LONDON METROPOLITAN UNIVERSITY

# Annual Report and Accounts

# 2016–17


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# London Metropolitan University

## Annual Report and Accounts 2016–17

**London Metropolitan University**
A company limited by guarantee with no share capital

Registered in the United Kingdom, registration number 974438

Registered Office: 166–220 Holloway Road, London N7 8DB

Tel: 020 7423 0000
**londonmet.ac.uk**

The University is an exempt charity under the Charities Act 2011


metro new media
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# Contents


Henry
Room

# London Metropolitan University in numbers

**95%**

graduates in employment or
further study six months after graduation
Source: Destinations of Leavers from Higher Education survey 2015–2016

**295**

undergraduate and postgraduate
courses on offer through
our academic schools

**146**

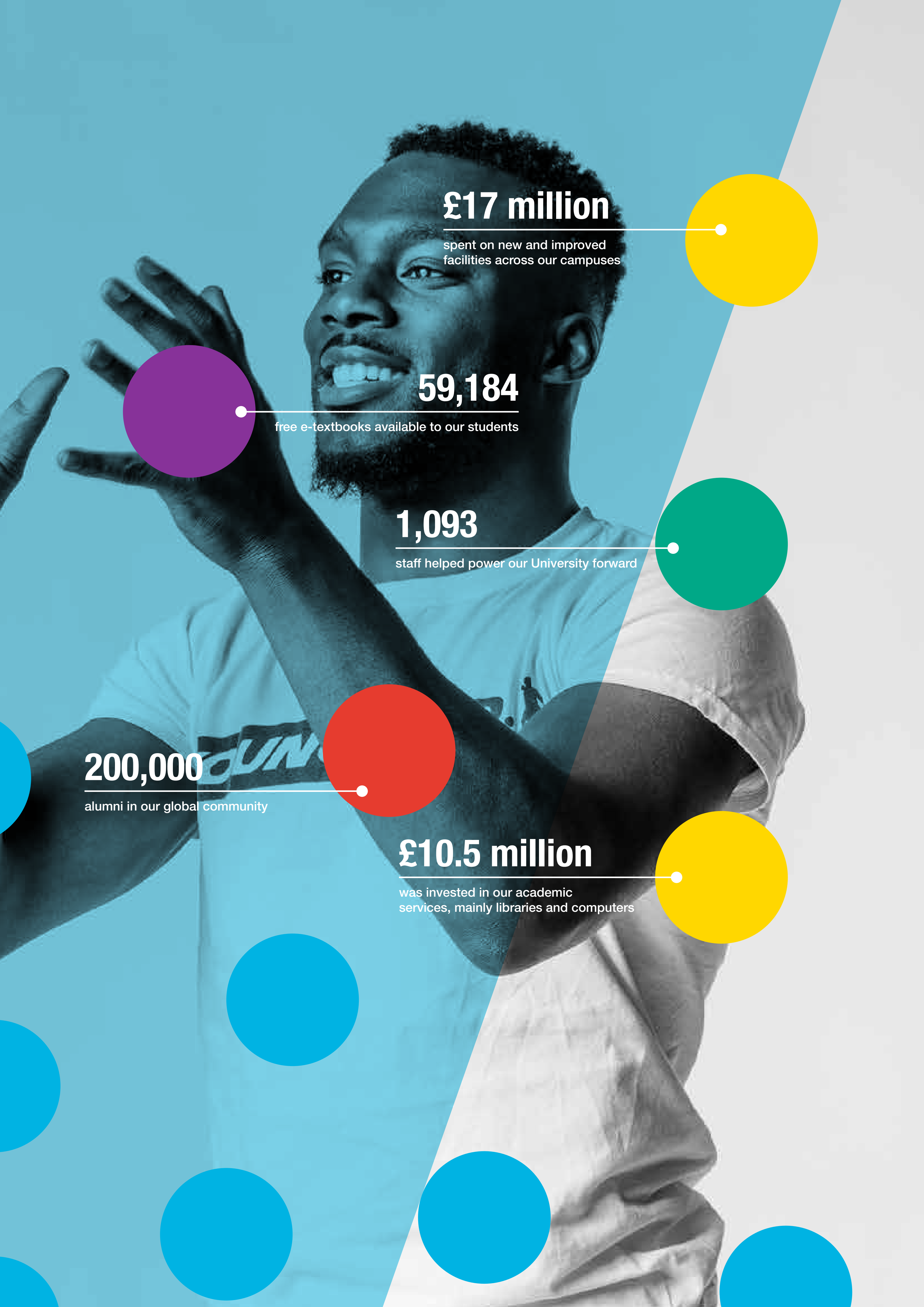
nationalities represented

**12,146**

students studying at London Met in 2016–17

**13**

awards won for carbon reduction
at the University up to 2017



**£17 million**

spent on new and improved facilities across our campuses

**59,184**

free e-textbooks available to our students

**1,093**

staff helped power our University forward

**200,000**

alumni in our global community

**£10.5 million**

was invested in our academic services, mainly libraries and computers

LONDON
METROPOLITAN
UNIVERSITY
95%
of our graduates progre
or further study within s
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# Introduction by the Vice-Chancellor

London Metropolitan University is committed to transforming lives through excellent education. We pride ourselves on being a university which provides access to higher education to the widest possible range of students from diverse backgrounds and from London, the UK and across the world.

All our efforts are focused on fulfilling this vision and mission. We invest to ensure that our students have access to the latest knowledge through the latest educational technologies. We support students to develop their skills through extensive guidance and mentorship. We promote critical thinking and reasoning allied to real-life situations, and our introduction and promotion of work-related learning across the undergraduate curriculum is designed to ensure that our graduates have the best possible career opportunities.

We are proud of our students and the contribution they make to our learning community. Our students are involved in all aspects of curriculum development. They play important roles in supporting their fellow students through our Peer Assisted Student Success scheme, our Student Ambassadors network, and in many other paid and volunteer contributions to university life. We work hard to ensure that our Students' Union is able to deliver great services to our students and the Union's President is a full member of the University's Senior Management Team and of our Board of Governors.

It is useful to look back over the three years since 2014 and consider the progress made and the current trajectory of the University. At the close of the 2013–14 financial year the institution was facing formidable challenges. Two crises (in 2008 and 2012) had led to reputational damage, falls in revenue and a consequent need for staff reductions– all taking a toll on morale. The University was spending considerably more than its competitors on salaries while posting some of the worst results in the sector for student satisfaction and graduate employment. Fortunately, there was, and is, a cadre of staff who were committed to the challenge of bringing about improvement for London Met's students and graduates.

Although enrolments have continued to decline, in response to market changes affecting all post-1992 universities in London, today it is the case that London Met has improved financial security. We have healthy reserves, no borrowing, staffing levels heading towards benchmark, a changed culture and a continued upward trajectory in student outcomes such as teaching quality and employment. This has been achieved as a result of setting two clear objectives – financial and academic sustainability – restructuring the organisation and leadership team to deliver these, and designing and implementing action plans for each objective.

Our student satisfaction score in the National Student Survey (NSS) stands at 78% (in the 2017 survey) on an upward trajectory since 2013, having risen by six percentage points overall in the last three years. Three years ago London Met placed above only eight other universities for UK full-time graduate employment. The most recent figures show it has risen spectacularly and now ranks above 45 others, including Russell Group institutions and the majority of London post London's post-1992 institutions. The University's overall graduate employment score is now 95% – up nearly 10% on 2014. Action plans are in place which, on the evidence so far, should deliver continuing improvements over the next few years in student outcomes, satisfaction, retention and academic performance. The University continues to make conservative financial forecasts, keep tight control of costs and is putting in place two new strands of activity with the potential to grow revenues. These are London Met Global Online and London Met Higher Apprenticeships.

## Our structure

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

We now have six academic schools that report to a Pro Vice-Chancellor (Academic Outcomes); The Sir John Cass School of Art, Architecture and Design (The Cass), the School of Computing and Digital Media, the Guildhall School of Business and Law, the School of Human Sciences, the School of Social Professions and the School of Social Sciences.

Our careers and employability teams report to the Pro Vice-Chancellor (Employment Outcomes).

Our five main professional services teams report to the Chief Operating Officer. These are Engagement, Finance and Estates, Human Resources, Information Technology Services and Student Journey.

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

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

## Our strategy

The University's strategy is to ensure financial sustainability while at the same time improving our academic performance. Our strategy has three clear pillars: the Programme to Improve Student Outcomes (PISO); the drive to improve employability through the embedding of work-related learning in our curriculum and the One Campus, One Community (OCOC) project.

**Academic outcomes**
We monitor the University's academic performance using a range of performance indicators that are monitored by senior management and the Board of Governors.

Good progress has been made, but we continue to work to improve some of the indicators to our bench-mark level, through the PISO initiatives described below.

| | 2013–14 result | 2014–15 result | 2015–16 result | 2016–17 result |
|---|---|---|---|---|
| Employment | DLHE 12–13 | DLHE 13–14 | DLHE 14–15 | DLHE 15–16 |
| All graduates – employment/study rate | 86.5% | 91.1% | 93.0% | 95.1% |
| All graduates – highly skilled employment/further study | 60.9% | 66.0% | 73.0% | 76.9% |
| | | | | |
| Continuation (one year after entry) | 12–13 entrants | 13–14 entrants | 14–15 entrants | 15–16 entrants |
| Continuing or qualifying rate | 74.6% | 71.4% | 74.7% | TBA |
| | | | | |
| Withdrawal rate (during year of entry) | 13–14 entrants | 14–15 entrants | 15–16 entrants | 16–17 entrants |
| In year withdrawal rate | – | 7.6% | 8.3% | 11.2% |
| | | | | |
| Progression | 13–14 | 14–15 | 15–16 | 16–17 |
| Progression from Year 1 to Year 2 | 71.5% | 75.5% | 78.2% | 75.0% |
| Progression from Year 2 to Year 3 | 83.2% | 86.9% | 83.5% | 78.6% |
| | | | | |
| Attainment | 13–14 graduates | 14–15 graduates | 15–16 graduates | 16–17 graduates |
| Proportion of "good degrees" awarded | 55.1% | 52.6% | 50.2% | 52.3% |
| | | | | |
| Satisfaction | NSS 2014 | NSS 2015 | NSS 2016 | NSS 2017 |
| Overall satisfaction score | 76% | 79% | 81% | 78.2% |
| Satisfaction with "teaching on my course" | 78% | 81% | 82% | 82.4% |
| Satisfaction with "assessment and feedback" | 66% | 72% | 72% | 71.5% |
| Satisfaction with "academic support" | 71% | 75% | 78% | 75.9% |

In the table above, DLHE refers to Destinations of Leavers from Higher Education, and NSS refers to National Student Survey

### Student numbers

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

Total student numbers decline in 2016–17 by 6.1%. Importantly, this is the lowest annual decline which London Metropolitan has experienced in the past three years. The large drop in student numbers experienced in 2014–15 was mainly a direct result of the large undergraduate intake of 2011–12 (as the vast majority of that intake completed their course in 2013–14).

| | 2013–14 | 2014–15 | 2015–16 | 2016–17 |
|---|---|---|---|---|
| Full-time (Home/EU) | 12,434 | 10,277 | 9,436 | 8,925 |
| Full-time (Overseas) | 543 | 551 | 434 | 324 |
| Part-time | 3,297 | 3,258 | 3,062 | 2,897 |
| **Total** | **16,274** | **14,086** | **12,932** | **12,146** |

### Awards

The following tables summarise the awards conferred in 2016–17. As with the overall student numbers, the number of first degree awards made in 2016–17 declined since the previous academic year but, importantly, the decline is the lowest which London Met has experienced in the past three years. Again, the large decline of 31.8% experienced in 2014–15 was a direct result of the fact that the majority of the large undergraduate intake of 2011–12 obtained their degrees in 2013–14.

#### Totals for bachelor's degrees

| | 2013–14 | % | 2014–15 | % | 2015–16 | % | 2016–17 | % |
|---|---|---|---|---|---|---|---|---|
| First | 541 | 13.8 | 373 | 13.9 | 353 | 13.9 | 402 | 18.2 |
| Upper Second (2:1) | 1,637 | 41.9 | 1,000 | 37.5 | 817 | 37.5 | 755 | 34.1 |
| Lower Second (2:2) | 1,414 | 36.2 | 981 | 36.8 | 860 | 36.8 | 720 | 32.5 |
| Third | 283 | 7.2 | 258 | 9.7 | 247 | 9.7 | 259 | 11.7 |
| Non-honours | 36 | 0.9 | 55 | 2.1 | 64 | 2.1 | 77 | 3.5 |
| **Total** | **3,911** | | **2,667** | | **2,341** | | **2,213** | |

The proportion of good honours degrees (firsts and upper seconds) increased in 2016 –17 to 52.3%, which is a slight improvement on the previous year's statistic of 50.2%. The proportion of graduates obtaining a first has been steadily increasing annually for the past three years.

#### Totals for master's degrees

| | 2013–14 | % | 2014–15 | % | 2015–16 | % | 2016–17 | % |
|---|---|---|---|---|---|---|---|---|
| Distinction | 157 | 20.9 | 140 | 22.6 | 128 | 21.0 | 152 | 22.3 |
| Merit | 336 | 44.8 | 291 | 47.0 | 288 | 47.1 | 343 | 50.2 |
| Pass | 257 | 34.3 | 188 | 30.4 | 195 | 31.9 | 188 | 27.5 |
| **Total** | **750** | | **619** | | **611** | | **683** | |

The above table outlines the MAs and MScs conferred by London Metropolitan University between October 2016 and October 2017 (excluding all partner students).

**Programme to Improve Student Outcomes (PISO)**
PISO is a highly focused programme which is led by the Pro Vice-Chancellor (Academic Outcomes) and designed to improve student retention, progression, attainment, and student satisfaction. It has six main workstreams: preparation for study, course design and delivery, assessment and feedback, student support, quality of provision, and student partnership. This institutional-wide programme enables us to take a strategic, data-driven approach to performance enhancement and to prioritise outputs and benefits.

The workstreams are highly interconnected and several cross-workstream initiatives have also been developed, as well as connecting with the other key institutional programme relating to employment outcomes. The course design and delivery workstream also worked with the OCOC programme in the piloting of new classroom spaces and teaching tools and technologies.

A series of recommendations were developed by the six workstreams. Those with the potential to be implemented quickly, and have a high impact on student outcomes, were identified as part of a High Impact Action Plan to put these actions in motion for the start of the current academic year.

