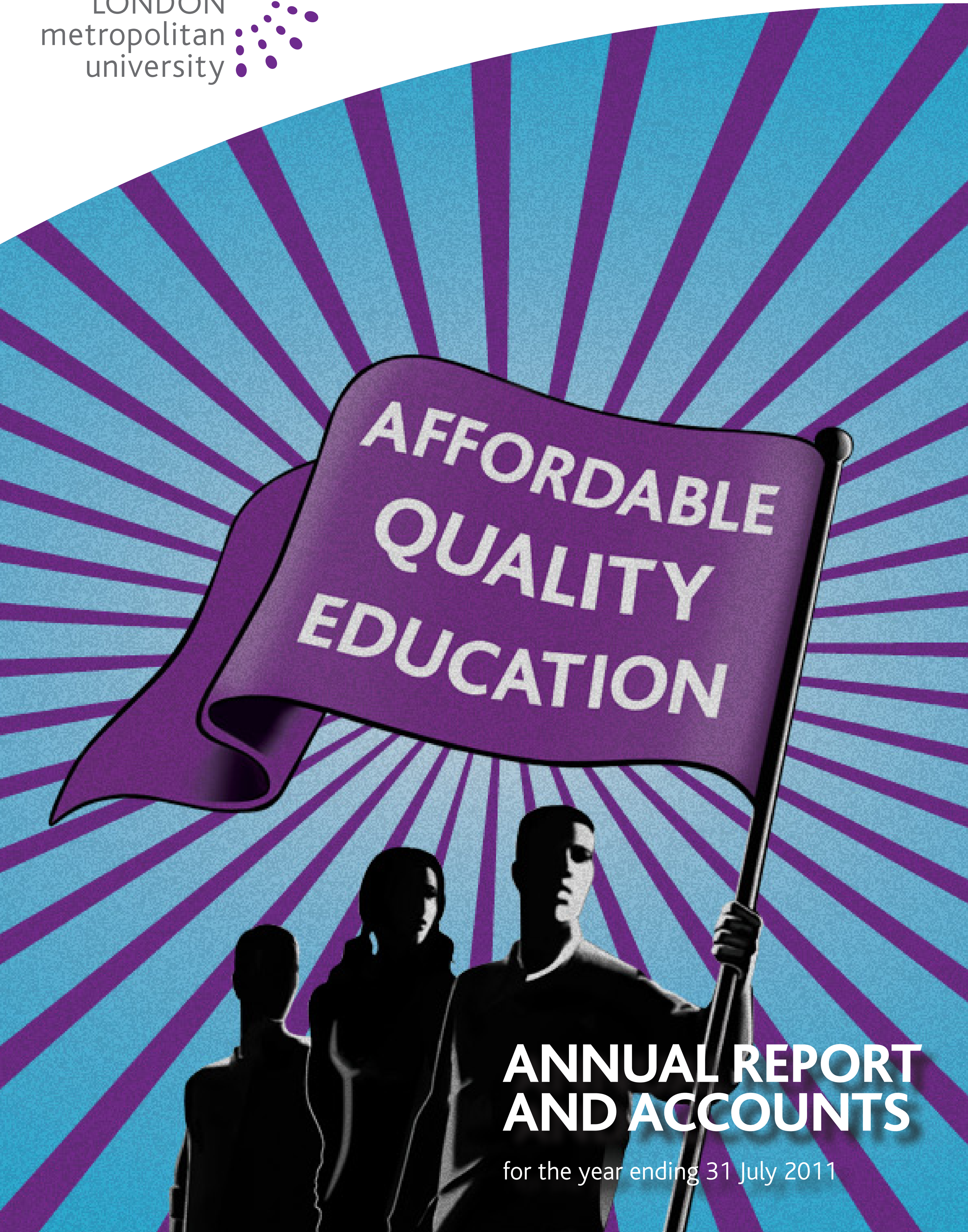
LONDON metropolitan university




# ANNUAL REPORT AND ACCOUNTS

for the year ending 31 July 2011

# Report and Financial Statements for the year ended 31 July 2011

## Contents




**London Metropolitan University**
A Company Limited by Guarantee
with no share capital

Registered in the United Kingdom:
registration number 974438



Registered Office:
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The University is an Exempt Charity
under the Charities Act 1993

# London Metropolitan University: public benefit

London Metropolitan University is both a company limited by guarantee with no share capital and an exempt charity, regulated by HEFCE. The Charities Act 2006 places an obligation on charities to demonstrate explicitly how they provide public benefit.

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

Our primary charitable purpose under the Charities Act, as set out in the company's Memorandum of Association, is to carry on and conduct a university for the advancement of education and as an institution for teaching and research, and for that purpose:

- To provide courses of educational or technical study both full-time and part-time for students at all levels and in all branches of education; and
- To advance learning and knowledge in all their aspects and to provide industrial, commercial, professional and scientific education and training; and
- To study, conduct research in, promote and develop any art or science for the public benefit including the publication of results, papers, reports or other material in connection with or arising out of such research.

The mission of the University, set out in our Strategic Plan, is as follows:

***London Metropolitan University transforms lives through education and research of quality, meets society's needs through our socially responsible agenda, and builds rewarding careers for our students, staff and partners.***

Examples of University activities which have delivered public benefit during 2010-11 include:

- Teaching 18,683 Home and EU students on undergraduate programmes and 4,482 Home and EU students on postgraduate programmes. Our bursary and scholarship schemes are designed to encourage students from diverse backgrounds to study at the University and 5,499 bursaries were awarded to Home and EU students during the year. We encourage participation from a wide range of international students who would not otherwise be able to afford to study in the United Kingdom, and 110 scholarships were awarded to overseas students during the year.
- We have set tuition fees for undergraduate programmes from 2012-13 that are amongst the lowest in the UK, following our intention to be champions of affordable quality education, and to accord with the access priority of the University.

  Our Faculty of Life Sciences includes the School of Human Sciences, which has close links with local hospitals and with the pharmaceutical and food industries, and the School of Psychology, which applies psychology to a wide range of areas including forensic, sport, addiction, counselling and mental health. Academic staff run research-based health clinics for the treatment of chronic illnesses such as obesity.
- Our Faculty of Social Sciences and Humanities subject areas include community development, public health and wellbeing, criminology, regeneration, housing and planning, social policy and anthropology, and social work.
- Our Sir John Cass Faculty of Art, Media and Design programmes aim to prepare students to be reflective and skilled practitioners in the creative industries, whatever their chosen discipline.
- The Faculty of Law, Governance and International Relations has research centres working in the areas of globalisation, Aristotelian political and moral philosophy, family law and practice, religion and politics. Its clinical legal opportunities programme brings students together with city practices, high street law firms and non-government organisations.
- Our Faculty of Architecture and Spatial Design has incorporated work on environmental protection into a wide range of its programmes, with masters topics including rapid change and scarce resources, energy and sustainability, renewable energies and urban design.
- The University currently contains six Research Institutes which are a focus for research mainly of a socially oriented nature, in the areas of health, human rights, cities, international education and working lives.
- Ongoing involvement through our Enterprise team and volunteers in a range of local business and community organisations working on economic and social development.
- We host four research collections with public access: the Women's Library, widely acknowledged to be the UK's most extensive library on all aspects of women in society; the TUC Library Collection, which includes material collected by the TUC since its foundation in 1868; the Irish History Archive, including material donated by the Irish in Britain History Group; and the Frederick Parker Collection, a study collection of British chairs from 1600 onwards.

Further details are given in our Operating and Financial Review.

No payments were made to the charity trustees during the year except in reimbursement of expenses incurred on the University's business. These expenses amounted to £9k (2009-10:2k).

# Financial highlights

**The University delivered a strong operating surplus of £3.9m for the year, £2.7m higher than budgeted, as cost reduction strategies came into effect.**

**One-off restructuring costs, excluding FRS17 pension adjustments, reduced this to an overall deficit of £4.4m for the year.**

**These will deliver cost reductions from 2011-12.**

In 2010-11 the University continued its programme of structural reviews, designed to improve the University's financial sustainability through staff restructuring and greater efficiency in the use of our buildings.

The one-off costs arising from these reviews, which will be matched by future cost reductions, are shown below, with other one-off transactions affecting the University's surplus for the year.

| | | 2010-11 | | 2009-10 | | 2008-09 |
|---|---|---|---|---|---|---|
| | £'m | £'m | £'m | £'m | £'m | £'m |
| **Operating surplus/(deficit)** | | 3.9 | | 6.1 | | (5.4) |
| Add/(less): | | | | | | |
| Profit on sale of assets | **0.3** | | 0.1 | | 22.7 | |
| FRS17 pension adjustment | **(0.9)** | | (3.1) | | (1.9) | |
| Reduction in inherited liability pension creditor | **0.9** | | - | | - | |
| Restructuring costs: staff | **(2.3)** | | (1.3) | | (5.9) | |
| Restructuring costs: buildings | **(6.3)** | | (0.7) | | - | |
| | | **(8.3)** | | (5.0) | | 14.9 |
| **(Deficit)/surplus for the year** | | **(4.4)** | | **1.1** | | **9.5** |

Our balance sheet has improved

Our net assets have improved by 80% since 31 July 2010, from £30.1m to £54.2m.

Net assets before pension liabilities have improved by 1%, from £110.5m to £111.9m.

**We have made good progress towards our key financial performance indicators**

| **Measure** | **2010-11** | **2009-10** | **2008-09** |
|---|---|---|---|
| Operating surplus/(deficit) as a percentage of income | **2.4%** | 4.0% | (3.4%) |
| Net assets excluding pension liability and endowments | **£112m** | £110m | £105m |
| Liquidity (total expenditure excluding depreciation) | **95 days** | 112 days | 74 days |
| External borrowing as a percentage of income | **4.7%** | 5.6% | 10.1% |
| Net operating cash flow as % of income | **1.9%** | 1.7% | 0.1% |
| Cost of staff as a percentage of income | **60%** | 58% | 64% |

# Report of the Board of Governors (as Directors) to the members of London Metropolitan University

The Board of Governors has pleasure in presenting the University's annual report and audited financial statements for the year ended 31 July 2011.

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 of Governors have examined financial forecasts based upon these audited financial statements and estimates of income, expenditure and cash flow for the period to 31 July 2016.

Based upon their review of these forecasts, the Board is satisfied that these financial statements are properly prepared on a going concern basis. For the purpose of this going concern review, the Board has focused on the period to 31 July 2013. The financial forecasts of the University show that sufficient funding is in place to support the University's activities throughout the period of implementation of the sustainability action plan required by the Strategic Plan 2010/13 ('Strategic Plan'). 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.

Although the University is likely to be adversely affected by the economic downturn and resultant general pressure on public sector funding, some of which has already been reflected in recent Higher Education Funding Council for England (HEFCE) funding and other public announcements, and which will affect all institutions in the sector, the Board is satisfied that the current reviews described in the University's Strategic Plan will address the need for further net savings to ensure the financial sustainability of the University. These reviews are described in more detail in the 'Future developments' section below.

The principal creditor of the University is HEFCE, which was owed a total of £2.2m in respect of interest-free loans and £30.0m in respect of repayments of grant as at 31 July 2011. The repayment plan as agreed with HEFCE for these amounts is included in the financial forecasts reviewed by the Board.

## Operating and financial review

2010-11 was the first year of implementation of our Strategic Plan 2010/13 'Transforming Lives, Meeting Needs, Building Careers'.

This strategic plan presents a three-year transformational plan for the University, based in the realities of increasingly constrained public funds and the need for substantial repayments to the HEFCE in each of the three years of the plan.

The plan committed to a systematic cycle of major reviews of our operations. Five major reviews took place during 2010-11, of business processes of all support services, of undergraduate education, of governance arrangements, of the effectiveness of pay and reward structures, and of estates master-planning. We also started our reviews of postgraduate education, research, knowledge transfer and enterprise activity, due to report in 2011-12.

The programme of reviews meant that we were well-placed to address the challenges of the changes in funding for students and for Higher Education Institutions (HEIs) announced during the year and allowed us to set tuition fee levels for 2012-13 that are amongst the lowest in the sector, so confirming our commitment to providing affordable, quality, education to our students.

The University restructured its executive management team during 2010-11, appointing a new Deputy Vice-Chancellor and a Deputy Chief Executive following the retirement of the Deputy Vice-Chancellor Academic and the Deputy Vice-Chancellor Research and Development. Professional service departments were restructured in June 2011, reducing from thirteen departments to eight, and the consolidation of academic faculties was announced. The Faculty of Applied Social Sciences and the Faculty of Humanities, Arts, Languages and Education merged with effect from 1 August 2011 to form the Faculty of Social Sciences and Humanities. Consolidation will continue in 2011-12 with the merger of the Faculty of Architecture and Spatial Design and the Sir John Cass Faculty of Art, Media and Design.

## Strategic priority 1: Providing a quality learning experience for our students

During 2010-11 we undertook a fundamental review of our undergraduate education – of how, when, where and what we should offer – in anticipation of the new funding arrangements that come into effect in 2012-13, in which the fee cap nearly triples, from just over £3,000 to £9,000, and the burden of funding shifts from the taxpayer to the graduate.

Our new streamlined course offer is grounded in ensuring student value for money, as well as affordability, and we have elected to levy tuition fees from 2012 at several price points across the range from £4,500 to £9,000. The average undergraduate course fee will be approximately £6,850.

More than that, we aim to enhance student progression and achievement through our new validated undergraduate framework by increasing the number of teaching weeks from 24 to 30 – and with it the average contact time for full-time students from 288 to 360 hours – and by delivering courses through year-long modules rather than semester ones. In parallel, we are also enhancing WebLearn – the University's Virtual Learning Environment (VLE) – to build student engagement and learning support and delivery still further.

In Autumn 2010, the Quality Assurance Agency's quinquennial Institutional Audit of the University's provision resulted in the best possible outcome, with "confidence" judgements in all required categories and commendations in several areas. We have also launched a Quality Network, led by the Quality Enhancement Unit, to provide a focal point for quality development and consistency of practice across the University.

# Report of the Board of Governors

In the National Student Survey, London Metropolitan University achieved its highest ever satisfaction rating with a 6% increase in overall student satisfaction from 67% in 2010 to 73% in 2011. Opinion from our part-time students was even more impressive revealing 94% satisfaction, which is 7% higher than the national average. While this is an encouraging indicator of the progress to date, we recognise we still have much to do both as an institution and in addressing variations across subject areas.

Likewise the Destination of Leavers in Higher Education (DLHE) survey revealed that the number of our undergraduate students entering work, or continuing to further study, rose by 8.4% in a single year. The unemployment rate among our recent graduates reduced by almost a half too, from 17.1% to 9.3%, despite a difficult labour market and the average starting salary of our graduates is now £25,493, which is well above the UK average of £20,500.

We reintroduced the academic promotion scheme to recognise staff excellence in teaching, research and enterprise - and awarded 8 Professorships, 3 Associate Professorships and 10 Readerships. We awarded a University Teaching Fellowship to a further four colleagues, using criteria similar to that of the national scheme, and have established a new Centre for the Enhancement of Learning and Teaching to support professional development, and disseminate good practice.

## Strategic priority 2:
## Education: enhancing participation and ensuring fair access

### Student numbers

Student numbers, taken, where relevant, from the returns submitted to HESA in November of each academic year are shown in the table below.

| | 2010-11 | 2009-10 |
|---|---|---|
| Full Time (Home/EU) | 12,718 | 12,764 |
| Full Time (Overseas) | 3,155 | 3,216 |
| Part Time | 6,963 | 8,354 |
| Short Course | 4,401 | 4,662 |
| **Total** | **27,237** | **28,996** |

The decrease in part-time student numbers continues the trend in previous years. The demand for these programmes has declined as national funding to support students undertaking this mode of study has reduced and employer sponsors have come under financial pressure.

