LONDON METROPOLITAN UNIVERSITY

Annual Report and Accounts

2017/18

London Metropolitan University

Annual Report and Accounts
2017/18

Contents

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
londonmet.ac.uk

The University is an exempt charity under the Charities Act 2011

London Metropolitan University in numbers

96.7%

graduates in employment or
further study six months after graduation
Source: Destinations of Leavers from Higher Education survey 2016 / 17

307

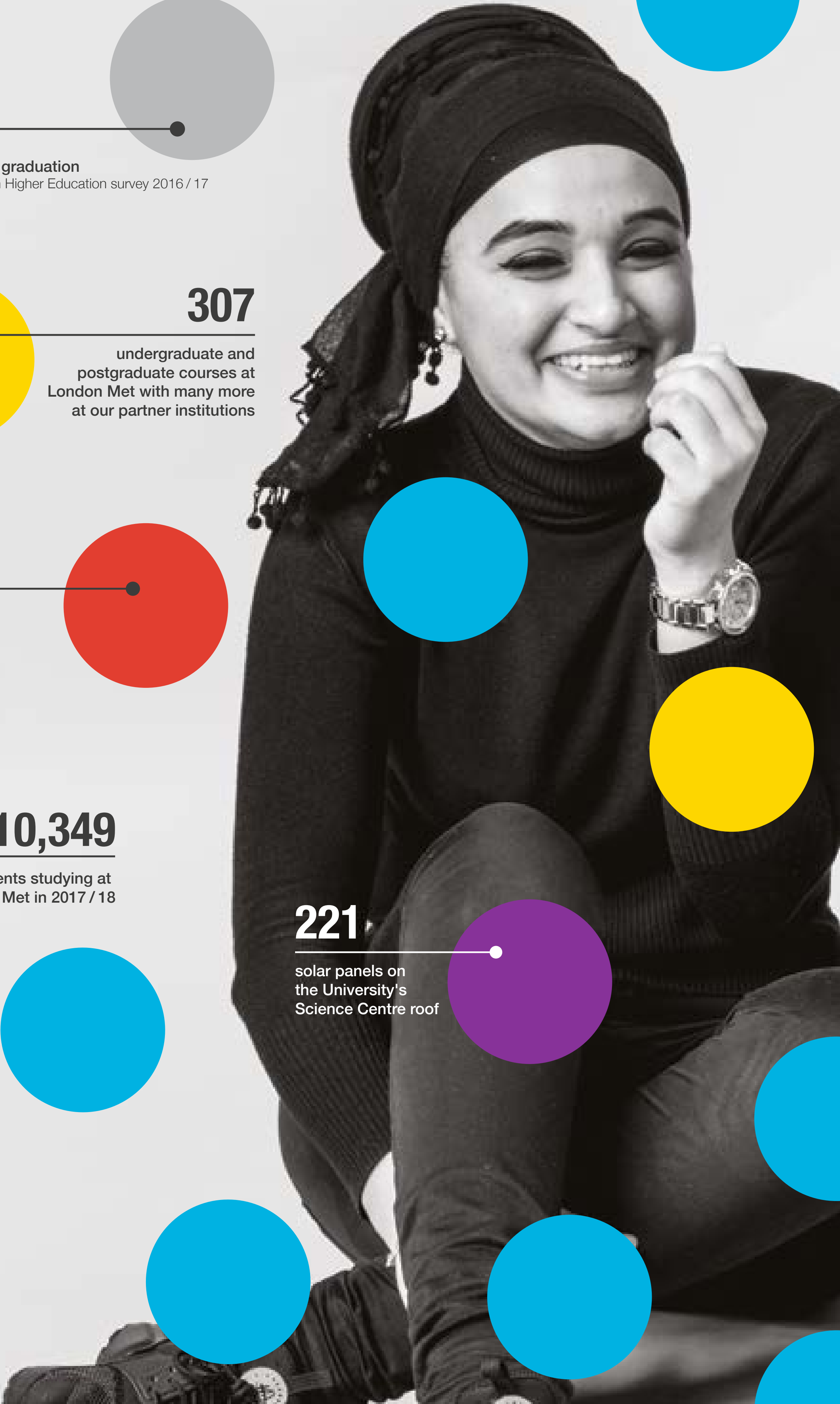
undergraduate and postgraduate courses at London Met with many more at our partner institutions

149

nationalities represented

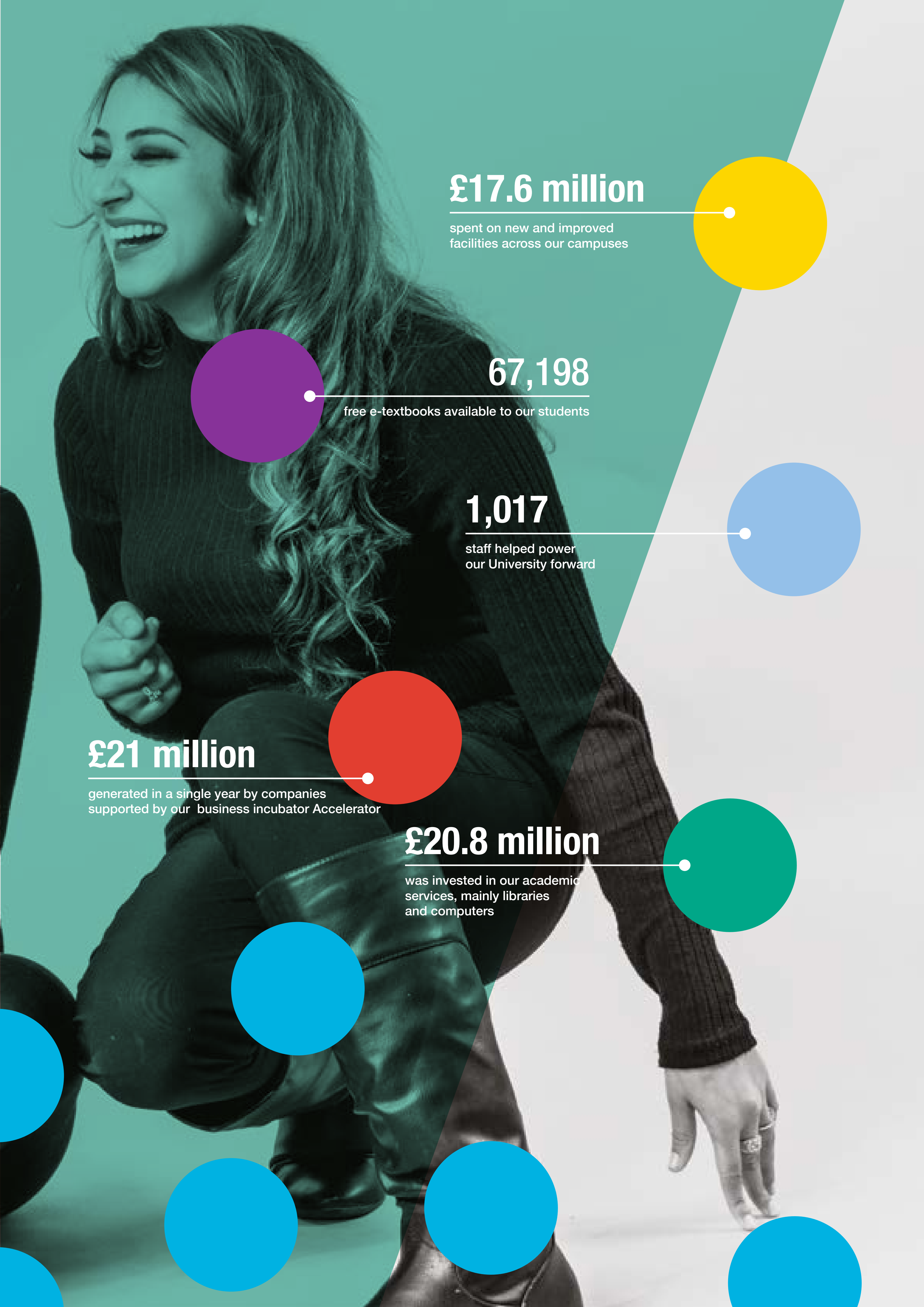
10,349

students studying at London Met in 2017 / 18



221

solar panels on the University's Science Centre roof



£17.6 million

spent on new and improved facilities across our campuses

67,198

free e-textbooks available to our students

1,017

staff helped power our University forward

£21 million

generated in a single year by companies supported by our business incubator Accelerator

£20.8 million

was invested in our academic services, mainly libraries and computers


Our scholarships and bursaries can help to make your bank balance look a lot healthier.
Abel
Tower Complex

Our values

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

The University's main charitable purpose under the Charities Act 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 charity trustees of London Metropolitan University, its Board of Governors, has had due regard for 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; and that people in poverty must not be excluded from the opportunity to benefit.

In addition to our core educational activity, we support our communities through work with local schools and colleges through our student volunteering service and by encouraging and supporting our staff to contribute to our local community. The need to demonstrate public benefit is embedded in all aspects of our strategy. The University's ethos, which has always included a strong sense of social justice and the need to make a contribution to society means that many of our alumni also continue to play an active part.

We are proud of the University's history as an access university; we build bridges to the future for our students and provide them with the skills to transform their lives and careers.

Many of our students come from sections of society that are disadvantaged in access to education and employment. The impact of our widening participation efforts is reflected in our metrics for 2017/18:

- 60.3% of students were from minority ethnic communities
- 72.4% of full-time students were over 21 years old
- 14.5% had a disclosed disability
- 94.6% of all young full-time undergraduate entrants were from state schools or colleges

Our strategy

Our strategic plan 2015–2020 was published in July 2015. The University's strategy is to continue to improve our academic performance while at the same time ensuring financial sustainability through challenge of the effectiveness of services and facilities provided to our students and to our staff, to ensure that they remain fit for their purpose. We monitor the University's performance using a range of performance indicators that are monitored by senior management and the Board of Governors.

A medium term strategy review was carried out in 2017/18 which identified actions needed to respond to current trends, including differentiation of the London Met brand; a more strategic approach to our academic portfolio focusing on professional and practitioner career pathways; diversification of revenue streams and continuing action to make efficiencies to bring operating and estate costs to a level commensurate with competitors and generate surpluses for reinvestment.

Principal risks and responses

The principal risks to the achievement of the University's strategic objectives relate primarily to the wider operating context and the rapid changes in the higher education environment affecting London Met and other post '92 institutions in London.

They include:

- **Risk of lower new student recruitment** arising from increasing competition and the impact of Brexit on recruitment of students from outside the UK;
- **Risk of failing to meet benchmarks for student non-continuation** if students fail to re-enrol due to academic failure, withdrawal or a decision to transfer to another institution;
- **Risk of rapidly increasing employment costs** from, inter alia, rises in employer contributions required by the national pension schemes (the Teachers Pensions Agency, Local Government Pension Scheme and Universities Superannuation Scheme) which we offer to our staff;
- **Reputational risks**, potentially caused by compliance failure or through a failure to improve the University's public reputation and demonstrate the value we deliver to our students, our community and to the UK economy.

The risks listed above are reflected in the University's corporate risk register and managed through London Met's system of internal control, described in the statement of corporate governance.

Actions to respond to these risks include our Programme to Improve Student Outcomes and the Employment Outcomes programme. These are designed to enhance the University's attractiveness to applicants, its ability to retain students and help them attain their academic goals, leading to enhancement of the University's public profile and position in league tables. The One Campus, One Community programme is designed to address the quality of the University's estate and facilities, and ensure that the University's staffing structure and operating model are optimised to its income. Data quality and compliance is addressed through internal review independent of preparation of each return, monitored by a Data Quality Group and reported at each meeting to the Audit Committee.

During 2017/18 we put into place two new business strands: **Apprenticeships** and **London Met Online** to ensure that we remain responsive to changes in the needs of our students and employers of our students. Brand and portfolio review work is underway and we have set up an Organisational Development and Design project to support the delivery of a lean, technology-enabled, efficient organisation.

Our business model

Over 80% of our revenue is generated from the fees we collect from our students. Over the last three years we have reduced expenditure to bring the University into line with sector benchmarks and to improve generation of the surpluses and cash needed to continue to invest in facilities and resources required to support student success.

Our structure

We introduced a new University structure at the start of 2016/17. The structure has two aims; firstly to ensure that all our efforts are directed towards improving students' success in their studies and in meeting their career aspirations, and secondly to simplify the way we work, reducing silos, speeding-up processes and encouraging and celebrating team work.

We have six academic Schools who report to a Pro Vice-Chancellor (Academic Outcomes):

- The Sir John Cass School of Art, Architecture and Design (The Cass)
- The School of Computing and Digital Media
- The Guildhall School of Business and Law
- The School of Human Sciences
- The School of Social Professions
- The School of Social Sciences

Our Careers and Employability teams report to the Pro Vice-Chancellor (Employment Outcomes), who also has oversight of our apprenticeships programme, partnership work and leads our research and knowledge exchange strategies.

