LONDON
metropolitan
university

Annual Report and Accounts
2013–2014

Contents

London Metropolitan University

A company limited by guarantee with no share capital

Registered in the United Kingdom, registration number 974438

Registered Office:
166–220 Holloway Road
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www.londonmet.ac.uk

The University is an exempt charity under the Charities Act 2011

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

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

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

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

Our students

In 2013–14, the University had 12,977 full-time students and 3,297 part-time students based in the UK (580 of whom were studying on full-time or part-time collaborative courses), as well as a further 3,540 students studying on collaborative courses overseas.

Over 4,600 students graduated from the University between November 2013 and October 2014. 57% of bachelors awards were at either first or upper second level; 63% of masters awards achieved either merit or distinction.

The University was allocated more than £4.3m in student opportunity funding from HEFCE for 2013–14 (as of March 2014), which is used to widen access for disadvantaged and disabled students and improve the retention of certain 'at risk' groups of students. This sum was the 22nd highest allocation to any UK Higher Education Institution by HEFCE that year (out of a total of 130 institutions) and constituted more than 18% of our total HEFCE teaching grant.

The following statistics relate to our 16,274 UK-based students in 2013–14:

- **56%** were from black and minority ethnic backgrounds;
- **42%** were over 25 years old;
- **11%** had a disclosed disability;
- **30%** of our undergraduate students had A/AS level qualifications upon entry (a further 34% had 'other level 3' qualifications, while a further 10% had an HNC, HND, CertHE or DipHE);
- **98%** of our young, full-time undergraduate entrants in 2013–14 were from state schools or colleges;
- **53%** of our young, full-time undergraduate entrants in 2013–14 were from socio-economic classifications 4–7;
- Over the last two years (12–13 and 13–14), we have trained over **590** lawyers, over **430** social workers and health professionals, over **600** architects and over **430** teachers. All of these people are playing a vital role in our society.

Tuition fees for undergraduate programmes remained amongst the lowest in the UK, following our intention to be champions of affordable quality education, and to accord with the access priority of the University. Our bursary and scholarship schemes are designed to encourage students from diverse backgrounds to study at the University and 654 National Scholarship Programme (NSP) bursaries were awarded to Home and EU students during the year. Two undergraduate students also received full scholarships from the Sir John Cass's Foundation. We encourage participation from a wide range of international students who would not otherwise be able to afford to study in the United Kingdom, and 13 academic scholarships were awarded to overseas students during the year.

Our Schools, Colleges and Widening Participation team is responsible for co-ordinating our outreach work in schools, colleges and the wider community. We work with over 150 local schools and colleges, offering packages of support and intervention. Students are trained as mentors and spend up to 15 weeks working in local schools and colleges with young and mature students. For the last eight years the department has been running Upward Bound in partnership with Islington Council, with 200 year 10 and 11 Islington students studying at the University every Saturday in school term time. The University also runs summer schools, conferences, an art design Saturday club with the Sorrell Foundation and master classes with the Royal Institution in maths and engineering, as well as university visit days.

Our research

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

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

Our engagement with enterprise and community

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

Enterprise activities over the past twelve months include:

- Strengthening the position of Accelerator, our digital media business incubator, as a key player in Tech City's innovation hub, by supporting over 30 innovative businesses through providing them with office space, mentorship, training, a community of likeminded entrepreneurs and introductions to investors and customers.
- The Student and Graduate Enterprise unit based within the Accelerator incubator provides an ideal environment for effectively engaging with our students as enterprise and entrepreneurship becomes an integral element within a number of courses offered by the University. The Student Business Hatchery, open solely to our graduates, goes from strength to strength, with over 160 faculty wide applications received during 2013–14 to participate in the two six-month start-up programmes.
- Success by our team of students in The Prince's Trust Million Makers Challenge, an entrepreneurial fundraising competition, which tasks university students and employees with raising £1 million for the Trust – making a real difference to the lives of disadvantaged young people across the UK.
- The Faculty of Life Sciences and Computing has an embedded World of Work Agency which provides businesses and charitable organisations, such as Comic Relief, with low-cost options for getting small-scale projects developed quickly. A spin-off innovative arrangement, called WoWBiz, allows local businesses to get small tasks or projects completed at zero cost.
- The Sir John Cass Faculty of Art, Architecture and Design (the Cass) is working on activities such as 'Made in Hayes', a cross faculty project commissioned by the local MP John McDonnell ; the East End Archive, a photographic digital archive; schools and sanitation infrastructure projects in Sierra Leone and India; an Aldgate Street furniture competition run with the City of London and a variety of urban design projects for the London Legacy Development Corporation. Public and community engagement are embedded in the studio system of teaching as demonstrated by projects such as Hermitage which linked Interior Design students with local charity Whitechapel Mission.
- The London Guildhall Faculty of Business and Law continues to support its students to reach out into the business, legal and managerial communities. An example of this is building relationships with current employers of our students in the private, public and charity sectors.
- Growing enthusiasm across a number of our faculties to run KTPs, with the successfully completed partnership with New Brand Vision leading to the development of a short CPD course.
- Ongoing involvement through our REACH Volunteering Team in Student Services which provides volunteers to a range of local business and community organisations. An independent Students' Union was established on 19 June 2013, which will have greater freedom to interact with community organisations and student groups.

Environment

The University has reduced its carbon footprint by over 43%, meeting and exceeding the target 33% set out in our 2011–15 Carbon Management Plan.

Payments to trustees

No payments were made to the charity trustees during the year except in reimbursement of expenses incurred on the University's business. These expenses amounted to £4k (2012–13 £4k).

Earnings before interest, tax, depreciation and amortisation (EBITDA) of £5.4m, £4.4m better than budget and £1.3m better than 2012–13.

