to a disputed claim from a supplier for works carried out under a service contract.

The provision for repayment of capital grant related to the possible repayment of a grant given to the University in 1998 by the Heritage Lottery Fund (HLF). The grant was given to part-fund the former Women's Library building, to house the Women's Library collections. Following the transfer of these collections to the London School of Economics in 2012-13, a provision was made for the grant to become repayable whilst negotiations over the future use of the building continued with the HLF. Negotiations with the HLF concluded in June 2014, with HLF agreeing with the University's proposal to change the use of the former Women's Library building. The provision was released in full to the Income and Expenditure Account in 2013-14.

22. Deferred capital grants

	Group			University		
	HEFCE £'000	Other grants £'000	Total £'000	HEFCE £'000	Other grants £'000	Total £'000
At 1 August 2014						
Buildings	43,921	15,708	59,629	43,921	13,015	56,936
Equipment	701	–	701	701	–	701
	44,622	15,708	60,330	44,622	13,015	57,637
Cash received						
Buildings	1,585	–	1,585	1,585	–	1,585
Repayment of grants due to building disposal						
Buildings	–	2,454	2,454	–	–	–
Release of grants due to building disposal						
Buildings	741	8,304	9,045	741	8,304	9,045
Released to income and expenditure account						
Buildings	2,449	392	2,841	2,449	153	2,602
Equipment	393	–	393	393	–	393
	2,842	392	3,234	2,842	153	2,995
At 31 July 2015						
Buildings	42,316	4,558	46,874	42,316	4,558	46,874
Equipment	308	–	308	308	–	308
	42,624	4,558	47,182	42,624	4,558	47,182

The release of grants due to building disposals includes; £663k relating to Stapleton House which was sold on 1 September 2014, £78k relating to Jewry Street and £119k on Commercial Road. These grants have been transferred to surplus on disposal of freehold property. £8,170k has been released relating to the Jewry Street property, which was handed back to the Sir John Cass's Foundation on 11 June 2015. The grant has been offset against the book value of the property (note 11).

23. Reserves

	Revaluation £'000	Income and expenditure £'000	Pension £'000	Total £'000
Group				
At 1 August 2014	754	61,480	(89,869)	(27,635)
Depreciation on revalued freehold property	(24)	24	–	–
Surplus for the year	–	66,243	–	66,243
Transfer from endowment reserve (note 14)	–	28	–	28
Actuarial loss on pension fund (note 24)	–	–	(7,077)	(7,077)
FRS 17 interest cost	–	901	(901)	–
Difference between FRS 17 pension charge and cash contribution	–	(4)	4	–
At 31 July 2015	730	128,672	(97,843)	31,559
University				
At 1 August 2014	754	61,720	(89,869)	(27,395)
Depreciation on revalued freehold property	(24)	24	–	–
Surplus for the year	–	65,912	–	65,912
Transfer from endowment reserve (note 14)	–	28	–	28
Actuarial loss on pension fund (note 24)	–	–	(7,077)	(7,077)
FRS 17 interest cost	–	901	(901)	–
Difference between FRS 17 pension charge and cash contribution	–	(4)	4	–
At 31 July 2015	730	128,581	(97,843)	31,468

24. Pension arrangements (University and Group)

The University contributes to three defined benefit pension schemes: the LPFA, the TPS and the USS. TPS and USS are multi-employer schemes and are treated under FRS 17 as defined contribution schemes. The LPFA is accounted for under FRS 17 as a defined benefit scheme.

A. The London Pensions Fund Authority (LPFA) Fund

The LPFA Fund (the Fund) provides members with benefits related to pay and service at rates which are defined under the Local Government Pension Scheme Regulations 1997. To finance these benefits assets are accumulated in the Fund and held separately from the assets of the University.

The University pays contributions to the Fund at rates determined by the Fund's actuaries, based on regular actuarial reviews of the financial position of the Fund. From 1 August 2013 to 31 March 2014, the employer's contribution rate payable by the University was 18.6% of pensionable salaries.