The main professional services teams report to the Chief Operating Officer, who also has oversight of Global Online. These teams are Engagement, Finance, Estates, Human Resources, Information Technology Services and the Student Journey.

Our Governance and Secretariat functions are led by the University Secretary and Registrar who reports to the Vice-Chancellor and to the Chair of the Board.

The Vice-Chancellor manages these Senior Staff and chairs the Academic Board, the Senior Leadership Team and the Senior Management Team.

Academic outcomes

In 2017/18 London Met has continued its upward trajectory, outperforming most of its closest competitors by closing gaps, matching and exceeding, both London and national averages. In the overall score in the National Student Survey, London Met held its position at 78% while many similar institutions in London fell. There were 21 improvements among the 46 subjects returned.

On ‘Teaching Quality’ London Met climbed to above the average for London Universities. On ‘Student Voice’, London Met has now exceeded the much more challenging, national average (by 1%) and on the sub-scale for 'Assessment and Feedback’ London Met is now above the national average.

There has been positive progress too in reducing non-continuation and bringing this closer to the benchmark of 14%. Non-continuation has been reduced by around 17% or 4 percentage points from around 23% to 19%. We expect this improvement to continue as a result of a series of interventions and increased student support implemented in 2017/18.

We have undertaken a full review of our academic portfolio to present a more focused and refreshed offering for 2019/20 admission. The London Met Academic Portfolio is now completely redesigned around providing access to defined career pathways, delivered through a suite of programme opportunities, and underpinned by a strategy to support student success.

Our students

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.

The total number of students studying at the University reduced by 15% from 2016/17 to 2017/18, partly as a result of lower numbers of students progressing from earlier years of their degree and partly because of a planned reduction in the number of new students. The reduction reflects the increasing competition in the sector.

	2015/16	2016/17	2017/18
Full-time (Home/EU)	9,436	8,925	7,593
Full-time (Overseas)	434	324	326
Part-time	3,062	2,897	2,430
Total	**12,932**	**12,146**	**10,349**

Awards

2,024 bachelor degrees were awarded in 2017/18, of which 62.3% were either first or upper second ('good' degrees). This is a significant improvement from 2016/17 when 2,213 bachelor's degrees were awarded, 53.3% were good degrees.

434 master degrees were awarded, of which 26.3% were awarded distinction (2016/17: 683 awards, 21% of which were with distinction).

Academic indicators

Our Programme for Improving Student Outcomes shows good progress in key objectives. In addition to the progress made in improving achievement, demonstrated in the 'good degree' indicator, the attainment gap between Black and Minority Ethnic students and other students has reduced from 31% to 28% and the in-year withdrawal rate for new entrants has reduced from 11.2% in 2016/17 to 5%.

Employment outcomes

On the employment measure for UK based students London Met is now ahead of 87 other institutions including Cambridge, Oxford, and King's College London, a 17% increase over the last four years. London Met's UK based students ('E1A') going into Highly Skilled Jobs ("Graduate Jobs") increased by 56% over the same period, to 80%. This growth is in the top five in the sector and is the cumulative effect of our policies on work-related learning and careers over the past few years.

Supporting our students with employment

With the help of our internal staff agency, Met-temps, we gave 500 of our students paid work, and saw the successful completion of our fourth graduate internship scheme. The Employer Engagement team supported 1,961 students to obtain placements in over 400 organisations, and 340 students completed their work-related learning through a programme to start their own businesses.

Student entrepreneurship

Our business incubator, Accelerator, is one of the longest running start-up support centres in Tech City and is the home of the University's graduate entrepreneurship competitions and programmes. It engages with around 1,500 students and graduates each year and in 2017/18 has helped entrepreneurs £14.2m in investment. Those startups generated £21m in revenue. Accelerator supported over 500 students and 19 new student start-up enterprises over the course of 2017/18.

The award in 2018 of the Small Business Charter was particularly noteworthy because it included 'exemplar' status in recognition of the way Accelerator and Guildhall School of Business and Law work closely and effectively with a range of small businesses to support work-related learning and entrepreneurship. We are one of only four universities with exemplar status.

Impact of Research and Knowledge Exchange

Two Knowledge Transfer Partnerships with technology SMEs in 2017 and 2018 were judged as 'outstanding' and 'excellent' respectively, and in 2018 a Cyber Security Research Centre was established, equipped with high specification servers, software and hardware. The Centre is focusing on the development of the cyber security measures that industry urgently needs and will enable our students to benefit from work placements and job opportunities with our partners, including Lloyds Bank, Cisco, Oracle Corporation and Callsign.

Apprenticeships

We have appointed a Director of Apprenticeships with extensive experience outside London Met who has developed our business capacity and put in place the infrastructure to develop and deliver our apprenticeship portfolio responding to employer requirements. We will be enrolling the first apprentice students in 2018 and we expect apprenticeships to make a positive contribution from next year growing to nearly £2m with 1,000 degree apprentices in 2022/23 (£1.65 million).

London Met Online

We have appointed an experienced Director of London Met Online who is taking London Met Online through to launch during 2018/19. We are planning to launch a product which is based on US good practice and will be markedly different from current UK offerings with emphasis on competency-based learning and enhanced student support. Our business plan forecasts that London Met Online will become contribution-positive in 2020/21.

Professional services and facilities

During 2017/18 we continued to implement the review of services started in 2016 and restructured the teams working in Academic Business Administration; Academic Quality and Development; Finance, Procurement and Academic Planning; and Information Technology Services.

A Strategic Projects team was set up to co-ordinate the planning and monitoring of major projects across the University and to deliver an institution wide strategic roadmap. Projects in 2017/18 included the delivery of major business and technology transformation projects across finance and resource management systems, institutional customer relationship management and information management. A new student portal was launched in October 2018.

Our staff

We have a proud tradition of embracing and valuing diversity and this is reflected in our diverse student body and staffing profile which we monitor and report on annually at the end of each academic year.

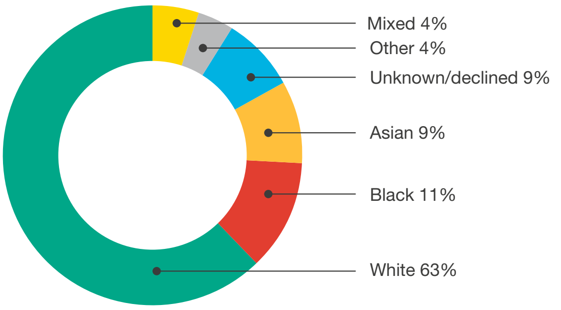
We are one of the most diverse universities in the UK with more than 140 nationalities on campus.

We value and promote diversity and dignity at work including through our staff development programmes, policies and practices and new staff induction.

We value and support the contribution of our staff and seek to ensure that all our staff are supported and enabled and do not face unnecessary barriers to their successful employment. We have set out our commitments in our staff policies and also through our commitment as a 'Disability confident' employer.

Our aim is to promote a University 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 the University's strategy.

Staff 2017/2018



Staff development and performance

During 2017/18 we provided a range of professional development events plus our annual Learning and Teaching Conference to over 3,000 attendees. 58 staff are studying our accredited course/modules on Learning and Teaching.

Over 90% of substantive staff used MyReview, our online appraisal system to record and review personal work and development targets, which is in its second year.

We recognised good staff and team performance through our annual staff awards scheme.

Our continuing investment in improving staff communications includes regular staff conversations with the Vice-Chancellor and wider management group. Our staff are represented by three recognised trade unions, UCU, UNISON and GMB.

Staff support and wellbeing

We value the health and wellbeing of our staff, and recognise that sickness absence has a negative impact on staff and the university. We support staff through our occupational health service, on-site sport and fitness facilities, wellbeing events and our employee assistance programme. We continued to offer all staff subsidised gym membership and free gym classes.

To demonstrate our commitment to the mental wellbeing of our staff we have signed up to the mindful employer charter for employers who are positive about mental health.

Staff reward

We operate an objective job evaluation system to ensure equal pay for work of equal value and we monitor our pay against the sector and against national gender pay gap data to help us in our aim to maintain pay equality and salaries at sector median levels.

We are committed to paying a fair wage to our lowest paid staff and have been a long standing accredited London Living Wage employer.

All our staff are automatically enrolled into one of our pension schemes. We support those who are seeking advice or who wish to improve their pension benefits including through the provision of pension clinics and workshops.

We have started a project to provide a shared cost salary sacrifice additional voluntary contributions (SSSCAVC) to members of the LGPS.

Our salary sacrifice schemes give our staff tax efficient access to childcare vouchers, cycles and cycling equipment and we offer our staff interest free season ticket loans. The full range of our staff benefits is summarised for each member of staff in a total reward statement accessible via our employee self-service portal.

Supporting our community
We support our communities through our student and staff volunteering service and by encouraging and supporting our staff and students to contribute to our local community.

Our staff volunteer in the community in a range of roles including as curators, trustees, treasurers, governors, directors (and by providing volunteer training, coaching, mediation, mentoring advisory and consultancy) to local organisations. Through these links we seek to keep our community informed of university activity and developments, discuss neighbourhood issues of mutual benefit including student work experience and internship opportunities, and gallery space for student artwork.

Our facilities
In 2018 we opened our new facilities in the Roding Building. These provide state-of-the art classroom technology, informal study space and a major new catering outlet at Holloway. The Nureva Span suite contains Europe's largest Nureva screen which allows highly interactive teaching and collaborative learning from within the space but also remotely from anywhere in the world. We created a dedicated Students' Union centre providing social and office space with a radio studio for the Verve radio station to give the Students' Union a home at the front of the campus in a cutting edge and vibrant environment.

The next stage of the one Campus, One Community programme will be to move the Guildhall School of Business and Law from Moorgate to Holloway in the summer of 2019. Three floors of the Tower and Tech Tower buildings at Holloway will be refurbished to accommodate open plan staff offices and unique specialist teaching spaces such as the UN accredited Interpreting and Translation suite.

Substantial progress has been made in the design of an alternative energy strategy for the Holloway campus, as well new teaching facilities and a landscaping design within an opened central courtyard that has the potential to be the largest and finest public square in north London.

Environmental sustainability
London Metropolitan University is amongst the greenest universities in the UK. Our carbon footprint has reduced by 68% since 2009.

Our Environmental Strategy sets targets in a number of areas including travel, procurement, waste, water and food. In 2017/18 we generated over 45,000 kWh of energy from photovoltaic panels on our campus; we reduced our water consumption by 7.8% through reducing run times on taps, introducing sensor taps and waterless urinals. The amount of waste recycled during 2017/18 was the equivalent of saving 813 trees. We won a Solar Power Portal and Energy Institute award for corporate social responsibility and carbon reduction.

We continue to work to ensure that the University procures goods in a responsible way. We have achieved Fairtrade University status and continue to increase the amount of Fairtrade products available at the University and raise awareness of Fairtrade. We have become a full member of Electronics Watch through our association with the London Universities Purchasing Consortium (LUPC).

We launched our first master's-level degree in Corporate Social Responsibility and Sustainability. This includes a Practical Sustainability module using the University as a living lab to give students practical experience.

Modern slavery

The University is committed to preventing acts of modern slavery and human trafficking from occurring within its business and supply chain, and imposes the same high standards on its suppliers. As part of its commitment to combating modern slavery, the University has adopted an Anti-Slavery Policy, which is published on the University's website.

We are a member of the London Universities Procurement Consortium (LUPC), which is a non-profit professional buying organisation. LUPC is a member of Procurement England Limited (PEL), these bodies have together published a shared Sustainability Policy, to which all PEL member consortia are committed. LUPC has also published its own Slavery and Human Trafficking Statement setting out its position with regard to modern slavery and human trafficking. The University also purchases via the APUC, NEUPC, SUPC, NWUPC consortia and via Crown Commercial Services, and which have also published their own Slavery and Human Trafficking Statements.

Standard contractual clauses are now included in our standard terms and conditions of supply, which oblige suppliers to adhere to the Modern Slavery Act 2015 and to maintain records. The University does not tolerate slavery and human trafficking within its supply chains.

Financial sustainability

The financial strategy within our strategic plan 2015–2020 aims 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

Good progress has been made although increases in employment costs and decreases in our income have caused our pay to remain above the benchmark average. We expect to continue to make operating deficits in the short term, due to reductions in student numbers, the high cost of restructuring and investment in change. Our forecasts show generation of operating cash and sustained growth in Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) over our forecast period with a return to operating surplus in the medium term.