Operating deficit of £0.7m before staff restructuring costs and exceptional items. £1.7m better than the budgeted deficit of £2.4m, but £3.3m lower than 2012–13.

£2.2m interest charge on our pension fund deficit, £1.1m higher than budget and £0.6m higher than in 2012–13.

Deficit for the year of £1.6m, compared to budget deficit of £5.4m.

We exceeded our budgeted key financial performance indicator targets on all indicators.

Measure	2013–14 Actual	2013–14 Target	2012–13 Actual
Operating surplus as a percentage of income	(0.6)%	(2.1)%	2.0%
Liquidity (total expenditure excluding depreciation)	54 days	18 days	98 days
Net operating cash flow as a percentage of income	(4.0)%	(4.8)%	(3.3)%
Cost of staff, excluding restructuring costs, as a percentage of income	61.0%	61.9%	59.8%
EBITDA	£5.4m	£1.0m	£4.1m

The University continued to recover from the loss of income caused by revocation of Highly Trusted Status in 2012, improving performance against the planned deficit for the year. Highly Trusted Status was regained in Autumn 2014.

The increasing cost of sector pension schemes as longevity rises is a major risk to the University.

The sale of the Stapleton House complex for £30.3m was completed on 1 September 2014, one month later than budget, realising a surplus on disposal of £22.4m. The budget targets above have been adjusted to reflect this timing difference.

Balance sheet

£11m was invested in the estate and IT infrastructure during the year, including major refurbishment for the Cass Faculty of Art, Architecture and Design at Central House, and for the London Guildhall Faculty of Business and Law at Moorgate.

Net assets before pension liabilities have increased by 1%, from £122.1m to £123.3m.

The University's share of the deficit in the London Pensions Fund Agency fund rose by 34%, from £67.2m to £89.9m. As a result, our total funds reduced from £55m to £33m.

Members of the Board of Governors

The members of the Board of Governors of London Metropolitan University as at 31 July 2014 are listed below.

Unless otherwise stated, all members served throughout the year.

	Date of appointment
Clive Jones (Chair, ASC, FRC,GC, RC [Chair])	
Mark Robson (ASC)	
Rob Hull (Vice-Chair, AC, ASC, RC)	
Kathryn Castle (ASC, Emp)	
Katherine Farr (AC [Chair], GC)	
Emir Feisal (FRC [Chair], RC)	
Malcolm Gillies (ASC, Emp, FRC, GC, RC) (Vice-Chancellor and Chief Executive)	
Obie Opara (ASC, St)	21 July 2014
Maureen Laurie (FRC, RC)	
Tony Millns (GC [Chair], RC)	
Ann Minogue (Vice-Chair, FRC, RC)	
Michael Murphy	19 March 2014
Daleep Mukarji (AC, HSAG [Chair])	
Cathy Sullivan (Emp)	26 September 2013
Dianne Willcocks (ASC [Chair], GC)	

Independent co-opted committee members

Jane Broadbent (AC)	28 November 2013
John Duke (AC)	28 November 2013
Richard Indge (AC)	
Eileen Milner (ASC)	28 November 2013
Avnish Savjani (AC)	30 August 2013

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

Three of the directors who served during the year to 31 July 2014 had contracts with the University in their capacity as employees. None of the directors had a beneficial interest in any Group company.

Post year-end events

John Duke's membership was changed on 25 September 2014 to serve as an independent co-opted member of the Finance and Resources Committee. Michael Murphy (independent member of the Board of Governors) was appointed to the Audit Committee and the Health and Safety Assurance Group on 25 September 2014.

Malcolm Gilles retired as Vice-Chancellor on 31 July 2014. John Raftery was appointed Vice-Chancellor on 1 August 2014. Mark Robson stood down as an independent governor on 30 September 2014.

Katherine Farr passed away on 3 November 2014. Rob Hull has succeeded her as chair of the Audit Committee temporarily until a new chair is appointed.

KEY:

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

Executive Group and advisers

The members of the Executive Group of London Metropolitan University as at 31 July 2014, together with changes since that date, are listed below. Unless otherwise stated, all members served throughout the year.

Executive Group

Vice-Chancellor and Chief Executive	**Professor John Raftery** (appointed 1 August 2014) **Professor Malcolm Gillies** (retired 31 July 2014)
Deputy Vice-Chancellor	**Professor Peter McCaffery**
Deputy Chief Executive	**Paul Bowler**
Clerk to the Board of Governors and University Secretary	**Peter Garrod** (appointed 15 August 2014) **Sharon Page** – interim appointment (appointed 8 July 2014, resigned 14 August 2014) **Alison Wells** (resigned 7 July 2014)
Director of Finance	**Pam Nelson**
Director of Human Resources	**Robert Fisher**

Advisers

Auditors	**KPMG LLP** 15 Canada Square Canary Wharf London E14 5GL
Bankers	**Barclays Bank Plc** Holloway & Kingsland Business Centre London E8 2JK
	Standard Chartered Bank Plc 1st Floor H-2 Connaught Circus New Delhi 110 001 India
	Standard Chartered Bank (Pakistan) Ltd New Garden Tower Branch 1/4 Usman Block New Garden Town Lahore Pakistan
	Standard Chartered Bank (Nigeria) Ltd 105B Ajose Adeogun Street P.M.B. 80038 Victoria Island, Lagos Nigeria
	Bank of China Dongzhimen Branch No. 35 Dongzhimenwai Dajie Dongcheng District Beijing 100027 China
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	**Gallagher Heath** Focal Point 27–35 Fleet Street Swindon SN1 1RG
	UM Association (Special Risks) Hasilwood House 60–64 Bishopsgate London EC2N 4AW
	Zurich Municipal Southwood Crescent Farnborough Hampshire GU14 0NJ
Internal Auditors	**PricewaterhouseCoopers LLP** 7 More London Riverside London SE1 2RT
Property Advisers	**DTZ Debenham Tie Leung Ltd** 125 Old Broad Street London EC2N 2BQ
Solicitors	**Michelmores LLP** Woodwater House Pynes Hill Exeter Devon EX2 5WR
	Penningtons Manches LLP Abacus House 33 Gutter Lane London EC2V 8AR
	Shoosmiths LLP Russell House 1550 Parkway Solent Business Park Fareham, Whiteley Hampshire PO15 7AG
	Veale Wasbrough Vizards Orchard Court Orchard Lane Bristol BS1 5WS
	Weightmans LLP Second Floor, 6 New Street Square New Fetter Lane London EC4A 3BF

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, the Board of Governors is responsible for "determining the educational character and mission of the University, for stewardship of its resources and for oversight of its activities" (Article 11.1).