The decrease in the number of students undertaking short courses reflects the planned termination of some courses and changes in delivery mechanisms, in particular of Trade Union Studies courses, which are now offered as part of our degree programmes.

Access and progression remain central to the University's mission. 45% of our undergraduate entrants in 2010-11 were from socio-economic groups 4,5,6 and 7, 8.5% from low participation neighbourhoods and 4% in receipt of Disabled Student's Allowance placing the University in the top ten HEIs for widening participation.

### Awards

The following summarises activity conducted through the University Awards Board in its 2010-11 cycle. A small number of awards conferred on behalf of collaborative partners remain to be agreed which will bring the total volume to approximately 8,500 awards conferred during the cycle, a small decline on the numbers in previous years.

A total of 8,384 awards have been made through the Awards Board this year compared with a total of 9,317 at the corresponding point in October 2010.

The change in the volume of awards is partly a reflection of the decline in the volume of collaborative awards following the cessation of the National Computer Centre link, and the volumes conferred in the major undergraduate and postgraduate categories are little changed from 2009-10. In the major award categories the analysis of honours and masters degrees awarded is as follows:

### Bachelors Degrees

| | 2010-11 | % | 2009-10 | % | 2008-9 | % |
|---|---|---|---|---|---|---|
| 1st | 451 | 11.8 | 369 | 10.1 | 345 | 9.5 |
| 2:1 | 1,454 | 38.1 | 1,468 | 40.1 | 1,378 | 37.9 |
| 2:2 | 1,421 | 37.3 | 1,434 | 39.2 | 1,504 | 41.3 |
| 3rd | 391 | 10.3 | 308 | 8.4 | 285 | 7.9 |
| Non Honours | 97 | 2.5 | 80 | 2.2 | 123 | 3.4 |
| **Total** | **3,814** | | **3,659** | | **3,635** | |

The proportion of 1st and 2:1 honours degrees remained almost unchanged at approximately 50% while the proportion of first class degrees increased slightly compared to 2009-10. Excluding variations in collaborative activity (in particular the ending of the National Computer Centre link) the volume of honours degrees has remained stable with the proportion of 1st/2.1 awards on an upward trend.

# Report of the Board of Governors

## Masters Awards

| | 2010-11 | % | 2009-10 | % | 2008-9 | % |
|---|---|---|---|---|---|---|
| Distinction | 238 | 11.0 | 241 | 11.9 | 247 | 11.3 |
| Merit | 953 | 43.9 | 880 | 43.4 | 975 | 44.5 |
| Pass | 979 | 45.1 | 905 | 44.7 | 969 | 44.2 |
| **Total** | **2,170** | | **2,026** | | **2,191** | |

The volume of masters awards conferred between 1 November 2010 and 31 October 2011 slightly increased compared to 2009-10 while the proportion of distinctions, merits and passes remains little changed.

## Progression

59.4% of full time students commencing undergraduate study in 2009-10 progressed from Year 1 to Year 2 of Undergraduate Degrees in 2010-11 compared with 57.6% in 2009-10. Progression rates have steadily improved in recent years and are up from less than 50% in 2006-07.

65.3% of students progressed from Year 2 to Year 3 compared with 67.3% in 2009-10. While this figure shows a small decline year on year it has risen progressively from 58.6% in 2006-07.

## Partnerships

The British College of Osteopathic Medicine (BCOM) has re-established its partnership with the University bringing with it 74 students and new provision in development. The relationship with local partners, City and Islington College, and Hackney College, continues to grow with over 200 students on franchised degrees delivered on their premises.

New collaborative partnerships were developed in Malaysia, Vietnam, Russia and Ireland and a major link established in Nepal with over 700 students taking one of four franchised titles in Computing.

The British College of Athens underwent a quinquennial review in 2011 and remains the University's largest partner with 971 students enrolled on London Metropolitan University courses.

The University continues to look carefully at strategic partnerships both locally and internationally as part of a wider review of its international strategy.

## Strategic Priority 3:
## Research and enterprise: advancing new knowledge and its applications

## Research

The University has continued to support research and knowledge exchange and to strengthen the relationship between teaching and research.

The successful Vice-Chancellor's Scholarship scheme was continued in 2010-11, supporting 68 research students. The research results of the 2009-10 Vice-Chancellor's Scholars' work was showcased at the first Postgraduate Student Conference in November 2010. This landmark event was very well attended, receiving accolades for the quality and diversity of the research work presented. A book of abstracts was produced for the conference along with research posters.

Following on the success of the conference, the Postgraduate Student Society produced the first issue of *Metronome*, a new on-line journal of peer-reviewed postgraduate research, which highlighted the range and depth of student research at London Metropolitan University.

The University also launched a new Researcher Development Programme in October 2010. Throughout the academic year, 700 researchers participated in 55 training sessions covering a range of development opportunities for research staff and postgraduate research students. The courses supported researchers in developing transferable professional, personal, research, and career skills and knowledge. Our Researcher Development Programme supports the Quality Assurance Agency for Higher Education Code of Practice for Postgraduate Research Programmes; the Research Councils' recommendations for researcher training; and the Concordat to Support the Career Development of Researchers.

During 2010-11, the University was awarded research grants from the Economic and Social Research Council, the Arts and Humanities Research Council (AHRC), the Biotechnology and Biological Sciences Research Council, the United Nations Development Fund for Women (UNIFEM), British Council, Wellcome Trust, the Society for Research into Higher Education and the European Union. The University also was awarded three new AHRC studentships.

## Enterprise and Community

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

# Report of the Board of Governors

The last year has seen an increasingly difficult external environment as public sector funding cuts begin to bite. Nevertheless the most significant development was a positive one: the Prime Minister's speech in Shoreditch on 4 November 2010, in which he outlined plans to facilitate the development of an 'East London Tech City' in an area from Shoreditch to the Olympic Park as one strand of the Government's strategy for growth. The intention is to create a Silicon Valley-like cluster in East London, building from the established 'Silicon Roundabout' hub of digital media companies and generating rapid growth by fostering the creation and development of technology start-up companies. The strategy is already bearing fruit, with the number of start-ups more than doubling in nine months and commitments to significant investment by major corporates.

Tech City presents the University with a unique opportunity to fulfil the role of an anchor institution. Through its digital media business incubator Accelerator in Shoreditch it is already a key component of Silicon Roundabout. In addition it has an unusually broad mix of attributes which will enable it to contribute to the developing cluster through the provision and development of skills, at the policy level, and through support for early-stage businesses; this in turn will feed into student recruitment and employability. Positioning the University for maximum benefit has been a major focus of recent Enterprise activity, and has resulted in our recognition as a significant player in the digital agenda.

Other Enterprise highlights over the year have included:

- Continuing success for Accelerator, which since 2007 has incubated 70 businesses, helped 5 client businesses achieve successful exits for over £1 million, created 149 jobs and built links with over 500 local companies. The tenant business HipSnip was a winner in the Technology Strategy Board's 'IC tomorrow' digital innovation contest; both of the London Metropolitan Business School Entrepreneurs in Residence won awards; and the National Consortium of University Entrepreneurs (NACUE), incubated by Accelerator, was selected to work with the Government's StartUp Britain campaign to create student-led enterprise societies across English HEIs and FE colleges.
- The 3rd International Alliance of Cultural and Creative Industries Symposium was organised by London Metropolitan Business School at the House of Lords in September 2010, with cultural and creative industry experts from across the world contributing to a 'conversation' of global business and education models.
- The Digital Shoreditch annual festival and network was founded by one of the tenant businesses in Accelerator, PlayGen, to celebrate and promote the digital media community, with the University as a founder member. Monthly meet-ups are held at Accelerator and the inaugural festival was headquartered there in May 2011, featuring a cross-faculty programme of 15 University events over 5 days for schools, students, business, stakeholders and government.
- Three new KTPs were formed during the year and 21 leads are in various stages of development with SMEs and third sector organisations.
- A busy year for Metropolitan Works included active engagement with over 600 London businesses, delivery of over £200k of services to businesses, support for the development of 30 new products and the securing or creation of 24 jobs. The Centre participated in events including the London Festival of Architecture and 100% Design; launched the Metamorphosis product development competition providing University and local graduates with the opportunity to launch their own product at the London Design Festival; and projects during the year included machining the mould masters for relief panels to decorate Niall McLaughlin Architects' Athletes Village scheme in the Olympic Park.
- The Faculty of Architecture and Spatial Design was selected as the only UK school of architecture for the Solar Decathlon Europe 2012 project to design a prototype house for an exhibition in Madrid in 2012.
- The Student Enterprise Programme has now created 28 businesses and organised 102 placements with SMEs over the last two years. Further awards were won during the year by the University, the student entrepreneurs' society and individual students and graduates. One of the businesses created, Tweetphoto, was sold by its creator for over $10m.
- The Upturn project with HEFCE Economic Challenge Investment Funding successfully delivered its objective of helping new graduates and individuals and businesses in London who had been affected by the recession. Upturn brought together many of the University's offerings to provide funding for professional courses, training for starting new businesses, support for new companies, and graduate employability skills. Outcomes of the project included the provision of advice to 550 people, support for 304 people on courses, and 59 businesses created or supported.
- The World of Work Agency continued to develop partnerships with SMEs and start-ups and engaged with larger organisations across a variety of innovative and challenging projects including the redesign of the University website. New clients included Comic Relief, News International, Jamie Oliver Foundation and London Higher.
- Owing to the University's consistently high level of relevant income, we were very successful in the allocation by HEFCE of Higher Education Innovation Fund 2011/15 funding. Our allocation, of £1.55m p.a. for the next four years, places the University 44th of 129 English HEIs.

# Report of the Board of Governors

## Strategic priority 4:
## Sustainability: driving resources harder

### Human resources

The University's Human Resources policies and practices are designed to support institutional sustainability by being flexible, responsive and productive. Their aim is to promote an institutional culture which values professionalism, customer focus, teamwork, innovation and creativity, accountability, diversity and continuous improvement.

Early in 2010-11, the University commissioned Beamans' consultancy to review the effectiveness of the University's pay and reward arrangements. Recommendations implemented include adoption of the London Living Wage, benchmarking against median sector pay rates, and the suspension of performance related pay.

During 2010-11 the University had three formal programmes of staffing reductions (carried out in accordance with the provisions of the Trade Union and Labour Relations (Consolidation Act). To minimise the impact on staff, in addition to the use of normal formal consultation provisions and the University's redeployment policy, bumped redundancies and a voluntary severance scheme were applied to mitigate the need for compulsory redundancies. To improve transparency, consultation information available to staff on our website has been expanded to include much more detailed information in the form of Frequently Asked Questions, as well as details of all staffing change proposals and consultation outcomes.

Another priority has been to support cultural change, promoting a student-centred approach, with appropriate levels of individual accountability and responsibility to drive down decision making to the lowest appropriate level. HR organisation and practice has been realigned to support this change and work has commenced to review, realign and simplify all staffing polices into a new user-friendly format in consultation with the trades unions and managers.

A new single University-wide performance review and development scheme has been developed and discussions are in progress with the trades unions and managers with a view to early implementation.

The Human Resources department has reoriented its services to better align them to support faculties, providing each faculty and department with an HR Business Partner, with the capacity to work within the area, attend local meetings and deliver an improved HR service through closer contact and an improved understanding of local business needs.

### Trades unions

Human Resources and the University's recognised trades unions have discussed a range of employment matters. These have included planning for a new joint mediation approach and introducing a new job evaluation process. A priority for the trades unions is job security and discussions have commenced on a redundancy avoidance framework.

### Employee wellbeing

The dedicated Health and Wellbeing website 'Well Met' has continued to be the focus of promotional materials and support on health and wellbeing for staff at the University. Support available to staff during 2010-11 included an Employee Assistance Programme; an in-house Occupational Health Service for staff; and a Health & Wellbeing Centre. The Stress Management Steering Group met regularly to review and develop policy and guidance. A wellbeing survey was completed during the year and the outcomes were used to update the stress management guidance and to draft a wellbeing survey action plan.

### Equality and diversity

Our policies and practices are aimed at responding proactively to changes in employment legislation and in promoting equality of opportunity in all areas of employment within the University.

A single equality scheme has been developed following extensive consultation with staff and students including surveys, focus groups and a web learn forum. A Single Equality Scheme Working Group comprising staff, student and union representatives led on the drafting of the scheme document and the completed scheme has been published and disseminated together with a University-wide action plan. The emphasis in 2011-12 will be the production and delivery of Faculty/Departmental diversity action plans to support the wider plan.

A major review and restructure of academic staff development and student learning development took place during the year, which resulted in the creation of the Centre for the Enhancement of Learning and Teaching. The new Centre's priorities are to support the University's educational mission and strategic goals through: the enhancement of student learning experience and academic success; the enhancement of teaching, learning, assessment and innovations in pedagogy, curriculum development and blended learning; initial and continuing professional development and support for pedagogical scholarship and research; and policy development in learning, teaching, assessment and e-learning.

### Staff development

Other developments in 2010-11 included a major updating and revision of the weekly HR induction offered to all new starters, to make it fully paperless and better integrated with further development opportunities. A new accessible online 'Equality and Diversity Essentials' course was introduced, which 102 staff have so far successfully completed.

# Report of the Board of Governors

## Staff numbers

As at 31 July 2011, the University employed a full-time equivalent of 2,008 staff, 53 fewer than in 2009-10.

| | 2011 | 2010 |
|---|---|---|
| Senior staff | 82 | 84 |
| Academic staff | 756 | 784 |
| Administrative staff | 767 | 780 |
| Manual and technical staff | 72 | 81 |
| Casual staff | 116 | 122 |
| Hourly paid lecturers | 215 | 210 |
| **Total** | **2,008** | **2,061** |

Overall staff turnover was 10.3%, down from 11.6% in the previous two years with the highest turnover in senior and administrative staff grades, as follows:

| | 2011 | 2010 |
|---|---|---|
| Senior staff | 14.0% | 15.3% |
| Academic staff | 9.7% | 11.1% |
| Administrative staff | 10.8% | 12.6% |
| Manual and technical staff | 8.3% | 3.1% |

## Estates

Work on improving the quality of the estate continued in 2010-11. Major development projects completed this year included refurbishment of The Learning Centre at the Holloway Road and of the postgraduate floor of the Moorgate building, development of a newsroom to support our journalism programmes and creation of new social and informal learning spaces at Central House, Moorgate and the Tower Complex. These projects focused on improvements to enhance students' learning experience and have had very positive feedback. We have also continued our investment in infrastructure; major projects this year included refurbishments of lifts and washroom facilities.

The Estates Master Planning review, which reported in July 2011, had the objective of providing a more sustainable, better quality estate, and clear locations for each of our faculties. The analysis of the University's space needs indicates that the estate can be reduced by approximately 20% over the next three years.

## Finance

Our financial strategy aims to produce an operating surplus in order to generate sufficient cash to support our academic strategy and for reinvestment in our infrastructure.