Financial indicators

The financial key performance indicators monitored by the Board of Governors are as follows:

	2016/17 Actual	2017/18 Budget	2017/18 Actual
Adjusted operating surplus before other gains and losses, restructuring costs and pension cost adjustments as a percentage of income	6.4%	0.3%	1.6%
EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortisation) adjusted for restructuring costs and pension cost adjustments as a percentage of income	12.5%	8.5%	9.4%
Liquidity (total expenditure excluding depreciation)	413 days	228 days	280 days
Adjusted net operating cash flow as percentage of income	1.9%	8.4%	8.3%
Adjusted cost of staff, excluding staff restructuring costs and pension cost adjustments as a percentage of income	53.3%	52.3%	56.6%

Operating and financial review

The University made an operating surplus of £1.5m for 2017/18 (calculated before other gains and losses, restructuring costs and pension cost adjustments). This is £1.3m better than the budgeted surplus of £0.2m.

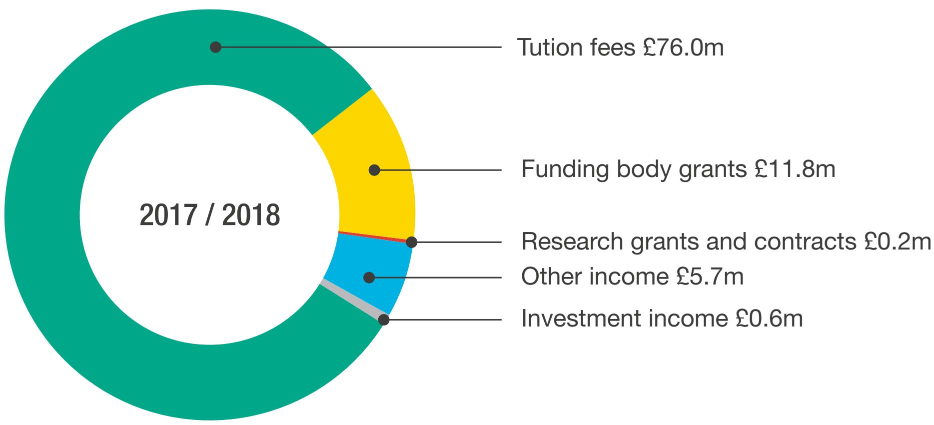
Income

Total income for 2017/18 was £94.3m, £0.5m better than budget but £7.7m (7.6%) lower than 2016/17, reflecting a lower number of students and changes to grant funding.

Tuition fees now account for 80.6% of our total income compared to 79.2% in 2016/17. Grants declined from 12.9% of our total income in 2016/17 to 12.5% in 2017/18.

Other income streams (including investment income) account for 6.9% of total income, a small reduction compared to 2016/17 (7.9%), predominantly due to lower income from collaborative partnerships.

Income by source



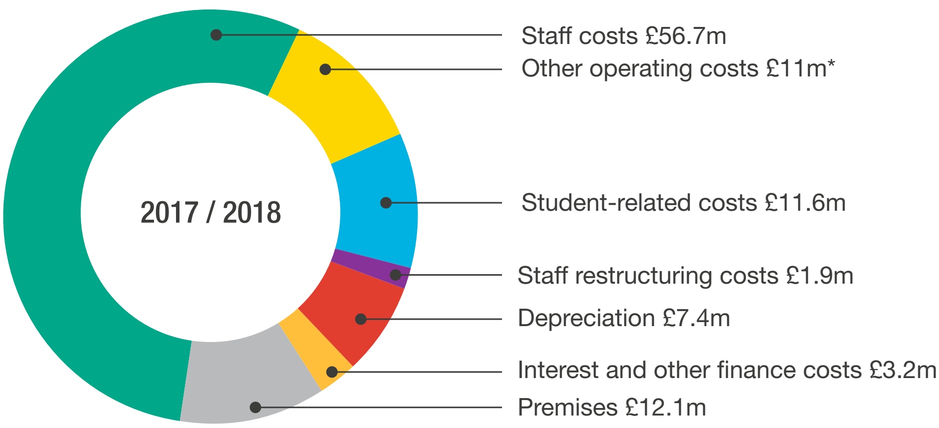
Expenditure
Total expenditure for 2017/18 was £103.9m, a decrease of £2.2m from the previous year.

Staff costs (excluding staff restructuring costs) decreased by 0.5% from £57m in 2016/17 to £56.7m in 2017/18 and now represent 60.1% of income (2016/17: 55.8%). The University embarked on a restructuring exercise in 2015/16 and this has continued through 2016/17 and 2017/18 with the aim of reducing staff costs towards our sector benchmark. However, much of the saving from staff reductions in 2016/17 has been offset by increases in employer pension contributions and the apprenticeship levy and this, combined with lower student numbers and income has caused our staff cost as a percentage of income to rise.

Spend on other operating expenses has reduced by 6.5% to £34.6m (2016/17: £37.1m). The reduction reflects the close control over expenditure in our continuing drive for efficiency. Depreciation increased by 18% from £6.2m in 2016/17 to £7.3m in 2017/18, reflecting the completion of our Roding Building, new Students' Union building and other capital expenditure.

To further reduce our expenditure on premises, the University has decided to vacate its building at Moorgate and to move our business school to the Holloway campus in September 2019. We have provided an estimated £4.1m in respect of the remaining obligations under the building lease and have reduced the value of assets at that building by £6.6m to reflect the short period of use.

Expenditure by type



*other operating costs includes expenditure incurred on student and staff facilities and amenities, and general educational expenditure.

Balance sheet

The University's net assets at 31 July 2018 were £151.2m, an increase of £1.9m compared to 31 July 2017 (£149.3m). The increase is after taking into account of the movement in the net LPFA and USS pension provisions which reduced by £17.7m to £102.7m (2017: 120.4m), a drop of 14.7%.

During the year, £17.6m was invested in facilities and infrastructure, taking the total net book value of our fixed assets to £184.9m, an increase of £3m compared to 2017. The change reflects the investment in our estate and systems, less the impairment of assets at Moorgate.

Net current assets decreased by £20.8m (21.6%) to £75m (2017: £95.8m). This was mainly due to an overall drop in our cash, cash equivalents and investments of £25.9m to £81.8m (2016: £107.7m) as a result of increased expenditure in the year to fund our capital programme and revenue costs of change.

Creditors falling due within one year decreased by £1.4m, from £20.5m in 2017 to £19.1m. The main change was an increase of £0.6m due to the OfS (previously HEFCE) as unsecured interest free green fund loans become due for repayment, offset by reductions in other creditors, accruals and deferred income.

Creditors falling due after more than one year decreased from £5.3m in 2017 to £2.6m, as £2.5m of grant was repaid to HEFCE during the year and other Green loans transfer to a due date of less than one year.

Pension provisions decreased by £17.7m, from £120.4m in 2017 to £102.7m in 2018, representing £0.3m for obligations to the USS and £102.4m to the LPFA. The University's share of LPFA fund liabilities decreased slightly by £4.3m and our share of LPFA fund assets increased by £13.4m. The main cause of the improvement was a reduction in the rate of pension and salary increases assumed by the actuary, offset by the impact of an increase in the discount rate used from 2.7% to 2.65%, reflecting the increase in high quality bond yields on long term AA rated (high quality) corporate bonds, which had the effect of reducing the value of future pension liabilities.

£9.9m (2017: £10.4m) of the pension provision relates to unfunded benefits for liabilities inherited by the University on the closure of the Inner London Education Authority. The cost of these pensions is reimbursed to the University annually by the OfS (previously HEFCE).

Other provisions as at 31 July 2018 comprise a provision for the estimated obligations under the lease for our Moorgate building after the building is vacated in September 2019. The provision as at 31 July 2017 of £3.4m for backdate rent review was settled during 2017/18.

Treasury management

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 had a £10m overdraft facility to address working capital risk. This was reviewed and reduced to £3m with effect from 3 November 2017.

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 and short-term investment balances in 2016/17 were £91.6m (2016/17: £112.7m). Interest earned on the balances was £0.6m (2016/17: £0.8m) giving an average return for the year of 0.69% (2016/17: 0.67%).

Future developments

The University carries out full review of its five-year rolling financial forecasts in January and June of each year. We also carried out a full reforecast, approved by the Board, in September 2018 for submission to the OfS in accordance with their timetable. This most recent forecast included the following key metrics:

Summary of key metrics

	2018/19	2019/20	2020/21	2021/22	2022/2023
Total income (£m)	85.9	88.9	95.3	103.1	110.7
Adjusted EBITDA (£m)	0.5	5.0	4.8	8.1	9.6
Adjusted operating surplus (£m)	-7.6	-2.6	-2.9	0.9	-3.5
Adjusted net operating cashflow (£m)	0.6	2.9	4.1	7.0	8.4
Year-end cash (£m)	61.7	50.3	48.1	49.7	53.7
Net assets	135.1	127.9	121.6	119.9	120.7
Adjusted EBITDA: income	0.5%	5.6%	5.0%	7.8%	8.7%
Net liquidity / total expenditure (days)	207	178	163	165	171
Adjusted net operating cash flow: income	0.7%	3.3%	4.3%	6.8%	7.6%

We have adjusted EBITDA to show the impact of non-recurring revenue costs such as investment in new initiatives, restructuring and lump sum payments to the LPFA to reduce the deficit in the pension scheme. We believe that this adjusted figure gives a better representation of the continuing operations of the University and its ability to generate operating surpluses whereby annual income exceed running costs; and to provide capacity to invest in the future of the University.

The pattern of adjusted EBITDA and adjusted operating surplus all show a gradual improvement over the forecast as early investment in London Met Online, new apprenticeships and a revised international strategy deliver additional income and surpluses. The One Campus, One Community programme, with associated consolidation of our estate will continue to reduce our operating costs, first from the move from our Moorgate building in 2019. The investment in these initiatives will be kept under careful review, to control costs, accelerate action and achievement of benefits wherever possible.

Operating cash flows are predominantly positive throughout the forecast period, although high investment in the early years of the forecast causes a cash outflow before adjustment for these factors.

The forecast is based on our best estimate of likely events at September 2018. Changes in government policy, for example to tuition fee rates, would have significant impact on the figures reported.

The primary internal risk remains uncertainty over predicting student recruitment and improvements in retention and progression, which drive the rest of the forecast.

Our pension costs remain a significant risk. We have assumed that the pension fund deficits remain at the same level throughout the forecast period and that our pension contributions are held at their current level. The actuarial assumptions used to derive our pension fund deficit will change over the forecast period and this will also cause changes to our notional interest charge and the other accounting entries that are taken each year from our FRS102 pension fund valuation.

The next full review of our forecasts will take place in January 2019.

Members of the Board of Governors

The members of the Board of Governors of London Metropolitan University as at 31 July 2018 are listed below.

Members of the Board of Governors

Unless otherwise stated, all members served throughout the year.

Mark Anderson ([Chair], FRC,GC, RC)
Rolande Anderson (RC [Chair], FRC)
Mark Boansi (ST)
Tim Cochrane (AC)
Renarta Guy (AC, RC)
Harini Ivengar (AC)
Adrian Kamellard (AC [Chair])
Tony Millns (GC [Chair])
Ann Minogue (Vice Chair, FRC)
Michael Murphy (FRC [Chair], RC)
John Raftery (AB [Chair], FRC, GC, EMP)
Cécile Tschirhart, (AG, AB, GC, EMP)
Dianne Willcocks (GC)
Shefaly Yogendra (GC)

Independent co-opted committee members

Baron Anyangwe (FRC)
Jane Broadbent (AC)
Fionnuala Duggan (FRC)
Rosemary Lemon (RC)
Avnish Savjani (AC)

Key

(AB)	Member of the Academic Board
(AC)	Member of Audit Committee
(EMP)	University Employee
(FRC)	Member of Finance and Resources Committee
(GC)	Member of Governance Committee
(RC)	Member of Remuneration Committee
(ST)	Student Governor
(AG)	Academic Governor
(SG)	Staff Governor

Changes in membership during 2017/18
Shefaly Yogendra was appointed as an Independent Governor with effect from 1 August 2017 and as a member of the Governance Committee from 1 August 2017.

At its meeting on 20 November 2017, the Board approved the Terms of Reference for the Remuneration Committee. At its meeting on 25 January 2018, Rolande Anderson was appointed as the Chair of the reinstated Remuneration Committee.

Richard Indge stepped down as a co-opted member of the Audit Committee on 31 December 2017.

Michael Murphy was appointed as Chair of the Finance and Resources Committee on 25 January 2018.

Rosemary Lemon was appointed as a co-opted member of the Remuneration Committee with effect from 25 January 2018.

Fionnuala Duggan stepped down as an Independent Governor on 22 March 2018 and changed membership status to a co-opted member of the Finance and Resources Committee with effect from 22 March 2018.

Tim Cochrane was appointed as an Independent Governor with effect from 22 March 2018 and as a member of the Audit Committee from 22 March 2018.

Renarta Guy was appointed as a temporary member of the Audit Committee on 22 March 2018 for the remaining meetings in 2017/18 and as a member of the Remuneration Committee with effect from 22 March 2018.

Mick Mannion stepped down as a co-opted member of the Finance and Resources Committee with effect from 11 May 2018.