There were also two additional PISO projects cross-cutting the main workstreams: one focusing on student attainment and the other on student satisfaction. The first was a wide-ranging review of all our assessment practices with a view to improving good degree attainment (graduation with a first or 2:1 classification) and ensuring our students' abilities and achievements are appropriately reflected in their degree outcomes.

The second was a detailed analysis of student feedback from the National Student Survey (NSS) and identification of an institutional-level strategy for improving student experience, complementing the action plans being developed at course level. Both of these projects reported their findings and recommendations to the Academic Board in September 2017 and gained approval of the recommendations for immediate implementation.

To pull all of these initiatives and recommendations together, an Integrated Action Plan is in place for implementation in 2017–18. To ensure that there is a clear and relentless focus on student retention, progression, attainment and student satisfaction, these actions are mapped against these four academic outcomes. The Integrated Action Plan includes:

- launching a pre-induction programme for new students to support their transition and build their relationship with the University
- delivering core modules through small-group teaching for Levels 3 and 4 to support academic development and social cohesion
- using more advanced learner analytics to monitor and review assessment strategies
- utilising a University-wide grading and feedback scheme for undergraduate students that promotes students' understanding of their performance and "feed forward" for improvement
- providing one-one academic coaching with students to raise their aspirations, improve achievement and attain their personal goals
- expanding the Peer Assisted Student Support (PASS) scheme to all levels of the undergraduate programme, focusing on supporting student transition and confidence-building as well as academic attainment
- increasing the percentage of substantive teaching staff with a teaching qualification/Higher Education Academy fellowship to recognise and promote teaching quality

During 2017–18, the implementation of each of these will be monitored and the impact evaluated as part of the PISO programme. In addition, key PISO projects for development this year include improving digital literacy, developing an inclusive curriculum, considering alternative delivery models, a focus on differential attainment, and also the strongly emerging priority of ensuring the student voice is present in everything that we do.

### Teaching Excellence Framework (TEF)

The University's TEF award of Bronze was expected, given London Met's performance against the TEF's benchmarks. Some of our competitors have also scored Bronze, while some have been awarded Silver. At a national level, there are some surprising results which will continue to provoke commentary, debate and institutional soul-searching. Over time, the TEF is likely to radically transform how institutions are perceived in reputation and teaching quality, and to focus much more attention on the latter – which is to be welcomed.

It is vital that London Met moves swiftly to improve to a better position than its current Bronze TEF rating. The PISO Action Plan is designed to align our performance monitoring to TEF indicators and has set targets that form our TEF: Pathways to Gold programme.

### Employment Outcomes

The strategic focus on our students' prospects is led by the Pro Vice-Chancellor (Employment Outcomes) and championed by Heads of Employment Outcomes in each academic school. Direct services to our students and alumni include the Careers and Employability Service and Accelerator. Employment Outcomes also includes oversight of collaborative partners, which have thousands of students studying on our degrees in nine countries; and of research and enterprise projects, where there have been some key impacts over the last year.

We have placed the employment prospects of our students at the heart of the curriculum in the form of work-related learning for all of our undergraduate students. The renewed emphasis on employability, and a rigorous approach to carrying out the (DLHE) Destinations of Leavers from Higher Education survey has resulted in 95% of our graduates being recorded as in employment or further study six months after graduation.

The recent improvements in the employment prospects of our graduates have benefited both white and black, minority and ethnic (BME) students across all six academic schools. However, nationally, BME students are approximately 10% less likely than non-BME students to be employed six months after graduation. This gap is evident amongst London Metropolitan University graduates as it is elsewhere. One of the key aims of the introduction of work-related learning, and the careers support being built around it, is to improve BME outcomes. The employment data will be analysed to ascertain the impact on the BME gap of the various forms of work experience and careers guidance that we know offer, in order to ensure we maximise the prospects of BME graduates by focusing on the skills that are most valued by employers.

This rigorous approach will continue, as there is increasing emphasis on graduate-level jobs in the new Graduate Outcomes Survey, which begins in December 2018. If Brexit creates higher unemployment, that will affect our graduates, but whether employment is high or low it is likely to remain a key concern and driver of our applicants and students. We are putting in place stronger careers support for 15 months post-graduation, with the aim of maximising the number of our graduates in graduate-level (highly skilled) roles. This will include access to careers guidance, support for starting a business, and professional development.

### Student enterprise and Accelerator

Student enterprise in all its forms is a key strategic focus with the aim of ensuring that all our students with an interest in starting their own business or becoming entrepreneurs are supported, to gain the skills they need to succeed.

Accelerator and Student Enterprise had a strong year in 2016–17, both financially and in terms of programme successes. This has been recognised externally with positive press coverage and we have been shortlisted for two awards. The first is the major National Business Awards, where we were a finalist in The Duke of York Award for University Entrepreneurship. Our submission focused on student enterprise and the work-related learning initiative. The second is the Green Gown Awards. Winners for both were announced in November 2017.

The new structure has also allowed us to build stronger ties throughout the University thanks to our new partners in the Employment Outcomes team. One result is the increasing number of students taking the Student Enterprise opportunities such as the Starting a Winning Business module.

Financially, Accelerator now makes an annual contribution to the University of £110K, a significant improvement from the annual loss of £70K three years ago. This has been achieved through increasing rents while also raising occupancy to over 90%. Next year there are plans to make improvements to enhance the facilities provided to tenants and local employers.

Student Enterprise continues to do more without increasing costs. This year we attracted more students to our programmes, competitions and events than ever before. The Big Idea Challenge, Launchpad and Market Days were highlights and we introduced major new programme elements including QuickStart and 3-Day Startup, which allowed us to increase the number of student and graduate entrepreneurs we work with.

The Big Idea Challenge expanded beyond London Metropolitan University to include 17 colleges (and 700 participants), becoming one of the biggest entrepreneurship competitions for young people in the UK. The People's Choice awards received over 12,000 unique votes from 124 countries around the world. The Duke of York hosted the awards night at St James's Palace, allowing us to raise the profile of our enterprise work and change perceptions of the University with our college partners. There are good indications this is now translating into increased applications from colleges that took part.

**"It is the job of universities to prepare people for the challenges they will face in whichever avenues they choose in life, and the Big Idea Challenge is a fine example of this. I'd like to thank London Metropolitan University and all of those involved in this project for the positive difference they are making."** – HRH The Duke of York


**"The Big Idea Challenge is an enormous success and such a great reflection on London Metropolitan University in the eyes of our students and staff alike."** – Amanda Hobbs, Business Lecturer, Brooklands College

Our flagship Launchpad programme goes from strength to strength. The intensive 12-week pre-startup programme saw the 14 strongest London Met teams/ideas selected from over 200 applicants and put the teams through a series of weekly sprints where they tested their products and services with real customers and validated their business model. The programme ended with a live pitch to a judging panel of successful entrepreneurs. Six teams were successful in making their case and won free office space at Accelerator for six months plus continued mentorship to turn their ideas into a reality. From those companies graduating from Launchpad last September, five are still trading and one has received a round of seed investment from London-based fund RLC Ventures.

The start-ups based in Accelerator are becoming stronger and more successful. In 2016 they raised £8.8 million in investment (against £5.7 million in 2015 and £1.4 million in 2014), created 122 new jobs (against 115 in 2015 and 35 in 2014) and made £9 million in revenue (a 225% increase on 2015). This pool of talented entrepreneurs includes London Met graduates who have come through our programmes as well as start-ups recruited from across London. They create positive publicity for the University and position us as a true leader in the start-up and innovation space. They also become a key resource for the London Met student and graduate entrepreneurs we support, acting as mentors and advisers. In addition, they hire our students, take on interns and create work-related learning opportunities through live projects.

A new entrepreneurship module (Creating a Winning Business), developed and delivered in partnership with London Met's Guildhall School of Business and Law, launched in 2016 –17 and in its first year attracted over 200 students. Next year we plan to roll this out to other schools and in the next two years will have it as an option for students across the University.

**Work-related learning placements**

All undergraduate students now undertake work-related learning at some point during their studies as a formal requirement. These placements are with more than 350 organisations, most of which are newly formed links. 80 employers and recruiters took part in employment fairs and related events, including, for example, Admiral Group, FDM Group, Investment2020, Maverick Advertising and Design, Milkround, Teach Now Ltd, The Esprit Group, Civil Service Fast Stream, the NHS, the Metropolitan Police and Charityjobs.

We also believe strongly that we should support our students by employing them where we can during their studies. With the help of our internal staff agency, Met Temps, we gave over 600 of our students an average of 200 hours paid work, and 2016–17 saw the successful completion of our third graduate internship scheme.

**Impact of research and knowledge exchange**

Alongside student enterprise our staff are engaged in knowledge exchange. Examples include the most recently completed Knowledge Transfer Project, with Ask Electronics, to develop an innovative data warehousing and forecasting systems. This was rated outstanding by Innovate UK.

Our researchers and their research continue to have significant impact:

Professor Liz Kelly, Director of the Child and Woman Abuse Studies Unit (CWASU), has been included in the BBC's 100 Women Challenge, and will be taking part in a series of high-profile debates on safety, especially for women, in public spaces.

Dr Paul Matewele, Senior Lecturer in the School of Human Sciences and an expert on microbiology and immunology, analysed bacteria found on public transport including taxis and the London Underground. Numerous antibiotic-resistant bacteria were identified, prompting a surge of press coverage and the Tube has since been deep cleaned.

## Employment outcomes in numbers

**370**
**employers providing work experience**

**95%**
**of our graduates were in employment or further study six months after graduation**

**4,000**
**students studying in collaborative partner universities and colleges**

**One Campus, One Community (OCOC)**
OCOC brings focus to the running of the University. Its three overarching aims are to locate the University on one site in Holloway, to maximise the benefits of the organisational restructuring that we have put in place, and to bring about a digital transformation so that our staff and students have access to the best possible tools to enable them to succeed.

In 2016–17 we completed an investment of £15 million in Calcutta House so that we could provide the studio, classroom and social facilities in one location for The Cass. We started work on the major refurbishment of one of the main teaching buildings on our Holloway campus. We have provided a new home for our Students' Union and are creating a major new catering outlet on Holloway Road in anticipation of the location of all our staff and students on one campus.

We have undertaken further detailed planning work which will bring about a transformation at Holloway. This will involve the creation of a state-of-the-art teaching and learning building and the opening out of the courtyard at the heart of the campus.

We have invested in advanced classroom technologies and on analytics which help students to have a continuous understanding of how they are performing.

Initiatives to support learning and teaching have been developed through collaboration of academic staff, students and IT staff, both to respond to feedback and to transform the way subjects are taught within specialist spaces. Our Superlab IT and media has been upgraded by rolling out innovative digital streaming, recording/playback capabilities for use within science lab classes and experiments. New mock courtroom equipment has been installed at Moorgate with local recording and streaming, including fixed microphones, remote-controlled cameras and an iPad controller for managing recordings. Classroom IT and media has been modernised in 75 classrooms and we have completed provision of ubiquitous Wi-Fi across the campus.

Learning technologists are working with our academic schools to further embed blended learning within the academic practice. Over 200 course sites are now in place and by the end of 2017–18 all content will be fully accessible and mobile ready.

## Principal risks and responses

The principal risks to the achievement of the University's strategic objectives relate primarily to the wider operating context and the rapid changes in the higher education environment affecting London Met and other post-1992 institutions in London.

They include:

- **risks to student recruitment** arising from the removal of student number controls (allowing competing universities to expand their intake) and the increase in alternative providers
- **risks to student retention** if students fail to re-enrol due to academic failure, withdrawal or a decision to transfer to another institution
- **Brexit**, which represents a risk both to the recruitment of students domiciled in the EU and to the retention of EU national staff
- **pension scheme deficits** – the University faces increasing contributions to cover historic deficits in the staff pension schemes which it contributes to;
- **reputational risks**, eg arising from a compliance failure or through a failure to improve the University's public reputation

Strategic actions to address these risks include the Programme to Improve Student Outcomes and the Employment Outcomes Programme, to enhance the University's attractiveness to applicants, our ability to retain students, and the University's public profile and position in league tables. The One Campus, One Community programme will improve the quality of London Met's estate and facilities, and ensure that the University's staffing structure and operating model are optimised to its income.

Following a strategic options analysis in 2016–17, the Board of Governors has approved investment to develop new lines of income in online learning and degree-level apprenticeships. The University will also pilot three accelerated degree courses to commence in 2018–19. The University's financial forecasts model assumptions about the effects of Brexit and pension scheme deficits, and regular meetings are held with the London Pensions Fund Authority (the main pension scheme for professional services staff).

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

## Our business model

Over 80% of our revenue is generated from the fees we collect from our students. Over the last three years we have reduced payroll expenditure to bring the University into line with sector benchmarks. Our aim in doing this is to enable us to invest in facilities and resources to support student success.

The organisational redesign strand of our One Campus, One Community programme, completed in September 2016, reorganised our professional services and introduced a centralised administration with a lean management team. We continue to invest in new technology and processes to support service improvement and to help reduce costs. Projects prioritised in 2017–18 include system and process re-engineering to improve resource management; work-related learning; customer relationship management; finance business transformation; technology-enabled learning and information management.

As we work through our strategic programmes, our aim is to promote an institutional culture which values professionalism, customer focus, teamwork, innovation and creativity, accountability, diversity and continuous improvement. Our employment framework helps managers recruit and retain good staff and get the best from them through targeted performance review and development aligned to our Strategic Plan.

### Student support

We have invested in key staff roles which are aimed at student success. These include Directors of Student Experience in each of our schools, Academic Mentors who help students to develop their study skills and the Student Liaison team who provide support and services to any student who needs specific interventions during their course.

In response to feedback from our students, we completed a major restructuring of all of our student services under a new Student Journey team, bringing all student-facing services and back office functions together in one location and creating a fully joined-up customer service designed to increased student satisfaction, by providing better online resources for students and a seamless customer experience from application to graduation.

The Customer Liaison team is responsible for student enquiries and on-boarding support from applicants to enrolment. The hubs (help points where students can meet both academic and pastoral advisers) now incorporate all aspects of frontline services for students. Improvements include a new appointment booking system that offers students a convenient service, as well as a new queue management system which provides flexibility. The improved case management programme will provide a single view of the customer. The newly recruited team will work with the new business processes and create a more professionalised service in the hubs.