Our Strategic Plan adopts six measures of financial health:

| Measure | 2010-11 target | 2010-11 actual | 2011-12 target |
|---|---|---|---|
| Operating surplus/(deficit) as a percentage of income | 1% | 2.4% | 2% |
| Net assets excluding pension liability and endowments | £109m | £112m | £114.0m |
| Liquidity (total expenditure excluding depreciation) | 75 days | 95 days | 80 day |
| External borrowing as a percentage of income | 4.4% | 4.7% | 4.2% |
| Net operating cash flow as % of income | 2% | 1.9% | 4% |
| Cost of staff as a percentage of income | 58% | 60% | 56% |

## Income and expenditure

A comparison of our 2010-11 financial performance with budget is as follows:

| | Actual £'000 | Budget £'000 |
|---|---|---|
| **Operating surplus** | 3,857 | 1,180 |
| Add/(less) | | |
| FRS17 adjustments | (910) | (2,117) |
| Release of pension creditor | 952 | - |
| Restructuring costs | (2,261) | (408) |
| Onerous obligations under operating leases | (6,268) | - |
| Profit on sale of assets | 254 | - |
| Historical cost depreciation adjustment | 104 | 104 |
| **Historical cost deficit** | **(4,272)** | **(1,241)** |

# Report of the Board of Governors

The following tables compare 2010-11 and 2009-10 performance:

| **Operating income** | **2010-11 £'000** | **2009-10 £'000** | **Movement %** |
|---|---|---|---|
| Funding Council grants | 68,465 | 66,638 | 2.7% |
| Tuition fees | 76,607 | 77,470 | (1.1%) |
| Research grants and contracts | 2,876 | 3,389 | (15.1%) |
| Other income | 9,094 | 10,734 | (15.3%) |
| Endowment and investment income | 711 | 845 | (15.8%) |
| **Total operating income** | **157,753** | **159,076** | **(0.8%)** |

Total operating income decreased by 0.8% (£1.3m) compared to 2009-10. The main elements of this net decrease are:

- Reductions in tuition fees caused by higher numbers of students starting their course in our February intake, so that only half of their fee falls into 2010-11 income
- Decreases in research and other income resulting from lower activity levels, as a number of large projects ended without equivalent project replacements.

**Operating expenditure**

| | **2010-11 £'000** | **2009-10 £'000** | **Movement %** |
|---|---|---|---|
| Staff costs | 95,000 | 92,790 | 2.4% |
| Staff restructuring costs | 2,261 | 1,331 | 69.9% |
| Other operating expenses | 47,756 | 51,121 | (6.6%) |
| Depreciation | 8,780 | 8,234 | 6.6% |
| Interest payable and other finance costs | 2,064 | 4,465 | (53.8%) |
| **Total operating expenditure** | **155,861** | **157,941** | **(1.3%)** |

Total operating expenditure decreased by 1.3% (£2.1m) compared to 2009-10. The main elements are :

- Increased staff costs of £2.2m of which £1.9m is attributable to the FRS17 staff costs adjustments relating to the University's London Pensions Fund Authority (LPFA) pension scheme
- Higher restructuring costs arising from staff leaving the University following the outcome of the review of our professional services departments
- Reductions in other operating expenses arising primarily from savings achieved by tight cost control as departments were asked to restrict spending to essential items
- Decreased interest payable and other finance costs due to a reduction in the FRS17 net interest charge on the University's LPFA pension scheme

## Balance sheet

Our consolidated net assets at 31 July 2011 were £54.2m, an increase of £24.1m (80%) compared to 31 July 2010.

This figure is after taking into account a pension deficit of £57.8m (2010: £80.3m) on the pension scheme for non-academic staff, operated by the LPFA. The pension deficit, calculated by the Fund's actuaries in accordance with FRS17 'Retirement Benefits', reduced by £22.6m, principally as a result of an increase of £15.1m in the University's share of the Fund's assets as the market value of investments as at 31 July 2011 rose above the 31 July 2010 level; but also from a decrease of £7.6m in the estimated present value of the University's liabilities, largely as a result of changes in the assumption on inflation used by the actuary.

Net assets excluding the pension fund deficit increased by £1.4m from £110.5m to £111.9m.

## Fixed assets

During the year the University sold a house at Annette Road, Islington, generating a profit of £254k.

The net book value of our building at Tower Hill (£1.4m) was transferred from fixed assets to current assets pending completion of the sale of the building, which took place shortly after the end of the financial year, on 18 August 2011.

Expenditure during the year on fixed assets was £16.8m, bringing the total net book value of land, buildings and equipment to £139.9m (2010: £134.4m).

The most recent valuation of the group's freehold properties, carried out to ensure that there was no diminution in the carrying amount of the assets, was prepared by Drivers Jonas LLP as at 31 July 2009 on an existing use basis. The total value of the properties was £127.3m.

# Report of the Board of Governors

## Current assets

Group debtors remained at £11.9m at 31 July in both 2011 and 2010. Within this, the most significant change was the increase in debt due from Student Finance England, which rose by £1.3m, offset by reductions in debt due from self-financing students and sponsors.

Net cash balances, including investments in short-term deposits, fell from £46.0m at 31 July 2010 to £40.0m at 31 July 2011, as loan and grant repayments to HEFCE (£4.3m) and capital expenditure (£16.8m) exceeded cash inflows.

## Creditors and provisions for liabilities

Creditors falling due within one year increased by £1.5m, from £42.9m to £44.4m, partly because the University's repayment to HEFCE will be £10m in 2011-12 (£4.3m in 2010-11).

This was offset by a reduction of £11.5m in creditors falling due after more than one year, from £39.3m to £27.8m. £10m of this relates to the transfer to short-term creditors and £0.9m to the release of a pension creditor relating to inherited liability claims to HEFCE, no longer required following confirmation of liabilities with HEFCE.

A provision of £2.3m has been made for the cost of redundancy payments arising mainly from the reorganisation of professional services departments during 2010-11, as a result of recommendations in the review of business processes of support services.

The provision for the costs of future lease obligations for properties no longer in operational use has been increased by £8.2m reflecting the expected costs arising from the University's decision to terminate the lease at Salisbury House in 2012 and to provide for the estimated residual lease obligations for 2 Goulston Street and Ladbroke House and 133 Whitechapel High Street.

## Treasury management

Large calls on the University's cash flow will be made over the next three years as we repay £30m in respect of past over-claims of grant to HEFCE. This coincides with a period of major change and risk to sources of income and timing of cash inflows. As a result, 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.

The University's treasury management policy was reviewed during 2010-11. The 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.

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.

## Subsidiary trading company

London Metropolitan University Enterprises Limited has entered into Gift Aid arrangements in order that its taxable profits can be donated to the University. In 2010-11 the company made a deficit of £145k (2009-10: deficit £126k). This company is fully consolidated into the Group accounts, as are the University's non-trading subsidiaries.

## Environmental sustainability

The University published its Carbon Management Plan in March 2011. 96 projects have been identified, which if completed will allow us to meet our targets of reducing carbon emissions by 33% by the end of 2014 and 46% by 2020 (compared to our 2009 emissions). The projects encompass technical improvements such as LED lighting, renewables such as photovoltaics and staff/student awareness campaigns.

A Carbon Management Board and a Carbon Management Team which incorporates members from across the University were established to drive forward the implementation of the Carbon Management Plan. Projects undertaken during 2010-2011 include optimisation of the building management system, print centralisation, voltage optimisation and lighting upgrades. Sustainability is considered at the outset of all refurbishment projects with consideration given to the use of sustainable materials, disposal of construction waste and use of energy/water efficient technologies. This has been demonstrated through the recent Learning Centre refurbishment project which installed chilled beam technology and low energy lighting.

Successes during the year included:

- In August 2010, the University was awarded the Carbon Trust Standard. The University demonstrated that we are measuring and managing our carbon in an appropriate manner through effective governance and that we have achieved an average of 11.8% reduction in carbon emissions over three years
- In June 2010, the University was awarded Silver in the Mayor of London's Green 500 awards
- The University was awarded second place at the Islington Climate Change Awards for demonstrating a reduction of carbon emissions by 18.9% over the past year.

# Report of the Board of Governors

## Strategic priority 5:
## Investment: accelerating our transformation through ICT

During 2010-11, major improvements took place to improve further the University's underlying infrastructure; to implement technology which is location independent, of high quality; and to provide a better, more responsive, service to our students and staff.

Achievements include the rollout of cloud hosted email system, 'follow-me' staff printing, significantly increased Wi-Fi capability, improved classroom media facilities, improvements to our security infrastructure, initial implementation of a course offer database, and a new website. An IT service catalogue has been published which comprehensively describes the IT services provided by the University.

Looking ahead, the ICT transformation programme will continue through the implementation of a standard desktop utilising Windows 7, disaster recovery and business continuity of key student systems, development of student and applicant portals, and further improved customer service. Students will see the benefits from the rollout of smart phone applications. Key in 2011-12 will be the rollout of the upgraded Virtual Learning Environment to match the requirements of the new curriculum.

## Future developments

The University is now in the second year of implementation of its Strategic Plan 2010-13. The major reviews in 2011-12 will be:

- Review of postgraduate education and research training, including student and employer demand, the shape, purpose and structure of the curriculum, modes of assessment, formats of learning, and financial sustainability
- Review of research, knowledge transfer and enterprise activity, including excellence, impact, environment, sustainability and educational connection.

We continue to implement the recommendations from the reviews carried out in 2010-11, major items being the revalidation of academic programmes in the undergraduate scheme and continuing rationalisation of business processes and organisational structures.

Plans are underway to vacate leasehold buildings at 2 Goulston Street, Ladbroke House and Spring House; to exercise a lease break in June 2012 at Salisbury House; and to close the freehold buildings at Eden Grove and Stapleton House, prior to disposal. We are working with our property advisers DTZ to identify the best strategy for each of these buildings.

The sale of our Tower Hill building was completed on 18 August 2011. Our lease at 100 Hornsey Road was surrendered on 29 September 2011.

Two special themes have been adopted for 2011-12, 'Embracing the Future' and 'Building a More Trusting Culture', and a number of activities have been planned to support these two themes.

## Financial forecasts

The Board of Governors and senior management of the University have considered a range of assumptions used to derive financial forecasts for the five years to July 2016. Considerable uncertainty attaches to these assumptions because consultations by HEFCE on grant and student number allocation have not yet concluded and student recruitment patterns under the new UK and European Union tuition fee and student funding regime are difficult to predict. The impact of new visa arrangements on recruitment of students from outside the European Union also is not clear.

Undergraduate student recruitment for 2011-12, the final year of the current funding arrangements for students from the UK and the European Union, has been very strong, with an unprecedented volume of calls through our Clearing system and a significantly higher conversion rate from offer during Clearing to actual enrolment. As a result, we have recruited over 1,000 students more than our permitted capped number. The exact impact of this on our grant funding has not yet been agreed, but we have made provision in our financial forecasts for a fine by HEFCE in 2011-12, more than cancelling out any additional fee income.

2012-13 recruitment is likely to be very competitive and will be challenging for many HEIs, including London Metropolitan University. The UK Border Agency's review of criteria for the Highly Trusted Sponsor status might also have an impact on our recruitment of overseas students.

These changes, together with expected further reductions in grant funding, mean that the University is entering a period of potential instability. Close attention will be paid to forecasts and scenario planning during the year.

The forecasts confirm the need for a continuing programme to deliver net savings, either from other income growth or from cost reduction, and for close attention to the extent and timing of discretionary expenditure, for example on our planned capital programme.

The full impact of savings arising from restructuring during 2010-11 will not be delivered until 2012-13, although there will be a part-year benefit to 2011-12. Further savings of approximately £7m against our 2011-12 budget, increasing to £11m in 2012-13, will be required to deliver our target operating surplus of 2% income. With proper focus and careful management, this scale of net savings is considered achievable, with specific actions to be determined through the reviews currently underway. Setting our staff expenditure at a maximum of 55% of total income would deliver £16m of savings in 2012-13.

Our cash flow in 2011-12 is strong, benefiting from the receipt of the proceeds of sale of our building at Tower Hill, the forecast cash balance before savings being £31.0m at July 2012 and £8.2m at July 2013, after repayments to HEFCE of £20m over these two years.

# Report of the Board of Governors

Key figures in the financial forecasts for the two years to 31 July 2013 are as follows:

| | 2011-12<br>£m | 2012-13<br>£m |
|---|---|---|
| Income | 147.9 | 140.4 |
| Staff costs | (92.3) | (92.9) |
| Other operating expenses | (59.7) | (55.3) |
| Sustainability action plan | 7.1 | 10.6 |
| **Operating surplus** | **3.0** | **2.8** |
| Asset sales and restructuring costs | 14.2 | (1.4) |
| **Historical cost surplus** | **17.2** | **1.4** |
| **Closing cash balance before savings** | **31.0** | **8.2** |

Key assumptions used to compile the forecasts for 2011-12 and 2012-13 are:

- Grant reductions of £13m from 2010-11 to 2011-12 and £17m from 2011-12 to 2012-13. These include an estimate of the fine for recruiting more students in 2011-12 than our capped allocation
- Reduction in forecast student recruitment of 8% for home students and 2% for other students from 2011-12 to 2012-13
- Discretionary fee rates increase by 2% per annum
- Research contracts and other income reduce by 5% per annum
- Staff costs increase by 2% per annum for cost-of-living increases and contractual incremental increases
- Delivery of sustainability action plan net savings
- A capital programme requiring cash expenditure of £29m over 2011-12 and 2012-13
- Scheduled repayments of loans and grant of £11m per annum in 2011-12 and in 2012-13.

## Principal risks and uncertainties

The Risk Committee, which meets monthly, has been closely monitoring not just the University's specific risks but also the emerging configuration of risks to the sector or the parts of the sector that London Metropolitan University inhabits. In recent months, we have recognised heightened risk in the areas of:

- Financial sustainability
- Management of the student population as a result of fluctuations in student numbers
- Management of change, following restructuring.

These are being mitigated by scenario planning and by robust consultation, communication and business continuity planning.

The risk to the academic standing of the University has diminished following the strong report from the Quality Assurance Agency. The risk of failing to provide accurate student data returns has also reduced following considerable work in this area. However, these remain on our risk register and continue to be monitored by the Risk Committee.

## Post balance sheet events

On 18 August 2011 the University completed the sale of 100 Minories, a freehold property in Tower Hill, London EC3N 1JY to Grange Hotels Limited for £18.6m. The sale generated a surplus on disposal of £18.3m.

## Donations

The Group makes no political or charitable donations.

## Constitution

London Metropolitan University is a company limited by guarantee with no share capital, with up to fifteen 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.

# Report of the Board of Governors

## Auditors

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

The financial statements on pages 23 to 52 were approved by the Board of Governors of London Metropolitan University on 23 November 2011 and were signed on its behalf on 28 November 2011 by:

Clive Jones
Chair of Board of Governors

166-220 Holloway Road
London N7 8DB

Date: 28 November 2011

# Members of the Board of Governors

The members of the Board of Governors of London Metropolitan University as at 31 July 2011 are listed below. Unless otherwise stated, all members served throughout the year.

| | Date of appointment |
|---|---|
| Clive Jones (Chair, AS, F,G, RC [Chair]) | |
| Mark Robson (Vice-Chair, F [Chair], RC) | |
| Laura Carstensen (F,W [Chair]) | |
| Kathryn Castle (AS, E) | 11 November 2010 |
| Dr. Kay Dudman (E) | |
| Katherine Farr (A [Chair], G) | |
| Emir Feisal (A, HS, S) | |
| Professor Malcolm Gillies (AS, E, F, G, RC) (Vice-Chancellor and Chief Executive) | |
| Rob Hull (A, AS) | |
| Maureen Laurie (F, RC) | |
| Claire Locke (E,S) | 14 July 2011 |
| Tony Millns (G [Chair], RC) | |
| Ann Minogue (F, W) | |
| Daleep Mukarji (A, HS [Chair]) | |
| Dianne Willcocks (AS [Chair], G) | |

Resignations were as follows:

| | Date of resignation |
|---|---|
| Bob Morgan (E, G) | 30 September 2010 |
| Yeashir Ahmed (E, S) | 15 July 2011 |
| Claire Locke (E,S) | 17 November 2011 |

Appointments since 31 July 2011 were as follows:

Syed Ali was appointed as Students' Union Representative governor on 15 November 2011.