Tunde Toki was a member of the Board of Governors as Students' Union Representative until 30 June 2018.

Mark Boansi's term as Student Governor commenced on 1 July 2018 with his commencement of his term as President of the Students' Union.

Alex Tarry's term as Staff Governor ended on 30 June 2018.

Ann Minogue, Tony Millns, Adrian Kamellard and Dianne Willocks' terms of office as members of the Board ended on 31 July 2018.

Changes in membership after 31 July 2018
Margaret Farragher, Tricia Croasdell and Cathy McCabe were appointed to the Board on 1 August 2018.

Margaret Farragher was appointed to the Audit and Governance Committees with effect from 1 August 2018.

Tricia Croasdell was appointed to the Finance and Resources Committee with effect from 1 August 2018.

Mark Boansi resigned as the Students' Union President on 4 October 2018, as his role on the Board was an ex-officio position he was no longer eligible to serve on the Board.

Rosemary Benson was appointed as Staff Governor as of 4 October 2018 for three years, following the elections held in Summer 2018.

Professor John Raftery resigned as the Vice Chancellor and ex-officio member of the Board with effect from 5 October 2018, Professor Lynn Dobbs was appointed as Vice Chancellor and ex-officio member of the Board with effect from 8 October 2018.

No payments were made during the year to members of the Board as the trustees of the University except in reimbursement of expenses incurred on the University's business. These expenses amounted to £12k (2016/17 £11k).


MANGO
Henry
Room

Senior Leadership Team

The members of the Senior Leadership Team of London Metropolitan University as at 31 July 2018 are listed below.

Senior Management Team

Vice-Chancellor and Chief Executive	Professor John Raftery
Pro Vice-Chancellor – Academic Outcomes	Doctor Elizabeth Charman
Pro Vice-Chancellor – Employment Outcomes	Professor Dominic Palmer-Brown
Associate Pro Vice-Chancellor and Head of School of Social Professions	Suzanne Burley (from 30 November 2017)
University Secretary and Registrar	Christopher Ince (from 30 July 2018)
Chief Operating Officer	John Duffy
Chief Financial Officer	Pam Nelson

Changes in membership

Peter Garrod resigned as the University Secretary and Registrar with effect from 23 February 2018 and was succeeded by Sharon Page as Interim Secretary from 24 February 2018 to 29 July 2018.

Professor John Raftery was Vice-Chancellor and Chief Executive until 5 October 2018.

Professor Lynn Dobbs was appointed Vice-Chancellor and Chief Executive on 8 October 2018.

Principal advisers

External auditors
KPMG LLP, 15 Canada Square, Canary Wharf, London E14 5GL

Bankers
Barclays Bank Plc, Holloway and 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
Cushman & Wakefield, Central Square, Forth Street, Newcastle upon Tyne NE1 3PJ

Solicitors
JG Poole & Co LLP, E-Space South, 26 St Thomas Place, Ely, Cambridgeshire CB7 4EX

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 (which took 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 the Office for Students "OfS" (the Memorandum) require the Board of Governors to ensure that Financial Statements are prepared for each financial year. The financial year 2017/18 saw the Office for Students replace the Higher Education Funding Council for England "HEFCE" as the University's principal regulator.

The Financial Statements should give a true and fair view of the state of affairs of the University, and of the income and expenditure, cash flows and recognised gains and losses 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;
- judgements and estimates are made that are reasonable and prudent;
- applicable accounting standards and statements of recommended practice are followed, and that 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 University 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. This also enables the Board of Governors to ensure that the financial statements comply with the Companies Act, the Accounts Direction issued by the OfS and the Statement of Recommended Practice: Accounting for Further and Higher Education. The Finance and Resources Committee and the Audit Committee also have delegated responsibilities for ensuring that the assets of the University 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 the OfS are used only in accordance with the Memorandum of Assurance and Accountability with the OfS and any other condition that it 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 the OfS 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 the requirements of the Office for Students' terms and conditions of funding for higher education institutions and Research England's terms and conditions of Research England grant and 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), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*. The terms and conditions of the funding further require the financial statements to be prepared in accordance with the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education, in accordance with the requirements of the Accounts Direction issued by the Office for Students.

Under company law, the Directors 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 income and expenditure, gains and losses and changes in reserves 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;
- assess the University's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the University or to cease operations, or have no realistic alternative but to do so.

The Board of Governors is responsible for keeping adequate accounting records that are sufficient to show and explain the University's transactions and disclose with reasonable accuracy at any time the financial position of the University and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and 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 are also responsible for ensuring that:

- funds from whatever source administered by the University for specific purposes have been properly applied to those purposes and managed in accordance with the relevant legislation;
- funds provided by the Office for Students and Research England have been applied in accordance with the terms and conditions attached to them;
- 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;
- ensuring that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources; and
- securing the economical, efficient and effective management of the University's resources and expenditure.

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.

Statement of Corporate Governance

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 2017 to the date of approval of the audited financial statements.

The moral and ethical environment
The University's mission and values are defined in the University's Strategic Plan 2015–2020. 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, and to inform the University of any changes to their declaration. 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 complies with the voluntary Higher Education Code of Governance issued by the Committee of University Chairs (CUC). The Board's Governance Committee carries out an annual mapping of the University's compliance with the CUC Code. The mapping carried out in May 2018 found that the University continued to comply with all substantial elements of the CUC's Code. The mapping will inform further development of the University's governance in 2018/19. 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 Senior Leadership Team (the University's 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. The Board has approved the following key governance documents, which are regularly reviewed:

- A Statement of Primary Responsibilities, defining the Board's principal responsibilities under the University's Articles of Association;
- A Scheme of Delegation, which defines how responsibilities are delegated to the Board's Committees and to the Vice-Chancellor and other members of the Executive;
- 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; and
- Financial Regulations, which provide the framework within which the University's financial policies, procedures and systems of control operate.

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. The Academic Board's terms of reference are approved by the Board of Governors.

The Senior Leadership Team (SLT) is formally designated as the University's Executive by the Scheme of Delegation, and is responsible for advising the Vice-Chancellor on the exercise of the functions and responsibilities delegated by the Board to the Vice-Chancellor as the University's Chief Executive. The SLT is assisted by the Senior Management Team (SMT), reporting to the SLT, which brings together the senior academic and professional services management of the University to ensure a common understanding and engagement over the implementation of the University's Strategic Plan and the strategies and plans approved by the Board to ensure the sustainability of the University.

The University has appointed a new Vice-Chancellor and Chief Executive, Professor Lynn Dobbs, who succeeded Professor John Raftery and commenced office on 8 October 2018.

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. That role was performed by Governor Renarta Guy in 2017/18.

Governance during the year

In the year to 31 July 2018 the Board met seven times. In addition, it held a Strategy Day in May 2018 to consider Mid Term Strategy Review documentation and proposals for investment in online learning, branding and the University's estate.

The Board's sub-committees are:

- Audit Committee (met four times in 2017/18)
- Finance and Resources Committee (met four times in 2017/18)
- Governance Committee (met four times in 2017/18)
- Remuneration Committee (met once in 2017/18)

These committees are formally constituted with appropriate terms of reference approved by the Board of Governors, which are regularly reviewed. The Scheme of Delegation 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.

The membership of each of the above committees consists of a majority of independent governors and co-opted members, and the chair is always an independent governor.

In November 2017 the Board approved terms of reference for a Remuneration Committee, the functions of which had previously been performed by the Finance and Resources Committee. Rolande Anderson was appointed as Chair of the Committee. In February 2018 the Committee met to agree a proposed remuneration package for a new Vice Chancellor. The Committee's primary responsibilities are to oversee the remuneration, objectives, performance against objectives and terms and conditions of service of the Senior Staff of the University, and other matters relating to remuneration that may be assigned to the Committee by the Board of Governors. No Senior Staff, including the Vice-Chancellor, are members of the Committee or are present for any discussion of their own remuneration.

The Board receives regular reports on the University's academic performance and actions to improve student outcomes. To assist Governors in engaging with the University's academic strategy, the Board meets twice a year in joint session with the Academic Board. Governors have a standing invitation to attend meetings of the Academic Board.

The Audit Committee, chaired by Adrian Kamellard in 2017/18, 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 in conjunction with 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. Each meeting receives a report on data quality management, and the committee also derives assurance from reports on the continuous auditing of student data performed by the internal auditors. The committee receives and considers reports from the Office for Students insofar as they affect the University's business and monitors adherence to regulatory requirements, including health and safety (a health and safety report is provided to each meeting of the Audit Committee; operational matters relating to the implementation of the Health and Safety Strategy are considered by the Health and Safety Committee, which is an executive committee). Members of the Senior Leadership Team 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. From August 2018 the Committee has been chaired by Tim Cochrane.

The Finance and Resources Committee, chaired by Rolande Anderson to March 2018 and subsequently by Michael Murphy, reviews and recommends to the Board of Governors the University's annual capital and revenue budgets and the financial forecasts submitted to the Office for Students. 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.

The Governance Committee, chaired by Tony Millns in 2017/18, is responsible for making recommendations to the Board about filling vacancies in Board and Committee membership and about the award of honorary degrees. It also has a remit to consider any governance matters. The Committee reviews the effectiveness of the University's governance as an ongoing process, including an annual assessment of the University's compliance with the Higher Education Code of Governance, and the annual consideration of effectiveness questionnaires completed by governors and committee members. The committee regularly reviews the diversity of the Board and its committees, and takes diversity into account when making recommendations to the Board regarding appointments. During the year the University undertook an external review of its governance arrangements and their effectiveness.

This included structured interviews, a review of documentation, observation of meetings and an online survey. The Committee will review the final report on the work early in 2018/19 and agree an action plan to respond to any recommendations. From August 2018 the Committee has agreed it will be chaired by the Chair of the Board of Governors.

In response to the formation of the Office for Students the University submitted its application for registration in May 2018. This included a statement on the institutional governance and management arrangements as well as sections on academic quality, financial sustainability, protection of students and delivering value for money. The University was notified in October 2018 that it had successfully completed this process and would be included on the Register. The University's registration included a specific condition around developing a plan to ensure progress against improving student progression and outcomes, to be submitted to the Office for Students by January 2019.

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.

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 2018 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 approved a Statement of Risk Appetite in June 2017 which specifies the amount of risk the University is willing to tolerate or accept in the pursuit of its long-term objectives. The Statement of Risk Appetite was subject to its first annual review in June 2018.
- 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 Schools and Professional Service Departments (PSDs). The University's Risk Management Policy and Process was revised in 2017 and approved by the Board of Governors in June 2017;
- 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 School and major PSD, as well as for major programmes in which the University is involved. The University has a 'Risk Champions' group of staff involved in maintaining local risk registers which meets quarterly. Minutes of the Risk Champions group are reported to the Senior Leadership Team;

- The Senior Leadership Team conducts an in-depth review of the Corporate Risk Register in September and reviews it quarterly over the course of the year. The University Secretary and Registrar is the member of the Senior Leadership Team with lead responsibility for risk management;
- 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 report on the risk management processes in place in Schools and PSDs. Members of the Board receive a report of each meeting of the Audit Committee;
- At each meeting the Audit Committee also receives a report summarising the key risks being monitored in the risk registers of the University's three strategic sustainability programmes – One Campus, One Community, the Programme for Improved Student Outcomes and the Employment Outcomes programme. The report covers risks with residual risk scores classed as 'red', new/removed risks and any changes to residual risk scores since the last report, enabling the Committee to provide the Board with assurance that risks relating to these programmes are being managed effectively;
- 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 and student data. 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,
- The Audit Committee, in its annual report to the Board of Governors, provides an annual opinion on the adequacy and effectiveness of the University's arrangements for risk management, control and governance and is to undertake a more in-depth audit of Risk Management arrangements in 2018/19;
- The Chief Financial Officer and the University Secretary and Registrar 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 2017/18 and up to the date of approval of the financial statements.

There were no significant internal control issues during the year.

The financial statements on pages 38 to 68 were approved by the Board of Governors of London Metropolitan University on 29 November 2018, and signed on its behalf by:

Mark Anderson
Chair of the Board of Governors

Professor Lynn Dobbs
Vice-Chancellor and Chief Executive

Date: 29 November 2018

Director's Report

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 2018.

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 2023. For the purpose of their going concern review, the Board has focused on the period to 30 November 2019.

The Board approved a budget for 2018/19 in June 2018 which showed break-even earnings before interest, tax, depreciation and amortisation (EBITDA) before restructuring costs. Restructuring costs, net revenue investment in new initiatives and non-cash operating items result in a planned total comprehensive net expenditure of £14m for the year. A major review of the University's sustainability was carried out in 2015–16 and a plan, 'One Campus, One Community', is being implemented. This will consolidate the University on a single campus, bringing all of its teaching and academic departments together to create a revitalised campus in Islington and facilitates the reduction of operational costs through rationalisation of services. A medium-term strategy review was carried out in 2017/18 and the plan was revised in September 2018 to incorporate the impact of new initiatives, including Apprenticeships, London Met Online and revitalisation of international student recruitment. The financial forecasts approved by the Board in September 2018 reflect this plan and show a continuing improvement in EBITDA, with a return to operating surplus at the end of the investment cycle.