The actuarial valuation as at 31 March 2013 informed a review by the LPFA of the contributions to be paid to the Fund by employers from 1 April 2014. It was agreed that, with effect from 1 April 2014, the contribution to be paid by the University to the Fund for current service was 16.0% of pensionable payroll. The University has also agreed to pay lump sum contributions for past service deficits of £937k from 1 April 2014 to March 2015, £1,080k from April 2015 to March 2016 and £1,132k from April 2016 to March 2017.

The University's contribution to the Fund for 2014-15 was £4,412k (2013-14: £3,655k). The University's estimated contribution to the Fund for 2014-15 is £4,287k.

The Fund has variable employee contribution rates dependent on the employee's pensionable salary. These rates range from 5.5% to 12.5%. There is also contribution flexibility where members can opt to pay 50% contributions for 50% of the pension benefit.

The pension cost, which includes the liability for pension increases, has been determined in accordance with the advice from the Fund actuary, Barnett Waddingham, and is based on an actuarial valuation as at 31 March 2013 using the projected unit method. The rates certified at the actuarial valuation as at 31 March 2013 applied from 1 April 2014. The main financial assumptions in the 2013 actuarial valuation were:

Rate of investment return	8.8% per annum
Rate of salary increases	2.3% per annum
Rate of pension increases	3.5% per annum

The actuarial valuation as at 31 March 2013 showed that the market value of the Fund's assets attributable to the University was estimated at approximately £166m and that the actuarial value of those assets represented 70% of the value of the benefits that have accrued to the University's pensioners, deferred pensioners and current members based upon past service but allowing for assumed pay increases and pension increases.

The actuarial valuation dated 31 March 2013 was published on 27 March 2014. The next actuarial valuation is due as at 31 March 2016.

A number of pensioners in the Fund are teachers who retired from the Inner London Education Authority prior to the formation of the University and are classed as unfunded inherited liabilities. HEFCE reimburses the University for the annual charge from the LPFA for these pension costs.

24. Pension arrangements (continued)

LPFA – FRS 17 statements

A full FRS17 actuarial valuation was carried out as at 31 July 2015 by the Fund actuary, Barnett Waddingham.

The major assumptions used by the actuary were as follows:

	2015	2014	2013
Rate of increase in salaries	4.4%	4.5%	4.3%
Rate of increase in pensions in payment – RPI	3.5%	3.5%	3.4%
Rate of increase in pensions in payment – CPI	2.6%	2.7%	2.6%
Discount rate	3.8%	4.2%	4.8%
Inflation assumption	2.6%	2.7%	2.6%

Salaries are assumed to increase at 1.8% p.a. above CPI in addition to a promotional scale. The actuary has allowed for a short-term overlay from 1 August 2015 to 31 July 2019 for salaries to rise at 1.0% p.a.

The assumed life expectations on retirement at age 65 are:

	Years
Current pensioners	
Males	21.9
Females	25.2
Future pensioners (retiring in 20 years)	
Males	24.2
Females	27.5

24. Pension arrangements (continued)

Fund assets

The estimated asset allocation for London Metropolitan University and the expected rate of return were:

	Long term rate of return expected at 31 July 2015	Value at 31 July 2015 £'000	Long term rate of return expected at 31 July 2014	Value at 31 July 2014 £'000	Long term rate of return expected at 31 July 2013	Value at 31 July 2013 £'000
Equities	6.7%	79,722	6.7%	76,636	6.4%	81,563
Target return portfolio	6.1%	35,029	6.1%	49,881	4.9%	50,326
Alternative assets	n/a	–	n/a	–	5.4%	26,031
Cash	3.2%	23,272	3.2%	24,145	0.5%	1,735
LDI/Cashflow matching	3.4%	26,068	3.4%	10,650	3.4%	13,883
Infrastructure	6.3%	9,680	6.3%	5,822	n/a	–
Commodities	6.1%	810	6.1%	1,857	n/a	–
Property	5.6%	5,661	5.6%	4,780	n/a	–
Total	5.8%	180,242	5.8%	173,771	5.2%	173,538

Net pension liability (University and Group)

The following amounts at 31 July related to London Metropolitan University measured in accordance with the requirements of FRS 17:

	2015 £'000	2014 £'000	2013 £'000
Fair value of employer assets	180,242	173,771	173,538
Present value of Fund liabilities	(266,620)	(251,748)	(230,629)
Present value of unfunded liabilities	(11,465)	(11,892)	(10,067)
Total value of liabilities	(278,085)	(263,640)	(240,696)
Net pension liability	(97,843)	(89,869)	(67,158)

The present value of the unfunded liabilities as at 31 July 2015 consists of £2,344k (2014: £2,400k) in respect of enhanced LGPS pensions and £9,121k (2014: £9,492k) in respect of enhanced teachers' pensions.

Analysis of the amount charged to the income and expenditure account

	2014–15 £'000	2013–14 £'000
Current service costs	5,550	4,759
Interest on Fund liabilities	10,932	11,521
Expected return on Fund assets	(10,031)	(9,292)
Losses on curtailments and settlements	159	795
Total charge to income and expenditure account	6,610	7,783
Actual return on Fund assets	7,548	2,891

24. Pension arrangements (continued)

	2014–15 £'000	2013–14 £'000
Analysis of amount recognised in consolidated statement of total recognised gains and losses (STRGL)		
Actual return less expected return on Fund assets	(2,483)	(6,401)
Experience gains/(losses) arising on Fund liabilities	(43)	17,312
Changes in assumptions	(4,551)	(31,370)
Actuarial losses recognised in STRGL	(7,077)	(20,459)
Cumulative actuarial losses recognised in STRGL	(30,373)	(23,296)
Movement in the University's share of the Fund's deficit		
The movement in the University's share of the Fund's deficit during the year is made up as follows:		
At 1 August	(89,869)	(67,158)
Movement in year:		
Current service cost	(5,550)	(4,759)
Contributions by employer	4,541	4,345
Contributions in respect of unfunded benefits	1,172	1,186
Impact of curtailments and settlements	(159)	(795)
Net return on assets	(901)	(2,229)
Actuarial (losses)/gains	(7,077)	(20,459)
At 31 July	(97,843)	(89,869)
Analysis of the movement in the present value of the Fund's liabilities		
At 1 August	263,640	240,696
Movement in year:		
Current service cost	5,550	4,759
Interest cost	10,932	11,521
Contributions by members	1,614	1,487
Contributions in respect of unfunded benefits	(1,172)	(1,186)
Actuarial losses	4,594	12,748
Impact of curtailments and settlements	159	795
Estimated benefits paid	(7,232)	(7,180)
At 31 July	278,085	263,640
Analysis of movement in the market value of the Fund's assets		
At 1 August	173,771	173,538
Movement in year:		
Expected rate of return on Fund assets	10,031	9,292
Contributions by members	1,614	1,487
Contributions by the employer including unfunded benefits	5,713	5,531
Actuarial (losses)/gains	(2,483)	(7,711)
Estimated benefits paid including unfunded benefits	(8,404)	(8,366)
At 31 July	180,242	173,771

24. Pension arrangements (continued)

	2014-15 £'000	2013-14 £'000	2012-13 £'000	2011-12 £'000	2010-11 £'000
Experience gains and losses					
Defined benefit obligation	(278,085)	(263,640)	(240,696)	(219,538)	(203,448)
Fund assets	180,242	173,771	173,538	146,370	145,673
Deficit	(97,843)	(89,869)	(67,158)	(73,168)	(57,775)
Experience adjustments on Fund assets	(2,483)	(7,711)	19,994	(7,346)	4,355
Percentage of assets	(1.4)%	(4.4)%	11.5%	(5.0)%	3.0%
Experience adjustments on Fund liabilities	(43)	18,622	(260)	636	39,059
Percentage of liabilities	(0.0)%	7.1%	(0.1)%	0.3%	19.2%
Cumulative actuarial gains and losses	(59,448)	(52,371)	(31,912)	(39,067)	(24,730)

B. The Teachers' Pension Scheme (TPS)

The Teachers' Pension Scheme (TPS) provides pensions to teachers who have worked in schools and other educational establishments in England and Wales. The scheme is an unfunded statutory public service pension scheme with the benefits underwritten by the Government. The scheme is financed by payments from the employer and from those current employees who are members of the Scheme, who pay contributions at different rates which depend on their salaries. The rate of employer contributions is typically set following an actuarial valuation.