Richard Indge was appointed as an independent co-opted member of the Audit Committee on 3 November 2011.

In their capacity as directors, none of the Board of Governors held any interest in any contract with the University. Six of the directors who served during the year to 31 July 2011 had contracts with the University in their capacity as employees. None of the directors had a beneficial interest in any group company.

KEY:

| | |
|---|---|
| (A) | Member of Audit Committee |
| (AS) | Member of Academic Strategy Committee |
| (E) | University Employee |
| (F) | Member of Finance and Resources Committee |
| (G) | Member of Governance Committee |
| (HS) | Member of Health and Safety Assurance Group |
| (RC) | Member of Remuneration Committee |
| (S) | Students' Union Representative |
| (W) | Member of Women's Library Council |

# Executive Group and Advisers

The members of the Executive group of London Metropolitan University as at 31 July 2011 are listed below. Unless otherwise stated, all members served throughout the year.

**Executive group**

| | |
|---|---|
| Vice-Chancellor and Chief Executive | Professor Malcolm Gillies |
| Deputy Vice-Chancellor | Professor Peter McCaffery (appointed 28 March 2011) |
| Deputy Vice-Chancellor Academic | Dr. Robert Aylett (resigned 5 March 2011) |
| Acting Deputy Vice-Chancellor Academic | Professor Brian Bointon (5 March 2011 to 28 March 2011) |
| Deputy Vice-Chancellor Research and Development | Professor Paul Lister (resigned 31 July 2011) |
| Deputy Chief Executive | Paul Bowler (appointed 1 March 2011) |
| Clerk to the Board of Governors and University Secretary | Alison Wells (appointed 1 July 2011)<br>Sally Neocosmos (1 March 2011 to 1 July 2011)<br>Jonathan Woodhead (1 February 2011 to 1 March 2011)<br>John McParland (resigned 1 February 2011) |
| Director of Finance | Pam Nelson |
| Director of Human Resources | Lyn Link |

**Advisers**

| | |
|---|---|
| Auditors | KPMG LLP<br>15 Canada Square<br>London E14 5GL |
| Bankers | Barclays Bank Plc<br>Holloway & Kingsland Business Centre<br>London E8 2JK |
| | Standard Chartered Bank Plc<br>1st Floor<br>H-2 Connaught Circus<br>New Delhi 110 001<br>India |
| | Standard Chartered Bank (Pakistan) Ltd<br>New Garden Tower Branch<br>2, Dilkusha C/A Dhaka 1000<br>Bangladesh |
| | Standard Chartered Bank (Nigeria) Ltd<br>105B Ajose Adeogun Street<br>P.M.B. 80038<br>Victoria Island, Lagos<br>Nigeria |
| | Bank of China<br>Dongzhimen Branch<br>No. 35 Dongzhimenwai Dajie<br>Dongcheng District<br>Beijing 100027<br>China |

# Executive Group and Advisers

| | |
|---|---|
| Endowment Investment Custodians | Fidelity Investments<br>Oakhill House<br>Hildenborough<br>Tonbridge<br>Kent TN11 9DZ |
| Endowment Investment Managers | Henderson Global Investors Ltd<br>201 Bishopsgate<br>London<br>EC2M 3AE |
| Insurers | AON Ltd<br>Somerset House<br>47-49 London Road<br>Redhill<br>Surrey RH1 1LU |
| | Zurich Municipal<br>Southwood Crescent<br>Farnborough<br>Hampshire GU14 0NJ |
| Internal Auditors | Kingston City Group<br>3rd Floor Millennium House<br>21 Eden Street<br>Kingston upon Thames<br>Surrey KT1 1BL |
| Property Advisers | DTZ Debenham Tie Leung Ltd<br>125 Old Broad Street<br>London EC2N 2BQ |
| Solicitors | Michelmores LLP<br>Woodwater House<br>Pynes Hill<br>Exeter<br>Devon EX2 5WR |
| | Shoosmiths<br>Russell House<br>1550 Parkway<br>Solent Business Park<br>Fareham, Whiteley<br>Hampshire PO15 7AG |
| | Veale Wasbrough Vizards<br>Orchard Court<br>Orchard Lane<br>Bristol BS1 5WS |
| | Weightmans LLP<br>Second Floor, 6 New Street Square<br>New Fetter Lane<br>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.

The principal responsibilities of the Board of Governors, as set out in article 9 of the University's Articles of Association, are as follows:

(a) the determination of the educational character and objectives of the University and the supervision of its activities

(b) the effective and efficient use of resources, the solvency of the University and the safeguarding of its assets

(c) the approval of annual estimates of income and expenditure

(d) the determination of membership of the Senior Staff, save that the Vice-Chancellor and Chief Executive, and the Secretary, shall always be a member of the Senior Staff

(e) the appointment, appraisal, discipline, suspension and dismissal, and the determination of the grading, pay and conditions of service, of the Senior Staff

(f) the determination of the policy for pay and general conditions of employment of the Staff who are not Senior Staff

(g) the appointment of the Auditors and the keeping of accounts and records

(h) the establishment and maintenance of machinery for promoting engagement between the University and industry, commerce, the professions, other universities, other educational establishments, research organisations and local communities.

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

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

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

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

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

# Statement of corporate governance

The Board of Governors recognises it has a duty to observe the highest standards of corporate governance and to ensure that it discharges its duties with due regard to the principles identified by the Committee on Standards in Public Life, and to the CUC Governance Code of Practice.

This statement of corporate governance covers the period from 1 August 2010 to the date of approval of the audited financial statements.

## Overview of the University's governance structure

The University is a company limited by guarantee with no share capital. All governors of the University are also directors of the company and are trustees of the University as an exempt charity. The names of governors who served on the Board of Governors during the year ended 31 July 2011 are shown on page 15. The Articles of Association of the company set out the powers and duties of governors and those matters reserved to the Board. Under the Financial Memorandum with HEFCE, the Board holds to itself the responsibilities for the strategic direction of the University, approval of major developments, approval of annual estimates of income and expenditure, ensuring the solvency of the University and safeguarding its assets.

As at 31 July 2011, the University's Board of Governors comprised fifteen members. The categories of governor are as defined in the Articles of Association and comprise independent governors, the Vice-Chancellor and Chief Executive, staff governors (one of whom is nominated by the Academic Board), and a nominee of the President of the Students' Union.

The principal officer is the Vice-Chancellor and Chief Executive who has responsibility to the Board of Governors for the organisation, direction and management of the University. He is also the designated Accountable Officer for the purposes of the Financial Memorandum with HEFCE. The Vice-Chancellor and Chief Executive is supported by an Executive Group comprising the Deputy Vice-Chancellor, the Deputy Chief Executive, the University/Company Secretary and Clerk to the Board, the Director of Finance, the Director of Human Resources and, by rotation, two Deans of Faculty.

The Company Secretary is appointed under the Articles of Association to act as Secretary to the Board of Governors and its committees. All governors have access to the advice and services of the Company Secretary and can seek independent professional advice at the University's expense should they wish to do so.

## Conduct of business

In the conduct of its formal business, the Board of Governors met seven times during the year including a strategy day and a formal AGM. It had five formally constituted committees, namely Academic Strategy, Audit, Finance and Resources, Governance, and Health and Safety, each with clearly defined, delegated responsibilities.

The Academic Strategy Committee is a new Committee which met only once during 2010-11. It is responsible for advising the Board of Governors on its responsibilities for the educational character and objectives of the University and for monitoring policies and arrangements for, among other matters, academic activities such as partnerships, programme planning and academic standards.

The Audit Committee meets at least four times a year and oversees the University's arrangements for risk management and internal control, 'value for money' and the management and quality assurance of data submitted to HESA, HEFCE and other funding bodies. It reviews the work of the internal and external auditors and considers their reports, together with recommendations for the improvement of the systems of internal control and management's responses and implementation plans. The committee also receives and considers reports from HEFCE insofar as they affect the University's business. Whilst senior staff attend meetings of the Audit Committee as necessary, they are not members of the committee, and the Audit Committee meets with the internal and external auditors, without any officers in attendance, for independent discussions.

The Finance and Resources Committee meets at least four times a year. It recommends to the Board of Governors the University's annual revenue and capital budgets and monitors performance in relation to the approved budgets. The committee reviews the University's financial statements, together with the accounting policies, and also determines matters in relation to the conditions of employment of all University staff. In 2010-11 it considered the annual remuneration of the Vice-Chancellor and Chief Executive and members of his senior staff and received a report on the annual review and remuneration arrangements for other staff of the University prepared by the Vice-Chancellor and Chief Executive in consultation with the Director of Human Resources. This area of responsibility has been taken over by the Remuneration Committee for the 2011-12 financial year with the committee meeting at least twice a year. The first meeting will provide an opportunity to discuss the context for remuneration, the institution's capacity to pay, its reward strategies, the general climate in the sector and any sector wide initiatives.

The Governance Committee considers the nomination of prospective independent governors, and there is a formal rigorous and transparent process in place for their consideration and recommendation to the Board. It is also charged with, inter alia, oversight of good corporate governance and determining the process for reviewing the effectiveness of the Board and committees. The committee met four times in 2010-11.

The Health and Safety Committee met three times during the year and reported, through the Finance and Resources Committee, on all matters concerning the health and safety of its staff, students and visitors. In 2011-12, this committee will take on the status of an executive committee, rather than a committee of the Board. A new committee, the Health and Safety Assurance Group chaired by an independent governor, will meet, with responsibility for oversight and monitoring of activities, with operational matters managed by the Health and Safety Committee.

All committees of the Board are required to report to the Board regularly, and minutes of all committee meetings are provided to Board members. In addition the Audit Committee provides an annual report on its activities for the Board, a copy of which is sent to HEFCE as part of the University's Annual Accountability Return. The Vice-Chancellor and Chief Executive provides a report on the University's activities at each Board meeting. Members of the Executive Group are present to expand on reports as appropriate and to answer any other questions which may arise.

The tenure of members of the Board is normally limited to a term of three years which may be renewed twice. The Board will be carrying out its first formal review of its own effectiveness during 2011-12 and at regular intervals thereafter.

# Statement of corporate governance

Newly-appointed governors are encouraged to participate in induction events and are provided with access to seminars and conferences for governors offered by organisations such as HEFCE and the Leadership Foundation. In relation to the conduct of Board business there is considerable opportunity for governors to request additional information through Board committee meetings, at the Board itself and through the Vice-Chancellor and Chief Executive, and the Company Secretary.

## Risk management

The Board of Governors recognises that effective risk management is an essential element in the framework of good governance and continues to give attention to the development and refinement of its risk management systems, taking full account of the HEFCE Accounts Direction and best practice guidance.

The system of internal control adopted by the Board of Governors is designed to manage, rather than eliminate, the risk of failure to achieve aims, objectives and policies; it can therefore only provide reasonable, and not absolute, assurance of effectiveness.

The University continues to embed processes to support the effective identification and management of risk as an on-going process, including:

- Suitable accounting policies are selected and then applied consistently
- An organisation-wide risk register that is regularly updated and is reviewed by the Board of Governors annually, by the Audit Committee at every meeting and by the Executive Group, acting as a Risk Committee, on a monthly basis. The likelihood and impact of risks becoming a reality are considered as part of these reviews
- The review of risk covers business, operational and compliance risks, as well as financial risk
- A risk management policy that allows the Board regularly to review its risk appetite in key areas of activity
- The assignment of clearly identified individual officers to manage and monitor key risks
- The integration of risk management processes into normal business processes and planning, aligned to the strategic objectives of the organisation.

## Internal control

The Board of Governors acknowledges its responsibility for maintaining a sound system of internal control that supports the achievement of policies, aims and objectives while safeguarding the public and other funds and assets for which the Board is responsible.

The Board has responsibility for reviewing the effectiveness of the system of internal control. Its view of the effectiveness of the system of internal control is informed by reports from the Audit Committee, which, as stated above, receives regular reports from internal audit on all major systems and departments. However, any system of internal control can provide only reasonable, but not absolute, assurance against material misstatement or loss.

The internal audit programme is agreed by the Audit Committee every year. In 2010-11 this programme was carried out by an internal audit consortium, Kingston City Group. Their programme of work was determined using a risk-based audit assessment to prioritise and inform the reviews carried out. The internal auditors also provided an independent summary report with their opinion on the adequacy and effectiveness of the overall system of internal control. PricewaterhouseCoopers LLP have been appointed as the University's internal auditors with effect from 1 August 2011.

The University's view is also informed by comments made by the external auditors in their management letters and other reports, and by the work of executive management, who have responsibility for the development and maintenance of the internal control framework.

The University has made considerable, positive progress since the issue concerning the University's student data returns and the need for retrospective grant adjustment arose in 2008-09. A review of the University's governance arrangements was completed by the Governance Committee in 2010-11 and a visit by the HEFCE Assurance Service confirmed that HEFCE was able to place reliance on the University's accountability information. The Vice-Chancellor and Chief Executive continues to report on at least a quarterly basis to the Board and to HEFCE on progress.

As part of this, the University has considerably strengthened its arrangements for data quality since 2008-09. During 2010-11 significant effort has continued to be made in improving the efficiency of controls over the preparation of the HESA and HESES returns and in implementing changes to processes to improve the quality of underlying data. Two independent assurances were received during the year, firstly, a satisfactory assurance as a result of an internal audit review of the University's data management systems; and, secondly, a review by HEFCE of the University's HESA 2009-10 and HESES 2010-11 returns concluded that it had gained assurance over the areas reviewed and the systems and protocols in place.

The Board, through the Audit Committee, has reviewed the effectiveness of the system of internal control operating in 2010-11 and up to the date of this statement.

The financial statements on pages 23 to 52 were approved by the Board of Governors of London Metropolitan University on 23 November 2011 and were signed on its behalf on 28 November 2011 by:

Clive Jones
Chair of the Board of Governors

Professor Malcolm Gillies
Vice-Chancellor and Chief Executive

Date: 28 November 2011

# Independent auditor's report to the Board of Governors of London Metropolitan University (Company Registration Number: 974438)

We have audited the Group and University financial statements (the financial statements) of London Metropolitan University for the year ended 31 July 2011 which comprise the Consolidated Income and Expenditure Account, the Consolidated and University Balance Sheets, the Consolidated Cash Flow Statement, the Consolidated Statement of Total Recognised Gains and Losses and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Board of Governors, in accordance with paragraph 77 of the University's Articles of Association and section 124B of the Education Reform Act 1988 and to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Board of Governors and to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Board of Governors, the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

## Respective responsibilities of the Board of Governors and auditor

As explained more fully in the Statement of Responsibilities set out on page 18, the Board of Governors (whose members are also the directors of the company for the purposes of company law) is responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit, and express an opinion, on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those auditing standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

## Scope of the audit of the financial statements

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

## Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the affairs of the Group and University as at 31 July 2011 and of the Group's income and expenditure, recognised gains and losses and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education and the Companies Act 2006; and
- have been prepared in accordance with the Companies Act 2006.

## Opinion on other matters prescribed in the HEFCE audit code of practice issued under the Further and Higher Education Act 1992

In our opinion, in all material respects:

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

## Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Financial Highlights and Report of the Governors for the financial year for which the financial statements are prepared is consistent with the financial statements.

# Independent auditor's report to the Board of Governors of London Metropolitan University (Company Registration Number: 974438)

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

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

- the statement of internal control (included as part of the Report of the Board of Governors) is inconsistent with our knowledge of the Group and the University.