As at 31 July 2018, the University held cash and investments totalling £81.8m, which provide the basis for investment in the plan. The cash flow forecast for 2018/19 shows cash and investments of £61.7m at 31 July 2019 after funding £12.9m of capital investment. The forecast cash and investments balance at 31 July 2020 is £50.3m after funding £6.5m of capital investment in 2019/20. All major capital projects are considered by the Board before major financial commitment is made. The forecasts are regularly updated and reported to the Board at each meeting.

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.

Donations
The University 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 38 to 68 were approved by the Board of Governors of London Metropolitan University on 29 November 2018, and signed on its behalf by:

Mark Anderson
Chair of the Board of Governors

Lynn Dobbs

Professor Lynn Dobbs
Vice-Chancellor and Chief Executive

Date: 29 November 2018

Independent Auditor's Report to the Board of Governors of London Metropolitan University

Opinion

We have audited the financial statements of London Metropolitan University ("the University") for the year ended 31 July 2018 which comprise the Statement of comprehensive income and expenditure, Statement of change in reserves, Balance sheet, Cash flow statement and related notes, including the accounting policies.

In our opinion the financial statements:

- give a true and fair view of the state of the University's affairs as at 31 July 2018 and of the University's income and expenditure, gains and losses and changes in reserves, and of the cash flows, for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland,* and with the 2015 *Statement of Recommended Practice – Accounting for Further and Higher Education;*
- meet the requirements of the Accounts Direction dated 19 June 2018 issued by the Office for Students; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the University in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Other information

The Board of Governors is responsible for the other information, which comprises the Strategic report, Statement of corporate governance and Directors' report as well as Members of the Board of Governors, Senior leadership team and Principal advisers. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the other information;
- in our opinion the information given in the Strategic report, Statement of corporate governance and Directors' report as well as Members of the Board of Governors, Senior leadership team and Principal advisers, is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

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

We have nothing to report in these respects.

Board of Governors responsibilities
As explained more fully in their statement set out on pages 28 and 29, the Board of Governors (who are the Directors of the University company for the purposes of company law) is responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the University's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless it either intends to liquidate the University or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at:
www.frc.org.uk/auditorsresponsibilities

Report on other legal and regulatory requirements
We are required to report on the following matters under the Office for Students and Research England Audit Codes of Practice issued under the Further and Higher Education Act 1992.

In our opinion, in all material respects:

- funds from whatever source administered by the University for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation;
- funds provided by the Office for Students and Research England have been applied in accordance with the terms and conditions attached to them; and
- 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.

The purpose of our audit work and to whom we owe our responsibilities
This report is made solely to the Board of Governors, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and 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 them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the University and the Board of Governors for our audit work, for this report, or for the opinions we have formed.

Fleur Nieboer (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London E14 5GL

Date: 30 November 2018

Statement of comprehensive income and expenditure

	Notes	**2017/18 £'000**	2016/17 £'000
Income			
Tuition fees	1	76,019	80,836
Funding body grants	2	11,747	13,181
Research grants and contracts	3	249	714
Other income	4	5,659	6,378
Investment income	5	633	914
Total income before donations and endowments		94,307	102,023
Donations and endowments	6	34	55
Total income		**94,341**	102,078
Expenditure			
Staff costs	7	56,684	56,991
Staff restructuring costs	7	1,943	2,170
Other operating expenses	8	34,640	37,057
Depreciation	10	7,371	6,245
Interest and other finance costs	9	3,214	3,566
Total expenditure		**103,852**	106,029
Deficit before other gains and losses		(9,511)	(3,951)
Gain on disposal of fixed assets	10	145	–
Loss of fixed asset impairment	10	(6,616)	–
Onerous obligation under operating lease	17	(4,097)	–
Deficit for the year		(20,079)	(3,951)
Actuarial gain in respect of pension scheme	20	22,022	29,738
Total comprehensive income for the year		**1,943**	25,787
Represented by:			
Endowment comprehensive income for the year		19	37
Restricted comprehensive income for the year		15	2
Unrestricted comprehensive income for the year		2,774	26,388
Revaluation reserve comprehensive loss for the year		(865)	(640)
		1,943	25,787

All items of income and expenditure relate to continuing activities.
The accompanying notes form an integral part of the financial statements.

Statement of changes in reserves

	Income and expenditure reserve			Revaluation Reserve	
	Endowment £'000	Restricted £'000	Unrestricted £'000	£'000	Total £'000
Balance at 1 August 2016	171	949	60,247	62,127	123,494
Deficit for the year	37	57	(4,045)	–	(3,951)
Other comprehensive income	–	–	29,738	–	29,738
Transfers between revaluation and income and expenditure	–	–	640	(640)	–
Release of restricted funds spent in year	–	(55)	55	–	–
Total comprehensive income for the year	37	2	26,388	(640)	25,787
Balance at 1 August 2017	**208**	**951**	**86,635**	**61,487**	**149,281**
Deficit for the year	19	37	(20,135)	–	(20,079)
Other comprehensive income	–	–	22,022	–	22,022
Transfers between revaluation and income and expenditure	–	–	865	(865)	–
Release of restricted funds spent in year	–	(22)	22	–	–
Total comprehensive income for the year	**19**	**15**	**2,774**	**(865)**	**1,943**
Balance at 31 July 2018	**227**	**966**	**89,409**	**60,622**	**151,224**

The accompanying notes form an integral part of the financial statements.

Balance sheet

	Notes	**2017/18 £'000**	2016/17 £'000
Non-current assets			
Fixed assets	10	184,887	181,875
Investments	11	658	630
		185,545	182,505
Current assets			
Stock	12	52	64
Trade and other receivables	13	12,331	8,513
Investments	14	37,000	54,000
Cash and cash equivalents		44,800	53,710
		94,183	116,287
Less: Creditors: Amounts falling due within one year	15	(19,135)	(20,455)
Net current assets		**75,048**	95,832
Total assets less current liabilities		**260,593**	278,337
Creditors: amounts falling due after more than one year	16	(2,580)	(5,258)
Provisions			
Pension provisions	17	(102,692)	(120,404)
Other provisions	17	(4,097)	(3,394)
Total net assets		**151,224**	149,281
Restricted reserves			
Income and expenditure reserve – endowment reserve	18	227	208
Income and expenditure reserve – restricted reserve	19	966	951
Unrestricted reserves			
Income and expenditure reserve – unrestricted reserve		89,409	86,635
Revaluation reserve		60,622	61,487
Total reserves		**151,224**	**149,281**

The accompanying notes form an integral part of the financial statements.

The Financial Statements on pages 38 to 68 were approved by the Board of Governors of London Metropolitan University on 29 November 2018, and were signed on its behalf by:

Mark Anderson
Chair of the Board of Governors

Professor Lynn Dobbs
Vice-Chancellor and Chief Executive

Registered company number: 974438

Cash Flow Statement

	Notes	**2017/18 £'000**	2016/17 £'000
Cash flow from operating activities			
Deficit for the year		(20,079)	(3,951)
Adjustment for non-cash items			
Depreciation	10	7,371	6,245
Loss on impairment		6,616	–
Gain on investments		(116)	(157)
Exchange rate loss/(gain)		10	(21)
Decrease/(increase) in stock	12	12	(26)
Increase in debtors	13	(3,656)	(349)
Decrease in creditors	15/16	(3,642)	(5,122)
Increase in pension provision	17	1,135	1,300
Increase in other provisions	17	703	2,141
Adjustment for investing or financing activities			
Investment income	5	(522)	(757)
Interest payable	9	3,214	3,566
Endowment income		(19)	–
Profit on the sale of fixed assets		(145)	(57)
Capital grant income		(952)	(876)
Net cash(outflow) / inflow from operating activities		**(10,070)**	1,936
Cash flows from investing activities			
Proceeds from sales of fixed assets		375	57
Capital grant receipts		952	876
Investment income		379	520
Payments made to acquire fixed assets		(17,115)	(16,271)
Decrease in current asset investments		17,000	30,500
		1,591	15,682
Cash flows from financing activities			
Interest paid		(39)	–
Repayments of amounts borrowed		(392)	(409)
		(431)	(409)
(Decrease) / increase in cash and cash equivalents in the year		**(8,910)**	17,209
Cash and cash equivalents and the beginning of the year		53,710	36,501
Cash and cash equivalents and the end of the year		44,800	53,710

The accompanying notes form an integral part of the financial statements.

Accounting policies

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

(A) Basis of preparation

The financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2015 and in accordance with Financial Reporting Standard FRS 102.

The University is a public benefit entity and therefore has applied the relevant public benefit requirement of FRS 102. The financial statements are prepared under the historical cost convention (modified by the revaluation of fixed assets).

Going concern

After making enquiries, the Board has a reasonable expectation that the University has adequate resources to continue in operational existence for the foreseeable future.

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 2023. For the purpose of their going concern review, the Board has focused on the period to 30 November 2019.

The Board approved a budget for 2018/19 in June 2018 which showed break-even earnings before interest, tax, depreciation and amortisation (EBITDA) before restructuring costs. Restructuring costs, net revenue investment in new initiatives and non-cash operating items result in a planned total comprehensive net expenditure of £14m for the year. A major review of the University's sustainability was carried out in 2015/16 and a plan, 'One Campus, One Community', is being implemented. This will consolidate the University on a single campus, bringing all of its teaching and academic departments together to create a revitalised campus in Islington and facilitates the reduction of operational costs through rationalisation of services. A medium term strategy review was carried out in 2017/18 and the plan was revised in September 2018 to incorporate the impact of new initiatives, including Apprenticeships, London Met Online and revitalisation of international student recruitment. The financial forecasts approved by the Board in September 2018 reflect this plan and show a continuing improvement in EBITDA, with a return to operating surplus at the end of the investment cycle.

As at 31 July 2018, the University held cash and investments totalling £81.8m, which provide the basis for investment in the plan. The cash flow forecast for 2018/19 shows cash and investments of £61.7m at 31 July 2019 after funding £12.9m of capital investment. The forecast cash and investments balance at 31 July 2020 is £50.3m after funding £6.5m of capital investment in 2019/20. All major capital projects are considered by the Board before major financial commitment is made. The forecasts are regularly updated and reported to the Board at each meeting.

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 financial statements do not include the income and expenditure of London Metropolitan University Students' Union. The Union is a separate legal entity which the University does not control or exercise significant influence over policy decisions.

(C) Income recognition

Income recognition is determined by the nature of the transaction, income source and whether or not the transaction has commercial substance.

Where a transaction has commercial substance it is accounted for as a revenue transaction. Income is recognised in line with the provision of the associated goods or services, with reference to the terms of the contract.

Tuition Fees
Fee income is credited to the Statement of comprehensive income using a time-apportionment method over the period of the course; it is stated gross of bursaries, scholarships, fee waivers and provisions for doubtful debts, all 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. Short course fees are accounted for as for service contracts below.

Sale of goods and services
Income from the sale of goods or services is credited to the Statement of comprehensive income when the goods or services are supplied to customers.

Where services are being supplied, but are not complete at the end of the period, income is recognised with reference to the stage of completion of provision of the service.

Investment Income
Investment income is credited to the Statement of comprehensive income on a receivable basis.

Agency Income
The University acts as an agent in the collection and payment of training bursaries from the National College for Teaching and Leadership (NCTL). Payments received from the NCTL and subsequent disbursements to students are excluded from the income and expenditure of the University.

Performance model
Income is recognised within the Statement of Comprehensive Income when a grant is receivable and performance related conditions specified in the agreement have been met. In the absence of performance conditions income is recognised in full as soon as it becomes receivable.

Performance conditions are defined as follows: "A condition that requires the performance of a particular level of service or units of output to be delivered, with payment of, or entitlement to the resources conditional on that performance".

Resources received in advance of completion of performance conditions are recognised on the balance sheet as deferred income and released to the Statement of Comprehensive Income as conditions are met. Where grants are received in arrears, accrued revenue or receivable assets are recognised in line with income recognition.

Government grants
Both revenue and capital government grants are accounted for under the performance model. Funding council block grants relating to a single academic year are recognised in full in the period to which the grant relates.

Non-government grants, donations and endowments
Grant and donation income received from a non-governmental source is accounted for under the performance model. Income is recognised as donation and endowment income, with the exception of funding for the purposes of research which is recognised as income from 'Research grants and contracts'.