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

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

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

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

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

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

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

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

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

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

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

This statement is intended to help readers understand the corporate governance procedures that are in place at the University. It covers the period from 1 August 2013 to the date of approval of the audited financial statements.

The moral and ethical environment

The University endeavours to conduct its business in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership). These principles form part of the University's Code of Practice for Members of the Board of Governors.

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

The Board has regard to the voluntary Governance Code of Practice, contained in the 'Guide for Members of Higher Education Governing Bodies in the UK' published by the Committee of University Chairs. As a charity the Board has 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. New Articles, which are more concise and flexible while continuing to meet the legal requirements for a University's Instrument of Government, were approved by the Privy Council on 3 June 2014, and adopted by the Board of Governors on 24 July 2014 to take effect from 1 August 2014.

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

The Board is responsible for the ongoing strategic direction of the University, its financial solvency, approval of major developments, and the receipt of regular reports from the Executive on the day-to-day operations of the University and its subsidiary companies. Under the Articles of Association a number of matters are reserved to the Board. The Board has established an Academic Board which is responsible for academic matters, subject to the overall responsibility of the Board of Governors for determining the educational character and mission of the institution.

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

Governance during the year

In the year to 31 July 2014 the Board met five times. In addition it held two Strategy Days, in November 2013 and May 2014, when it initiated a process of discussion and consultation about the development of a post-2015 Strategic Plan.

The Board's sub-committees are:

- Academic Strategy Committee (met twice in 2013–14)
- Audit Committee (met four times in 2013–14)
- Finance and Resources Committee (met four times in 2013–14)
- Governance Committee (met four times in 2013–14)
- Health and Safety Assurance Group (met twice in 2013–14)
- Remuneration Committee (met twice in 2013–14)

These committees are formally constituted with appropriate terms of reference, approved by the Board of Governors, which are regularly reviewed. The Board of Governors receives minutes of committee meetings. With the exception of the Health and Safety Assurance Group, the majority of each committee's membership consists of independent governors and co-opted members, and the chair is always an independent governor.

The Academic Strategy Committee, chaired by Dianne Willcocks, provides a link between the Academic Board and the Board of Governors. Amongst other things, it advises the Board of Governors on the discharge of the Board's responsibility for determining the educational character and mission of the University. The Committee is in abeyance in 2014–15 while its relationship with the Academic Board is reviewed.

The Audit Committee, chaired by Katherine Farr until her death in November 2014, reviews the work of the internal and external auditors and considers their reports, together with recommendations for the improvement of the systems of internal control and management responses and implementation plans. It reviews the University's annual financial statements and the appropriateness of its accounting policies. It also provides oversight of the risk management process on the Board's behalf. The committee receives and considers reports from HEFCE insofar as they affect the University's business and monitors adherence to regulatory requirements. Members of the Executive attend Audit Committee meetings as necessary, but are not members of it. The Chair of the Board is not a member and does not attend its meetings. At its meeting on 4 July 2013 the Board of Governors appointed Emir Feisal to succeed Mark Robson as chair of the Finance and Resources Committee with effect from 1 October 2013. He therefore stepped down from the Audit Committee at the end of September 2013.

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

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 and led the preparation for, and then implementation of, a Board effectiveness review undertaken in 2013–14.

The Health and Safety Assurance Group, chaired by Daleep Mukarji, is responsible for providing assurance that the University is managing the delivery of its responsibilities relating to health and safety. It reports to the Audit Committee as well as to the Board of Governors. Operational matters are considered by the Health and Safety Committee, which is an executive committee.

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

During the course of the year a Steering Group and Business Approval Panel were formed to consider and approve bids relating to the Met2020 project. Both are formally constituted with appropriate terms of reference and are chaired by independent governors.

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

Internal control

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

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

The system of internal control is informed by a continuous process to identify, evaluate and manage the University's significant risks, linked to the achievement of institutional objectives. This process covers business, operational and compliance as well as financial risk, and has been in place for the year ended 31 July 2014 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 University's appetite for risk is formalised in a Statement of Risk Appetite;
- The Board reviews the Statement of Risk Appetite, Risk Management Strategy and Risk Management Policy at least annually, which it did most recently at its meeting on 27 March 2014. There is a clear policy and plan of risk management, which has been communicated to the Faculties and Professional Service Departments (PSDs);
- The Corporate Risk Register is updated throughout the year and identifies the main risk owners and risk-mitigating actions. Risks are scored by likelihood and impact and are ranked accordingly. Risk registers are also maintained for each Faculty and PSD, as well as for major projects in which the University is involved;

- The Executive Group meets quarterly as a Risk Committee to review all aspects of the Corporate Risk Register;
- The Audit Committee oversees the arrangements for risk management and at each meeting receives a report on the Corporate Risk Register as well as a monitoring report on the risk management processes in place in Faculties and PSDs. Members of the Board receive the minutes of each meeting of the Audit Committee;
- At each meeting the Audit Committee also receives a presentation on local risk management by a Dean of Faculty or head of PSD. This enables the Committee to test local understanding of risk management and to act as a 'critical friend' to the University;
- Each year the Audit Committee approves a programme of specific internal audits for the following year, in addition to a programme of continuous auditing of the core financial systems. The programme of internal audit is based around a structured assessment of system risks within the University's operations and is reviewed in-year to ensure that emerging issues are addressed;
- The Audit Committee receives reports from the internal auditors at each meeting. These reports provide an independent opinion of the adequacy and effectiveness of the University's arrangements for risk management and the internal control systems, together with appropriate recommendations. The internal auditors also report as a matter of course on the progress made in implementing recommendations from previous reports; and
- The Director of Finance and the University Secretary attend meetings of the Audit Committee and have direct and independent access to members of that Committee, as do the internal and external auditors.