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

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

Andrew Sayers
(Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
Canary Wharf
London
E14 5GL

29 November 2011

# Consolidated income and expenditure account

| | Notes | 2010-11 £'000 | Restated 2009-10 £'000 |
|---|---|---|---|
| **Income** | | | |
| Funding Council grants | *1* | 68,465 | 66,638 |
| Tuition fees | *2* | 76,607 | 77,470 |
| Research grants and contracts | *3* | 2,876 | 3,389 |
| Other operating income | *4* | 9,094 | 10,734 |
| Endowment and investment income | *5* | 711 | 845 |
| **Total income** | | **157,753** | **159,076** |
| **Expenditure** | | | |
| Staff costs | *6* | 95,000 | 92,790 |
| Staff restructuring costs | *6* | 2,261 | 1,331 |
| Other operating expenses | *8* | 47,756 | 51,121 |
| Depreciation | *11* | 8,780 | 8,234 |
| Interest payable and other finance costs | *9* | 2,064 | 4,465 |
| **Total expenditure** | | **155,861** | **157,941** |
| **Surplus for the year on continuing operations after depreciation of assets at valuation and disposal of assets** | | **1,892** | **1,135** |
| Exceptional item | *10* | (6,268) | - |
| **(Deficit)/surplus for the year on continuing operations after exceptional item** | *23* | **(4,376)** | **1,135** |
| Surplus for the year transferred from accumulated income in endowment reserve | *14, 23* | 60 | 2 |
| **(Deficit)/surplus for the year retained within general reserves** | | **(4,316)** | **1,137** |

All items of income and expenditure arise from continuing operations.

Restatements of 2009-10 amounts relate to the reclassification of staff restructuring costs (note 6) and prior year adjustments to FRS17 pension liabilities and enhanced pension provision (note 23).

# Consolidated statement of historical cost (deficit)/surplus

| | Notes | 2010-11 £'000 | Restated 2009-10 £'00 |
|---|---|---|---|
| **(Deficit)/surplus for the year on continuing operations before and after tax** | | **(4,376)** | **1,135** |
| Difference between historical cost depreciation charge and the actual charge calculated on valuation of assets | *23* | 104 | 104 |
| **Historical cost (deficit)/surplus for the year** | | **(4,272)** | **1,239** |

# Balance sheets

| | | Group | | University | |
|---|---|---|---|---|---|
| | | | Restated | | Restated |
| | | 2011 | 2010 | 2011 | 2010 |
| | *Notes* | £'000 | £'000 | £'000 | £'000 |
| **Fixed assets** | | | | | |
| Tangible assets | *11,12* | 139,827 | 134,428 | 135,926 | 129,113 |
| Investments | *13* | 64 | 64 | 319 | 322 |
| | | **139,891** | **134,492** | **136,245** | **129,435** |
| **Endowment asset investments** | *14* | **1,242** | **1,103** | **1,242** | **1,103** |
| **Current assets** | | | | | |
| Stock | *15* | 73 | 72 | 28 | 22 |
| Debtors | *16* | 11,914 | 11,934 | 12,289 | 12,320 |
| Asset held for sale | *17* | 1,440 | - | 1,440 | - |
| Current asset investments | *18* | 35,500 | 45,000 | 35,500 | 45,000 |
| Cash at bank and in hand | | 4,538 | 1,032 | 4,500 | 902 |
| | | **53,465** | **58,038** | **53,757** | **58,244** |
| **Creditors** | | | | | |
| Amounts falling due within one year | *19* | (44,440) | (42,908) | (44,313) | (42,638) |
| **Net current assets** | | **9,025** | **15,130** | **9,444** | **15,606** |
| **Total assets less current liabilities** | | **150,158** | **150,725** | **146,931** | **146,144** |
| **Creditors** | | | | | |
| Amounts falling due after more than one year | *20* | (27,848) | (39,341) | (27,848) | (39,341) |
| **Provisions for liabilities** | *21* | (10,365) | (920) | (10,365) | (920) |
| **Total net assets excluding pension liability** | | 111,945 | 110,464 | 108,718 | 105,883 |
| **Net pension liability** | *24* | (57,775) | (80,348) | (57,775) | (80,348) |
| **Total net assets including pension liability** | | **54,170** | **30,116** | **50,943** | **25,535** |
| **Represented by:** | | | | | |
| Deferred capital grants | *22* | **65,456** | **60,809** | **62,067** | **56,907** |
| **Endowments** | | | | | |
| Expendable | | 403 | 436 | 403 | 436 |
| Permanent | | 839 | 667 | 839 | 667 |
| | *14* | **1,242** | **1,103** | **1,242** | **1,103** |
| **Reserves** | | | | | |
| General reserve | *23* | 41,861 | 45,062 | 42,023 | 44,383 |
| Pension reserve | *23,24* | (57,775) | (80,348) | (57,775) | (80,348) |
| Revaluation reserve | *23* | 3,386 | 3,490 | 3,386 | 3,490 |
| **Total reserves** | | **(12,528)** | **(31,796)** | **(12,366)** | **(32,475)** |
| **Total funds** | | **54,170** | **30,116** | **50,943** | **25,535** |

The Financial Statements on pages 23 to 52 were approved by the Board of Governors of London Metropolitan University on 23 November 2011 and were signed on its behalf on 28 November 2011 by:

Clive Jones
Chair of the Board of Governors

Professor Malcolm Gillies
Vice-Chancellor and Chief Executive

Registered company number: 974438

# Consolidated cash flow statement

| | Notes | 2010-11 £'000 | 2009-10 £'000 |
|---|---|---|---|
| Net cash inflow from operating activities | 27 | 2,909 | 2,721 |
| Returns on investments and servicing of finance | 28 | 173 | 391 |
| Capital (expenditure)/receipts and servicing of finance | 29 | (6,439) | 20,636 |
| Management of liquid resources | 30 | 9,333 | (14,923) |
| Financing | 31 | (2,470) | (10,822) |
| **Increase/(decrease) in cash in the year** | | **3,506** | **(1,997)** |

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

| | Notes | 2010-11 £'000 | 2009-10 £'000 |
|---|---|---|---|
| **Increase/(decrease) in cash in the year** | | **3,506** | **(1,997)** |
| Change in short term deposits | 30 | (9,333) | 14,923 |
| Change in endowment cash asset investments | 32 | - | 50 |
| Change in debt: loans | 31 | 2,065 | 10,474 |
| Change in debt: finance leases | 31 | 405 | 348 |
| **Change in net funds in the year** | 32 | (3,357) | 23,798 |
| Net funds brought forward from previous year | 32 | 34,769 | 10,971 |
| **Net Funds at 31 July** | 32 | **31,412** | **34,769** |

# Consolidated statement of total recognised gains and losses

| | Notes | 2010-11 £'000 | Restated 2009-10 £'000 |
|---|---|---|---|
| **(Deficit)/surplus for the year** | | **(4,316)** | **1,137** |
| Unrealised gain on endowment asset investments | *14* | 69 | 108 |
| Net additions to endowment asset investments | *14* | 70 | 31 |
| Adjustment to reserves brought forward - deferred capital grants | *22* | 101 | - |
| Actuarial gain recognised in the LPFA pension fund | *24* | 23,483 | 7,415 |
| **Total recognised gains for the year** | | **19,407** | **8,691** |
| Prior year adjustment | *23* | (6,250) | - |
| **Total gains recognised since last financial statements** | | **13,157** | **8,691** |
| **Reconciliation:** | | | |
| Opening reserves and endowments | *14, 23* | (30,693) | (39,384) |
| Total recognised gains for the year | | 19,407 | 8,691 |
| **Closing reserves and endowments** | *14, 23* | **(11,286)** | **(30,693)** |

# Accounting policies

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

## (A) Basis of preparation

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

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

## Going concern

The Board of Governors have examined financial forecasts based upon these audited financial statements and estimates of income, expenditure and cash flow for the period to 31 July 2016.

Although the University is likely to be adversely affected by the economic downturn and resultant general pressure on public sector funding, some of which has already been reflected in recent Higher Education Funding Council for England (HEFCE) funding and other public announcements, and which will affect all institutions in the sector, the Board is satisfied that the current reviews described in the University's Strategic Plan will address the need for further net savings to ensure the financial sustainability of the University.

Based upon their review of these forecasts, the Board is satisfied that these financial statements are properly prepared on a Going concern basis. For the purpose of this going concern review, the Board has focused on the period to 31 July 2013. The financial forecasts of the University show that sufficient funding is in place to support the University's activities throughout the period of implementation of the sustainability action plan required by the Strategic Plan. 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.

The principal creditor of the University is HEFCE, which was owed a total of £0.7m in respect of interest-free capital loans, £1.5m in respect of an interest-free Strategic Development Fund loan and £30.0m in respect of repayments of grant as at 31 July 2011. The repayment plan as agreed with HEFCE for these amounts is included in the financial forecasts reviewed by the Board.

## (B) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the University and all its subsidiary undertakings for the financial year to 31 July.

Intra-group transactions are eliminated on consolidation.

Under the exemption in Section 230 of the Companies Act 2006, the University is not required to present its own income and expenditure account. The University's operating surplus for the year ended 31 July 2011 is £2,037k (2009-10: restated surplus £1,261k).

## (C) Income recognition

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

Fee income is credited to the income and expenditure account using a time-apportionment method over the period of the course. It is stated gross of scholarships, 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.

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

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

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

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

# Accounting policies

The University acts as an agent in the collection and payment of training bursaries from the Training and Development Agency for Schools and of Access Funds from HEFCE. Related payments received from the Training and Development Agency for Schools and HEFCE and subsequent disbursements to students are excluded from the income and expenditure account.

Charitable donations are recognised in the accounts when the charitable donation has been received or if, before receipt, there is sufficient evidence to provide the necessary certainty that the donation will be received and the value of the incoming resource can be measured with sufficient reliability. Where charitable donations are to be retained for the benefit of the institution as specified by the donors, these are accounted for as endowments.

## (D) Taxation status

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

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

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

## (E) Tangible fixed assets

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

**(i) Land and buildings**

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

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

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

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

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

**(ii) Assets held under finance leases**

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

**(iii) Assets held under operating leases**

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

**(iv) Assets under construction**

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

# Accounting policies

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

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

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

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

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

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

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

Boiler system - over 25 years

## (F) Stock

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

## (G) Pension scheme arrangements

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

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

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

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

## (H) Investments

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

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

# Accounting policies

## (I) Cash flows and liquid resources

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

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

## (J) Provisions and contingent liabilities

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

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

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

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

## (K) Bad debt provision

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

## (L) Foreign currencies

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

# Notes to the financial statements

| | 2010-11 £'000 | 2009-10 £'000 |
|---|---|---|
| **1. Funding Council grants** | | |
| **Higher Education Funding Council for England** | | |
| Recurrent grant | 54,203 | 54,181 |
| Inherited property costs | 3,831 | 3,831 |
| Inherited pension liabilities | 1,072 | 1,135 |
| Other | 2,976 | 2,708 |
| **Other funding bodies** | | |
| Training and Development Agency for Schools grant | 2,789 | 2,679 |
| **Deferred capital grants released** | | |
| Buildings | 2,272 | 1,603 |
| Equipment | 1,322 | 501 |
| | **68,465** | **66,638** |
| **2. Tuition fees** | | |
| Full-time students: | | |
| Home and EU students | 39,215 | 38,205 |
| Overseas students | 22,578 | 24,579 |
| Part-time students | 14,814 | 14,686 |
| | **76,607** | **77,470** |
| **3. Research grants and contracts** | | |
| Research councils | 461 | 610 |
| UK based charities | 355 | 358 |
| European Commission | 1,078 | 1,456 |
| Other research grants and contracts | 982 | 965 |
| | **2,876** | **3,389** |
| **4. Other operating income** | | |
| Other grants and contracts | 498 | 148 |
| Consultancy | 688 | 762 |
| Trading income | 4,660 | 5,672 |
| Sale of materials and other departmental income | 525 | 708 |
| Rental income and hire of facilities | 349 | 114 |
| Catering and residence income | 303 | 1,490 |
| Deferred capital grants released - non HEFCE | 772 | 889 |
| Miscellaneous income | 1,045 | 951 |
| Profit on sale of property | 254 | - |
| | **9,094** | **10,734** |
| **5. Endowment and investment income** | | |
| Income from expendable endowment investments | 8 | 13 |
| Income from short-term investments | 703 | 832 |
| | **711** | **845** |

# Notes to the financial statements

## 6. Staff costs

| | | 2010-11 £'000 | 2009-10 £'000 |
|---|---|---|---|
| Costs: | Academic staff | 55,142 | 54,528 |
| | Other staff | 39,858 | 38,262 |
| | | **95,000** | **92,790** |
| Comprising: | Wages and salaries | 77,491 | 76,839 |
| | Social security costs | 6,464 | 6,621 |
| | Pension costs | 11,045 | 9,330 |
| | | 95,000 | 92,790 |
| | Staff restructuring costs | 2,261 | 1,331 |
| | | **97,261** | **94,121** |

Staff restructuring costs for 2009-10 were previously disclosed in Note 8.

The average number of full-time equivalent (FTE) employees during the year was:

| | 2010-11 | 2009-10 |
|---|---|---|
| Academic staff | 1,023 | 1,034 |
| Other staff | 1,000 | 1,013 |
| | **2,023** | **2,047** |

## 7. Remuneration of directors and higher-paid staff

**A. Directors**

The University's Board of Governors do not receive remuneration from the University in their capacity as governors. During the year six governors (2009-10: six) were remunerated in their capacity as employees of the University. The figures below relate entirely to these governors on a pro rata basis for their period in office.

| | 2010-11 £'000 | 2009-10 £'000 |
|---|---|---|
| **Directors' emoluments** | | |
| Salaries | 384 | 424 |
| Pension contributions | 57 | 48 |
| | **441** | **472** |
| **Highest paid director** | | |
| **Vice-Chancellor and Chief Executive (appointed 25 January 2010)** | | |
| Salary | 254 | 133 |
| Benefits in kind | - | - |
| | 254 | 133 |
| Pension contributions | 41 | 22 |
| | **295** | **155** |

During the year £9k (2009-10: 2k) was paid in respect of governors' expenses. A total of 13 governors received expenses (2010: 3).

**B. Higher-paid staff**

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

| | No. | No. |
|---|---|---|
| £100,001 to £110,000 | 3 | 3 |
| £110,001 to £120,000 | 1 | 3 |
| £120,001 to £130,000 | - | 1 |
| £130,001 to £140,000 | 2 | 2 |
| £140,001 to £150,000 | 1 | - |
| £160,000 to £170,000 | 1 | - |
| £170,001 to £180,000 | - | 1 |
| £180,001 to £190,000 | 1 | - |
| £290,000 to £300,000 | 1 | - |
| | **10** | **10** |

A total of three (2009-10: one) higher-paid staff received compensation for loss of office, totalling £337k (2009-10: £80k). This compensation is included in the remuneration shown in the table above.