(i) **Non–government grants and donation income with performance conditions;**
Donations with restrictions – a donation is considered to have a restriction when the gift agreement contains "a requirement that limits or directs the purposes for which a resource may be used that does not meet the definition of a performance – related condition". Income with restrictions, but no performance conditions, is recognised within the Statement of comprehensive income when the grant is receivable and recorded within restricted reserves. As the funding is expended against the restriction it is transferred to unrestricted reserves by way of a reserves transfer.

(ii) **Donations without restrictions**
Income with neither restrictions nor performance conditions is recognised within the Statement of comprehensive income when the grant is receivable and recorded within unrestricted reserves.

Capital grants
Grants, both government and non-government , for the purpose of purchasing, constructing and altering and improving specific assets are recognised as income upon the asset being brought into use, or in line with phase completion of construction or alteration and improvement projects. Grants where the University has discretion over the asset purchased/built/altered are recognised in full as income when the grant becomes receivable.

Grant income is only recognised across the useful life of the asset to the extent that the grant specifically funds the operation/maintenance of the asset.

Research Income
Income recognition for research funding is dependent upon the source of the funding and the nature of the transaction.

Where funding is from a government body, expenditure on the grant purpose is presumed to be the performance condition unless specifically disallowed under the funding agreement. Funding from charities and industry is accounted for as non-government grant income unless it is demonstrable that a revenue transaction has taken place with near equal value being exchanged.

(D) Endowments
Endowments are a class of donation where the donor requires the original gift to be invested, with the return to be spent against the donor's charitable aims. The donor can specify that the capital be maintained in perpetuity (permanent endowment) or can be spent (expendable endowment).

Endowments are classified as 'Non-exchange transactions' and are accounted for under the performance model. The original endowment gift is recognised as 'Donation and endowment income' when receivable.

Restricted permanent endowments
Restricted permanent endowments arise when the donor has indicated the original gift be maintained in perpetuity, with investment income spent on restricted purposes as defined by the donor.

Upon initial income recognition permanent endowments are recorded as endowment capital within endowment reserves.

Restricted expendable endowments
These arise when the donor has specified a particular objective other than the purchase or construction of tangible fixed assets, and the University has the power to use the capital.

Restricted expendable endowments upon initial income recognition are recognised within expendable endowment reserves.

Investment income is recognised within the Statement of comprehensive income as accrued and recorded as accumulated Income within expendable endowment reserves.

Accumulated income is released to unrestricted reserves as a reserve transfer in line with spend against the restricted purposes of each endowment.

(E) Taxation
The University is an exempt charity within the meaning of Part 3 of the Charities Act 2011 and, as such, is a charity within the meaning of Section 506 (1) of the Income and Corporation Taxes Act 1988. The University is recognised as a charity by HM Revenue and Customs. It is therefore a charity within the meaning of Para 1 of schedule 6 to the Finance Act 2010 and accordingly, the University is potentially exempt from UK Corporation Tax in respect of income and capital gains received within categories covered by section 478–488 of the Corporation Tax Act 2010 (CTA 2010) or section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied to exclusively charitable purposes.

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

(F) Fixed assets

Property, plant and equipment is stated at cost/deemed cost less accumulated depreciation and accumulated impairment losses.

Land and buildings

The University's freehold land and buildings were revalued to fair value on 1 August 2014, the date of transition to FRS 102, and are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

Where parts of a fixed asset have different useful lives, they are accounted for as separate items of fixed assets.

Costs incurred in relation to land and buildings after initial purchase or construction, and prior to valuation, are capitalised to the extent that they increase the expected future benefits to the University.
Freehold land is not depreciated as it is considered to have an indefinite useful life. Freehold buildings are depreciated on a straight line basis over their expected useful lives as follows:

- Freehold buildings – 55 years, or their remaining expected economic life, if shorter;
- Alterations and building improvements – 30 years, or their remaining expected economic useful life, if shorter.

No depreciation is charged on assets in the course on construction.

Equipment and furniture

Furniture and equipment, including computers and software, costing less than £6,000 per individual item or group of items is recognised as expenditure in the year of acquisition. All other equipment is capitalised. Capitalised equipment is stated at cost and depreciated over its expected useful life as follows:

- Computer equipment, software, other equipment and furniture – 5 years;
- Boiler system – 25 years.

Depreciation methods, useful lives and residual values are reviewed at the date of preparation of each balance sheet.

Impairment

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying amount of the fixed asset may not be recoverable, whether through the economic benefits of use or through disposal.

Repairs and maintenance

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

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.

(G) Leases

Finance leases

Leases in which the University assumes substantially all the risks and rewards of ownership of the leased assets are classified as finance leases. Leased assets acquired by way of finance lease and the corresponding lease liabilities are initially recognised at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Operating leases

Costs in respect of operating leases are charged on a straight-line basis over the lease term. Future commitments under operating leases are disclosed in note 22.

Any lease premiums or incentives are spread over the minimum lease term. The difference between expenditure recognised and cash flow benefits received is recognised as a liability released to the Statement of Comprehensive Income over the lease term.

(H) Stock
Stock is held at the lower of cost and net realisable value, and is measured using an average cost formula.

(I) Retirement benefits
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 Second Pension. The LPFA scheme and the funds of the USS are valued every three years. The funds of the TPS normally are valued every five years. In the intervening years, 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 account for it as a defined benefit scheme. The TPS and USS are multi-employer schemes for which it is not possible to identify the assets and liabilities to University members due to the mutual nature of these schemes and therefore these schemes are accounted for as defined contribution retirement benefit schemes.

The amount charged to the Statement of comprehensive income represents the contributions payable to the schemes in respect of the accounting period, excluding any extra costs incurred relating to clearing scheme deficits already provided for. A liability is recorded within provisions for any contractual commitment to fund past deficits within the USS scheme. The associated expense is recognised in the Statement of Comprehensive Income.

(J) Employment benefits
Short term employment benefits such as salaries and compensated absences are recognised as an expense in the year in which the employee renders service to the University. A liability is recognised at each balance sheet date to the extent that employee holiday allowances have been accrued but not taken, the expense being recognised as staff costs in the Statement of comprehensive income.

(K) Investments
Investments in subsidiary and associated undertakings are carried at cost less impairment in the University's balance sheet. Current asset investments are held at fair value with movements recognised in the surplus or deficit.

(L) Cash and cash equivalents
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.

Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value. These include term deposits and other instruments held as part of the University's treasury management activities.

(M) Provisions and contingent liabilities
Provisions are recognised in the financial statements when the University has a present obligation (legal or constructive) as a result of a past event; it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

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

A contingent liability arises from a past event that gives the University a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the University. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not possible that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the balance sheet but are disclosed in the notes.

(N) 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 translated into sterling and are shown in the balance sheet at the rate of exchange ruling at the year-end date. The resulting exchange differences are taken to the Statement of comprehensive income in the year in which they arise.

(O) Reserves

Reserves are classified as restricted and unrestricted reserves. Restricted endowment reserves include balances which, through endowment to the University, are held as a permanent restricted fund which the University must hold in perpetuity. Other restricted reserves include balances through which the donor has designated a specific purpose and therefore the University is restricted in the use of these funds is restricted.

(P) Significant estimates and judgments

The University considers the following areas to be significant areas of estimates or judgements which could have a significant impact on the financial statements.

Tangible fixed assets

A full valuation of the University's land and buildings was prepared as at 1 August 2014 by an independent, professionally qualified valuer which provided the fair value as at the transition date to FRS102. As with all property valuations there is an inevitable degree of judgement as their value can ultimately only be tested in the market itself. Further information on the basis of the valuation and the impact on the financial statements can be found in Note 10.

Depreciation

The useful economic lives of our tangible fixed assets used in the calculation of depreciation charges are a significant area of estimate. The lives used in these financial statements for all groups of fixed assets are shown in accounting policy (F) and the impact can be seen in Note 10.

Leases

Determine whether leases entered into by the University either as lessor or lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis. See note 22.

Trade debtors

The recoverability of debtor balances outstanding at the year-end is reviewed using an estimate of the proportion of each category of debt likely to be recovered, based on the age of the debt and previous recovery rates. See note 13.

Defined benefit pension scheme

The University contributes to the London Pensions Fund Authority (LPFA) Fund which is a defined benefit scheme, and for which a provision is recorded within the balance sheet. The recognised liability is based on the valuation provided by a professionally qualified independent actuary which is based on a number of assumptions. These include the future cash flows of the Fund, the discount rate used (which is based on average AA rated UK Corporate Bond rates that reflect the duration of our liability), mortality rates, the pensionable salary growth going forward and proposed price inflation (which is based on the Retail Price Index). Further details can be found in Note 20. The net interest expense is based on interest rates of AA rated corporate bonds and the deficit position.

Onerous lease provision

Determine whether contracts entered into by the University as lessee are onerous. An onerous contract is considered to exist where the University has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. See note 17.

Rent review provision

Two of the University's leasehold buildings have rent reviews due under the terms of the contracts. The rent review clause for each property sets out the method of the review, assumptions and disregards to be made when valuing the premises' for the purpose of rent review and the procedure to be followed. Details of the rent review provision which was settled in 2017/18 can be found in Note 17.

Impairment

Determine whether there are indicators of impairment of the University tangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating activity, the viability and expected future performance of that activity.
See note 10.

	2017/18 £'000	2016/17 £'000
1. Tuition fees		
Full-time students:		
Home and EU	63,926	67,513
Overseas	3,708	3,578
Part-time students	8,385	9,745
	76,019	80,836
2. Funding body grants		
Recurrent grants		
Higher Education Funding Council for England	6,258	10,287
Office for Students (OfS) – from 1 April 2018	1,752	–
Research England (RE) – from 1 April 2018	437	–
National College for Teaching and Leadership	130	48
Specific grants – HEFCE		
Knowledge exchange funding	439	751
Inherited pension liability reimbursement	778	1,103
Capital grants	952	876
Other	348	116
Specific grants - OfS		
Inherited pension liability reimbursement	302	–
Other	58	–
Specific grants - Research England		
Knowledge exchange funding	293	–
	11,747	13,181
3. Research grants and contracts		
Research councils	–	34
UK-based charities	6	46
European Union	178	257
Other	65	377
	249	714
4. Other income		
Consultancy	179	265
Trading income	2,062	1,519
Sale of materials and other departmental income	138	146
Rental income and hire of facilities	894	835
Income from academic partnerships	1,773	2,865
Other income	613	748
	5,659	6,378

	2017/18 £'000	2016/17 £'000

5. Investment income

Investment income on endowments	19	37
Investment income on restricted reserves	15	26
Other investment income	599	851
Totals	**633**	914

6. Donations and endowments

Donations with restrictions	20	35
Unrestricted donations	14	20
	34	55

7. Staff costs

Costs:		
Academic staff	27,417	27,110
Other staff	29,267	29,881
	56,684	56,991
Comprising:		
Salaries	42,003	42,781
Social security costs	4,312	4,396
HMRC apprenticeship levy	196	68
Movement in LPFA provision	1,983	2,233
Movement in USS provision	(32)	(8)
Other pension costs	8,222	7,521
	56,684	56,991
Staff restructuring costs	1.943	2,170
	58,627	59,161

The number of full-time equivalent staff included in staff restructuring costs was 58 (2016/17: 45)

Emoluments of the Vice-Chancellor and Chief Executive:

Salary	293	293
Performance related pay	101	–
Payments in lieu of pension contributions	39	21
Pension contributions	–	14
Payment in lieu of notice	117	–
	550	328

7. Staff costs (Continued)

The emoluments shown were approved by the University's Remuneration Committee. The Committee, advised by the Director of Human Resources, takes into account the pay ratio of senior pay to median pay, sector benchmark pay and market advice from our executive search partners with the aim of maintaining senior pay at sector median rates.

Included in performance related pay is a retrospective payment of £48k relating to the 2016/17 financial year. Payment in lieu of notice relates to payments made to the Vice-Chancellor and Chief Executive for the period between his last working day, 5 October 2018 and his last contractual day of service, 24 January 2019.

The Vice-Chancellor and Chief Executive was a member of The London Pensions Fund Authority (LPFA) until November 2016, when a change in tax rules on pension contributions affecting annual and lifetime allowances meant that it was no longer beneficial for him to remain a member. Following the change, the Remmuneration Committee agreed to make payments in lieu of pension contributions as disclosed above.

Pay Ratios

The ratio of the Vice-Chancellor and Chief Executive's pay to the median pay of staff, where the median pay is calculated on a full-time equivalent basis is as follows:

	No.	No.
Basic Salary	**8.6**	8.6
Total remuneration	**12.7**	9.6

In calculating the pay ratios the University has included substantive staff, hourly paid lecturers and casual staff but has not included agency staff as their pay information was not readily obtainable from external agencies.