The Student Liaison team is responsible for actively engaging with “at risk” students, delivering activities that will contribute to retention and progression across the University. The team has strong working relationships with academic tutors to provide a targeted approach to students who are experiencing challenges that are preventing them engaging with their studies.

We also have invested in new technology to support PISO initiatives and to provide more, better, online services for our students. A new course profile and dashboard tool for use by schools has been developed and is in use, while a scorecard for students to monitor their academic performance has been developed and will be made available to the students once the first tranche of marks has been awarded for the 2017–18 academic year. Lecture recording was rolled out to first-year postgraduate and undergraduate students in 2016–17 and will be rolled out to second-year postgraduate and undergraduate students in 2017–18. A query and case management tool, Online Chat, and a queue management and appointment system will help students to access pastoral support services more easily.

## Our people

### Staff performance and satisfaction

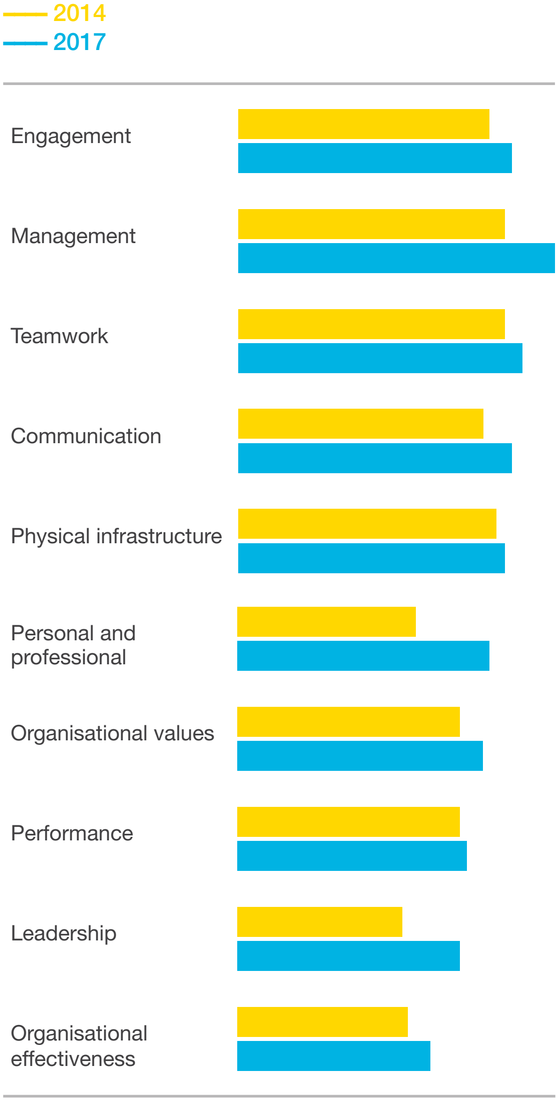
In 2016–17, we followed up the Staff Survey that we had conducted in 2014. The results showed improvements in all 10 of the factors we measured including those for communication, personal and professional development and organisational effectiveness. As we roll out our Action Plan in response to the survey we will look to set targets for continuous improvement.

Increased investment in staff development contributed to a 28% increase in levels of staff satisfaction with personal and professional development. Activities included our annual staff development festival, which focused on wellbeing and engagement and sharing and inspiring good practice through our Learning and Teaching conference. An online training library (Lynda.com) has been introduced for students and staff that allows them to share certificates of completion to their LinkedIn profile. The University's Information Technology Services, schools and Centre for Professional and Educational Development have worked collegially to improve academic readiness and adoption by providing an intensive training programme to improve digital capabilities in academic staff. This training programme also covers classroom technology, to ensure we maximise the benefit from our investment in new classroom technology.

We continue to increase our investment in staff training and development in 2017–18. This is a time of significant change for the University and the sector so we are working to ensure that our staff have the skills to succeed in their jobs.

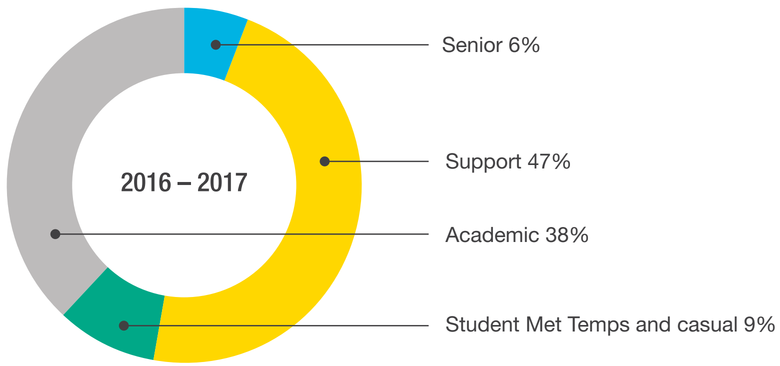
Our continued investment in improving staff communications included regular staff conversations with the Vice-Chancellor and wider management group, our school and professional service staff exchange programme, the publication of Volume 11 of our registered journal on university teaching, as well as the introduction of a total reward statement, which contributed to an 8% increase in staff satisfaction. There were also increases in staff satisfaction with leadership (up 22%) and management (up 17%). 92% of substantive staff used MyReview, our online appraisal system to record and review personal work and development targets, which is in its second year. We recognised good staff performance through our staff awards scheme.

Staff satisfaction 2014–2017

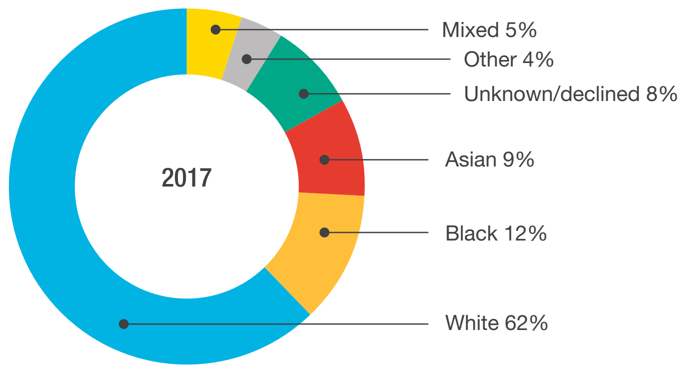


**Staff wellbeing**
We value the health and wellbeing of our staff, who we support through our occupational health services, on-site sport and fitness facilities, wellbeing events and our employee assistance programme. Staff reported a 7% improvement in health (relative to 2014) and an 8% reduction in stress. In total, 3% of time was lost due to sickness absence in 2016–17.

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




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



**Staff reward**
We operate an objective job evaluation system to ensure equal pay for work of equal value and we monitor our pay against the sector to help us in our aim to maintain salaries at sector median levels. We are an accredited London Living Wage employer. Staff on our pay spine benefit from an automatic annual incremental increase within their grade. 1,307 of our staff are defined as relevant staff for statutory gender pay gap reporting purposes and have a mean gender pay gap of 7.7%. In part the gap is due to men, on average, being 6% older than women enabling them to benefit more from automatic annual incremental progression.

All our staff are automatically enrolled into one of our pension schemes, either the Teachers' Pension Scheme or the London Pensions Fund Authority (a local government pension scheme) or, if they elect to do so, they can remain in the Universities Superannuation Scheme. We contribute up to 18% to staff pensions depending on the scheme and support those who are seeking advice or who wish to improve their pension benefits including through the provision of pension clinics and workshops.

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

## Public benefit

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

The University's main charitable purpose under the Charities Act is to advance education, including industrial, commercial, professional and scientific training, for the benefit of the public by carrying on, conducting and developing a university and by promoting teaching and research.

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

Our strategic plan 2015–2020 was published in July 2015. The need to demonstrate public benefit is embedded in all aspects of our strategy.

In addition to our core educational activity, we support our communities through work with local schools and colleges; through our student volunteering service and by encouraging and supporting our staff to contribute to our local community.

The University's ethos, which has always included a strong sense of social justice and the need to make a contribution to society means that many of our alumni also continue to play an active part.

We have over 195,000 registered alumni, many of whom have gone on to work in our local community. Former students of London Met's heritage institutions include Sadiq Khan, Mayor of London, Nicola Dandridge, the incoming Chief Executive of the Office for Students and George Soros, the investor and philanthropist, who studied English at evening classes in the early 1960s.

**Outreach**

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

Many of our students come from sections of society that are disadvantaged in access to education and employment. The impact of our widening participation efforts is reflected in our performance indicators for 2016–17:

- 60.1% of students were from minority ethnic communities
- 51.5% of full-time students were over 25 years old
- 12.9% had a disclosed disability
- 97.2% of all young full-time undergraduate entrants were from state schools or colleges

The above percentages are substantially higher than the national averages (2015–16).

The range of our outreach activity is extensive and we work closely with a number of local schools, colleges and other community organisations to raise attainment and aspiration of learners at Key Stages 2, 3, 4 and 5, as well as mature learners.

Our widening participation activities go beyond pre-entry and follow the whole of the student journey. Activities at pre-entry level include school and subject-focused summer schools for Year 12 students, progression and academic mentoring in schools, school and college workshops and a series of targeted interventions for care leavers and estranged students.

Longer-term outreach activities with local schools and colleges, designed to engage potential students in their student journey from the first point of contact through to their transition into university, include a series of six-week Gifted and Talented master classes in collaboration with the Royal Institution and the Royal Society of Chemistry, covering maths, engineering, computing and chemistry. We also run a national art and design Saturday club in collaboration with The Sorrell Foundation.

Our bursary and scholarship schemes are designed to encourage students from diverse backgrounds to study at the University and there are a range of bursaries, scholarships and fee reductions available.

Under the Student Progression Bursary scheme we offer each new home full-time undergraduate entrant who is eligible for a full maintenance loan a £1,000 student bursary for each year of study. As an accredited Buttle provider we continue to offer a Care Leavers' Bursary to students from a local authority cared-for background.

**Student and staff volunteering**
Over 200 students volunteered last year in more than 30 organisations. 18 charities advertised paid positions for part-time, temporary or graduate roles. Our students volunteered in schools, NHS trusts and many local organisations such as Amnesty International, Brent Children's Centre, Central and Eastern European (CEE) Citizens Network, Centrepoint, Islington Stop and Search Monitoring Group. Some volunteered overseas, including architecture students who improved properties occupied by refugees in Athens.

Staff have supported our community as curators, trustees, treasurers, governors, directors and by providing volunteer training, coaching, mediation, mentoring and through advisory and consultancy work with local organisations.

## Environmental sustainability

London Metropolitan University is amongst the greenest universities in the UK. Our carbon footprint has reduced by 66% since 2009. In 2016–17 we generated over 42,000 kWh of energy from photovoltaic panels on our campus; we reduced our water consumption by 6.5% and our recycling rate has increased to 63% with no waste going to landfill.

The sustainability team regularly enters and wins competitions. Awards for 2016–17 included:
- the Green Gown Award for Carbon Reduction – Highly Commended
- Edie Energy Manager of the Year
- Public Sector Sustainability Awards – Sustainability Manager of the Year
- Energy Institute Energy Champion – Highly Commended
- Public Sector Sustainability Awards Energy Champion – Runner Up

The team works closely with the Students' Union and in 2016–17 the National Union of Students' (NUS) Green Impact staff awareness scheme was implemented for the first time. This was used as a framework to develop a number of events for students. 11 teams of staff took part, with 82 team members. 408 environmental actions were undertaken and it provided 10 students with training and development opportunities in their roles as auditors.

We have implemented a Fairtrade Policy and Sustainable Food Policy which aims to improve the sustainability of the University's hospitality services and ensure we purchase items in an ethical way. We have increased the amount of drinking water fountains available across the University and improved our drinking water maps to reduce plastic bottle waste.

We also work with our wider community on environmental issues. 145 meals were donated to FareShare through a donation from our waste contractor based on the amount of food waste we collected. Fundraising activities are held for Islington Foodbank and we have seven Traid charity clothes recycling banks across the University.

In 2017–18, the University will publish its first environmental strategy which will set aims and targets in key areas of carbon management, water, waste, construction and refurbishment, travel and transport, biodiversity, sustainable food, staff and student engagement, sustainable procurement, community involvement and emissions and discharges.

Sustainability is a key consideration in the projects undertaken as part of the OCOC programme. All refurbishment and construction work will meet a minimum BREEAM excellent or Ska silver rating.

### Modern slavery

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

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

The University has developed standard contractual clauses which are being rolled out into its standard terms and conditions of supply, and which obliges suppliers to adhere to the Modern Slavery Act 2015 and to maintain records. The University does not tolerate slavery and human trafficking within its supply chains.

## Financial sustainability

Our financial strategy aims to:

- produce an annual operating surplus of greater than 5% of income, with an aim of 8%
- reduce staff costs as a percentage of income to match the average for similar London higher education institutions
- improve operating cash flow as a percentage of income to match the sector average
- maintain liquidity as a number of days expenditure, matching the sector average

Good progress has been made and although we expect to continue to make operating deficits in the short term, this is due to the high cost of restructuring and investment in change. Our forecasts show generation of operating cash and sustained growth in Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) over our forecast period with a return to operating surplus in the medium to long term.

### Financial indicators

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

| | 2015–16 Actual | 2016–17 Budget | 2016–17 Actual |
|---|---|---|---|
| Operating surplus before other gains and losses, restructuring costs and pension cost adjustments as a percentage of income | 5.1% | (1.7)% | 6.4% |
| EBITA (Earnings Before Interest, Taxes, Depreciation and Amortisation) adjusted for restructuring costs and pension cost adjustments | 10.3% | 5.6% | 12.5% |
| Liquidity (total expenditure excluding depreciation) | 426 days | 311 days | 413 days |
| Net operating cash flow as percentage of income | 0.6% | (7.3%) | 1.9% |
| Cost of staff, excluding restructuring costs and pension cost adjustments, as a percentage of income | 57.7% | 57.2% | 53.3% |

In 2016–17 the University achieved all key financial performance indicator targets.

## Operating and financial review

The University made an operating surplus of £6.5 million for 2016–17 (calculated before other gains and losses, restructuring costs and pension cost adjustments). This is £8.1 million better than the budgeted deficit of £1.6 million, and £1.1 million better than in 2015–16.