Under definitions set out in FRS 17, the TPS is a multi employer pension scheme. The University is unable to identify its share of the underlying (notional) assets and liabilities of the scheme. Accordingly the University has accounted for its contributions to the scheme as if it was a defined contribution scheme.

As from January 2007 contributions are paid by the University and charged to the income and expenditure account at a rate of 14.1% of pensionable salaries.

The University's contribution to the TPS for 2014-15 was £3,731k (2013-14: £3,828k). The University's estimated contribution to the scheme for 2015-16 is £3,370k.

The Government Actuary's Department was appointed as scheme actuary by the Secretary of State to carry out an actuarial valuation of the scheme as at 31 March 2012. The valuation was published in June 2014 and has determined a new rate of employer contributions of 16.4% of pensionable pay payable from 1 April 2015 (the implementation date) for a four year period from 1 April 2015 (the implementation period) and the initial employer cost cap of 10.9% of pensionable pay. Total scheme liabilities have been estimated at £191.5bn and notional assets at £176.6bn, giving a notional past service deficit of £15.0bn. The assumed real rate of return is 3.0% in excess of prices. The rate of real earnings growth is assumed to be 2.75% and the assumed gross rate of return is 5.06%.

The valuation was carried out using the projected unit method. Application of this methodology to determine the valuation results requires some assumptions to be made about the size and make-up of the workforce up to the end of the implementation period. To calculate the employer contribution rate, the actuary has placed a net present value on the extra annual benefit accrual over the four year implementation period and then adjusted for the repayment of the deficit over 15 years and member contributions. The employer cost cap is a measure of the cost of the 2015 scheme only. The calculation of the employer cost cap is similar to that of the employer contribution rate but is based on all members being in the 2015 Scheme in April 2015, with assumptions reflecting members' likely behaviour had they never been members of the existing schemes, and no deficit contributions apply.

The employer contribution rate is expected to be reassessed at the actuarial valuation to be carried out as at 31 March 2016 (and each subsequent four yearly valuation). The next revision to the employer contribution rate is expected to take effect from 1 April 2019. The financial position relative to the employer cost cap will also be reconsidered at each four yearly valuation.

24. Pension arrangements (continued)

C. The Universities Superannuation Scheme (USS)

The University participates in the Universities Superannuation Scheme (USS), 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 University is required to contribute a specified percentage of payroll costs to the pension scheme to fund the benefits payable to the University's employees. In 2015, the percentage was 16% (2014: 16%). The University is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS17 'retirement benefits', accounts for the scheme as if it were a defined contribution scheme.

The total cost recognised in the income and expenditure account is regarded as being equal to the contributions payable to the scheme for the year. The University's contribution to the USS for 2014-15 was £231k (2013-14: £287k). There was neither a prepayment nor an accrual at the end of the financial year in respect of these contributions. The University's estimated contribution to the scheme for 2015-16 is £207k.

The disclosures below represent the position from the scheme's financial statements.

The 2014 valuation has recently been finalised and the audit process is in progress. Therefore the latest available audited triennial actuarial valuation of the scheme was at 31st March 2011 ('the valuation date'), which was carried out using the projected unit method. The 2014 valuation indicates that employer contributions will increase to 18% from 1 April 2016.

The 2011 valuation was the second valuation for USS under the scheme-specific funding regime introduced by the Pension's Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. At the valuation date, the value of the assets of the scheme was £32.4 billion and the value of the scheme's technical provisions was £35.3 billion indicating a shortfall of £2.9 billion. The assets therefore were sufficient to cover 92% of the benefits which had accrued to members after allowing for expected future increases in earnings.

FRS17 liability numbers have been produced using the following assumptions: discount rate 3.3% (2014: 4.5%), pensionable salary growth 3.5% in the first year and 4.0% thereafter (2014: 4.4%), price inflation (CPI) 2.2% (2014: 2.6%).