Higher paid post-holders' emoluments

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:

£100,000 to £105,000	0	2
£110,000 to £115,000	2	0
£115,001 to £120,000	1	0
£130,000 to £135,000	1	1
£150,000 to £155,000	1	0
	5	3

The average number of full-time equivalent employees during the year was:		
Academic staff	435	446
Other staff	582	647
	1,017	1,093

7. Staff costs (Continued)

Compensation of loss of office to higher paid post holders

	2017/18 £'000	2016/17 £'000
Compensation recorded within staff costs	**117**	202

The 2017/18 figure relates to payments in lieu of notice paid to the Vice-Chancellor and Chief Executive for the period between his last working day, 5 October 2018 and his last contractual day of service, 24 January 2019. The 2016/17 figure relates to two employees earning emoluments in excess of £100,000.

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the University. The University considers the Board of Governors and the Senior Leadership Team as its key management personnel. Key management personnel consist of twenty people (2016/17: twenty), including the Vice-Chancellor and Chief Executive. Of the twenty people, eight (2016/17: eight) were remunerated as employees of the University. The remaining twelve (2016/17: twelve) are independent governors and are not remunerated.

	2017/18 £'000	2016/17 £'000
Salaries	1,287	884
Pension contributions	88	109
	1,375	993

During the year £12k (2016/17: £11k) was paid in respect of governors' expenses. A total of seven governors received expenses (2015/16: five).

	Staff Costs £'000	Other operating expenses £'000	Depreciation £'000	Interest payable £'000	**2017/18 £'000**	2016/17 £'000
8. Analysis of total expenditure by activity						
Academic departments	26,599	3,003	2,138	–	**31,740**	**36,326**
Academic services	11,472	8,498	854	–	**20,824**	**10,455**
Administration and central services	13,600	10,699	582	–	**24,881**	**28,670**
Premises	2,757	12,098	3,756	–	**18,611**	**20,430**
Research grants and contracts	188	62	41	–	291	**814**
Other expenditure	4,011	280	–	3,214	7,505	**9,334**
	58,627	**34,640**	**7,371**	**3,214**	**103,852**	**106,029**

Administration and central services expenditure includes expenditure incurred on student and staff facilities and amenities, and general educational expenditure.

The movement in total expenditure between academic departments, academic services and administration and central services has arisen following a re-allocation of staff between these activities in 2017/18.

	2017/18	2016/17
Other operating expenses includes:		
Operating lease rentals		
– land and buildings	3,757	4,295
– other	531	597
External auditor's remuneration (excluding VAT):		
– audit of these financial statements	59	57
– other audit services	21	11
Internal auditor's remuneration	150	145
Students' Union grant	556	503
Other expenditure includes:		
Restructuring		
– Staff costs	1,943	2,170
– Non-staff costs	1,095	2,297
– Notional interest and staff adjustments relating to pension fund deficit	4,311	4,867
Compensation for loss of office for the Vice-Chancellor and Chief Executive	117	–
Interest payable re retrospective rent review	39	–

9. Interest and other finance costs	**2017/18** £'000	**2016/17** £'000
Interest on net defined benefit pension liability	3,169	3,561
Interest on USS pension deficit funding	6	5
Interest payable following rent review	39	–
	3,214	3,566

	Land and buildings					
	Freehold £'000	Under construction £'000	Alterations and improvements £'000	Long leasehold £'000	Equipment and furniture £'000	Total £'000
10. Tangible fixed assets						
Cost						
At 1 August 2017	145,172	3,662	39,442	1,175	35,685	225,136
Additions	–	865	10,581	–	6,164	17,610
Disposals	(285)	–	–	–	(670)	(955)
Transfers	–	(2,121)	2,121	–	–	–
At 31 July 2018	**144,887**	**2,406**	**52,144**	**1,175**	**41,179**	**241,791**
Depreciation						
At 1 August 2017	5,404	–	8,860	362	28,635	43,261
Charge for year	1,761	–	1,738	20	3,852	7,371
Eliminated on disposal	(12)	–	–	–	(332)	(344)
Impairment reduction	–	–	6,616	–	–	6,616
At 31 July 2018	**7,153**	**–**	**17,214**	**382**	**32,155**	**56,904**
Net book value at 31 July 2018	**137,734**	**2,406**	**34,930**	**793**	**9,024**	**184,887**
Net book value at 31 July 2017	139,768	3,662	30,582	813	7,050	181,875
Cost of land included in above	**35,050**	**–**	**–**	**–**	**–**	**35,050**

Alterations and improvements
The alterations and improvements net book value can be allocated to the various categories of fixed assets as detailed below. An additional £15,202k (2017: £20,676l) of net book value relates to alterations and improvements undertaken on properties held under operating leases.

Net book value at 31 July 2018	**19,701**	**–**	**–**	**27**	**–**	**19,728**

The most recent valuation of the University's freehold properties was prepared by Cushman & Wakefield as at 1 August 2014 (the date of transition to FRS 102). At the date of transition to FRS 102, the University chose to perform a one-off valuation of its freehold properties and freeze that value as 'deemed cost'. The University will continue to adopt the historical cost accounting convention.

In June 2018 the University sold a freehold residential property in College Close, Ware. The sale generated a surplus on disposal of £99k as follows: sales proceeds £375k, less costs associated with the disposal £3k, less book value at disposal of £273k. In October 2017 the University sold some specialist equipment, generating a surplus on disposal of £46k.

In June 2018, the University made the decision to move the Guildhall School of Business and Law from our leased building in Moorgate to the Holloway Road campus by September 2019. The net amount eliminated on impairment under alterations and improvements as at 31 July 2018 is £6,616k. This represents the write down of the economic benefit the University would have obtained had we continued to use the building to the lease end date of August 2024. The net book value of alterations and improvements for the Moorgate building as at 31 July 2018 is £1,174k.

10. Tangible fixed assets (University and Group) (Continued)

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

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.

11. Non-current investments **Consolidated**	Investment in OEIC	Other non-current investments £'000	Total £'000
At 1 August 2017	566	64	630
Change in market value	28	–	28
At 31 July 2018	**594**	**64**	**658**

Investment in Open Ended Investment Company (OEIC)
The University has an investment in a Managed Growth Fund.

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

	2017/18 £'000	2016/17 £'000
12. Stock		
Raw materials	31	34
Goods purchased for resale	21	30
	52	64
13. Trade and other receivables		
Amounts falling due within one year:		
Trade receivables	8,326	6,235
Due from OfS (previously HEFCE)	766	–
Loans to staff and students	55	87
Other debtors	485	92
Prepayments and accrued income	2,699	2,099
	12,331	8,513
14. Current investments		
Deposits maturing in one year or less	**37,000**	54,000

Deposits with less than three months maturity at the balance sheet date are held 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 2018 the weighted average interest rate of the fixed rate deposits was 0.9% per annum (31 July 2017: 0.8%) and the remaining weighted average period for which the interest rate is fixed on these deposits was 177 days (31 July 2017: 169 days). The fair value of these deposits was not materially different from the book value.

	2017/18 £'000	2016/17 £'000
15. Creditors: amounts falling due within one year		
Unsecured loans	178	392
Amounts owed to OfS (previously HEFCE)	3,125	2,500
Trade payables	4,021	4,569
Social security and other taxation payable	2,221	2,143
Other payables	19	34
Accruals	6,854	7,774
Deferred income	2,717	3,043
	19,135	20,455

	2017/18 £'000	2016/17 £'000
16. Creditors: amounts falling due after more than one year		
Ofs (previously HEFCE) grant repayment		
Payable between one and two years	2,500	2,500
Payable between two and five years	–	2,500
	2,500	5,000
Ofs (previously HEFCE) revolving green fund loans (interest free, unsecured)		
Principal payable between one and two years	80	231
Principal payable between two and five years	–	27
	80	258
Total	**2,580**	5,258

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. £30.9m has been repaid to 31 July 2018. £3.1m will be paid in 2018/19 with the remaining payment of £2.5m being made in 2019/20.

The HEFCE revolving green fund loans were awarded for investments in University energy-efficiency initiatives. Three interest free loans were awarded to the University. The first two loans were awarded in 2013/14 and the third loan was awarded in 2015/16. A total of £1.6m has been awarded. The first loan, which was awarded in 2013/14 for £1m was fully repaid in November 2018, the second loan for £0.4m which was also awarded in 2013/14 was fully repaid in May 2018. The remaining loan for £0.2m will be fully repaid in November 2020.

	Pension Provisions			
	LPFA	USS	Total	Other provisions
	£'000	£'000	£'000	£'000
17. Provisions for liabilities				
At 1 August 2017	120,099	305	120,404	3,394
Utilised in year	(17,685)	(27)	(17,712)	(4,034)
Additions	–	–	–	4,737
At 31 July 2018	**102,414**	**278**	**102,692**	**4,097**

Defined benefit obligations
Defined benefit obligations relate to liabilities to the London Pension Fund Authority (LPFA) Fund. Further details are given in Note 20.

USS Obligation
The obligation to fund the deficit on the Universities Superannuation Scheme (USS) arises from the contractual obligation with the pension scheme for total payments relating to benefits arising from past performance. Management have assessed future employees within the USS scheme and salary payment over the period of the contracted obligation in assessing the value of this provision.

Other provisions – onerous obligations under operating lease
The University will be vacating its leased property in Moorgate in September 2019. The provision for onerous obligations under operating lease reflects the University's estimated residual obligations under this lease. The obligation includes two years rent at £3.1m and £1m for dilapidations.

Other provisions – rent review provision
Two of the University's leasehold buildings had retrospective contractual rent reviews with increases applying from 1 September 2014 and 24 June 2016. A provision of £3.4m was made as at 31 July 2017 for the estimated amount due. Negotiations were concluded with the landlord in January 2018 and £4m was paid in February 2018.

	2017/18 £'000	2016/17 £'000
18. Endowment reserves		
Restricted net assets relating to permanent endowments are as follows:		
Endowment reserves		
Balance at 1 August		
Capital	189	157
Accumulated income	19	14
	208	171
Capital	3	5
Increase in market value of investments	16	32
Balance at 31 July	**227**	**208**
Represented by:		
Capital	205	189
Accumulated income	22	19
	227	**208**
Analysis by purpose:		
Lectureships	19	18
Scholarships and bursaries	87	79
Research support	7	6
Prize funds	70	65
General	44	40
	227	**208**
Analysis by asset:		
Non-current asset investments	**227**	**208**

	Restricted funds £'000	Donations £'000	**2018 total £'000**	2017 total £'000
19. Restricted reserve				
At 1 August	951	–	951	949
New donations	20	2	22	31
Investment income	7	–	7	8
Expenditure	(22)	–	(22)	(55)
Increase in market value of investments	8	–	8	18
Total restricted comprehensive income for the year	13	2	15	2
At 31 July	**964**	**2**	**966**	**951**
Analysis of restricted funds by purpose:				
Lectureships			68	66
Scholarships and bursaries			581	591
Prize funds			273	252
General			44	42
			966	**951**

20. Pension arrangements

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 102 as defined contribution schemes. The LPFA is accounted for under FRS 102 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.

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 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, £1,132k from April 2016 to March 2017 and £1,780 from 1 April 17 to 31 March 2018.

The actuarial valuation as at 31 March 2016 informed a review by the LPFA of the contributions to be paid by employers from 1 April 2017. It was agreed that, with effect from 1 April 2017, the contributions to be paid by the University would be 17.3% of pensionable payroll plus a lump sum payment of £1,780k for the period 1 April 2017 to 31 March 2018.

The University's contribution to the Fund for 2017/18 was £5,064k (2016/17: £4,278k). The University's estimate of the contribution to the Fund for 2018–19 is £5,720k.

The Fund has variable employee contribution rates dependent on the employee's pensionable salary. These rates range from 5.5% to 12.5% of pensionable pay. The fund offers 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 the actuarial valuation as at 31 March 2016 using the projected unit method. The rates certified at the actuarial valuation as at 31 March 2016 applied from 1 April 2017. The main financial assumptions in the 2016 actuarial valuation were:

Rate of salary increases	3.9% per annum [CPI for period from 31 March 2016 to 31 March 2020]
Rate of pension increases	2.4% per annum.

The actuarial valuation as at 31 March 2016 showed that the market value of the Fund's assets attributable to the University was estimated at approximately £180m and that the actuarial value of those assets represented 91% 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 2016 was published on 24 March 2017. The next actuarial valuation is due as at 31 March 2019, publication is expected early in 2020.

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

On 26 October, the High Court handed down a judgement involving the Lloyds Banking Group's defined benefit pension schemes. The judgement concluded the schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits "GMP". The Government will need to consider this outcome in conjunction with the Government's recent consultation on GMP indexation in public sector schemes before concluding on any changes required to LGPS schemes.

20. Pension arrangements (continued)

LPFA – FRS 102 statements

A full FRS102 actuarial valuation was carried out as at 31 July 2018 by the Fund actuary, Barnett Waddingham.