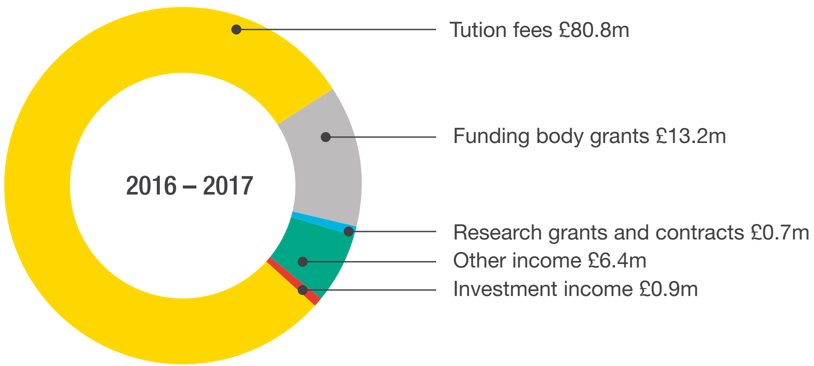
## Income

Total income for 2016–17 was £102.1 million, £5.7 million better than budget but £4.5 million (4.2%) lower than the prior year, reflecting a lower number of students enrolled at the University and changes to grant funding.

Tuition fees now account for 79.2% of our total income compared to 77.4% in 2015–16. Grants declined from 14.5% in 2015–16 to 12.9% in 2016–17.

Other income streams (including investment income) account for 7.8% of total income, 1.5% higher than 2015–16, predominantly due to an increase in validation fee income from a new collaborative partnership.

### Income by source



## Expenditure

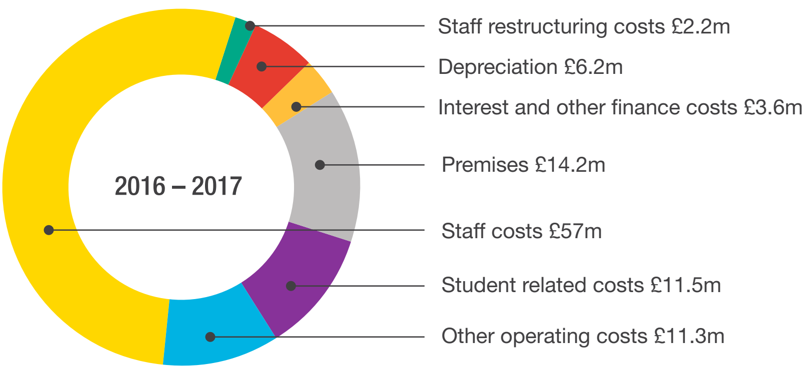
Total expenditure for 2016–17 was £106 million, a decrease of £8 million from the previous year.

Staff costs (excluding staff restructuring costs and pension cost adjustments) decreased by 12.3% from £62 million in 2015–16 to £54.4 million in 2016–17 and now represent 53.3% of income (2015–16: 57.7%). The University embarked on a restructuring exercise in 2015–16 and this has continued through 2016–17 with the aim of reducing staff costs towards our sector benchmark.

Spend on other operating expenditure has risen by 6.6% to £37.1 million (2015–16: £34.8 million). The increase is mainly due to estimated additional rent of £2.1 million on our Moorgate and Calcutta House buildings, arising as a result of retrospective rent reviews currently taking place. Other costs have predominantly remained unchanged from last year, reflecting the close control over expenditure in our continuing drive for efficiency.

Depreciation increased by 10.7% from £5.6m in 2015–16 to £6.2 million in 2016–17, reflecting the completion of our £14 million refurbishment project at Calcutta House and other capital expenditure.

### Expenditure by type



### Balance sheet
The University's net assets at 31 July 2017 were £149.3 million, an increase of £25.8 million compared to 31 July 2016. The increase is after taking into account the movement in the net LPFA pension provision which reduced by £24.9 million to £120.1 million (2016: £145 million), a drop of 17%.

### Fixed assets
During the year, £17 million was invested in facilities and infrastructure. This spend comprised £12.6 million on estate refurbishment and £4.4 million on IT equipment and furniture.

### Current assets
Net current assets decreased by £13 million to £116.3 million (2016: £129.3 million). This was mainly due to an overall drop in our cash and cash equivalents of £13.5 million to £107.7 million (2016: £121.2 million) as a result of increased expenditure in the year to fund our capital programme.

### Creditors and provisions
Creditors falling due within one year decreased by £2.3 million, from £22.7 million at 31 July 2016 to £20.5 million. Trade payables increased from £3.8 million at 31 July 2016 to £4.6 million in line with increases to capital expenditure and other operating expenditure. Accruals decreased from £11.2 million at 31 July 2016 to £7.8 million. An accrual of £2.5 million (2016: £5.0 million) was made for the cost of redundancy payments arising from the restructuring and staff reduction exercise that commenced in May 2016. The holiday pay accrual decreased by £0.5 million following a reduction in staff numbers.

Creditors falling due after more than one year decreased from £8.2 million at 31 July 2016 to £5.3 million, as £2.5 million of grant was repaid to HEFCE during the year.

Pension provisions decreased from £145.3 million at 31 July 2016 to £120.4 million. Despite fund liabilities increasing by £4 million, this was more than offset by an increase in fund assets of £29 million. The main cause of the improvement was an increase in the discount rate used to value future pensions payable from 2.5% to 2.7%, reflecting the increase in high-quality bond yields on long term AA-rated (high-quality) corporate bonds, which had the effect of reducing the value of future pension liabilities. £10.6 million (2016: £11.3 million) of the pension provision relates to unfunded benefits for liabilities inherited by the University on the closure of the Inner London Education Authority. The cost of these pensions is reimbursed to the University annually by the Higher Education Funding Council for England (HEFCE).

Other provisions comprise a provision for rent reviews of £3.4 million. Two of the University's leasehold buildings have retrospective rent reviews due under the terms of the contracts. The provision represents our best estimate of additional obligations that might arise as a result of the reviews.

### Treasury management
Cash flow monitoring forms a significant part of the University's financial controls. Day-to-day cash and short-term investments are managed through rolling annual cash flow forecasts which are updated every month. Annual capital cash flow forecasts are updated every year with planning and annual budget cycles, so that any future borrowing requirements can be identified and negotiated well in advance of need. Our cash position remains under pressure at certain points during the year, particularly before the third Student Loan Company fee payment point in May. We had in place a £10 million overdraft facility to address working capital risk. This was reviewed and reduced to £3 million with effect from November 2017.

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

Average daily cash and short-term investment balances in 2016–17 were £112.7 million (2015–16: £95.8 million). Interest earned on the balances was £0.8m (2014–15: £0.8 million) giving an average return for the year of 0.67% (2014–15: 0.82%).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### Future developments

The University carries out full reviews of its five-year rolling financial forecasts in January and June of each year. The most recent forecasts, approved by the Board in June 2017, included the following key metrics:

### Summary of key metrics (£m)

| | Actual 2015–16 | Actual 2016–17 | 2017–18 | 2018–19 | 2019–20 | 2020–21 | 2021–2022 |
|---|---|---|---|---|---|---|---|
| Turnover | 106.6 | **102.1** | 93.2 | 92.8 | 92.2 | 92.8 | 93.2 |
| Adjusted EBITDA | 11.0 | **12.7** | 7.9 | 11.1 | 14.6 | 14.2 | 17.9 |
| Adjusted operating surplus | 5.4 | **6.5** | 0.2 | 2.7 | 4.8 | 3.3 | 5.7 |
| Adjusted net operating cashflow | 10.2 | **8.8** | 0.3 | 7.5 | 12.9 | 14.6 | 18.1 |
| Year-end cash | 121.0 | **107.7** | 67.4 | 34.9 | 10.5 | 10.2 | 10.1 |
| Major projects expenditure | 8.2 | **17.0** | 31.7 | 33.7 | 37.4 | 24.6 | 27.5 |
| Net assets | 123.5 | **149.3** | 112.4 | 108.3 | 102.7 | 104.2 | 108.1 |
| Staff cost: income % | 57.7% | **53.3%** | 52.3% | 50.5% | 51.4% | 52.5% | 49.9% |

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

The pattern of EBITDA, adjusted EBITDA and adjusted operating surplus all show a gradual improvement over the forecast as early investment in transformation, both through OCOC and PISO, bears fruit. However, this investment causes the unadjusted operating surplus to turn to deficit until the final forecast year. This will be kept under careful review, to accelerate action and achievement of benefits wherever possible.

Operating cash flows are predominantly positive throughout the forecast period, although payment in 2017–18 of retrospective rent (included in provisions at the 2017 year end) together with high restructuring costs causes a cash outflow before adjustment for these factors.

**Risks**

The forecast is based on our best estimate of likely events, at June 2017 including the impact, timing and cost of OCOC and PISO. Changes in government policy, for example to tuition fee rates, are likely to have significant impact on the figures reported. We estimate that the announcement of an undergraduate fee cap at £9,250 will reduce these income forecasts by approximately £1 million from 2018–19 increasing to £3 million by 2019–10.

The primary internal risk remains uncertainty over predicting student recruitment and improvements in retention and progression, which drive the rest of the forecast. We have adopted a cautious view that links to our planned reduction in student numbers as part of the OCOC programme and assumed a 15% reduction in new students for 2017–18.

Risks associated with the confirmation of design, phasing and contract cost for the Holloway campus, and the overall complexity of the implementation plan have been mitigated by adopting a phased approach to capital works, with individual projects being authorised by separate business cases and gateway review before commitment is made.

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

The next full review of our forecasts will take place in January 2018.

# Members of the Board of Governors

**The members of the Board of Governors of London Metropolitan University as at 31 July 2017 are listed below.**

**Members of the Board of Governors**
Unless otherwise stated, all members served throughout the year.

| | Date of appointment |
|---|---|
| Mark Anderson ([Chair], FRC,GC) | 7 October 2016 |
| Rolande Anderson (FRC [Chair]) | |
| Fionnuala Duggan (FRC) | 26 January 2017 |
| Renarta Guy | 11 May 2017 |
| Rob Hull (Vice Chair, FRC) | |
| Harini Iyengar (AC) | |
| Adrian Kamellard (AC, [Chair]) | |
| Tony Millns (GC [Chair]) | |
| Ann Minogue (Vice Chair, FRC) | |
| Michael Murphy (AC) | 6 October 2016 |
| Alex Tarry (SG, EMP) | |
| Tunde Toki (ST) | 1 July 2017 |
| Cécile Tschirhart, (AG, AB, GC, EMP) | 29 November 2016 |
| John Raftery (AB [Chair], FRC, GC, EMP) | |
| Dianne Willcocks (GC) | |

**Independent co-opted committee members**

| | |
|---|---|
| Jane Broadbent (AC) | |
| Richard Indge (AC) | |
| Avnish Savjani (AC) | |
| Mick Mannion (FRC) | 29 November 2016 |
| Baron Anyangwe (FRC) | 6 October 2016 |

**Key**

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

**Changes in membership during the year and after the year-end**
Clive Jones was succeeded as Chair of the Board of Governors by Mark Anderson on 7 October 2016. He retired from the Board and as an Independent Governor on 6 October 2016.

Mark Anderson was appointed as an Independent Governor and Chair of the Board, and a member of the Finance and Resources Committee with effect from 7 October 2016 and as a member of the Governance Committee with effect from 16 March 2017.

Rob Hull's term as an Independent Governor came to an end on 31 July 2017. He was replaced as the Board's appointee to the trustee board of the Students' Union by Renarta Guy with effect from 1 August 2017.

Harini Iyengar was appointed as an Independent Governor with effect from 1 August 2016 and as a co-opted member of the Audit Committee on 29 November 2016.

Mick Mannion was appointed as a co-opted member of the Finance and Resources Committee with effect from 29 November 2016.

Baron Anyangwe was appointed as a co-opted member of the Finance and Resources Committee with effect from 6 October 2016.

Kathryn Castle's term as an Academic Governor ended on 31 July 2016. Cécile Tschirhart commenced as an Academic Governor on 29 November 2016 and as a Governance Committee member on 16 March 2017.

Florence Onwumere's term as Student Governor ended on 30 June 2017. Tunde Toki's term as Student Governor commenced with effect from 1 July 2017.

Cathy Sullivan's term as Staff Governor ended on 31 July 2016. Alex Tarry commenced as the Staff Governor on 6 October 2016.

Shaun Williams was appointed as an Independent Governor and a member of the Finance and Resources Committee with effect from 1 August 2016. He stepped down as an Independent Governor on 6 November 2016.

Pauline Curtis stepped down as an Independent Governor on 11 October 2016.

Fionnuala Duggan was appointed as an Independent Governor on 26 January 2017 and as a member of the Finance and Resources Committee with effect from 1 August 2017.

Renarta Guy was appointed as an Independent Governor on 11 May 2017.