The Board, through the Audit Committee, has reviewed the effectiveness of the system of internal control operating in 2013–14 and up to the date of approval of the financial statements.

Significant internal control issues

The issue of significant internal control that arose during 2011–12 continued through 2012–13 and 2013–14, namely the UK Visas and Immigration's (UKVI's) suspension and subsequent revocation in 2012 of the University's Highly Trusted Sponsor Status (HTS) licence.

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

The financial statements on pages 28 to 63 were approved by the Board of Governors of London Metropolitan University on 27 November 2014, and signed on its behalf by:

Rob Hull
Vice-Chair of the Board of Governors

Professor John Raftery
Vice-Chancellor and Chief Executive

Date: 27 November 2014

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 2014.

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 2017. For the purpose of their going concern review, the Board has focused on the period to 30 November 2015.

The Board approved a budget for 2014–15 in July 2014 which showed a planned operating deficit of £7.5m, increasing to a historical cost surplus of £15m after taking into account the sale of Stapleton House. The cash flow forecast for 2014–15 showed a cash balance of £12.1m at 31 July 2015 after funding £25.3m of capital investment and £7.2m repayments of loans and grant. A £10m overdraft facility has been put in place to support the University's working capital requirements should there be fluctuations in cash receipts and payments compared with the monthly cash flow forecast. The forecast cash balance at 31 July 2016 is £28.6m after funding £26.4m capital investment in 2015–16.

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

Constitution

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

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

Subsidiary trading company

London Metropolitan University Enterprises Limited has entered into Gift Aid arrangements in order that its taxable profits can be donated to the University. In 2013–14 the company made a deficit of £15k (2012–13: deficit £12k). This company is fully consolidated into the Group accounts.

Donations

The Group makes no political or charitable donations.

Auditors

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

Creditor payment policy

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

Post balance sheet events

In September 2014 the University completed the sale of the Stapleton House complex for £30.3m, generating a surplus on disposal of £22.4m.

In October 2014, we reached agreement with the freeholder for the early surrender of our lease at Spring House, with a related reduction in our onerous lease provision of £1.6m.

Approval of financial statements by the Board

The financial statements on pages 28 to 63 were approved by the Board of Governors of London Metropolitan University on 27 November 2014, and signed on its behalf by:

Rob Hull
Vice-Chair of the Board of Governors

166–220 Holloway Road
London N7 8DB

Date: 27 November 2014

Strategic Management

2013–14 was the first year of our 'Strategic plan 2013/15' (the Plan). This was designed to build on the 2010/13 strategic plan, by reconfirming our mission, extending several key aspects of the 2010/13 plan while also including new features to meet the University's rapidly changing circumstances. It is a transitional plan to a bolder repositioning of the University from 2015 onwards, as an institution able to meet its aspirations for quality education through a clearer focus upon higher education outputs, staff service, student satisfaction, rationalisation of estates and technological facilitation of learning.

Our priorities for 2013/15 are:

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

Actions, indicators and targets are included in the full Strategic plan 2013/15, which can be found at

https://intranet.londonmet.ac.uk/staff/spo/spo_home.cfm

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

Financial strategy

Our financial strategy aims to produce an operating surplus in order to generate sufficient cash to support our academic strategy and for reinvestment in our infrastructure. Our medium term target is to increase our Margin for Sustainability and Investment, defined as Earnings Before Interest, Tax, Depreciation and Amortisation divided by Income excluding deferred capital grant release, to 10% by 2016–17.

Business model

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

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

Trading activity, including the University's Print Centre, operates through a wholly-owned subsidiary company, London Metropolitan Enterprises Limited.

Business environment

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

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

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

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

One key challenge for us is the rebuilding of the University's reputation and international profile following the revocation of our Highly Trusted Status by the UK Border Agency in August 2012 and re-awarded to us in September 2014.

Principal risks and uncertainties

The Risk Committee has been closely monitoring the University's specific risks as well as emerging risks to the sector. During 2013–14 the major risks to the University have been, and continue to be:

- failure to achieve financial sustainability; and
- failure to meet student recruitment and retention targets.

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

Business Performance

Strategic priority 1: Quality Higher Education

A key initiative this year has been the development and launch of Met2020 – a three-year project aimed at improving and investing in the University's core activities: student recruitment, progression, achievement and satisfaction. Approximately £4m has been approved to support a variety of innovations including additional marketing, academic mentors, student number growth in particular subject areas and particular modes of study, as well as improvements in infrastructure. A parallel work-stream is also focusing on enhancing staff engagement in addition to student engagement.

The University has developed a new Online Learning Framework for our distance and blended learning provision and secured Staff and Educational Development Association (SEDA) re-accreditation for the e-learning modules on our professional development courses in Learning and Teaching in HE.

The new CPD Framework for Academic Practice is a means of further professionalising the academic workforce and was accredited by the HE Academy in January. Over a dozen Senior Fellows have been recognised this year, and this cohort are acting as mentors to increase our number of Senior Fellows and Fellows across all academic and learning support staff still further.