# Notes to the financial statements

| | 2010-11 £'000 | Restated 2009-10 £'000 |
|---|---|---|
| **8. Other operating expenses** | | |
| University bursaries | 5,982 | 4,977 |
| Other student awards | 2,983 | 1,364 |
| Student travel and expenses | 1,401 | 654 |
| Books and periodicals | 1,633 | 1,883 |
| Consumables and laboratory materials | 1,354 | 1,478 |
| Examination and degree expenses | 920 | 895 |
| Franchise costs | 1,339 | 1,337 |
| Staff development and other related costs | 6,253 | 7,243 |
| Inherited pension liabilities | 334 | 1,307 |
| Operating leases - property | 4,402 | 4,610 |
| Operating leases - equipment | 454 | 205 |
| Insurance | 561 | 506 |
| Energy and water | 2,399 | 2,701 |
| Repairs and maintenance | 4,166 | 5,149 |
| Rates | 443 | 233 |
| Other facilities costs | 2,258 | 2,176 |
| Halls of residence | - | 71 |
| IT maintenance and licences | 1,910 | 1,621 |
| Print costs | 449 | 1,479 |
| Postage and telecommunications | 747 | 870 |
| External auditors' remuneration (audit) KPMG 2010-11 | 94 | - |
| External auditors' remuneration (audit) Grant Thornton 2010-11 | - | 78 |
| External auditors' remuneration (audit) Grant Thornton 2009-10 | 14 | 99 |
| External auditors' remuneration (other) Grant Thornton 2009-10 | 23 | 20 |
| Internal auditors' remuneration (audit) | 169 | 166 |
| Internal auditors' remuneration (other) | 21 | 1 |
| Other external audit fees | 4 | - |
| Legal and other professional fees | 591 | 1,317 |
| Consultancy and overseas agency fees | 2,597 | 4,042 |
| Publicity | 1,582 | 1,559 |
| Subscriptions | 525 | 667 |
| Other expenses | 2,148 | 2,413 |
| | **47,756** | **51,121** |

## 9. Interest payable and other finance costs

| | 2010-11 £'000 | Restated 2009-10 £'000 |
|---|---|---|
| Interest payable on bank loans, overdrafts and other loans, repayable wholly or partly in less than five years | 31 | 2 |
| Interest payable on bank loans, overdrafts and other loans, repayable wholly or partly in more than five years | 44 | 51 |
| Finance lease | 333 | 312 |
| Net charge on pension scheme deficit | 1,656 | 4,100 |
| | **2,064** | **4,465** |

## 10. Exceptional item

| | 2010-11 £'000 | Restated 2009-10 £'000 |
|---|---|---|
| Onerous obligations under operating leases | 6,268 | - |

Following a decision by the Board of Governors that the University should cease operations at a number of properties held under operating leases, provision has been made for the future rent and estimated other obligations under the leases for these buildings (note 21) and the deferred revenue grant relating to these leases has been released (note 20).

# Notes to the financial statements

## 11. Tangible fixed assets (Group)

| | Land and buildings | | | | | Equipment | |
|---|---|---|---|---|---|---|---|
| | Freehold £'000 | Under construction £'000 | Alterations and improvements £'000 | Short finance leasehold £'000 | Long leasehold £'000 | Equipment and Furniture £'000 | Total £'000 |
| **Cost** | | | | | | | |
| At 1 August 2010 | 107,660 | 4,285 | 31,798 | 7,551 | 10,675 | 20,881 | 182,850 |
| Additions | - | 141 | 13,224 | - | - | 3,429 | 16,794 |
| Disposals | (280) | - | (1,327) | - | - | (997) | (2,604) |
| Transfers | (4,050) | (4,285) | 4,285 | - | - | - | (4,050 |
| **At 31 July 2011** | **103,330** | **141** | **47,980** | **7,551** | **10,675** | **23,313** | **192,990** |
| **Depreciation** | | | | | | | |
| At 1 August 2010 | 20,846 | - | 8,571 | 4,106 | 795 | 14,104 | 48,422 |
| Charge for year | 2,279 | - | 2,430 | 290 | 210 | 3,571 | 8,780 |
| Eliminated on disposal | (58) | - | (384) | - | - | (987) | (1,429) |
| Transfers | (2,610) | - | - | - | - | - | (2,610) |
| **At 31 July 2011** | **20,457** | **-** | **10,617** | **4,396** | **1,005** | **16,688** | **53,163** |
| **Net book value at 31 July 2011** | **82,873** | **141** | **37,363** | **3,155** | **9,670** | **6,625** | **139,827** |
| **Net book value at 31 July 2010** | **86,814** | **4,285** | **23,227** | **3,445** | **9,880** | **6,777** | **134,428** |
| **Cost of land included in above** | **9,734** | **-** | **-** | **1,174** | **-** | **-** | **10,908** |

**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 £7,476k of net book value relates to alterations and improvements undertaken on properties held under operating leases.

| | Freehold | Under construction | Alterations and improvements | Short finance leasehold | Long leasehold | Equipment and Furniture | Total |
|---|---|---|---|---|---|---|---|
| **Net book value at 31 July 2011** | **24,677** | **-** | **-** | **4,564** | **646** | **-** | **29,887** |

Land and Buildings with a net book value of £60.4m (2010 - £61.9m) have been financed from Exchequer Funds. Should these assets be sold, the University may be liable, under the terms of the Financial Memorandum with the Funding Council, to surrender the proceeds.

London Metropolitan University occupies premises in Jewry Street rent free under a right of use from Sir John Cass's Foundation, by virtue of a Charity Commission Scheme dated 24 April 1970, under Section 18 of the Charities Act 1960. The University has the obligation to repair and maintain the building. Jewry Street is included in 'long leasehold' buildings at a valuation of £9.5m. This valuation was prepared for the University on an existing use basis by Drivers Jonas LLP in October 2008.

The 'short finance leasehold' building relates to the Learning Centre at Holloway Road. The building is leased to the University for 25 years from January 1995, with an option to buy at a fixed price after 20 years.

On 18 March 2011 the University completed the sale of 5B Annette Road, a freehold residential property. The sale generated a surplus on disposal of £254k, which was calculated as follows: Sales proceeds of £325k, less book value at disposal £63k, less net costs associated with the disposal of £8k. The surplus on disposal is disclosed in other operating income (note 4).

The net book value of £1,440k for the freehold property known as 100 Minories, Tower Hill was transferred to current assets as this property has been reclassified as an asset held for sale (note 17). The property was vacated on 30 November 2010 and the sale was completed on 18 August 2011.

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

# Notes to the financial statements

## 12. Tangible fixed assets (University)

| | Land and buildings | | | | | Equipment and Furniture | |
|---|---|---|---|---|---|---|---|
| | Freehold £'000 | Under construction £'000 | Alterations and improvements £'000 | Short finance leasehold £'000 | Long leasehold £'000 | £'000 | Total £'000 |
| **Cost** | | | | | | | |
| At 1 August 2010 | 103,756 | 4,285 | 31,052 | 7,551 | 9,500 | 18,146 | 174,290 |
| Additions | - | 141 | 13,224 | - | - | 3,429 | 16,794 |
| Disposals | (280) | - | (1,327) | - | - | (997) | (2,604) |
| Transfers | (4,050) | (4,285) | 4,285 | - | 1,175 | - | (2,875) |
| **At 31 July 2011** | **99,426** | **141** | **47,234** | **7,551** | **10,675** | **20,578** | **185,605** |
| **Depreciation** | | | | | | | |
| At 1 August 2010 | 20,389 | - | 8,408 | 4,106 | 570 | 11,704 | 45,177 |
| Charge for year | 2,046 | - | 2,430 | 290 | 210 | 3,340 | 8,316 |
| Eliminated on disposal | (58) | - | (384) | - | - | (987) | (1,429) |
| Transfers | (2,610) | - | - | - | 225 | - | (2,385) |
| **At 31 July 2011** | **19,767** | **-** | **10,454** | **4,396** | **1,005** | **14,057** | **49,679** |
| **Net book value at 31 July 2011** | **79,659** | **141** | **36,780** | **3,155** | **9,670** | **6,521** | **135,926** |
| **Net book value at 31 July 2010** | **83,367** | **4,285** | **22,644** | **3,445** | **8,930** | **6,442** | **129,113** |
| **Cost of land included in above** | **9,734** | **-** | **-** | **-** | **1,174** | **-** | **10,908** |

**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 £7,476k of net book value relates to alterations and improvements undertaken on properties held under operating leases.

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Net book value at 31 July 2011** | **24,094** | **-** | **-** | **4,564** | **646** | **-** | **29,304** |

The transfer to long leasehold buildings of £950k net book value represents the transfer of the lease for 35 Kingsland Road from Metropolitan New Media Limited (a subsidiary company) to the University. The lease was transferred to the University on 15 April 2011.

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

**The Women's Library** is widely acknowledged to be the UK's most extensive library on all aspects of women in society, and has an international reputation as a research resource. It was established in 1926 and moved to London Guildhall University in 1977. It contains over 60,000 books and pamphlets dating from 1600 onwards, and includes three main collections: the Cavendish Bentick Collection, the Sadd Brown Library, and the Josephine Butler Society Library. In addition it has over 2,500 periodical titles, over 300 archival collections, a large visual materials collection and many other resources.

**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 TUC Library Collection is housed in the Learning Centre, Holloway Road.

**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 since.

**The Frederick Parker Collection** is made up of a chairs exhibit and associated archives. The Collection is one of Britain's foremost study collections 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. The Collection is housed at 44 Commercial Road.

# Notes to the financial statements

## 13. Investments

| | 1 August 2010 £'000 | Impairment in value £'000 | 31 July 2011 £'000 |
|---|---|---|---|
| **Group** | | | |
| CVCP Properties plc | 64 | - | **64** |
| | **64** | - | **64** |
| **University** | | | |
| CVCP Properties plc | 64 | - | **64** |
| London Metropolitan University Enterprises Limited | - | - | **-** |
| Metropolitan New Media Limited | 258 | (3) | **255** |
| | **322** | **(3)** | **319** |

**CVCP Properties plc**

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

**Subsidiaries**

All of the subsidiary undertakings below are registered and incorporated in England (except for London Metropolitan University Nigeria Limited) and are wholly owned by the University.

**London Metropolitan University Enterprises Limited**

The principal business activities of London Metropolitan University Enterprises Limited are the provision of research, short courses and consultancy services, a print centre and the operation of a digital manufacturing centre. The deficit for this subsidiary in 2010-11 is £145k (2009-10: £126k) and the net assets at 31 July 2011 are £3,228k (2010: £3,785k).

**Metropolitan New Media Limited**

The principal business activity of Metropolitan New Media Limited was the provision of training courses in multimedia and information technology. Its activities were transferred to London Metropolitan University Enterprises Limited with effect from 1 May 2003. The only remaining activity has been the payment of rent on the Shoreditch building. This ceased on 15 April 2011 when the lease on the Shoreditch building was transferred to the University. The deficit for this subsidiary in 2010-11 is £3k (2009-10: £21k) and the net assets at 31 July 2011 are £255k (2010: £258k).

**London Metropolitan University Nigeria Limited**

The principal business activity of the company is to provide qualitative counselling to students wishing to study at London Metropolitan University on behalf of the University. The company does not trade in its own right and the University has no material investment in the company. The company is registered and incorporated in Nigeria. The surplus for this subsidiary in 2009-10 was £7k (2008-09: deficit £1k) and the net assets at 31 July 2010 were £28k (2008-09: £36k). The 2010-11 accounts are currently being prepared.

# Notes to the financial statements

## 14. Endowment asset investments (University and Group)

| | 2011 £'000 | 2010 £'000 |
|---|---|---|
| **Endowment assets** | | |
| Balance at 1 August | 1,103 | 964 |
| Capital appreciation of endowment asset investments | 69 | 108 |
| Maturity of fixed interest stocks | (96) | - |
| Increase in cash balances held for endowment funds | 149 | 31 |
| Increase in debtor balances | 17 | - |
| **Balance at 31 July** | **1,242** | **1,103** |
| Represented by: | | |
| Shares in Henderson Managed Growth Fund | 898 | 829 |
| Cash and short term investments | 299 | 132 |
| Fixed interest stocks | 18 | 118 |
| Unit trusts | 27 | 24 |
| **Total** | **1,242** | **1,103** |

| | Restricted Permanent £'000 | Restricted Expendable £'000 | 2011 £'000 | 2010 £'000 |
|---|---|---|---|---|
| **Endowment reserves** | | | | |
| Balance at 1 August | | | | |
| Capital | 590 | 371 | 961 | 830 |
| Accumulated income | 77 | 65 | 142 | 134 |
| | **667** | **436** | **1,103** | **964** |
| New endowments | 122 | 8 | 130 | 33 |
| Investment income | 1 | 7 | 8 | 13 |
| Expenditure | (17) | (51) | (68) | (15) |
| | (16) | (44) | (60) | (2) |
| Increase in market value of investments | 66 | 3 | 69 | 108 |
| **Balance at 31 July** | **839** | **403** | **1,242** | **1,103** |
| **Represented by:** | | | | |
| Capital | 775 | 339 | 1,114 | 961 |
| Accumulated income | 64 | 64 | 128 | 142 |
| | **839** | **403** | **1,242** | **1,103** |

| | 2011 £'000 | 2010 £'000 |
|---|---|---|
| **Top ten endowment funds by value:** | | |
| Women's Library Trust Fund | 568 | 416 |
| Lord Limerick Memorial Bursary Fund | 108 | 110 |
| Women's History Fellowship Trust Fund | 102 | 96 |
| Rubber Fund | 100 | 98 |
| Teaching Studies Fund | 54 | 54 |
| Library Fund | 48 | 43 |
| Sadd Brown Library Trust Fund | 28 | 27 |
| Wood Brothers Prize Fund | 28 | 25 |
| Design Trust | 21 | 58 |
| D Osbourne Prize Fund | 15 | 15 |
| | **1,072** | **942** |

# Notes to the financial statements

| | 2011 £'000 | 2010 £'000 |
|---|---|---|

## 15. Stocks

| | 2011 £'000 | 2010 £'000 |
|---|---|---|
| **Group** | | |
| Goods purchased for resale | **73** | 72 |
| **University** | | |
| Goods purchased for resale | **28** | 22 |

## 16. Debtors

| | 2011 £'000 | 2010 £'000 |
|---|---|---|
| **Group** | | |
| Amounts falling due within one year: | | |
| Trade debtors | 8,145 | 7,364 |
| Due from HEFCE | - | 188 |
| Loans to staff and students | 151 | 138 |
| Other debtors | 62 | 636 |
| Prepayments and accrued income | 3,556 | 3,608 |
| | **11,914** | 11,934 |
| **University** | | |
| Amounts falling due within one year: | | |
| Trade debtors | 8,069 | 6,912 |
| Due from HEFCE | - | 188 |
| Loans to staff and students | 151 | 138 |
| Other debtors | 60 | 586 |
| Prepayments and accrued income | 3,533 | 3,513 |
| Amounts due from subsidiary companies | 476 | 983 |
| | **12,289** | 12,320 |

Included in amounts due from subsidiary companies is a £315k loan made to London Metropolitan University Enterprises Limited. The loan commenced on 1 April 2009 with the principal being repayable over 20 years.
The interest rate being charged is based on the average Bank of England base rate for the year + 1.0%. The loan is not secured.

## 17. Asset held for sale (University and Group)

| | 2011 £'000 | 2010 £'000 |
|---|---|---|
| Carrying value of asset held for sale previously classified under fixed assets (note 11) | | |
| Freehold property academic - land | 50 | - |
| Freehold property academic - building | 1,390 | - |
| | **1,440** | - |

The asset held for sale relates to a freehold academic property known as 100 Minories, Tower Hill.
On 18 August 2011 the University completed the sale of this property. The sale generated a surplus on disposal of £18.3m.

# Notes to the financial statements

| | 2011 £'000 | 2010 £'000 |
|---|---|---|
| **18. Current asset investments (University and Group)** | | |
| Deposits maturing in one year or less | **35,500** | **45,000** |

Investments comprise short-term deposits with more than 24 hours maturity at the balance sheet date placed with banks and building societies operating in the London market and licensed by the Financial Services Authority.

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

At 31 July 2011 the weighted average interest rate of the fixed rate deposits was 1.48% per annum and the remaining weighted average period for which the interest rate is fixed on these deposits was 80 days. The fair value of these deposits was not materially different from the book value.