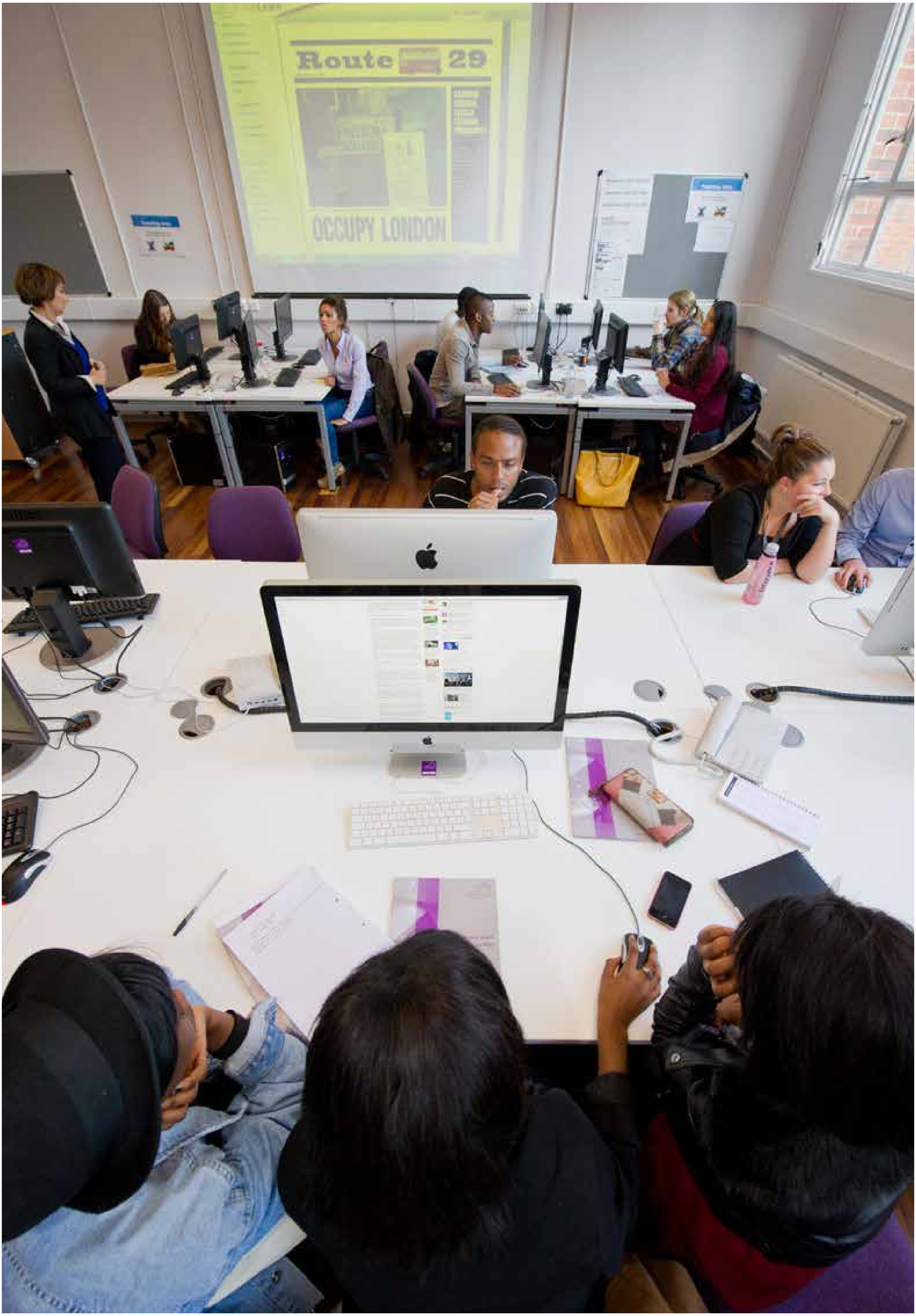
Shefaly Yogendra was appointed as an Independent Governor on 1 August 2017 and as a member of the Governance Committee with effect from 1 August 2017.

Catherine McCabe was appointed as a co-opted member of the Audit Committee with effect from 1 August 2017.

At its meeting on 30 June 2016, the Board agreed that the Remuneration Committee would cease. Since 1 September 2016 its business has been conducted by the Finance and Resources Committee, which acts as the Remuneration Committee.

At its meeting on 30 June 2016, the Board agreed that the Health and Safety Assurance Group would cease and that the Audit Committee would take on the Group's assurance role with respect to health and safety from 1 September 2016.

No payments were made during the year to members of the Board as the trustees of the University except in reimbursement of expenses incurred on the University's business. These expenses amounted to £11k (2015–16: £5k).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# Senior Leadership Team

**The members of the Senior Leadership Team of London Metropolitan University as at 31 July 2017 are listed below.**

| Senior Management Team | |
|---|---|
| Vice-Chancellor and Chief Executive | Professor John Raftery |
| Chief Operating Officer | John Duffy |
| Chief Financial Officer | Pam Nelson |
| Pro Vice-Chancellor – Academic Outcomes | Doctor Elizabeth Charman |
| Pro Vice-Chancellor – Employment Outcomes | Professor Dominic Palmer-Brown |
| University Secretary and Registrar | Peter Garrod |

# Principal advisers

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

**Bankers**
Barclays Bank Plc, Holloway and Kingsland Business Centre, London E8 2JK

**Endowment investment custodians**
Fidelity Investments, Oakhill House, Hildenborough, Tonbridge, Kent TN11 9DZ

**Endowment investment managers**
Henderson Global Investors Ltd, 201 Bishopsgate, London EC2M 3AE

**Insurers**
Arthur J Gallagher, Station Square, One Gloucester Street, Swindon SN1 1GW

Zurich Municipal, Southwood Crescent, Farnborough, Hampshire GU14 0NJ

**Internal auditors**
PricewaterhouseCoopers LLP, 7 More London Riverside, London SE1 2RT

**Property advisers**
Cushman & Wakefield, Central Square, Forth Street, Newcastle upon Tyne NE1 3PJ

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

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

# Statement of Responsibilities of the Board of Governors

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

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

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

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

- suitable accounting policies are selected and then applied consistently
- judgments and estimates are made that are reasonable and prudent
- applicable accounting standards and statements of recommended practice are followed, and that 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, are responsible for ensuring that proper accounting records are kept which disclose with reasonable accuracy at any time the financial position of the University and the Group and to enable it to ensure that the financial statements comply with the Companies Act 2006, the Accounts Direction issued by HEFCE and the Statement of Recommended Practice: Accounting for Further and Higher Education. The Finance and Resources Committee and the Audit Committee also have delegated responsibilities for ensuring that the assets of the group are safeguarded and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

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

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

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

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

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

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

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

# Statement of Corporate Governance

This statement is intended to help readers understand the corporate governance procedures that are in place at the University. It covers the period from 1 August 2016 to the date of approval of the audited financial statements.

### The moral and ethical environment

The University's mission and values are defined in the University's Strategic Plan 2015–2020. The University endeavours to conduct its business in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership).

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

The Board has regard to the voluntary Higher Education Code of Governance issued by the Committee of University Chairs (CUC). The Board's Governance Committee carries out an annual mapping of the University's compliance with the CUC Code. The mapping carried out in May 2017 found that the University continued to comply with all substantial elements of the CUC's Code. The mapping will inform further development of the University's governance in 2017–18. As the University is a charity, the Board has also had regard to the Charity Commission's guidance on public benefit.

### How the University is governed

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

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

The Board is responsible for the ongoing strategic direction of the University, its financial solvency, approval of major developments, and the receipt of regular reports from the Senior Leadership Team (the University's Executive) on the day-to-day operations of the University and its subsidiary companies. Under the Articles of Association a number of matters are reserved to the Board. The Board has approved the following key governance documents, which are regularly reviewed:

- A Statement of Primary Responsibilities, defining the Board's principal responsibilities under the University's Articles of Association
- A Scheme of Delegation, which defines how responsibilities are delegated to the Board's Committees and to the Vice-Chancellor and other members of the Executive
- Board Regulations, which set out in detail how matters which the University's Articles envisage being governed by Regulations will operate and how matters set out in the Articles will operate on a day-to-day basis. The Board Regulations provide an overarching framework for other University Regulations, including the Academic Regulations (approved by the Academic Board under delegated authority), the Financial Regulations and the Scheme of Delegation
- Financial Regulations, which provide the framework within which the University's financial policies, procedures and systems of control operate

The Board has established an Academic Board which is responsible under delegated authority from the Board of Governors for maintaining and enhancing the academic performance of the University in teaching, examining and research, and for advising the Board of Governors on matters relating to the educational character and mission of the University. The Academic Board's terms of reference are approved by the Board of Governors.

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

London Metropolitan University's Students' Union is a company limited by guarantee with charitable status. While the Students' Union is an independent organisation with considerable responsibility for and autonomy in its own affairs, the University's Board of Governors is responsible under the Education Act 1994 for general oversight. The University values its students and to that end the President of the Students' Union is a member of the Board of Governors. The Board also appoints one of the Students' Union's external trustees. That role was performed by Governor Rob Hull in 2016–17. Governor Renarta Guy has been appointed to succeed Rob as the Board's appointee to the Students' Union's trustee board in 2016–17.

### Governance during the year

In the year to 31 July 2017 the Board met four times. In addition, it held two Strategy Days in January and May 2017 to consider how the University should respond to rapid changes in the higher education environment, to ensure that London Met will continue to meet the future human capital needs of London. The Away Days allowed Governors to consider and input to a strategic options analysis, culminating in recommendations for future investment in online learning and apprenticeships which were approved by the Board in June 2017.

Mark Anderson succeeded Clive Jones as Chair of the Board with effect from 7 October 2016.
The Board's sub-committees are:

- Audit Committee (met four times in 2016–17)
- Finance and Resources Committee (met four times in 2016–17)
- Governance Committee (met twice in 2016–17)

These committees are formally constituted with appropriate terms of reference approved by the Board of Governors, which are regularly reviewed. The Scheme of Delegation defines the responsibilities delegated to committees by the Board. The Board of Governors receives a report of each committee meeting, which is presented to the Board by the chair of the committee.

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

The Board receives regular reports on the University's academic performance and actions to improve student outcomes. To assist Governors in engaging with the University's academic strategy, the Board meets periodically in joint session with the Academic Board. A joint meeting was held in March 2017 and two are scheduled for 2017–18. Governors receive the agendas of Academic Board meetings and have a standing invitation to attend meetings of the Academic Board.

The Audit Committee, chaired by Adrian Kamellard, reviews the work of the internal and external auditors and considers their reports, together with recommendations for the improvement of the systems of internal control in conjunction with management responses and implementation plans. It reviews the University's annual financial statements and the appropriateness of its accounting policies. It also provides oversight of the risk management process on the Board's behalf. Each meeting receives a report on data quality management, and the committee also derives assurance from reports on the continuous auditing of student data performed by the internal auditors. The committee receives and considers reports from HEFCE insofar as they affect the University's business and monitors adherence to regulatory requirements, including health and safety (a health and safety report is provided to each meeting of the Audit Committee; operational matters relating to the implementation of the Health and Safety Strategy are considered by the Health and Safety Committee, which is an executive committee). Members of the Senior Leadership Team attend Audit Committee meetings as necessary, but are not members of it. The Chair of the Board is not a member and does not attend its meetings.

The Finance and Resources Committee, chaired by Rolande Anderson, reviews and recommends to the Board of Governors the University's annual capital and revenue budgets and the financial forecasts submitted to HEFCE. Its role includes inter alia reviewing the University's financial regulations and its draft financial statements, monitoring financial performance, and considering estates and human resources matters.

Following a decision by the Board in June 2016 to merge the two committees, in 2016–17 the Finance and Resources Committee also acted as the University's Remuneration Committee, reviewing the performance, objectives and remuneration of the Senior Leadership Team. No members of the Finance and Resources Committee serve on the Audit Committee.

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

**Internal control**

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

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

The system of internal control is informed by a continuous process to identify, evaluate and manage the University's significant risks, linked to the achievement of institutional objectives. This process covers business, operational and compliance as well as financial risk, and has been in place for the year ended 31 July 2017 and up to the date of approving these financial statements.

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

- The Board approved a Statement of Risk Appetite in June 2017 which specifies the amount of risk the University is willing to tolerate or accept in the pursuit of its long-term objectives. The Statement of Risk Appetite is reviewed by the Board annually.
- The Board receives regular progress reports on Risk Management and confirms there is a clear policy and plan of risk management, which has been communicated to the Schools and Professional Service Departments (PSDs). The University's Risk Management Policy and Process was revised in 2017 and approved by the Board of Governors in June 2017
- The Corporate Risk Register is updated throughout the year and identifies the main risk owners and risk-mitigating actions. Risks are scored by likelihood and impact and are ranked accordingly. Risk registers are also maintained for each School and major PSD, as well as for major programmes in which the University is involved. The University has a Risk Champions group of staff involved in maintaining local risk registers which meets quarterly. Minutes of the Risk Champions group are reported to the Senior Leadership Team
- The Senior Leadership Team conducts an in-depth review of the Corporate Risk Register in September and reviews it quarterly over the course of the year. The University Secretary and Registrar is the member of the Senior Leadership Team with lead responsibility for risk management
- The Audit Committee oversees the arrangements for risk management and at each meeting receives a report on the Corporate Risk Register as well as a report on the risk management processes in place in Schools and PSDs. Members of the Board receive a report of each meeting of the Audit Committee;

- At each meeting the Audit Committee also receives a report summarising the key risks being monitored in the risk registers of the University's three strategic sustainability programmes – One Campus, One Community, the Programme for Improved Student Outcomes and the Employment Outcomes programme. The report covers risks with residual risk scores classed as "red", new/removed risks and any changes to residual risk scores since the last report, enabling the Committee to provide the Board with assurance that risks relating to these programmes are being managed effectively
- Each year the Audit Committee approves a programme of specific internal audits for the following year, in addition to a programme of continuous auditing of the core financial systems and student data. The programme of internal audit is based around a structured assessment of system risks within the University's operations and is reviewed in-year to ensure that emerging issues are addressed
- The Audit Committee receives reports from the internal auditors at each meeting. These reports provide an independent opinion of the adequacy and effectiveness of the University's arrangements for risk management and the internal control systems, together with appropriate recommendations. The internal auditors also report as a matter of course on the progress made in implementing recommendations from previous reports
- The Audit Committee, in its annual report to the Board of Governors, provides an annual opinion on the adequacy and effectiveness of the University's arrangements for risk management, control and governance
- The Chief Financial Officer and the University Secretary and Registrar attend meetings of the Audit Committee and have direct and independent access to members of that Committee, as do the internal and external auditors

The Board, through the Audit Committee, has reviewed the effectiveness of the system of internal control operating in 2016–17 and up to the date of approval of the financial statements.

There were no significant internal control issues during the year.

The financial statements on pages 50 to 79 were approved by the Board of Governors of London Metropolitan University on 30 November 2017, and signed on its behalf by:

Mark Anderson
Chair of the Board of Governors

Professor John Raftery
Vice-Chancellor and Chief Executive

Date: 30 November 2017

# Director’s Report

The Board of Governors (the Board), as the directors of London Metropolitan University, presents the University’s Annual Report and audited financial statements for the year ended 31 July 2017.

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

The Board has examined financial forecasts based upon these audited financial statements and estimates of income, expenditure and cash flow for the period to 31 July 2022. For the purpose of their going concern review, the Board has focused on the period to 30 November 2018.

The Board approved a budget for 2017–18 in June 2017 which showed Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) of £6 million before restructuring costs. Restructuring costs and non-cash operating items result in a planned operating deficit of £11.6 million. A major review of the University’s sustainability was carried out in 2015–16 and a plan, One Campus, One Community, is being implemented. This will consolidate the University on a single campus, bringing all of its teaching and academic departments together to create a revitalised campus in Islington and facilitates the reduction of operational costs through rationalisation of services. The financial forecasts approved by the Board in June 2017 reflect this plan and show a continuing improvement in EBITDA, with a return to operating surplus at the end of the investment cycle.