The main demographic assumption used relates to the mortality assumptions. Mortality in retirement is assumed to be in line with the Continuous Mortality Investigation's (CMI) S1NA tables as follows:

Male members' mortality	S1NA ['light'] YoB tables – No age rating
Female members' mortality	S1NA ['light'] YoB tables – rated down 1 year

The use of these mortality tables reasonably reflects the actual USS experience. To allow for further improvements in mortality rates the CMI 2009 projections with a 1.25% pa long term rate were also adopted for the 2014 FRS17 figures, for the March 2015 figures the long term rate has been increased to 1.5% and the CMI 2014 projections adopted, and the tables have been weighted by 98% for male and 99% for females.

The current life expectations on retirement at age 65 are:

Males currently aged 65	24.2 (2014: 23.7) years
Females currently aged 65	26.3 (2014: 25.6) years
Males currently aged 45	26.2 (2014: 25.5) years
Females currently aged 45	28.6 (2014: 27.6) years

Existing benefits:

Scheme assets	£49.0bn (2014: £41.6bn)
FRS 17 liabilities	£67.6bn (2014: £55.5bn)
FRS 17 deficit	£18.6bn (2014: £13.9bn)
FRS 17 funding level	72% (2014: 75%)

25. Capital commitments (University and Group)

	2015 £'000	2014 £'000
At 31 July capital commitments were as follows:		
Commitments contracted	2,869	2,208
Authorised but not contracted	5,832	3,850
	8,701	6,058

26. Commitments under operating leases (University and Group)

At 31 July annual commitments under non-cancellable operating leases were as follows:

Land and buildings:

Expiring within one year	67	8
Expiring within one – two years	–	462
Expiring within two – five years	–	1,145
Expiring in over five years	2,153	2,153

Other:

Expiring within one year	403	311
Expiring within one – two years	–	321
Expiring within two – five years	–	15
	2,623	4,415

27. Reconciliation of surplus/(deficit) on continuing operations to net cash outflow from operating activities

	2014–15 £'000	2013–14 £'000
Surplus/(deficit) on continuing operations	66,243	(1,639)
Depreciation	8,737	8,844
Deferred capital grants released to income	(3,234)	(3,519)
Deferred capital grant reinstated as exceptional item	–	2,836
Interest payable	1,029	2,387
Decrease in stocks	3	10
Increase in debtors	(52)	(1,273)
Decrease in creditors	(914)	(5,639)
Decrease in provisions	(5,994)	(6,175)
Endowment income and interest receivable	(288)	(225)
Donations received	(2,554)	(42)
Pension cost less contributions payable	(4)	23
Exchange rate (gain)/loss	(9)	48
Profit on sale of fixed assets	(67,560)	(229)
Net cash outflow from operating activities	(4,597)	(4,593)

	2014–15 £'000	2013–14 £'000
28. Returns on investments and servicing of finance		
Donations received	1,954	42
Interest paid	(128)	(158)
Income from endowments	15	3
Other interest received	202	203
Net cash inflow	2,043	90
29. Capital receipts/(expenditure)		
Purchase of tangible fixed assets	(13,804)	(11,094)
Receipts from sale of fixed assets	80,764	280
Net deferred capital grants received	1,585	1,128
Net endowments received	352	73
Net cash inflow/(outflow)	68,897	(9,613)
30. Management of liquid resources		
(Increase)/decrease in current asset investments	(53,500)	11,500
Increase in endowment cash investments	(393)	(76)
Net cash outflow/(inflow)	(53,893)	11,424
31. Financing		
HEFCE revolving green fund loans	856	499
Repayment of capital element of loans	(644)	(338)
Repayment of capital element of finance lease	(3,889)	(648)
Net cash outflow	(3,677)	(487)

32. Analysis of changes in net funds

	At 1 August 2014 £'000	Other changes £'000	Cash flows £'000	At 31 July 2015 £'000
Cash at bank and in hand	3,017	–	8,773	11,790
Endowment cash asset investments	289	–	393	682
	<u>3,306</u>	<u>–</u>	<u>9,166</u>	<u>12,472</u>
Short term investments	13,000	–	53,500	66,500
Debt due within one year	(644)	(403)	644	(403)
Debt due after one year	(392)	403	(857)	(846)
Finance lease	(3,889)	–	3,889	–
	<u>11,381</u>	<u>–</u>	<u>66,342</u>	<u>77,723</u>

The analysis of changes in net debt excludes HEFCE grant repayment of £12.5m (2014: £15m) as this is not a commercial loan and is being recovered by HEFCE through adjustments to recurrent grant payments.