The University has undertaken over a dozen validation and review events covering over 40 courses across the University, and have for the first time included students as course review panel members in line with UK Quality Code expectations. The annual 'Get Ahead' Student Conference attracted over 250 attendees and the 11th Staff Annual Learning and Teaching Conference over 160 delegates.

The University has also developed a new Partnerships Operational Manual for managing collaborative partners, conducted a major institutional review of the Business College of Athens and approved and validated a new collaborative partner in Sri Lanka, ESOFT International.

Once again London Met ran the academic promotion scheme to recognise staff excellence in teaching, research and enterprise – and awarded two professorships, five associate professorships and a readership. A University Teaching Fellowship was also awarded to a further four colleagues, using criteria similar to that of the national scheme.

National Student Survey

In the National Student Survey, London Metropolitan University achieved an overall satisfaction rate of 76% – a 4% increase on last year – which is the University's highest ever rating, and the same outcome as in 2012. This year's outcome is 9% higher than that achieved in 2010.

There was a significant improvement in Course Organisation and Management (+ 5%) and modest improvements in Academic Support (+ 2%) and Personal Development (+ 2%). There continues to be considerable variation between courses within, and across, subject areas, though there was a significant improvement among under-performing courses last year.

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

Destination of Leavers Survey

The Destination of Leavers in Higher Education (DLHE) survey of those graduating in 2013 revealed that the number of our undergraduate students entering work, or continuing to further study, was 81.4% – or 1.9% down on last year, and 5.5% down on our HEFCE (location-adjusted) benchmark (which was raised by 2.5% this year). This variation in performance – the University exceeded our benchmark by + 3.7% two years ago – is currently being investigated. London Metropolitan University continues to have one of the highest average graduate starting salaries (£23,491) of any modern university in the UK.

Strategic priority 2:
Fair Access

Student numbers

Student numbers, taken from the returns submitted to the Higher Education Statistics Agency (HESA) in the Autumn of each academic year are shown in the table below (Full Person Equivalency).

	2013–14	2012–13	2011–12
Full Time (Home/EU)	**12,434**	13,347	14,834
Full Time (Overseas)	**543**	957	2,662
Part Time	**3,297**	3,833	5,988
Total	**16,274**	18,137	23,484

The University saw a drop in student numbers for 2013–14 due to a number of factors. The University's licence to issue Tier 4 visas to new students was re-instated late in the 2013 admissions cycle, with an adverse impact on new international student numbers. There was no Tier 4 intake in 2012–13, so the number of returning overseas students also fell.

Recruitment for undergraduate home students was slightly down on 2012–13. Post-graduate full-time recruitment dropped significantly, in line with national trends; however, part-time numbers saw a rise due to the strong performance of courses with professional qualifications.

Part-time undergraduate student numbers dropped again, largely because the University does not specialise in this provision. Returner numbers were negatively impacted by students who were required to repeat modules. This population is not returning at the same levels as prior years due to the higher fees and/or lack of available funding.

Awards

The following summarises activity conducted through the University Awards Board between November 2013 and October 2014; a small number of awards for collaborative partners remain to be agreed. Awards at the undergraduate level are up due to the graduation of the large 2011 entry cohort. Postgraduate taught masters awards have significantly declined due to the impact of the reductions in student numbers described above.

Totals for Bachelors degrees show:

	2013–14	%	2012–13	%	2011–12	%
1st	**541**	**13.8**	460	13.4	467	12.7
2:1	**1,637**	**41.9**	1,310	38.1	1,433	39.1
2.2	**1,414**	**36.2**	1,275	37.1	1,382	37.8
3rd	**283**	**7.2**	295	8.6	283	7.7
Non– Honours	**36**	**0.9**	97	2.8	100	2.7
Total	**3,911**		3,437		3,665	

The proportion of good honours degrees (firsts and upper seconds) increased this year from 51.5% to 55.7%.

Totals for Masters degrees show:

	2013–14	%	2012–13	%	2011–12	%
Distinction	**157**	**20.9**	236	20.6	292	16.2
Merit	**336**	**44.8**	549	48.0	789	43.8
Pass	**257**	**34.3**	360	31.4	721	40.0
Total	**750**		1,145		1,802	

The proportions of merits and distinctions is broadly in line with previous years.

Strategic priority 3: Sustainability

Financial performance

Our Strategic Plan adopted four additional measures of financial health. A fifth, the Margin for Sustainability and Investment, was added during 2013–14. Targets based on the budget set in November 2013 were all exceeded.

	2013–14 Actual	2013–14 Target	2012–13 Actual
Operating (deficit)/surplus as a percentage of income	**(0.6)%**	(2.1)%	2.0%
Liquidity (total expenditure excluding depreciation)	**54 days**	18 days	98 days
Net operating cash flow as percentage of income	**(4.0)%**	(4.8)%	(3.3)%
Cost of staff as a percentage of income	**61.0%**	61.9%	59.8%
Margin for Sustainability and Investment	**4.9%**	1.0%	3.3%
EBITDA	**£5.4m**	£1.0m	£4.1m

The sale of the Stapleton House complex for £30.3m was completed in September 2014, one month later than budget, realising a surplus on disposal of £22.4m. The budget targets above have been adjusted to reflect this timing difference.

Income and expenditure

Our operating deficit for 2013–14 (defined as surplus excluding pension cost adjustments, staff restructuring costs and exceptional items) was £0.7m, £1.7m better than the budgeted operating deficit of £2.4m.

Our operating surplus, before the FRS17 London Pensions Fund Authority (LPFA) notional pension interest charge and one-off non staff costs associated with restructuring and with the UKVI revocation was £2.6m compared with a budgeted deficit of £1m.