## 19. Creditors - amounts falling due within one year

| | 2011 £'000 | 2010 £'000 |
|---|---|---|
| **Group** | | |
| Bank mortgage, HEFCE and other loans | 610 | 1,649 |
| Trade creditors | 11,426 | 9,214 |
| Deferred HEFCE grants and amounts owed to HEFCE | 10,023 | 10,195 |
| Taxation and pension contributions | 3,294 | 3,329 |
| Obligations under finance lease | 467 | 405 |
| Other creditors | 65 | 49 |
| Accruals | 6,967 | 8,554 |
| Deferred income | 11,588 | 9,513 |
| | **44,440** | **42,908** |
| **University** | | |
| Bank mortgage, HEFCE and other loans | 610 | 1,649 |
| Trade creditors | 11,185 | 9,127 |
| Deferred HEFCE grants and amounts owed to HEFCE | 10,023 | 10,195 |
| Taxation and pension contributions | 3,294 | 3,329 |
| Obligations under finance lease | 467 | 405 |
| Other creditors | 57 | 38 |
| Accruals | 6,803 | 8,222 |
| Deferred income | 11,552 | 9,501 |
| Amounts due to subsidiary companies | 322 | 172 |
| | **44,313** | **42,638** |

# Notes to the financial statements

## 20. Creditors - amounts falling due after more than one year (University and Group)

| | 2011 £'000 | 2010 £'000 |
|---|---|---|
| Bank mortgage (secured) | | |
| Principal payable between one and two years | 114 | 107 |
| Principal payable between two and five years | 391 | 365 |
| Principal payable after five years | 1 | 140 |
| | **506** | **612** |
| HEFCE grant holdback | | |
| Payable between one and two years | 10,000 | 10,000 |
| Payable between two and five years | 10,000 | 20,000 |
| | **20,000** | **30,000** |
| HEFCE Strategic Development Fund loan | | |
| Principal payable between two and five years | **1,534** | - |
| HEFCE loan (interest free, unsecured) | | |
| Principal payable between one and two years | 349 | 349 |
| Principal payable between two and five years | - | 349 |
| | **349** | **698** |
| Deferred HEFCE revenue grant | | |
| To be released between one and two years | - | 2,337 |
| To be released between two and five years | - | 153 |
| | **-** | **2,490** |
| Finance lease obligations (secured) | | |
| Principal payable between one and two years | 537 | 467 |
| Principal payable between two and five years | 4,537 | 5,051 |
| Principal payable after five years | - | 23 |
| | **5,074** | **5,541** |
| SALIX energy efficiency loans (interest free, unsecured) | | |
| Principal payable between one and two years | 154 | - |
| Principal payable between two and five years | 231 | - |
| | 385 | - |
| **Total** | **27,848** | **39,341** |

The bank mortgage is secured on Eden Grove and is repayable in quarterly instalments until September 2016 at a fixed rate of interest of 6.69%.

The HEFCE grant holdback relates to overpayments of grant for the years 2005-06 to 2007-08 that were made to the University by HEFCE and represent an adjustment to teaching grant. The total amount repayable was £36,525k, of which £183k was repaid in 2008-09, £2.0m in 2009-10 and £4.3m in 2010-11. £10m has been transferred to Creditors – amounts falling due within one year (note 19) as this is due in 2011-12.

The HEFCE Strategic Development Fund loan was received on 29 July 2011. Further amounts are due to the University in 2011-12 and 2012-13. The loan will be repaid in 2014-15.

The HEFCE loan was provided for the construction of the Law Building, and is repayable in annual equal instalments over a period of 10 years until June 2013.

The deferred HEFCE revenue grant relates to lump sums received in March 2004 and March 2005 to compensate the University for the cancellation of HEFCE's obligation to reimburse the University for the revenue costs associated with certain leases inherited on incorporation. As provisions have been made in 2010-11 for the future costs of these buildings, the remaining deferred grant has been released.

The SALIX energy efficiency loans were awarded for investment in energy-efficient technologies. Five loans were awarded to the University in 2010-11. They are repayable in two equal instalments per annum (except for 2010-11 where one repayment was due). The loans will be fully repaid in September 2014.

# Notes to the financial statements

## 21. Provisions for liabilities (University and Group)

| | 2010-11 £'000 | Restated 2009-10 £'000 |
|---|---|---|
| **Restructuring provision** | | |
| At 1 August | - | 953 |
| Increase | 1,470 | - |
| Release of provision | - | (953) |
| At 31 July | **1,470** | - |
| **Onerous obligations under operating leases** | | |
| At 1 August | 735 | - |
| Increase | 8,499 | 735 |
| Release of provision | (339) | - |
| At 31 July | **8,895** | **735** |
| **Enhanced pensions** | | |
| At 1 August | - | 2,473 |
| Release of provision - prior year adjustment (note 23) | - | (2,473) |
| At 1 August restated | - | - |
| **At 31 July** | - | - |
| **Building contracts** | | |
| At 1 August | 185 | 185 |
| Release of provision | (185) | - |
| At 31 July | | - |
| | - | **185** |
| **Total** | | |
| At 1 August | 920 | 3,611 |
| Increase | 9,969 | 735 |
| Release of provision | (524) | (3,426) |
| At 31 July | **10,365** | **920** |

The restructuring provision relates to staff given notice of compulsory redundancy before 31 July 2011 who left after that date.

The University vacated leased properties at 133 Whitechapel High Street and 100 Hornsey Road in 2009-10 and has planned to vacate Salisbury House in June 2012, 2 Goulston Street in July 2012 and Ladbroke House in July 2012. A provision has been made to cover the University's estimated residual obligations under these leases. £135k has been released to accruals (note 19) following the surrender of the lease for 100 Hornsey Road on 28 September 2011, with confirmation of the amount due to the landlord.

The enhanced pension provision was created to cover pensions payable to Inner London Education Authority (ILEA) staff, who took early retirement, to cover the amount not reimbursed to the University by HEFCE. This provision has been released as the pension liability has been included in the restated FRS17 valuation (note 23).

# Notes to the financial statements

## 22. Deferred capital grants

| | Group | | | University | | |
|---|---|---|---|---|---|---|
| | HEFCE £'000 | Other grants £'000 | Total £'000 | HEFCE £'000 | Other grants £'000 | Total £'000 |
| **At 1 August 2010** | | | | | | |
| Buildings | 41,768 | 18,106 | 59,874 | 41,769 | 14,496 | 56,265 |
| Equipment | 641 | 294 | 935 | 642 | - | 642 |
| | 42,409 | 18,400 | 60,809 | 42,411 | 14,496 | 56,907 |
| **Cash received/(repaid)** | | | | | | |
| Buildings | 8,267 | - | 8,267 | 8,267 | - | 8,267 |
| Buildings - repayment | - | (41) | (41) | - | (41) | (41) |
| Equipment | 1,572 | - | 1,572 | 1,572 | - | 1,572 |
| | **9,839** | **(41)** | **9,798** | **9,839** | **(41)** | **9,798** |
| **Released to income and expenditure account** | | | | | | |
| Buildings | 2,272 | 564 | 2,836 | 2,272 | 360 | 2,632 |
| Equipment | 1,322 | 208 | 1,530 | 1,322 | - | 1,322 |
| | **3,594** | **772** | **4,366** | **3,594** | **360** | **3,954** |
| **Released to exceptional item** | | | | | | |
| Buildings | 684 | - | 684 | 684 | - | 684 |
| Equipment | - | - | - | - | - | - |
| | **684** | **-** | **684** | **684** | **-** | **684** |
| **Adjustment to reserves** | | | | | | |
| Buildings - note 23 | - | 101 | 101 | - | - | - |
| Equipment | - | - | - | - | - | - |
| | **-** | **101** | **101** | **-** | **-** | **-** |
| **At 31 July 2011** | | | | | | |
| Buildings | 47,079 | 17,400 | 64,479 | 47,080 | 14,095 | 61,175 |
| Equipment | 891 | 86 | 977 | 892 | - | 892 |
| | **47,970** | **17,486** | **65,456** | **47,972** | **14,095** | **62,067** |

# Notes to the financial statements

## 23. Reserves

| | Revaluation reserve £'000 | Income and expenditure £'000 | Pension reserve £'000 | Total reserves £'000 |
|---|---|---|---|---|
| **Group** | | | | |
| At 1 August 2010 | 3,490 | 42,609 | (71,645) | (25,546) |
| Prior year adjustment - FRS 17 | - | - | (8,623) | (8,623) |
| Prior year adjustment - enhanced pension provision | - | 2,453 | (80) | 2,373 |
| At 1 August 2010 (as restated) | 3,490 | 45,062 | (80,348) | (31,796) |
| Adjustment to b/fwd reserves - deferred capital grants | - | 101 | - | 101 |
| Transfer from revaluation reserve - depreciation | (104) | 104 | - | - |
| Deficit for the year | - | (4,376) | - | (4,376) |
| Transfer from endowment reserve | - | 60 | - | 60 |
| Actuarial gain on pension fund (note 24) | - | - | 23,483 | 23,483 |
| FRS 17 interest cost | - | 1,656 | (1,656) | - |
| Difference between FRS 17 pension charge and cash contribution | - | (746) | 746 | - |
| **At 31 July 2011** | **3,386** | **41,861** | **(57,775)** | **(12,528)** |

| | Revaluation reserve £'000 | Income and expenditure £'000 | Pension reserve £'000 | Total reserves £'000 |
|---|---|---|---|---|
| **University** | | | | |
| At 1 August 2010 | 3,490 | 41,930 | (71,645) | (26,225) |
| Prior year adjustment - FRS 17 | - | - | (8,623) | (8,623) |
| Prior year adjustment - enhanced pension provision | - | 2,453 | (80) | 2,373 |
| At 1 August 2010 (as restated) | 3,490 | 44,383 | (80,348) | (32,475) |
| Transfer from revaluation reserve - depreciation | (104) | 104 | - | - |
| Deficit for the year | - | (4,231) | - | (4,231) |
| Transfer from endowment reserve | - | 60 | - | 60 |
| Bad debt recovered | - | 797 | - | 797 |
| Actuarial gain on pension fund (note 24) | - | - | 23,483 | 23,483 |
| FRS 17 interest cost | - | 1,656 | (1,656) | - |
| Difference between FRS 17 pension charge and cash contribution | - | (746) | 746 | - |
| **At 31 July 2011** | **3,386** | **42,023** | **(57,775)** | **(12,366)** |

The FRS17 prior year adjustment represents the restatement of the pension liability to fully recognise the effect of unfunded liabilities which previously had not been included in the LPFA pension fund actuarial valuations. These unfunded liabilities relate to the pensions of staff who retired on dissolution of the Inner London Education Authority in 1990. The prior year adjustment has been calculated as follows:

| | £'000 |
|---|---|
| Restatement of balance brought forward as at 1 August 2009 | (9,123) |
| Additional FRS17 interest costs | (574) |
| Difference between FRS17 pension charge and cash contribution | 906 |
| Adjustment to the actuarial gain on pension fund | 168 |
| | **(8,623)** |

The enhanced pension provision prior year adjustment of £2,373k represents the release of the provision following the restatement of the FRS17 liability referred to above.

The prior year adjustments have increased the 2009-10 surplus for the year on continuing operations from £867k to £1,135k and have reduced the total net assets including pension liability as at 31 July 2010 from £36,366k to £30,116k.

# Notes to the financial statements

## 24. Pension arrangements (University and Group)

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

## A. The London Pensions Fund Authority (LPFA) Fund

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

The University pays contributions to the Fund at rates determined by the Fund's actuaries, based on regular actuarial reviews of the financial position of the Fund. From August to March 2011, the employer's contribution rate payable by the University was 19.6 % of pensionable salaries. From April 2011 the contribution rate was reduced to 18.6%.

The University's contribution to the Fund for 2010-11 was £5.0m (2009-10: £5.0m). The University's estimated contribution to the Fund for 2011-12 is £4.6m.

The Fund has variable employee contribution rates dependent on the employee's pensionable salary. These rates range from 5.5% to 7.5%.

The pension cost, which includes the liability for pension increases, has been determined in accordance with the advice from the Fund actuary, Barnett Waddingham, and is based on an actuarial valuation as at 31 March 2010 using the projected unit method. The rates certified at the actuarial valuation as at 31 March 2010 applied from the year 2010-11. The main financial assumptions in the 2010 actuarial valuation were:

| | |
|---|---|
| Rate of investment return | 6.7% per annum |
| Rate of salary increases | 4.5% per annum |
| Rate of pension increases | 3.0% per annum |

The actuarial valuation as at 31 March 2010 showed that the market value of the Fund's assets attributable to the University was estimated at approximately £127.26m and that the actuarial value of those assets represented 90% 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 valuation showed that, with effect from 1 April 2011, the required level of long-term contributions to be paid by the University to the Fund was 18.6% of pensionable payroll. This contribution rate is calculated to be sufficient to cover the employer's liabilities. This comprises a future service rate of 11.8% of pensionable payroll, together with a past service adjustment of 6.8%. The future service rate of contribution is the rate that, in addition to contributions paid by members, is sufficient to meet the liabilities arising in respect of service after the valuation.

The actuarial valuation dated 31 March 2010 was published on 29 March 2011. The next actuarial valuation is due as at 31 March 2013.

### LPFA – FRS 17 statements

The University participates in a defined benefit scheme in the UK, operated by the LPFA. A full FRS17 actuarial valuation was carried out as at 31 July 2011 by the Fund actuary, Barnett Waddingham.

The major assumptions used by the actuary were as follows:

| | 2011 | 2010 | 2009 |
|---|---|---|---|
| Rate of increase in salaries | 4.5% | 4.7% | 5.1% |
| Rate of increase in pensions in payment - RPI | 3.5% | 3.2% | 3.6% |
| Rate of increase in pensions in payment - CPI | 2.7% | 2.7% | - |
| Discount rate | 5.3% | 5.4% | 6.0% |
| Inflation assumption | 2.7% | 2.7% | 3.6% |

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

The assumed life expectations on retirement at age 65 are:

| | Years |
|---|---|
| *Current pensioners* | |
| Males | 20.8 |
| Females | 23.8 |
| *Future pensioners (retiring in 20 years)* | |
| Males | 22.8 |
| Females | 25.7 |

# Notes to the financial statements

## 24. Pension arrangements (Continued)

**Fund assets**

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

| | Long term rate of return expected at 31 July 2011 | Value at 31 July 2011 £'000 | Long term rate of return expected at 31 July 2010 | Value at 31 July 2010 £'000 | Long term rate of return expected at 31 July 2009 | Value at 31 July 2009 £'000 |
|---|---|---|---|---|---|---|
| Equities | 6.8% | 100,515 | 7.3% | 90,115 | 7.5% | 77,537 |
| Target return portfolio | 4.5% | 16,024 | 4.5% | 15,672 | 6.2% | 11,710 |
| Alternative assets | 5.8% | 20,394 | 6.3% | 19,590 | 6.7% | 16,713 |
| Cash | 3.0% | 5,827 | 3.0% | 2,612 | 3.0% | 7,731 |
| Other bonds | 5.3% | 2,913 | 5.4% | 2,612 | - | - |
| **Total** | | **145,673** | | **130,601** | | **113,691** |

**Net pension liability (University and Group)**

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

| | 2011 £'000 | Restated 2010 £'000 | Restated 2009 £'000 |
|---|---|---|---|
| Fair value of employer assets | 145,673 | 130,601 | 113,691 |
| Present value of Fund liabilities | (192,269) | (199,988) | (187,691) |
| Present value of unfunded liabilities | (11,179) | (10,961) | (12,279) |
| Total value of liabilities | (203,448) | (210,949) | (199,970) |
| **Net pension liability** | **(57,775)** | **(80,348)** | **(86,279)** |

**Analysis of the amount charged to the income and expenditure account**

| | 2010-11 £'000 | Restated 2009-10 £'000 |
|---|---|---|
| Current service costs | 5,565 | 4,514 |
| Interest on Fund liabilities | 10,416 | 12,124 |
| Expected return on Fund assets | (8,760) | (8,024) |
| Losses on curtailments and settlements | 16 | 240 |
| **Total charge to income and expenditure account** | **7,237** | **8,854** |
| **Actual return on Fund assets** | **13,734** | **11,616** |

| | | |
|---|---|---|
| **Analysis of amount recognised in consolidated statement of total recognised gains and losses (STRGL)** | | |
| Actual return less expected return on Fund assets | 4,972 | 3,593 |
| Experience gains arising on Fund liabilities | 38,442 | 715 |
| Past service gain | - | 11,262 |
| Changes in assumptions | (19,931) | (8,155) |
| **Actuarial gains recognised in STRGL** | **23,483** | **7,415** |
| **Cumulative actuarial gains/losses recognised in STRGL** | **4,345** | **(27,828)** |

The past service gain of £11,262k in 2009-10 arose from a change in the FRS17 (Retirement Benefits) actuarial assessment for the LPFA Fund. Future pensions increases are now linked to the Consumer Price Index (CPI) rather than the Retail Price Index (RPI) used previously, in line with announced government policy. The resultant reduction in future pensions (because CPI is historically lower than RPI) is regarded as a change in actuarial assumption, and the related reduction in the pension liability is a gain that was recognised through the statement of consolidated total recognised gains and losses in 2009-10.