33. HEFCE Access Fund (University and Group)

	2014–15 £'000	2013–14 £'000
Balance unspent at 1 August	–	13
Income		
Amounts received	–	566
Interest earned	–	1
Expenditure		
Disbursed to students and administration	–	(580)
Balance unspent at 31 July	<u>–</u>	<u>–</u>

The Access Fund was paid to the University by HEFCE to provide assistance to students whose access to further or higher education might be inhibited by financial considerations or who, for whatever reason, including physical or other disability, face financial difficulties.

These grants were available solely for students. The University acts only as a paying agent. The grant and related disbursements are therefore excluded from the income and expenditure account.

From 2014-15 HEFCE ceased providing access funding grants in this way. This is now funded from the Student Opportunity Fund.

2014–15	2013–14
£'000	£'000

34. HEFCE Student Support Fund (University and Group)

Balance unspent at 1 August	65	87
Amounts received	(54)	–
Disbursed to students	(11)	(22)
Balance unspent at 31 July	–	65

The Student Support Fund was established to assist London Metropolitan University international students affected by the revocation of the University's HTS status who incurred additional costs as a result of the revocation.

£11k was disbursed to students during the early part of the financial year, with the unspent balance of £54k being returned to HEFCE on 20 November 2014.

The University acted only as a paying agent. The funding and related disbursements to students are therefore excluded from the income and expenditure account.

35. National College for Teaching and Leadership (NCTL) (University and Group)

Balance unspent at 1 August	523	678
Amounts received	1,176	836
Disbursed to students and administration	(1,160)	(991)
Balance unspent at 31 July	539	523

Teacher Training Bursary Funds are paid to universities by the NCTL to provide financial support to students studying for a postgraduate qualification which leads to Qualified Teacher Status.

These grants are available solely for students. The University acts only as paying agent. The grant and related disbursements are therefore excluded from the income and expenditure account.

36. Related party transactions

Due to the nature of the University's operations and the composition of the Board of Governors (drawn from the community, businesses and private organisations) it is inevitable that transactions will take place with organisations in which a member of the Board may have an interest. All transactions involving organisations in which members of the Board may have an interest are conducted at arm's length and in accordance with the University's financial regulations and normal procurement procedures.

Mr Obie Opara is a member of the Board of Governors as Students' Union Representative. Mr Opara is president of the London Metropolitan University Students' Union, which was incorporated on 19 June 2013. The Union is a separate legal entity which the University does not control or exercise significant influence over policy decisions. The Union receives a block grant from the University, which is calculated annually according to a methodology agreed between the University and the Union. All other transactions between the two parties are conducted on a commercial basis.

The University has taken advantage of the disclosure exemption under FRS8, which applies to transactions and balances between group entities that have been eliminated on consolidation.

37. Contingent liabilities

The University is in negotiation with a supplier over a claim for work carried out under a service contract. The University's legal advisers have indicated that there are very good grounds to consider that any significant payments on items not provided for in these accounts is unlikely. The amount of contingent liability has been estimated at £2.3m.

A contingent liability exists in relation to the USS pension valuation recovery plan, since the University is an employer of members within the scheme. The contingent liability relates to the amount generated by part service of current members and the associated proportion of the deficit. Given that the scheme is a multi-employer scheme and the University is unable to identify its share of the underlying assets and liabilities, the contingent liability is not recognised as a provision on the balance sheet. The associated receivable from the scheme in respect of the reimbursement of the University's expenditure is similarly not recognised.



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