The University continued to reduce its costs as income fell, primarily as a result of lower student numbers. The revocation of Highly Trusted Status in August 2012, which meant that we were unable to recruit certain categories of international students in 2013–14 and continued to be affected by lower second year numbers as a result of lack of international recruitment in 2012–13.

A significant factor in the deficit for the year was the £2.3m notional charge to our Income and Expenditure account for our share of the deficit in the LPFA pension fund for administrative staff, the charge being 109% higher than in 2012–13 (£1.1m). The University has no influence over this local government scheme.

The following tables compare 2013–14 and 2012–13 performance:

	2013–14 £'m	2012–13 £'m	Movement %
Income			
Funding body grants	**34.6**	44.6	(22.4)
Tuition fees	**74.5**	74.0	0.7
Other income	**6.0**	8.8	(31.8)
Total income	**115.1**	127.4	(9.7)
Expenditure			
Staff cost (excluding restructuring costs)	**70.3**	76.2	(7.7)
Other operating expenses	**34.3**	38.0	(9.7)
Depreciation	**8.8**	8.5	3.5
Interest payable and other finance costs	**2.4**	2.1	14.3
Total operating expenditure	**115.8**	124.8	(7.2)
Operating (deficit)/surplus	**(0.7)**	2.6	(126.9)

Balance sheet

Our consolidated net assets at 31 July 2014 were £33.5m, a decrease of £21.5m (39%) compared to 31 July 2013.

This figure is after taking into account a pension deficit of £89.9m (2013: £67.2m). £12m of this deficit relates to unfunded benefits for inherited liabilities, the contributions for which are reimbursed to the University annually by HEFCE.

Net assets excluding the pension fund deficit increased by £1.2m (1%) from £122.1m to £123.3m.

Fixed assets

Expenditure during the year on fixed assets was £11.1m, bringing the total net book value of land, buildings and equipment to £131.8m (2013: £129.4m). A house at Burslem Avenue, Hainault was sold in April 2014, generating a surplus on disposal of £0.2m.

The most recent valuation of the group's freehold properties, carried out to ensure that there was no diminution in the carrying amount of the assets, was prepared by Drivers Jonas LLP as at 31 July 2009 on an existing use basis. The total value of the properties was £101.8m.

Current assets

Group debtors increased by £1.3m to £9.2m. The increase is primarily due to £1.2m HEFCE grant adjustments for 2011–12 and 2012–13, confirmed and paid to the University in 2014–15.

Net cash balances, including investments in short-term deposits, decreased from £30.7m at 31 July 2013 to £16m at 31 July 2014 as cash outflows, including grant repayments to HEFCE of £2.5m and capital expenditure of £11.1m, exceeded cash inflows.

Creditors and provisions for liabilities

Creditors falling due within one year decreased by £3.8m, from £27.3m to £23.5m, in line with reductions in expenditure.

Creditors falling due after more than one year decreased from £15.3m at 31 July 2013 to £12.9m, as £2.5m of grant was repaid to HEFCE during the year.

The provision for the cost of future lease obligations for properties no longer in operational use decreased by £2.9m to £6.0m (2013: £8.9m), primarily as a result of the end of leases at Whitechapel High Street and Goulston Street and revised estimates of future costs for the remaining mothballed buildings.

Treasury management

The University experienced significant pressure on its cash flow during 2013–14, as it addressed the continuing impact of the sudden reduction in income from 2012 and 2013 enrolment.

Cash flow monitoring forms a significant part of the University’s financial controls. Day-to-day cash and short-term investments are managed through rolling annual cash flow forecasts which are updated every month. Annual capital cash flow forecasts are updated every year with planning and annual budget cycles, so that any future borrowing requirements can be identified and negotiated well in advance of need.

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

Average daily cash balances in 2013–14 were £20.6m (2012–13: £38.5m). Interest earned on the balances was £0.1m (2012–13: £0.5m) giving an average return for the year of 0.7% (2012–13: 1.3%).

Endowment fund investments at July 2014 were £0.8m (2013: £0.7m).

Financial forecasts

In July 2014 the Board of Governors and senior management of the University considered a range of assumptions used to derive financial forecasts for the three years to July 2017. The forecast assumed that international student numbers will increase to 50% of the 2011–12 new student intake by 2016–17. Home and EU student numbers were forecast to decline as a result of the graduation in 2014 of the large undergraduate student cohort that started in 2011–12, as changes in student number controls are implemented and as the number of higher education institutions operating in London (both public and private) continues to increase.

A new initiative, Met2020, was launched during 2013–14 with the aim of improving income by investing £20m over the three years of the forecast on projects designed to improve retention rates and rebuild our student numbers. Continuing business process review aims to reduce support costs and improve service efficiency from resizing the University's estate and services to reflect forecast student numbers.

The forecasts show a planned operating deficit of £7.5m for 2014–15, increasing to a surplus of £15m after asset sales and an operating deficit of £2.6m in 2015–16, increasing to a surplus of £30.6m after assets sales. They show a return to operating surplus of £4.1m in 2016–17, as Met2020 initiatives build their revenue generation.

The cash balance at 31 July 2015 is forecast at £12.1m, after capital investment of £25.3m and capital receipts estimated at £30.2m in 2014–15. Our cash position remains under pressure at certain points during the year, particularly before the third Student Loan Company fee payment point in May 2014 and receipt of sale proceeds from the Stapleton House complex. As a result we have put in place a £10m overdraft facility to address working capital risk.

We remain reliant on capital receipts to fund capital expenditure without new borrowing.