As at 31 July 2017, the University held cash and investments totalling £107.7 million, which provide the basis for investment in the plan. The cash flow forecast for 2017–18 shows a cash balance of £67.4 million at 31 July 2018 after funding £31.7 million of capital investment. The forecast cash balance at 31 July 2019 is £34.9 million after funding £33.7 million of capital investment in 2018–19. All major capital projects are considered by the Board before major financial commitment is made. The forecasts will be regularly updated as detailed planning for One Campus, One Community is developed.

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

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

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

**Donations**
The Group makes no political or charitable donations.

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

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

**Approval of financial statements by the Board**
The financial statements on pages 50 to 79 were approved by the Board of Governors of London Metropolitan University on 30 November 2017, and signed on its behalf by:

Mark Anderson
Chair of the Board of Governors

166–220 Holloway Road, London N7 8DB
Date: 30 November 2017


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

(Company Registration Number: 974438)

## Report on the audit of the financial statements

### Opinion

We have audited the financial statements of London Metropolitan University (the University) for the year ended 31 July 2017 which comprise the Statement of Comprehensive Income and Expenditure, Statement of Change in Reserves, Balance Sheet, Cash Flow Statement and related notes, including the accounting policies.

In our opinion the financial statements:

- give a true and fair view of the state of the University's affairs as at 31 July 2017 and of the University's income and expenditure, gains and losses and changes in reserves, and of the cash flow, for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland, and with the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education;*
- meet the requirements of HEFCE's Accounts Direction to higher education institutions for 2016–17 financial statements; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### Basis for opinion

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

### Going concern

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

### Other information

The directors are responsible for the other information, which comprises the Strategic Report, Statement of Corporate Governance and Directors' Report. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

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

- we have not identified material misstatements in the other information;
- in our opinion the information given in the Strategic Report, Statement of Corporate Governance and Directors' Report for the financial year, is consistent with the financial statements; and
- in our opinion the Strategic Report and the Directors' Report have been prepared in accordance with the Companies Act 2006.

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

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

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

We have nothing to report in these respects.

**Board of Governors responsibilities**
As explained more fully in their statement set out on pages 40 to 41, the Board of Governors (who are the Directors of the University company for the purposes of company law) is responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the University's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless it either intends to liquidate the University or to cease operations, or has no realistic alternative but to do so.

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

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

**Report on other legal and regulatory requirements**
We are required to report on the following matters under the HEFCE Audit Code of Practice (effective 1 August 2016) issued under the Further and Higher Education Act 1992.

In our opinion, in all material respects:
- funds from whatever source administered by the University for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation; and
- funds provided by HEFCE have been applied in accordance with the Memorandum of Assurance and Accountability and any other terms and conditions attached to them.

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

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

30 November 2017

# Statement of Comprehensive Income and Expenditure

| | Notes | 2016–17 £'000 | 2015–16 £'000 |
|---|---|---|---|
| **Income** | | | |
| Tuition fees | 1 | 80,836 | 82,446 |
| Funding body grants | 2 | 13,181 | 15,388 |
| Research grants and contracts | 3 | 714 | 1,174 |
| Other income | 4 | 6,378 | 6,656 |
| Investment income | 5 | 914 | 824 |
| Total income before donations and endowments | | **102,023** | 106,488 |
| Donations and endowments | 6 | 55 | 78 |
| **Total income** | | **102,078** | 106,566 |
| **Expenditure** | | | |
| Staff costs | 7 | 56,991 | 63,993 |
| Staff restructuring costs | 7 | 2,170 | 6,035 |
| Other operating expenses | 8 | 37,057 | 34,772 |
| Depreciation | 10 | 6,245 | 5,585 |
| Interest and other finance costs | 9 | 3,566 | 3,634 |
| **Total expenditure** | | **106,029** | 114,019 |
| **Deficit before other gains and losses** | | **(3,951)** | (7,453) |
| Gain on disposal of fixed assets | 10 | – | 30,676 |
| Release of unused provision | 17 | – | 200 |
| **(Deficit) / surplus for the year** | | **(3,951)** | 23,423 |
| Actuarial gain / (loss) in respect of pension scheme | 20 | 29,738 | (42,499) |
| **Total comprehensive income / (loss) for the year** | | **25,787** | (19,076) |
| Represented by: | | | |
| Endowment comprehensive income for the year | | 37 | 18 |
| Restricted comprehensive income / (loss) for the year | | 2 | (61) |
| Unrestricted comprehensive income / (loss) for the year | | 26,388 | (12,237) |
| Revaluation reserve comprehensive loss for the year | | (640) | (6,796) |
| | | **25,787** | (19,076) |

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

# Statement of Changes in Reserves

| | Endowment £'000 | Restricted £'000 | Unrestricted £'000 | Revaluation £'000 | Total £'000 |
|---|---|---|---|---|---|
| Balance at 1 August 2015 | 153 | 1,010 | 72,484 | 68,923 | 142,570 |
| Surplus from the income and expenditure statement | 18 | 81 | 23,324 | – | 23,423 |
| Other comprehensive expenditure | – | – | (42,499) | – | (42,499) |
| Transfers between revaluation and income and expenditure | – | – | 640 | (640) | – |
| Transfer revaluation reserve to unrestricted reserve | – | – | 6,156 | (6,156) | – |
| Release of restricted funds spent in year | – | (142) | 142 | – | – |
| Total comprehensive income for the year | 18 | (61) | (12,237) | (6,796) | (19,076) |
| **Balance at 1 August 2016** | **171** | **949** | **60,247** | **62,127** | **123,494** |
| | | | | | – |
| Surplus/(deficit) from the income and expenditure statement | 37 | 57 | (4,045) | – | (3,951) |
| Other comprehensive income | – | – | 29,738 | – | 29,738 |
| Transfers between revaluation and income and expenditure | – | – | 640 | (640) | – |
| Release of restricted funds spent in year | – | (55) | 55 | – | – |
| **Total comprehensive income for the year** | **37** | **2** | **26,388** | **(640)** | **25,787** |
| **Balance at 31 July 2017** | **208** | **951** | **86,635** | **61,487** | **149,281** |

# Balance Sheet

| | Notes | 2016–17 £'000 | 2015–16 £'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Fixed assets | 10 | 181,875 | 171,111 |
| Investments | 11 | 630 | 573 |
| | | **182,505** | 171,684 |
| **Current assets** | | | |
| Stock | 12 | 64 | 38 |
| Trade and other receivables | 13 | 8,513 | 8,000 |
| Investments | 14 | 54,000 | 84,500 |
| Cash and cash equivalents | | 53,710 | 36,501 |
| | | **116,287** | 129,039 |
| Less: Creditors: Amounts falling due within one year | 15 | (20,455) | (22,550) |
| **Net current assets** | | **95,832** | 106,489 |
| **Total assets less current liabilities** | | **278,337** | 278,173 |
| Creditors: amounts falling due after more than one year | 16 | (5,258) | (8,150) |
| **Provisions** | | | |
| Pension provisions | 17 | (120,404) | (145,276) |
| Other provisions | 17 | (3,394) | (1,253) |
| **Total net assets** | | **149,281** | 123,494 |
| **Restricted reserves** | | | |
| Income and expenditure reserve – endowment reserve | 18 | 208 | 171 |
| Income and expenditure reserve – restricted reserve | 19 | 951 | 949 |
| **Unrestricted reserves** | | | |
| Income and expenditure reserve – unrestricted reserve | | 86,635 | 60,247 |
| Revaluation reserve | | 61,487 | 62,127 |
| **Total reserves** | | **149,281** | 123,494 |

The Financial Statements on pages 50 to 79 were approved by the Board of Governors of London Metropolitan University on 30 November 2017, and were signed on its behalf by:

Mark Anderson
Chair of the Board of Governors

Professor John Raftery
Vice-Chancellor and Chief Executive

# Cash Flow Statement

| | Notes | **2016–17 £'000** | 2015–16 £'000 |
|---|---|---|---|
| **Cash flow from operating activities** | | | |
| (Deficit)/surplus for the year | | (3,951) | 23,423 |
| **Adjustment for non-cash items** | | | |
| Depreciation | 10 | 6,245 | 5,585 |
| Gain on investments | 5 | (157) | (31) |
| Exchange rate gain | | (21) | (137) |
| (Increase)/decrease in stock | 12 | (26) | 3 |
| (Increase)/decrease in debtors | 13 | (349) | 2,138 |
| Decrease in creditors | 14 | (5,122) | (3,657) |
| Increase in pension provision | 17 | 1,300 | 978 |
| Increase in other provisions | 17 | 2,141 | 953 |
| **Adjustment for investing or financing activities** | | | |
| Investment income | 5 | (757) | (798) |
| Interest payable | 9 | 3,566 | 3,634 |
| Endowment income | | – | (23) |
| Profit on the sale of fixed assets | | (57) | (30,676) |
| Capital grant income | | (876) | (789) |
| **Net cash inflow from operating activities** | | **1,936** | 603 |
| **Cash flows from investing activities** | | | |
| Proceeds from sales of fixed assets | | 57 | 50,124 |
| Capital grant receipts | | 876 | 789 |
| Investment income | | 520 | 406 |
| Payments made to acquire fixed assets | | (16,271) | (9,702) |
| Decrease/(increase) in current asset investments | | 30,500 | (31,000) |
| | | **15,682** | 10,617 |
| **Cash flows from financing activities** | | | |
| Endowment cash received | | – | 23 |
| New unsecured loans | | – | 213 |
| Repayments of amounts borrowed | | (409) | (403) |
| | | **(409)** | (167) |
| **Increase in cash and cash equivalents in the year** | | **17,209** | 11,053 |
| Cash and cash equivalents and the beginning of the year | | 36,501 | 25,448 |
| Cash and cash equivalents and the end of the year | | 53,710 | 36,501 |

# Accounting policies

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

## (A) Basis of preparation

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

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

### Going concern

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

The University prepares budgets and forecasts on an annual basis and operates an ongoing five-year forecast sustainability review in line with HEFCE guidance. The going concern nature of the University has been considered for a period of greater than 12 months from the date of approval of the financial statements.

Detailed cash flow forecasts covering a period of greater than 12 months have been prepared and the Board is satisfied that it can meet its day-to-day working capital requirements out of cash and liquid investments.

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

## (B) Basis of consolidation

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

## (C) Income recognition

Income recognition is determined by the nature of the transaction, income source and whether or not the transaction has commercial substance. Where a transaction has commercial substance it is accounted for as a revenue transaction. Income is recognised in line with the provision of the associated goods or services, with reference to the terms of the contract.

### Tuition fees

Fee income is credited to the Statement of Comprehensive Income using a time-apportionment method over the period of the course; it is stated gross of bursaries, scholarships, fee waivers and provisions for doubtful debts, all of which are included in other operating expenses. Where the amount of the tuition fee is reduced by a discount for prompt payment, income receivable is shown net of the discount. Short course fees are accounted for as for service contracts below.

### Sale of goods and services

Income from the sale of goods or services is credited to the Statement of Comprehensive Income when the goods or services are supplied to customers.

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

### Investment income

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

### Agency income

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

### Transactions without commercial substance

When the University receives income on a basis that is without commercial substance it accounts for this on a non-exchange transaction basis. A non-exchange transaction is defined as when an entity receives value from another entity without directly giving approximately equal value in exchange.

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

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

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

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

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

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

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

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

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

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

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

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

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

### Restricted permanent endowments

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

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

### Restricted expendable endowments

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

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

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

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

## (E) Taxation

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

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

## (F) Fixed assets

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

### Land and buildings

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

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

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

- freehold buildings – 55 years, or their remaining expected economic life, if shorter
- alterations and building improvements – 30 years, or their remaining expected economic useful life, if shorter

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

### Equipment and furniture

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

- computer equipment, software, other equipment and furniture – five years
- boiler system – 25 years

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

### Repairs and maintenance

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

### Heritage assets

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

## (G) Leases

### Finance leases

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

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

### Operating leases

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

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

## (H) Stock

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

## (I) Retirement benefits

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

The schemes are statutory, contributory, defined benefit and are contracted out of the State Second Pension (S2P). The LPFA scheme and the funds of the USS are valued every three years. The funds of the TPS normally are valued every five years. In the intervening years, actuaries review the progress of the schemes.

The University is able to identify its share of the underlying assets and liabilities of the LPFA scheme and thus account for it as a defined benefit scheme. The TPS and USS are multi-employer schemes for which it is not possible to identify the assets and liabilities to University members due to the mutual nature of these schemes and therefore these schemes are accounted for as defined contribution retirement benefit schemes.

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

## (J) Employment benefits

Short-term employment benefits such as salaries and compensated absences are recognised as an expense in the year in which the employees render service to the University. A liability is recognised at each balance sheet date to the extent that employee holiday allowances have been accrued but not taken, the expense being recognised as staff costs in the Statement of Comprehensive Income.

### (K) Investments

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

### (L) Cash and cash equivalents

Cash includes cash in hand, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are in practice available within 24 hours without penalty.

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

### (M) Provisions and contingent liabilities

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

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

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

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

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

### (N) Foreign currencies

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the dates of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into sterling and are shown in the balance sheet at the rate of exchange ruling at the year-end date. The resulting exchange differences are taken to the Statement of Comprehensive Income in the year in which they arise.