The major assumptions used by the actuary were as follows:

	2018	2017	2016
Rate of increase in salaries	**3.9%**	4.1%	3.9%
Rate of increase in pensions in payment – RPI	**3.4%**	3.5%	3.0%
Rate of increase in pensions in payment – CPI	**2.4%**	2.6%	2.1%
Discount rate	**2.7%**	2.7%	2.5%

Salaries are assumed to increase at 1.5% pa above CPI in addition to a promotional scale. The actuary has allowed for a short-term overlay from 1 August 2017 to 31 July 2023 for salaries to rise at 2.0% pa.

The current mortality assumptions include sufficient allowance for future improvements in mortality rates.

The assumed life expectations on retirement at age 65 are:	**2018 Years**	2017 Years
Current pensioners		
Males	**21.4**	21.3
Females	**24.3**	24.2
Future pensioners (retiring in 20 years)		
Males	**23.7**	23.6
Females	**26.6**	26.4

20. Pension arrangements (continued)

LPFA – FRS 17 statements

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

	%	**Fair value as at 31 July 2018 £'000**	%	Fair value as at 31 July 2017 £'000	%	Fair value as at 31 July 2016 £'000
Equities	58%	135,646	61%	134,010	51%	97,584
LDI/Cashflow matching	n/a	–	n/a	–	9%	16,575
Target return portfolio	26%	60,608	21%	45,344	24%	46,121
Infrastructure	5%	11,886	4%	9,851	7%	13,401
Commodities	n/a	–	n/a	–	1%	1,014
Property	9%	20,600	7%	14,236	4%	7,091
Cash	1%	3,256	7%	15,153	4%	7,890
Total	**100%**	**231,996**	100%	218,594	100%	189,676

The return on the Fund (on a bid value to bid value basis) for the year to 31 July 2018 is estimated to be 6% (2017: 15%). The actual return on Fund assets over the year may be different.

Net pension liability
The following amounts at 31 July related to London Metropolitan University measured in accordance with the requirements of FRS102:

	2017/18 £'000	2016/17 £'000
Fair value of scheme assets (bid value)	231,996	218,594
Present value of the defined benefit obligation	(324,520)	(328,336)
Present value of unfunded obligations	(9,890)	(10,357)
Total value of obligations	(334,410)	(338,693)
Deficit in the scheme – net pension liability recorded within pension provision (note 17)	**(102,414)**	(120,099)

The present value of the unfunded liabilities as at 31 July 2018 consists of £2,268k (2017: £2,113k) in respect of enhanced LGPS pensions and £7,622k (2017: £8,244k) in respect of enhanced teachers' pensions.

Current service cost	(6,258)	(6,111)
Past service costs, including curtailments	(892)	(1,234)
Total operating charge	**(7,150)**	(7,345)
Analysis of the amount charged to interest payable		
Interest cost	(9,047)	(8,270)
Interest on assets	5,878	4,709
Net charge to interest payable	**(3,169)**	(3,561)
Analysis of other comprehensive income		
Return on Fund assets in excess of interest	9,584	23,871
Other actuarial gains on assets	–	3,257
Change in demographic assumptions	–	4,859
Experience loss on defined benefit obligation	(500)	10,821
Change in financial assumptions	12,938	(13,070)
Total other comprehensive income	**22,022**	29,738

	2017/18 £'000	2016/17 £'000

20. Pension arrangements (continued)

Cumulative actuarial loss recognised as other comprehensive income

	2017/18 £'000	2016/17 £'000
Cumulative actuarial losses recognised at the start of the year	(86,161)	(73,091)
Cumulative actuarial losses recognised at the end of the year	(73,223)	(86,161)

	2017/18 £'000	2016/17 £'000
Analysis of movement in deficit		
Deficit at beginning of year	(120,099)	(144,968)
Contributions paid by the University	6,266	6,284
Current service costs	(6,258)	(6,111)
Past service costs, including curtailments	(892)	(1,234)
Other finance charges	(3,169)	(3,561)
Administration expenses	(284)	(247)
Actuarial gains recognised in other comprehensive income	22,022	29,738
Deficit at end of year	**(102,414)**	(120,099)

	2017/18 £'000	2016/17 £'000
Analysis of the movement in the present value of the University's share of the Fund's liabilities		
At 1 August	338,693	334,644
Movement in year:		
Current service cost	6,258	6,111
Interest cost	9,047	8,270
Contributions by members	1,242	1,325
Change in demographic assumptions	–	(4,859)
Contributions in respect of unfunded benefits	(1,099)	(1,172)
Change in financial assumptions	(12,938)	13,070
Experience loss / (gain) on defined benefit obligation	500	(10,821)
Past service costs, including curtailments	892	1,234
Estimated benefits paid	(8,185)	(9,109)
At 31 July	**334,410**	338,693

	2017/18 £'000	2016/17 £'000
Analysis of movement in the fair value of the University's share of Fund's assets		
At 1 August	218,594	189,676
Movement in year:		
Expected rate of return on Fund assets	15,462	28,580
Administration expenses	(284)	(247)
Other acturial gains	–	3,257
Contributions by members	1,242	1,325
Contributions by the employer including unfunded benefits	6,266	6,284
Estimated benefits paid including unfunded benefits	(9,284)	(10,281)
At 31 July	**231,996**	218,594

20. Pension arrangements (continued)

B. The Teachers' Pension Scheme (TPS)
The Teachers' Pension Scheme (the Scheme) is operated by the Department of Education (DfE) and is governed by statutory regulations. Under the definitions set out in FRS102, the scheme is a multi-employer pension scheme. As the scheme is underwritten by central government and the University has no future obligation to make contributions to the scheme, this is effectively a defined contribution scheme in so far as it affects the University. As a result, contributions to this scheme are accounted for as if the scheme was a defined contribution scheme.

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

As from 1 April 2015 contributions are paid by the University and charged to the statement of comprehensive income at a rate of 16.5% of pensionable salaries.

The University's contribution to the TPS for 2017/18 was £2,983k (2016/17: £3,106). The University's estimated contribution to the Scheme for 2018/19 is £2,959k.

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 16.5% 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. As at 31 March 2012 the aggregate value of scheme liabilities have been estimated at £191.5bn and the aggregate value of assets at £176.6bn, giving a notional past service deficit of £14.9bn. 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.

20. Pension arrangements (continued)

C. The Universities Superannuation Scheme (USS)

The University participates in the Universities Superannuation Scheme. The Scheme is a hybrid pension scheme, providing defined benefits (for all members), as well as defined contribution benefits. The assets of the Scheme are held in a separate trustee-administered fund. Because of the mutual nature of the Scheme, the assets are not attributed to individual institutions and a scheme-wide contribution rate is set. The University is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the Scheme on a consistent and reasonable basis. As required by Section 28 of FRS 102 "Employee benefits", the University therefore accounts for the scheme as if it were a wholly defined contribution scheme.

As a result, the amount charged to the profit and loss account represents the contributions payable to the Scheme. Since the University has entered into an agreement (the Recovery Plan) that determines how each employer within the Scheme will fund the overall deficit, the University recognises a liability for the contributions payable that arise from the agreement (to the extent that they relate to the deficit) and therefore an expense is recognised.

The total cost recognised in the statement of comprehensive income is regarded as being equal to the contributions payable to the Scheme for the year. The University's contribution to the USS for 2017/18 was £181k (2016/17: £194k). 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 2018/19 is £184k.

FRS 102 makes the distinction between a group plan and a multi-employer scheme. A group plan consists of a collection of entities under common control typically with a sponsoring employer. A multi-employer scheme is a scheme for entities not under common control and represents (typically) an industry-wide scheme such as Universities Superannuation Scheme. The accounting for a multi-employer scheme where the employer has entered into an agreement with the scheme that determines how the employer will fund a deficit results in the recognition of a liability for the contributions payable that arise from the agreement (to the extent that they relate to the deficit) and the resulting expense in profit or loss in accordance with section 28 of FRS 102. The directors are satisfied that Universities Superannuation Scheme meets the definition of a multi-employer scheme and has therefore recognised the discounted fair value of the contractual contributions under the funding plan in existence at the date of approving the financial statements.

The latest available complete actuarial valuation of the Retirement Income Builder section of the Scheme is at 31 March 2014 (the valuation date), which was carried out using the projected unit method. The valuation as at 31 March 2017 is underway but not yet completed. Since the University cannot identify its share of Retirement Income Builder Section of the Scheme assets and liabilities, the following disclosures reflect those relevant for the scheme as a whole.

The 2014 valuation was the third valuation for USS under the scheme-specific funding regime introduced by the Pension 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 £41.6 billion and the value of the Scheme's technical provisions was £46.9 billion indicating a shortfall of £5.3 billion. These figures will be revised once the 2017 Scheme valuation is complete.

20. Pension arrangements (continued)

Defined benefit liability numbers for the scheme for accounting purposes have been produced using the following assumptions as at 31 March 2017 and 2018.

	2018	2017
Discount rate	2.64%	2.57%
Pensionable salary growth	n/a	n/a
Pension increase (CPI)	2.02%	2.41%

The main demographic assumption used relates to the mortality assumptions. These assumptions have been updated for the 31 March 2018 accounting position, based on updated analysis of the Scheme's experience carried out as part of the 2017 actuarial valuation. The mortality assumptions used in these figures are as follows:

Mortality base table

	2018	2017
Pre-retirement	71% of AMC00 (duration 0) for males and 112% of AFC00 (duration 0) for females.	98% of SAPS S1NA "light" YOB unadjusted for males.
Post retirement	96.5% of SAPS S1NMA "light" for males and 101.3% of RFV00 for females.	99% of SAPS S1NA "light" YOB with a -1 year adjustment for females.

Future improvements to mortality

2018	2017
CMI_2016 with a smoothing parameter of 8.5 and a long term improvement rate of 1.8%p.a for males and 1.6%p.a for females.	CMI_2014 with a long term rate of 1.5%p.a.

The current life expectancies on retirement at age 65 are:

	2018	2017
Males currently aged 65 (years)	24.5	24.4
Females currently aged 65 (years)	26.0	26.6
Males currently aged 45 (years)	26.5	26.5
Females currently aged 45 (years)	27.8	29.0

Scheme assets	£63.6bn	£60.0bn
Total Scheme liabilities	£72.0bn	£77.5bn
FRS 102 total Scheme deficit	£8.4bn	£17.5bn
FRS 102 total funding level	88%	77%

	2018 £'000	2017 £'000
21. Capital commitments		
At 31 July capital commitments were as follows:		
Commitments contracted	3,999	5,835
Authorised but not contracted	3,485	14,525
	7,484	20,360

22. Lease obligations

Total rentals payable under operating leases	buildings and equipment			
	Buildings £'000	**Equipment £'000**	**31 July 2018 Total £'000**	31 July 2017 Total £'000
Payable during the year	3,757	531	4,288	2,751
Future minimum lease payments due:				
Not later than one year	4,149	316	4,465	2,418
Later than one year and not later than 5 years	14,755	26	14,781	8,865
Later than 5 years	7,536	–	7,536	6,351
Total future lease payments due	**26,440**	**342**	**26,782**	17,634

23. Events after the reporting period
There are no events to report after the reporting period.

	2017/18 £'000	2016 / 17 £'000
24. National College for Teaching and Leadership (NCTL)		
Balance unspent at 1 August	88	78
Amounts received	1,320	2,025
Disbursed to students and administration	(1,354)	(2,015)
Balance unspent at 31 July	**54**	88

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.

25. Related party transactions

Due to the nature of the University's operations and the composition of the Board of Governors (who are 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.

Richard Indge, a co-opted committee member of the Audit committee until 31 December 2017, is a partner at Ernst & Young LLP which received payments of £416k (2016/17: £492k) in relation to professional fees.

Michael Murphy, a member of the Board of Governors and the Audit Committee, has a consultancy client, Lodestone Communications which received payments of £79k (2016/17: £79k) in relation to professional fees.

Fionnuala Duggan, a member of the Board of Governors and Finance and Resource Committee until 22 March 2018 and a co-opted member of the Finance and Resource Committee since that date, is an employee of Informa Plc which received a payment of £15k (2016/17: £14k) in relation to a corporate subscription.

Rolande Anderson, chair of the Remuneration Committee and a member of the Finance and Resources Committee, is an associate of the College of Policing Limited, which received payments of £13k (2016/17: £nil) in relation to course fees.

Dianne Willcocks, a member of the Board of Governors and the Governance Committee until 31 July 2018, is a consultant at the Leadership Foundation for Higher Education, which received payments of £4k (2016/17: £nil) in relation to staff training.

Tunde Toki was a member of the Board of Governors as Students' Union Representative until 30 June 2018. He was replaced by Mr Mark Boansi on 1 July 2018. Mr Toki was president of London Metropolitan University Students' Union (the Union) until 30 June 2018 and was replaced by Mr Boansi on 1 July 2018. The Union is a separate legal entity which the University does not control or exercise significant influence over policy decisions. The Union received a payment from the University of £593k which included a block grant of £556k (2016/17: £503k), 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.

26. Contingent liabilities

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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