Key figures for the two years to 31 July 2016 are as follows:

	2014–15 £'m	2015–16 £'m
Total income	116.1	127.3
Expenditure		
Staff costs (excluding restructuring cost)	(73.7)	(76.4)
Other operating expenses	(49.9)	(53.5)
Operating surplus	**(7.5)**	**(2.6)**
Non-operating items	22.5	33.2
Historical cost surplus	**15.0**	**30.6**
Closing cash balance	**12.1**	**28.6**

Key assumptions used to compile the forecasts are:

- Grant reductions of £9.5m from 2013–14 to 2014–15 and £5m from 2014–15 to 2015–16;
- Reductions in forecast home/EU student recruitment;
- Restitution of our Tier 4 HTS status in time for enrolment in 2014–15, with new overseas student intake reaching 50% of its pre-revocation level in 2015–16;
- Fee inflation at 4% per annum, reaching the £9,000 fee cap in 2015–16;
- A 2% per annum cost-of-living pay increase plus 1.5% increases for incremental drift for staff below the top of their grade;
- Non pay cost inflation of 2.5%;
- A capital programme requiring cash expenditure of £25.3m in 2014–15 and £26.4m in 2015–16; and
- Capital receipts of £30.3m in 2014–15 and £40m in 2015–16.

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

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

Human Resources

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

Our pay is monitored against sector median benchmarks and we remain committed to the London Living Wage for our staff and contractors. We were awarded accreditation in August 2014 by the Living Wage Foundation.

HR initiatives carried out during the year included:

- Introduction of a new unpaid student work experience framework to support accredited employability modules;
- Completion of the roll out of the employee self-service system , a web based application for all University staff, including leave and absence management, electronic payslips, and personal information management;
- Overhaul and simplification of the online e-recruitment system;
- Implementation of the new HESA Staff Report and completion of a full HESA staff data verification exercise.

During 2013–14 the consolidated faculty structure was fine tuned to align the leadership and management structures to better match resources to needs. Restructuring of the Academic Registry commenced and is on target to deliver three devolved Student Front Offices (SFOs) based within and serving the students of our faculties; each SFO providing a student hub to serve as a single initial point of contact, directly supporting students, or referring them on to other specialist services. Reviews were also commenced in Student Services and the Students' Union where new structures are being implemented to meet the needs of students and the University.

Efficiency and sustainability continued to be key elements of restructuring this year. Where staffing reductions were necessary, to minimise the impact on staff, in addition to the use of normal formal consultation provisions and the University's redeployment policy, bumped redundancies and a voluntary severance scheme were applied to mitigate the need for compulsory redundancies. We also continued our focus on clear and open communications during change processes. This included the use of our dedicated 'Consultation Information' web pages as well as our 'Frequently Asked Questions' resource.

Employee health and wellbeing

Employee health and wellbeing is monitored by the Stress Management Steering Group. The dedicated Health and Wellbeing website, 'WellMet', continues to provide the focus for information and guidance on health and wellbeing for staff at the University.

Support available to staff during 2013–14 included:

- Staff health and wellbeing events;
- An external Employee Assistance Programme; and
- An in-house Occupational Health Service.

A staff health and wellbeing survey was completed in 2013–14 and an action plan of further health initiatives for the coming year is due for publication shortly.

Equality and diversity

Our policies and practices aim to respond proactively to changes in employment legislation and to promote equality of opportunity in all areas of employment within the University. We reviewed our policies in 2013–14 and brought our separate equality and diversity policies together under a single overarching Equality and Diversity policy covering protected equality characteristics. This harmonised policy aligns better with the principles of the Single Equality Act and mirrors the structure of our Single Equality Scheme.

As at 31 July 2014, the gender of our workforce was 52% female and 48% male, very similar to the 2013 proportions of 51% female and 49% male. The proportion of our staff with a disability remains the same at 2%.

Ethnic Group	2014	2013	% Change
Asian	**11%**	11%	–
Black	**12%**	11%	1
Mixed	**4%**	4%	–
Other	**3%**	3%	–
White	**63%**	66%	(3)
Unknown/refused	**7%**	5%	2

Staff development

In response to demands identified in 2012–13, one focus in 2013–14 has been on helping service departments to improve their service quality and to prepare the ground work for quality chartermark accreditation.

We continued to offer our range of online management development training, covering topics like absence, coaching and conduct. These were supplemented by a range of customised bite-sized workshops targeted at meeting specific identified faculty and departmental needs. A new Wider Management group including senior managers and their direct reports was formed and a programme of biannual staff development events was launched and led by the Deputy Vice-Chancellor.

Trades unions

Senior Managers and Human Resources staff met with the University's recognised trades unions on a regular basis to discuss a range of employment matters including zero hours contracts and the terms and conditions of our hourly paid staff, updates to our policies and procedures, the application of local variations and practices and dispute resolution protocols.

Staff numbers

As at 31 July 2014, the University employed a full-time equivalent of 1,409 staff, 270 (16%) fewer than at the same point in 2013.

	2013–14	2012–13	% Change
Senior staff	**47**	57	(18)
Academic staff	**517**	657	(21)
Administrative staff	**607**	717	(15)
Casual staff	**68**	60	13
Hourly paid lecturers	**170**	188	(10)
Total	**1,409**	1,679	(16)

The increase in casual staff numbers reflects continued growth in student employment via the Met Temps student employment service.

Staff turnover (calculated as the total number of leavers during the academic year excluding voluntary redundancies divided by the year end number of staff) has reduced significantly compared with 2012–13 except in the senior staff group, where there have been 9 leavers during the year including the Vice Chancellor and Chief Executive and the University Secretary.

	2013–14 %	2012–13 %
Senior staff	**19**	10
Academic staff	**7**	12
Administrative staff	**7**	10
All staff	**7**	11

Staff turnover including voluntary redundancies remained the same as for 2012–13 at 15%.

Estates

Our estates strategy is to revitalize the university's educational and social environment, with a physical estate that supports the University's mission through being of a good quality, safe, affordable and sustainable.