### (O) Reserves

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

### (P) Significant estimates and judgments

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

#### Tangible fixed assets

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

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

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

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

**Rent review provision**
Two of the University's leasehold buildings have rent reviews due under the terms of the contracts. The rent review clause for each property sets out the method of the review, assumptions and disregards to be made when valuing the premises' for the purpose of rent review and the procedure to be followed.
The University has instructed its property advisers to negotiate on its behalf with the landlord of these properties. Details of the rent review provision can be found in Note 17.

| | 2016–17 £'000 | 2015–16 £'000 |
|---|---|---|
| **1. Tuition fees** | | |
| Full-time students: | | |
| Home and EU | 67,513 | 68,264 |
| Overseas | 3,578 | 4,296 |
| Part-time students | 9,745 | 9,886 |
| | **80,836** | 82,446 |
| **2. Funding body grants** | | |
| **Recurrent grants** | | |
| Higher Education Funding Council for England | 10,287 | 12,203 |
| National College for Teaching and Leadership | 48 | 166 |
| **Specific grants** | | |
| Knowledge exchange funding | 751 | 893 |
| Inherited pension liability reimbursement | 1,103 | 1,152 |
| Catalyst fund | 102 | – |
| Postgraduate support scheme | – | 170 |
| Capital grants | 876 | 789 |
| Other | 14 | 15 |
| | **13,181** | 15,388 |
| **3. Research grants and contracts** | | |
| Research councils | 34 | 108 |
| UK-based charities | 46 | 132 |
| European Union | 257 | 334 |
| Other | 377 | 600 |
| | **714** | 1,174 |
| **4. Other income** | | |
| Consultancy | 265 | 177 |
| Trading income | 1,519 | 1,533 |
| Sale of materials and other departmental income | 146 | 271 |
| Rental income and hire of facilities | 835 | 918 |
| Income from academic partnerships | 2,865 | 481 |
| Other income | 748 | 3,276 |
| | **6,378** | 6,656 |

| | 2016–17 £’000 | 2015–16 £’000 |
|---|---|---|
| **5. Investment income** | | |
| Investment income on endowments | 37 | 18 |
| Investment income on restricted reserves | 26 | 18 |
| Other investment income | 851 | 788 |
| Totals | 914 | 824 |
| **6. Donations and endowments** | | |
| Donations with restrictions | 35 | 43 |
| Unrestricted donations | 20 | 35 |
| | 55 | 78 |
| **7. Staff costs** | | |
| Costs: | | |
| Academic staff | 27,110 | 33,115 |
| Other staff | 29,881 | 30,878 |
| | **56,991** | 63,993 |
| Comprising: | | |
| Salaries | 42,781 | 49,479 |
| Social security costs | 4,396 | 4,510 |
| HMRC apprenticeship levy | 68 | – |
| Movement in LPFA provision | 2,233 | 1,894 |
| Movement in USS provision | (8) | (20) |
| Other pension costs | 7,521 | 8,130 |
| | **56,991** | 63,993 |
| Staff restructuring costs | 2,170 | 6,035 |
| | **59,161** | 70,028 |
| Emoluments of the Vice-Chancellor and Chief Executive: | | |
| Salary | 259 | 220 |
| Payments in lieu of pension contributions | 55 | – |
| Pension contributions | 14 | 35 |
| | **328** | 255 |

The Vice-Chancellor and Chief Executive was a member of The London Pensions Fund Authority (LPFA) until November 2016, when a change in tax rules on pension contributions affecting annual and lifetime allowances meant that it was no longer beneficial to remain a member. Following the change, the Remmuneration Committee agreed to make payments in lieu of pension contributions. Pension contributions shown above for 2016–17 relate to the period of membership of the Fund to November 2016. As at 31 July 2017 his gross accrued pension per annum was £91k (2016: £79k) and his accrued tax free lump sum was £162k (2016: £140k).

| Staff costs (continued) | **2016–17** | 2015–16 |
|---|---|---|
| The number of other higher-paid staff (excluding the Vice-Chancellor and Chief Executive) who received remuneration (excluding pension contributions) in the following ranges was: | | |
| | No. | No. |
| £100,001 to £110,000 | 2 | 1 |
| £110,001 to £120,000 | 1 | 2 |
| £160,000 to £170,000 | 0 | 2 |
| | 3 | 5 |
| The average number of full-time equivalent employees during the year was: | | |
| Academic staff | 446 | 555 |
| Other staff | 647 | 693 |
| | 1,093 | 1,248 |

Compensation of loss of office to higher paid post holders

| | **2016–17** | 2015–16 |
|---|---|---|
| | **£'000** | £'000 |
| Compensation recorded within staff costs | 202 | – |

The compensation pay for loss of office comprise of amounts paid in 2016–17 to two employees earning emoluments in excess of £100,000.

**Key management personnel**

Key management personnel are those employees having authority and responsibility for planning, directing and controlling the activities of the University. The University considers the Board of Governors and the Senior Management Group as its key management personnel. Key management personnel consist of 20 personnel (2015–16: 24), including the Vice-Chancellor and Chief Executive. Of the 20 personnel, eight (2015–16: 14) were remunerated as employees of the University. The remaining 12 (2015–16: 13) are independent governors and are not remunerated.

| | **2016–17** | 2015–16 |
|---|---|---|
| | **£'000** | £'000 |
| Salaries | 884 | 1,291 |
| Pension contributions | 109 | 208 |
| | 993 | 1,499 |

During the year £11k (2015–16: £5k) was paid in respect of governors' expenses. A total of seven governors received expenses (2015–16: five).

| | staff costs £'000 | Other operating expenses £'000 | depreciation £'000 | Interest payable £'000 | **2016–17 £'000** | 2015–16 £'000 |
|---|---|---|---|---|---|---|
| **8. Analysis of total expenditure by activity** | | | | | | |
| Academic departments | 27,566 | 7,009 | 1,751 | – | **36,326** | 40,205 |
| Academic services | 5,891 | 4,206 | 358 | – | **10,455** | 6,907 |
| Administration and central services | 17,555 | 10,310 | 805 | – | **28,670** | 32,825 |
| Premises | 2,957 | 14,198 | 3,275 | – | **20,430** | 20,851 |
| Research grants and contracts | 440 | 318 | 56 | – | **814** | 1,294 |
| Other expenditure | 4,752 | 1,016 | – | 3,566 | **9,334** | 11,937 |
| | **59,161** | **37,057** | **6,245** | **3,566** | **106,029** | 114,019 |

| | 2016–17 | 2015–16 |
|---|---|---|
| **Other operating expenses includes:** | | |
| Operating lease rentals | | |
| – land and buildings | **4,295** | 3,528 |
| – other | **597** | 562 |
| | | |
| External auditor's remuneration (excluding VAT): | | |
| – audit of these financial statements | **57** | 73 |
| – audit of the University's subsidiary | **–** | 1 |
| – other audit services | **11** | 11 |
| Internal auditor's remuneration | **145** | 143 |
| Students' Union grant | **503** | 535 |

The total shown for other expenditure includes £2,170k of staff restructuring costs (2015–16: £6,035k), £2,297 of non-staff restructuring costs (2015-16: £1,290k), and £4,867k (2015–16: £4,612k) in respect of FRS 102 pension cost adjustments and USS deficit recovery plan provision adjustments to staff costs, other operating expenses and interest payable.

| **9. Interest and other finance costs** | **2016–17** £'000 | **2015–16** £'000 |
|---|---|---|
| Net charge on pension scheme deficit | 3,566 | 3,634 |

## 10. Tangible fixed assets

| | Land and buildings | | | | | |
|---|---|---|---|---|---|---|
| | Freehold £'000 | Under construction £'000 | Alterations and improvements £'000 | Long leasehold £'000 | Equipment and furniture £'000 | Total £'000 |
| **Cost** | | | | | | |
| At 1 August 2016 | 145,172 | 4,103 | 26,345 | 1,175 | 32,731 | 209,526 |
| Additions | – | 3,508 | 9,148 | – | 4,353 | 17,009 |
| Disposals | – | – | – | – | (1,399) | (1,399) |
| Transfers | – | (3,949) | 3,949 | – | – | – |
| **At 31 July 2017** | **145,172** | **3,662** | **39,442** | **1,175** | **35,685** | **225,136** |
| **Depreciation** | | | | | | |
| At 1 August 2016 | 3,639 | – | 7,545 | 342 | 26,889 | 38,415 |
| Charge for year | 1,765 | – | 1,315 | 20 | 3,145 | 6,245 |
| Eliminated on disposal | – | – | – | – | (1,399) | (1,399) |
| **At 31 July 2017** | **5,404** | **–** | **8,860** | **362** | **28,635** | **43,261** |
| **Net book value at 31 July 2017** | **139,768** | **3,662** | **30,582** | **813** | **7,050** | **181,875** |
| Net book value at 31 July 2016 | 141,533 | 4,103 | 18,800 | 833 | 5,842 | 171,111 |
| **Cost of land included in above** | **35,121** | **–** | **–** | **–** | **–** | **35,121** |

**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 £20,676k of net book value relates to alterations and improvements undertaken on properties held under operating leases.

| | | | | | | |
|---|---|---|---|---|---|---|
| **Net book value at 31 July 2017** | **9,877** | **–** | **–** | **29** | **–** | **9,906** |

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

During 2015–16 the University sold an academic property, Central House, generating a surplus on disposal of £30.5 million. Other equipment sales generated surpluses of £0.2 million taking total gains on disposal for the year to £30.7 million.

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

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

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

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

## 11. Non-current investments

| Consolidated | Investment in OEIC | Other non-current investments £'000 | Total £'000 |
|---|---|---|---|
| At 1 August 2016 | 509 | 64 | 573 |
| Change in market value | 57 | – | 57 |
| **At 31 July 2017** | **566** | **64** | **630** |

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

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

| | 2016–17 £'000 | 2015–16 £'000 |
|---|---|---|
| **12. Stock** | | |
| Raw materials | 34 | 14 |
| Goods purchased for resale | 30 | 24 |
| | **64** | 38 |
| **13. Trade and other receivables** | | |
| Amounts falling due within one year: | | |
| Trade receivables | 6,235 | 5,175 |
| Loans to staff and students | 87 | 89 |
| Other debtors | 92 | 109 |
| Prepayments and accrued income | 2,099 | 2,627 |
| | **8,513** | 8,000 |
| **14. Current investments** | | |
| Deposits maturing in one year or less | **54,000** | 84,500 |

Deposits with less than three months maturity at the balance sheet date are held with banks and building societies operating in the London market and licensed by the Financial Services Authority. The interest rates for these deposits are fixed for the duration of the deposit at the time of placement.

At 31 July 2017 the weighted average interest rate of the fixed rate deposits was 0.8% per annum (31 July 2016: 0.7%) and the remaining weighted average period for which the interest rate is fixed on these deposits was 169 days (31 July 2016: 33 days). The fair value of these deposits was not materially different from the book value.

| | 2016–17 £'000 | 2015–16 £'000 |
|---|---|---|
| **15. Creditors: amounts falling due within one year** | | |
| Unsecured loans | 392 | 409 |
| Amounts owed to HEFCE | 2,500 | 2,500 |
| Trade payables | 4,569 | 3,778 |
| Social security and other taxation payable | 2,143 | 2,326 |
| Other payables | 34 | 16 |
| Accruals | 7,774 | 11,247 |
| Deferred income | 3,043 | 2,274 |
| | **20,455** | 22,550 |

| | 2016–17 £'000 | 2015–16 £'000 |
|---|---|---|
| **16. Creditors: amounts falling due after more than one year** | | |
| HEFCE grant repayment | | |
| Payable between one and two years | 2,500 | 2,500 |
| Payable between two and five years | 2,500 | 5,000 |
| | 5,000 | 7,500 |
| HEFCE revolving green fund loans (interest free, unsecured) | | |
| Principal payable between one and two years | 231 | 570 |
| Principal payable between two and five years | 27 | 80 |
| | 258 | 650 |
| **Total** | **5,258** | 8,150 |

The HEFCE grant repayment relates to overpayments of grant to the University from 2005–06 to 2007–08. The total amount repayable was £36.5 million. £29 million has been repaid to 31 July 2017. The remaining payment will be made at £2.5 million per annum until 2019–20.

The HEFCE revolving green fund loans were awarded for investments in University energy-efficiency initiatives. Three interest-free loans were awarded to the University. The first two loans were awarded in 2013–14 and the third loan was awarded in 2015–16. A total of £1.6 million has been awarded. The first loan, which was awarded in 2013–4 for £1 million will be fully repaid in November 2018, the second loan for £0.4 million which was also awarded in 2013–14 will be fully repaid in May 2018. The remaining loan for £0.2 million will be fully repaid in November 2020.

## 17. Provisions for liabilities

| | Defined benefit obligations £'000 | Obligation to fund deficit on USS pension £'000 | Total pensions provisions £'000 | Other provisions £'000 |
|---|---|---|---|---|
| At 1 August 2016 | 144,968 | 308 | 145,276 | 1,253 |
| Utilised in year | (24,869) | (3) | (24,872) | – |
| Additions in 2016–17 | – | – | – | 2,141 |
| **At 31 July 2017** | **120,099** | **305** | **120,404** | **3,394** |

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

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

**Other provisions – rent review provision**
Two of the University's leasehold buildings have retrospective contractual rent reviews with increases applying from 1 September 2014 and 24 June 2016. We are currently in negotiation with our landlords. The provision represents management's best estimate of the possible settlement.

| | 2016–17 £'000 | 2015–16 £'000 |
|---|---|---|
| **18. Endowment reserves** | | |
| Restricted net assets relating to permanent endowments are as follows: | | |
| **Endowment reserves** | | |
| Balance at 1 August | | |
| Capital | 157 | 139 |
| Accumulated income | 14 | 14 |
| | 171 | 153 |
| Increase in market value of investments | 37 | 18 |
| **Balance at 31 July** | **208** | **171** |
| **Represented by:** | | |
| Capital | 189 | 157 |
| Accumulated income | 19 | 14 |
| | **208** | **171** |
| **Analysis by purpose:** | | |
| Lectureships | 18 | 14 |
| Scholarships and bursaries | 79 | 65 |
| Research support | 6 | 5 |
| Prize funds | 65 | 54 |
| General | 40 | 33 |
| | **208** | **171** |
| **Analysis by asset:** | | |
| Non-current asset investments | **208** | **171** |

| | Restricted funds £'000 | Donations £'000 | **2017 total £'000** | 2016 total £'000 |
|---|---|---|---|---|
| **19. Restricted reserve** | | | | |
| At 1 August | 949 | – | **949** | 1,010 |
| New donations | 12 | 19 | **31** | 63 |
| Investment income | 8 | – | **8** | 6 |
| Expenditure | (36) | (19) | **(55)** | (142) |
| Increase in market value of investments | 18 | – | **18** | 12 |
| Total restricted comprehensive income for the year | 2 | – | **2** | (61) |
| **At 31 July** | **951** | **–** | **951** | **949** |
| **Analysis of restricted funds by purpose:** | | | | |
| Lectureships | | | **66** | 64 |
| Scholarships and bursaries | | | **591** | 609 |
| Prize funds | | | **252** | 238 |
| General | | | **42** | 38 |
| | | | **951** | **949** |

## 20. Pension arrangements

The University contributes to three defined benefit pension schemes: the LPFA, the TPS and the USS. TPS and USS are multi-employer schemes and are treated under FRS 102 as defined contribution schemes. The LPFA is accounted for under FRS 102 as a defined benefit scheme.