# Notes to the financial statements

## 24. Pension arrangements (continued)

**Movement in the University's share of the Fund's deficit**

The movement in the University's share of the Fund's deficit during the year is made up as follows:

| | 2010-11 £'000 | Restated 2009-10 £'000 |
|---|---|---|
| At 1 August | (80,348) | (86,279) |
| Movement in year: | | |
| Current service cost | (5,565) | (4,514) |
| Contributions by employer | 5,153 | 6,243 |
| Contributions in respect of unfunded benefits | 1,174 | 1,127 |
| Past service costs | - | 11,262 |
| Impact of curtailments and settlements | (16) | (240) |
| Net return on assets | (1,656) | (4,100) |
| Actuarial gains/(losses) | 23,483 | (3,847) |
| **At 31 July** | **(57,775)** | **(80,348)** |

**Analysis of the movement in the present value of the Fund's liabilities**

| | 2010-11 £'000 | Restated 2009-10 £'000 |
|---|---|---|
| At 1 August | 210,949 | 199,970 |
| Movement in year: | | |
| Current service cost | 5,565 | 4,514 |
| Interest cost | 10,416 | 12,124 |
| Contributions by members | 1,831 | 1,804 |
| Contributions in respect of unfunded benefits | (1,174) | (1,127) |
| Actuarial (gains)/losses | (19,128) | 7,440 |
| Past service costs | - | (11,262) |
| Impact of curtailments and settlements | 16 | 240 |
| Estimated benefits paid | (5,027) | (2,754) |
| **At 31 July** | **203,448** | **210,949** |

**Analysis of movement in the market value of the Fund's assets**

| | 2010-11 £'000 | Restated 2009-10 £'000 |
|---|---|---|
| At 1 August | 130,601 | 113,691 |
| Movement in year: | | |
| Expected rate of return on Fund assets | 8,760 | 8,024 |
| Contributions by members | 1,831 | 1,804 |
| Contributions by the employer including unfunded benefits | 6,327 | 7,370 |
| Actuarial gains | 4,355 | 3,593 |
| Estimated benefits paid including unfunded benefits | (6,201) | (3,881) |
| **At 31 July** | **145,673** | **130,601** |

**Experience gains and losses**

| | 2010-11 £'000 | Restated 2009-10 £'000 | Restated 2008-09 £'000 | 2007-08 £'000 | 2006-07 £'000 |
|---|---|---|---|---|---|
| Defined benefit obligation | (203,448) | (210,949) | (190,847) | (156,454) | (153,941) |
| Fund assets | 145,673 | 130,601 | 113,691 | 113,897 | 118,367 |
| Deficit | (57,775) | (80,348) | (77,156) | (42,557) | (35,574) |
| Experience adjustments on Fund assets | 4,355 | 3,593 | (15,987) | (17,622) | 5,205 |
| Percentage of assets | 3.0% | 2.8% | (14.1)% | (15.5)% | 4.4% |
| Experience adjustments on Fund liabilities | 39,059 | 715 | - | 10,480 | 408 |
| Percentage of liabilities | 19.2% | 0.3% | 0.0% | 6.7% | 0.3% |
| Cumulative actuarial gains and losses | (24,730) | (48,213) | (44,366) | (1,209) | 6,473 |

# Notes to the financial statements

## 24. Pension arrangements (continued)

## B. The Teachers' Pension Scheme (TPS)

The Teachers' Pension Scheme is a statutory, contributory, final salary scheme, administered by the Teachers' Pensions Agency in accordance with the Teachers' Pensions Regulations 1997, as amended.

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

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

The University's contribution to the TPS for 2010-11 was £5.2m (2009-10: £5.2m). The University's estimated contribution to the scheme for 2011-12 is £4.8m.

The Government Actuary (GA) performs a regular valuation of the scheme. The last valuation currently available was at 31 March 2004. The GA's report of November 2006 showed that the total liabilities of the scheme (pensions currently in payment and the estimated cost of future benefits) amounted to £166,500m. The value of the assets (estimated future contributions together with the proceeds from the notional investments held at the valuation date) was £163,240m. The assumed real rate of return is 3.5% in excess of prices and 2% in excess of earnings. The rate of real earnings growth is assumed to be 1.5%. The assumed gross rate of return is 6.5%.

## C. The Universities Superannuation Scheme (USS)

The University participates in the Universities Superannuation Scheme, a defined benefit scheme which is externally funded and contracted out of the State Second Pension.

The assets of the scheme are held in a separate fund administered by the trustee, Universities Superannuation Scheme Limited. The University is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17, accounts for the scheme as if it were a defined contribution scheme.

The cost recognised in the income and expenditure account is regarded as being equal to the contributions payable to the scheme for the year. The University's contribution to the USS for 2010-11 was £0.5m (2009-10: £0.4m). The University's estimated contribution to the scheme for 2011-12 is £0.4m, payable by the University at 16% of pensionable salaries.

The latest triennial actuarial valuation of the scheme was at March 2008. This was the first valuation for USS under the new scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. The actuary also carries out a review of the funding level each year between triennial valuations and details of the actuary's estimate of the funding level at 31 March 2011 are included in this note.

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

To calculate the technical provisions, it was assumed that the valuation rate of interest would be 6.4% per annum (which includes an additional assumed investment return over gilts of 2% per annum), salary increases would be 4.3% per annum (plus an additional allowance for increases in salaries due to age and promotion reflecting historical scheme experience, with a further cautionary reserve on top for past service liabilities) and pensions would increase by 3.3% per annum.

The assumed life expectations on retirement at age 65 are:

| | |
|---|---|
| Males | 22.8 years |
| Females | 24.0 years |

At the valuation date, the value of the assets of the scheme was £28,842.6 million and the value of the scheme's technical provisions was £28,135.3m indicating a surplus of £707.3 million. The assets therefore were sufficient to cover 103% of the benefits which had accrued to members after allowing for expected future increases in earnings.

The actuary also valued the scheme on a number of other bases as at the valuation date. On the scheme's historical gilts basis, using a valuation rate of interest in respect of past service liabilities of 4.4% per annum (the expected return on gilts), the funding level was approximately 71%. Under the Pension Protection Fund regulations introduced by the Pensions Act 2004, the scheme was 107% funded; on a buy-out basis (i.e. assuming the scheme had discounted on the valuation date) the assets would have been approximately 79% of the amount necessary to secure all the USS benefits with an insurance company; and using the FRS17 formula as if USS was a single employer scheme, using a AA bond discount rate of 6.5% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2008 was 104%.

# Notes to the financial statements

## 24. Pension arrangements (continued)

The technical provisions relate essentially to the past service liabilities and funding, but it is also necessary to assess the ongoing cost of newly accruing benefits. The cost of future accrual was calculated using the same assumptions as those used to calculate the technical provisions except that the valuation rate of interest assumed asset outperformance over gilts of 1.7% per annum (compared to 2% per annum for the technical provisions) giving a discount rate of 6.1% per annum; also the allowance for promotional salary increases was not as high.

Since 31 March 2008 global investment markets have continued to fluctuate and as at 31 March 2011 the market's assessment of inflation has increased slightly. The government has also announced a change to the inflation measure used in determining the "Official Pensions Index" from the RPI to the CPI. The actuary has taken this all into account in his funding level estimates at 31 March 2011 by reducing the assumptions for pension increases from 3.3% pa to 2.9% pa. The actuary has estimated that the funding level as at 31 March 2011 under the scheme-specific funding regime had fallen from 103% to 98% (a deficit of circa £700 million). Over the past twelve months, the funding level has improved from 91% as at 31 March 2010 to 98%. This estimate is based on the funding level at 31 March 2008, adjusted to reflect the scheme's actual investment performance over the three years and changes in market conditions (market conditions affect both the valuation rate of interest and also the inflation assumptions which in turn impacts on the salary and pension increase assumptions). The next formal valuation is as at 31 March 2011 and this will incorporate updated assumptions agreed by the trustee company.

With effect from 1 October 2011, new joiners to the scheme will join the new revalued benefits section rather than the existing final salary section. This change will have an impact, expected to be positive, on the future funding levels.

On the FRS17 basis, using a AA bond discount rate of 5.5% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2011 was 86%. An estimate of the funding level measured on a buy-out basis at that date was approximately 54%.

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

The next formal triennial actuarial valuation is due as at 31 March 2011 and will incorporate allowances for scheme benefit changes and any changes the trustee makes to the underlying actuarial assumptions. The contribution rate will be reviewed as part of each valuation and may be reviewed more frequently.

| | 2011 £'000 | 2010 £'000 |
|---|---|---|

## 25. Capital commitments

At 31 July the University and the Group had capital commitments as follows:

| | 2011 £'000 | 2010 £'000 |
|---|---|---|
| Commitments contracted | 3,823 | 1,603 |
| Authorised but not contracted | 3,553 | 16,297 |
| | **7,376** | **17,900** |

## 26. Commitments under operating leases

At 31 July the University and the Group had annual commitments under non-cancellable operating leases as follows:

| | 2011 £'000 | 2010 £'000 |
|---|---|---|
| **Land and buildings:** | | |
| Expiring within one year | 119 | 57 |
| Expiring within two - five years | 715 | 353 |
| Expiring in over five years | 3,591 | 3,991 |
| **Other:** | | |
| Expiring within one year | 544 | 215 |
| Expiring within two - five years | 5 | 14 |
| | **4,974** | **4,630** |

Of these commitments £1,753k is included within the provision for onerous obligations under operating leases.

# Notes to the financial statements

## 27. Reconciliation of (deficit)/surplus to net cash inflow from operating activities

| | 2010-11 £'000 | Restated 2009-10 £'000 |
|---|---|---|
| (Deficit)/surplus on continuing operations | (4,376) | 1,135 |
| Depreciation | 8,780 | 8,234 |
| Deferred capital grants released to income | (4,366) | (2,993) |
| Deferred capital grants released to exceptional item | (684) | - |
| Interest payable | 2,064 | 4,465 |
| Increase in stocks | (1) | (4) |
| Decrease/(increase) in debtors | 397 | (1,660) |
| Decrease in creditors | (7,487) | (2,763) |
| Increase/(decrease) in provisions | 9,365 | (147) |
| Interest receivable | (711) | (845) |
| Donations received | (120) | (26) |
| Difference between pension charge and cash contributions | (746) | (2,616) |
| Exchange rate (gain)/loss | (56) | 75 |
| Loss/(profit) on sale of fixed assets | 850 | (134) |
| **Net cash inflow from operating activities** | **2,909** | **2,721** |

## 28. Returns on investments and servicing of finance

| | 2010-11 £'000 | Restated 2009-10 £'000 |
|---|---|---|
| Donations received | 120 | 26 |
| Interest paid | (398) | (355) |
| Income from endowments | 8 | 13 |
| Other interest received | 443 | 707 |
| **Net cash inflow** | **173** | **391** |

## 29. Capital (expenditure)/receipts and servicing of finance

| | 2010-11 £'000 | Restated 2009-10 £'000 |
|---|---|---|
| Purchase of tangible fixed assets | (16,794) | (6,934) |
| Receipts from sale of fixed assets | 331 | 24,906 |
| Net deferred capital grants received | 9,798 | 2,631 |
| Endowments received | 130 | 33 |
| Receipt from maturity of endowment fixed interest stock | 96 | - |
| **Net cash (outflow)/inflow** | **(6,439)** | **20,636** |

## 30. Management of liquid resources

| | 2010-11 £'000 | Restated 2009-10 £'000 |
|---|---|---|
| Decrease/(increase) in current asset investments | 9,500 | (14,893) |
| Movement in endowment cash investments | (167) | (30) |
| **Net cash inflow/(outflow)** | **9,333** | **(14,923)** |

## 31. Financing

| | 2010-11 £'000 | Restated 2009-10 £'000 |
|---|---|---|
| HEFCE Strategic Development Fund loan | 1,534 | - |
| SALIX energy efficiency loans | 616 | - |
| Repayment of capital element of loans | (4,215) | (10,474) |
| Repayment of capital element of finance lease | (405) | (348) |
| **Net cash outflow** | **(2,470)** | **(10,822)** |

# Notes to the financial statements

## 32. Analysis of changes in net funds

| | At 1 August 2010 £'000 | Other changes £'000 | Cash flows £'000 | At 31 July 2011 £'000 |
|---|---|---|---|---|
| Cash at bank and in hand | 1,032 | - | 3,506 | 4,538 |
| Endowment cash asset investments | 132 | - | 167 | 299 |
| | 1,164 | - | 3,673 | 4,837 |
| Short term investments | 45,000 | - | (9,500) | 35,500 |
| Debt due within one year | (1,649) | (610) | 1,649 | (610) |
| Debt due after one year | (3,800) | 610 | 416 | (2,774) |
| Finance lease | (5,946) | - | 405 | (5,541) |
| | **34,769** | **-** | **(3,357)** | **31,412** |

The analysis of changes in net debt excludes HEFCE holdback of £30m (2010: £34.3m) as this is not a commercial loan and is being recovered by HEFCE through adjustments to recurrent grant payments. The first of these commenced in 2008-09, with the final adjustment due to be made in 2013-14.

## 33. Amounts disbursed as agent - Group and University

| | HEFCE Access Fund 2010-11 £'000 | TDA Training bursary 2010-11 £'000 | HEFCE Access Fund 2009-10 £'000 | TDA Training bursary 2009-10 £'000 |
|---|---|---|---|---|
| Balance unspent at 1 August | 117 | - | 59 | - |
| Income | | | | |
| Amounts received | 581 | 1,748 | 772 | 1,958 |
| Interest earned | 3 | - | 24 | - |
| Expenditure | | | | |
| Disbursed to students and administration | (678) | (1,748) | (738) | (1,958) |
| **Balance unspent at 31 July** | **23** | **-** | **117** | **-** |

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

Teacher Training Bursary Funds are paid to universities by the Training and Development Agency for Schools (TDA) to provide financial support to students studying for a postgraduate qualification which leads to Qualified Teacher Status (QTS).

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

# Notes to the financial statements

## 34. Related party transactions

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

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

## 35. Post balance sheet events

On 18 August 2011 the University completed the sale of 100 Minories, a freehold property in Tower Hill, London EC3N 1JY to Grange Hotels Limited for £18.6m. The sale generated a surplus on disposal of £18.3m.

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