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

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

The University pays contributions to the Fund at rates determined by the Fund's actuaries, based on regular actuarial reviews of the financial position of the Fund.

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

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

The University's contribution to the Fund for 2016–17 was £4,278k (2015–16: £4,198k). The University's estimate of the contribution to the Fund for 2017–18 is £4,654k.

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

The pension cost, which includes the liability for pension increases, has been determined in accordance with the advice from the Fund actuary, Barnett Waddingham, and is based on the actuarial valuation as at 31 March 2016 using the projected unit method. The rates certified at the actuarial valuation as at 31 March 2016 applied from 1 April 2017. The main financial assumptions in the 2016 actuarial valuation were:

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

The actuarial valuation dated 31 March 2016 was published on 24 March 2017. The next actuarial valuation is due as at 31 March 2019, publication is expected early in 2020.

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

### 20. Pension arrangements continued

**LPFA – FRS 102 statements**

A full FRS102 actuarial valuation was carried out as at 31 July 2017 by the Fund actuary, Barnett Waddingham.

The major assumptions used by the actuary were as follows:

| | **2017** | 2016 | 2015 |
|---|---|---|---|
| Rate of increase in salaries | **4.1%** | 3.9% | 4.4% |
| Rate of increase in pensions in payment – RPI | **3.5%** | 3.0% | 3.5% |
| Rate of increase in pensions in payment – CPI | **2.6%** | 2.1% | 2.6% |
| Discount rate | **2.7%** | 2.5% | 3.8% |

Salaries are assumed to increase at 1.5% pa above CPI in addition to a promotional scale. The actuary has allowed for a short-term overlay from 31 March 2016 to 31 July 2022 for salaries to rise at 2.0% pa.

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

| The assumed life expectations on retirement at age 65 are: | **2017 Years** | 2016 Years |
|---|---|---|
| Current pensioners | | |
| Males | **21.3** | 21.9 |
| Females | **24.2** | 25.3 |
| | | |
| Future pensioners (retiring in 20 years) | | |
| Males | **23.6** | 24.3 |
| Females | **26.4** | 27.6 |

## 20. Pension arrangements continued

### LPFA – FRS 17 statements

**Fund assets**

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

| | % | Fair value as at 31 July 2017 £'000 | % | Fair value as at 31 July 2016 £'000 | % | Fair value as at 31 July 2015 £'000 |
|---|---|---|---|---|---|---|
| Equities | 61% | 134,010 | 51% | 97,584 | 46% | 79,722 |
| LDI/Cashflow matching | n/a | – | 9% | 16,575 | 14% | 26,068 |
| Target return portfolio | 21% | 45,344 | 24% | 46,121 | 19% | 35,029 |
| Infrastructure | 5% | 9,851 | 7% | 13,401 | 5% | 9,680 |
| Commodities | n/a | – | 1% | 1,014 | 0% | 810 |
| Property | 7% | 14,236 | 4% | 7,091 | 3% | 5,661 |
| Cash | 7% | 15,153 | 4% | 7,890 | 13% | 23,272 |
| **Total** | **100%** | **218,594** | 100% | 189,676 | 100% | 180,242 |

The return on the Fund (on a bid value to bid value basis) for the year to 31 July 2017 is estimated to be 15% (2016: 5%).
The actual return on Fund assets over the year may be different.

**Net pension liability**

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

| | 2016–17 £'000 | 2015–16 £'000 |
|---|---|---|
| Fair value of scheme assets (bid value) | 218,594 | 189,676 |
| Present value of the defined benefit obligation | (328,336) | (323,339) |
| Present value of unfunded obligations | (10,357) | (11,305) |
| Total value of obligations | (338,693) | (334,644) |
| **Deficit in the scheme – net pension liability recorded within pension provision (note 17)** | **(120,099)** | (144,968) |

The present value of the unfunded liabilities as at 31 July 2017 consists of £2,113k (2016: £2,311k) in respect of enhanced LGPS pensions and £8,244k (2015: £8,994k) in respect of enhanced teachers' pensions.

| | 2016–17 £'000 | 2015–16 £'000 |
|---|---|---|
| Current service cost | (6,111) | (5,680) |
| Past service costs, including curtailments | (1,234) | (991) |
| Total operating charge | (7,345) | (6,671) |
| **Analysis of the amount charged to interest payable** | | |
| Interest cost | (8,270) | (10,479) |
| Interest on assets | 4,709 | 6,851 |
| **Net charge to interest payable** | **(3,561)** | (3,628) |
| Analysis of other comprehensive income | | |
| Return on Fund assets in excess of interest | 23,871 | 2,745 |
| Other actuarial gains on assets | 3,257 | – |
| Change in demographic assumptions | 4,859 | – |
| Experience loss on defined benefit obligation | 10,821 | – |
| Change in financial assumptions | (13,070) | (45,244) |
| **Total other comprehensive income** | **29,738** | (42,499) |

| | 2016–17 £'000 | 2015–16 £'000 |
|---|---|---|
| **20. Pension arrangements (continued)** | | |
| **Cumulative actuarial loss recognised as other comprehensive income** | | |
| Cumulative actuarial losses recognised at the start of the year | (73,091) | (27,847) |
| Cumulative actuarial losses recognised at the end of the year | (86,161) | (73,091) |
| **Analysis of movement in deficit** | | |
| Deficit at beginning of year | (144,968) | (97,843) |
| Contributions paid by the University | 6,284 | 5,943 |
| Current service costs | (6,111) | (5,680) |
| Past service costs, including curtailments | (1,234) | (991) |
| Other finance charges | (3,561) | (3,628) |
| Administration expenses | (247) | (270) |
| Actuarial gains / (losses) recognised in other comprehensive income | 29,738 | (42,499) |
| **Deficit at end of year** | **(120,099)** | (144,968) |
| **Analysis of the movement in the present value of the University's share of the Fund's liabilities** | | |
| At 1 August | 334,644 | 278,085 |
| Movement in year: | | |
| Current service cost | 6,111 | 5,680 |
| Interest cost | 8,270 | 10,479 |
| Contributions by members | 1,325 | 1,522 |
| Chnage in demographic assumptions | (4,859) | – |
| Contributions in respect of unfunded benefits | (1,172) | (1,166) |
| Change in financial assumptions | 13,070 | 45,244 |
| Experience loss on defined benefit obligation | (10,821) | – |
| Past service costs, including curtailments | 1,234 | 991 |
| Estimated benefits paid | (9,109) | (6,191) |
| **At 31 July** | **338,693** | 334,644 |
| **Analysis of movement in the fair value of the University's share of Fund's assets** | | |
| At 1 August | 189,676 | 180,242 |
| Movement in year: | | |
| Expected rate of return on Fund assets | 28,580 | 9,596 |
| Administration expenses | (247) | (270) |
| Other acturial gains | 3,257 | – |
| Contributions by members | 1,325 | 1,522 |
| Contributions by the employer including unfunded benefits | 6,284 | 5,943 |
| Estimated benefits paid including unfunded benefits | (10,281) | (7,357) |
| **At 31 July** | **218,594** | 189,676 |

LPFA Fund assests do not include any of the University's own financial instruments, or any property occupied by the University.

## 20. Pension arrangements (continued)

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

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

Under definitions set out in FRS 102, 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 1 April 2015 contributions are paid by the University and charged to the Statement of Comprehensive Income and Expenditure at a rate of 16.5% of pensionable salaries.

The University's contribution to the TPS for 2016–17 was £3,106k (2015–16: £3,793k).
The University's estimated contribution to the Scheme for 2017–18 is £2,655k.

The Government Actuary's Department was appointed as Scheme actuary by the Secretary of State to carry out an actuarial valuation of the Scheme as at 31 March 2012. The valuation was published in June 2014 and has determined a new rate of employer contributions of 16.5% of pensionable pay payable from 1 April 2015 (the implementation date) for a four year period from 1 April 2015 (the implementation period) and the initial employer cost cap of 10.9% of pensionable pay. As at 31 March 2012 the aggregate value of scheme liabilities have been estimated at £191.5billion and the aggregate value of assets at £176.6 billion, giving a a notional past service deficit of £14.9 billion. The assumed real rate of return is 3.0% in excess of prices. The rate of real earnings growth is assumed to be 2.75% and the assumed gross rate of return is 5.06%.

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

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

**C. The Universities Superannuation Scheme (USS)**
The University participates in the Universities Superannuation Scheme (the Scheme). With effect from 1 October 2016, the scheme changed from a defined benefit-only pension scheme to a hybrid pension scheme, providing defined benefits (for all members), as well as defined contribution benefits. The assets of the Scheme are held in a separate trustee-administered fund. Because of the mutual nature of the Scheme, the Scheme's assets are not hypothecated to individual institutions and a scheme-wide contribution rate is set. The University is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the Scheme on a consistent and reasonable basis and therefore, as required by Section 28 of FRS 102 "Employee benefits", accounts for the Scheme as if it were a defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the Scheme in respect of the accounting period. Since the University has entered into an agreement (the Recovery Plan that determines how each employer within the Scheme will fund the overall deficit), the University recognises a liability for the contributions payable that arise from the agreement to the extent that they relate to the deficit and the resulting expense in the Statement of Comprehensive Income.

The total cost recognised in the statement of comprehensive income is regarded as being equal to the contributions payable to the Scheme for the year. The University's contribution to the USS for 2016–17 was £194k (2015–16: £203k). There was neither a prepayment nor an accrual at the end of the financial year in respect of these contributions. The University's estimated contribution to the Scheme for 2017–18 is £201k.

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

The latest available full actuarial valuation of the Scheme was at 31 March 2014 ("the valuation date"), and was carried out using the projected unit method. The valuation as at 31 March 2017 is underway.

Since the University cannot identify its share of Scheme assets and liabilities, the following disclosures reflect those relevant for the Scheme as a whole.

The 2014 valuation was the third valuation for USS under the scheme-specific funding regime introduced by the 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. At the valuation date, the value of the assets of the Scheme was £41.6 billion and the value of the Scheme's technical provisions was £46.9 billion, indicating a shortfall of £5.3 billion. The assets therefore were sufficient to cover 89% of the benefits which had accrued to members after allowing for expected future increases in earnings.

Defined benefit liability numbers for the Scheme have been produced using the following assumptions:

| | 2017 | 2016 |
|---|---|---|
| Discount rate | 2.57% | 3.6% |
| Pensionable salary growth | n/a | n/a |
| Pension increase (CPI) | 2.41% | 2.2% |

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

| | |
|---|---|
| Male members' mortality | 98% of SINA ["light"] YoB tables – No age rating |
| Female members' mortality | 99% of SINA ["light"] YoB tables – rated down 1 year |

Use of these mortality tables reasonably reflects actual USS experience. To allow for further improvements in mortality rates the CMI 2014 projections with a 1.5% pa long term rate were also adopted. The current life expectancies on retirement at age 65 are:

| | 2017 | 2016 |
|---|---|---|
| Males currently aged 65 (years) | 24.4 | 24.3 |
| Females currently aged 65 (years) | 26.6 | 26.5 |
| Males currently aged 45 (years) | 26.5 | 26.4 |
| Females currently aged 45 (years) | 29.0 | 28.8 |

| | | |
|---|---|---|
| Scheme assets | £60.0bn | £49.8bn |
| Total Scheme liabilities | £77.5bn | £58.3bn |
| FRS 102 total Scheme deficit | £17.5bn | £8.5bn |
| FRS 102 total funding. level | 77% | 85% |

## 21. Capital commitments

| | 2016–17 £'000 | 2015–16 £'000 |
|---|---|---|
| At 31 July capital commitments were as follows: | | |
| Commitments contracted | 5,835 | 6,588 |
| Authorised but not contracted | 14,525 | 5,740 |
| | **20,360** | 12,328 |

## 22. Lease obligations

Total rentals payable under operating leases

| | buildings and equipment | | | |
|---|---|---|---|---|
| | Buildings £'000 | Equipment £'000 | 2016–17 Total £'000 | 2015–16 Total £'000 |
| Payable during the year | 2,154 | 597 | 2,751 | 2,717 |
| **Future minimum lease payments due:** | | | | |
| Not later than one year | 2,146 | 272 | 2,418 | 2,425 |
| Later than one year and not later than 5 years | 8,571 | 294 | 8,865 | 9,182 |
| Later than 5 years | 6,351 | – | 6,351 | 8,929 |
| **Total lease payments due** | **17,068** | **566** | **17,634** | 20,536 |

## 23. Events after the reporting period

There are no events to report after the reporting period.

## 24. National College for Teaching and Leadership (NCTL)

| | 2016-17 £'000 | 2015-16 £'000 |
|---|---|---|
| Balance unspent at 1 August | 78 | 539 |
| Amounts received | 2,025 | 1,530 |
| Disbursed to students and administration | (2,015) | (1,452) |
| Unspent balance written off | – | (539) |
| **Balance unspent at 31 July** | **88** | 78 |

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

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

### 25. Related party transactions

Due to the nature of the University's operations and the composition of the Board of Governors (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 Board of Governors consider it appropriate to disclose the following transactions for the period covered by the Financial Statements:

Mr Richard Inge, a co-opted committee member of the Audit committee, is a partner at Ernst & Young LLP which received payments of £492k (2014 – 15: £1,256k) in relation to professional fees.

Mr Michael Murphy, a member of the Board of Governors and the Audit Committee, is a consultant at Lodestone Communications which received payments of £79k (2015 – 16: £22k) in relation to professional fees.

Ms Fionnuala Duggan, a member of the Board of Governors and the Finance and Resources Committee, is an employee of Informa Plc which received a payment of £14k (2015 – 16: £13k) in relation to a corporate subscription. The University received payments from Informa Plc of £157k (2015 – 16: £nil).

Ms Florence Onwumere was a member of the Board of Governors as Students' Union Representative until 30 June 2017. She was replaced by Mr Tunde Toki on 1 July 2017. Ms Onwumere was president of London Metropolitan University Students' Union (the Union) until 30 June 2017 and was replaced by Mr Toki on 1 July 2017. The Union is a separate legal entity which the University does not control or exercise significant influence over policy decisions. The Union received a payment from the University of £560k which included a block grant of £503k (2015 – 16: £535k), which is calculated annually according to a methodology agreed between the University and the Union. All other transactions between the two parties are conducted on a commercial basis.

### 26. Contingent liabilities

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


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