2013–14 continued the implementation of the Estates Master Plan to improve sustainability by reducing the size and cost of the estate and improving its quality. Actions included:

- The sale of the Stapleton House/Eden Grove/Index House complex to UNITE. Planning consent was achieved during 2013–14 and the sale was completed in September 2014.
- Closure of Spring House and move of Architecture to Central House in Autumn 2013.
- Successful negotiation of the dilapidations liability following the expiry of leases at 133 Whitechapel High Street and 2 Goulston Street in January 2014.
- The annual review of space needs in November 2013, confirming that the estate was broadly correctly sized with planned building closures and disposals.
- Marketing of the Commercial Road property and securing a preferred bidder for residential development, with completion expected in 2016.
- Major refurbishment work at Central House and Moorgate to provide enhanced facilities for The Cass Faculty of Art, Architecture and Design and the London Guildhall Faculty of Business and Law.
- A comprehensive survey of the condition of building fabric to reduce the risk of failure of elements of the external envelope of buildings and the associated risk to health and safety. A ten year plan has been developed, starting with investment of £5million in 2014–15.
- Development of the pilot Student Front Office at Moorgate. The Aldgate and Holloway Hubs will be completed during 2014–15.
- The re-scoping and tender of Soft facilities management services including cleaning and supplementary security, to improve standards and student satisfaction. The new contract started on 1 September 2014.

Environmental sustainability

The University has reduced its carbon footprint by over 43%, meeting and exceeding the target 33% set out in our 2011/15 Carbon Management Plan published in 2011. To reach the target, the following projects were implemented:

- Estates rationalisation programme
- Voltage optimisation
- Installation of energy efficient lighting and controls
- Automatic PC shutdowns
- Printer rationalisation
- Matching heating/cooling times to occupancy
- Managing plant centrally
- Upgraded insulation
- Higher efficiency boilers
- Efficient pumps and drives
- Training of maintenance team to be 'Energy Engineers'
- Staff and student awareness.

We are now developing a new Carbon Management Plan 2015/20 with a 46% reduction target by 2020 compared to the 2009 baseline carbon emissions. The projects proposed will include technologies such as photovoltaics, solar thermal and combined heat and power.

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

- **Energy** – Carbon targets have been met and exceeded through implementing technologies such as variable speed drivers, building management system upgrades, voltage optimisation, monitoring and targeting, LED's and automatic PC shutdowns.
- **Water** – We have altered the standard specification for refurbishment projects to include water efficiency measures such as setting the length of time that taps run. Automatic cistern controls are being trialled at Central House.
- **Waste** – Despite Site Waste Management Plans no longer being a legal requirement, the University implements these as good practice. The University has been a member of WRAP's 'Halving construction waste to landfill' for six years. We currently achieve recycling rates of over 90% on projects.
- **Travel** – We have continued to offer free cycle safety training for staff and students with over 100 people trained per year with many cycle events held throughout the year such as Dr Bike and London By Cycle. The University has introduced an electric van to transport the post between the Hubs. This will Save 765 kg CO2 every year – equivalent to 1,551 tube journeys between Holloway Road and Aldgate.
- **Construction** – Ska rating has been introduced for larger refurbishments and a standard specification for small refurbishments to minimise our environmental impact. Ska assesses fit-out projects against a set of sustainability good practice measures. The University aims for a silver rating.
- **Awareness** – Staff and student environmental champions have been introduced. The University held a Climate Week to raise awareness of environmental issues.

Technology

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

Key measures delivered in 2014–15 included:

- IT student satisfaction up to 86% according to the 2013 National Student Survey;
- Uptime of 99.9% for Tier 1 systems;
- 22% increase in staff satisfaction based on CSE 2013 figures;
- Ranking up 117 places, 6th Fastest, 5th most improved (Sitemore survey).

Examples of strategic projects delivered in 2014–15 include:

- Introduction of Student Recruitment Customer Relationship Management to improve conversion from application to enrolment;
- Launch of a new finance system with significantly improved debt collection functionality and improved financial management information for budget-holders;
- A bespoke Student Relationship Management (SRM) system that underpins the Student Front Offices and is expected to considerably improve student experience, while providing faster, more seamless resolution of problems at the first point of contact;
- A Student Management Information programme that has delivered automated core student and admissions management information reports.

(Company Registration Number: 974438)

We have audited the financial statements of London Metropolitan University for the year ended 31 July 2014 set out on pages 28 to 63. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the Board of Governors, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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.

Respective responsibilities of the Board of Governors and auditor

As explained more fully in the Statement of Responsibilities set out on pages 9–10, the Board of Governors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the affairs of the Group and the University as at 31 July 2014 and of the Group's income and expenditure, recognised gains and losses and cash flows for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice;
- have been prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed in the HEFCE Audit Code of Practice issued under the Further and Higher Education Act 1992

In our opinion, in all material respects:

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

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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.

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

Date: 28 November 2014

Consolidated income and expenditure account

	Notes	2013–14 £'000	2012–13 £'000
Income			
Funding body grants	1	**34,620**	44,550
Tuition fees	2	**74,535**	73,954
Research grants and contracts	3	**1,281**	1,956
Other operating income	4	**4,426**	6,363
Endowment income and interest receivable	5	**225**	549
Total income		**115,087**	127,372
Expenditure			
Staff costs	6	**70,256**	76,165
Staff restructuring costs	6	**1,673**	2,832
Other operating expenses	8	**34,294**	38,028
Depreciation	11	**8,844**	8,548
Interest payable and other finance costs	9	**2,387**	2,055
Total expenditure		**117,454**	127,628
Deficit for the year on continuing operations after depreciation of assets at valuation and disposal of assets		**(2,367)**	(256)
Exceptional items	10		
Decrease/(increase) in onerous obligations under operating leases		**70**	(315)
Surplus on disposal of freehold property		**229**	219
Net reinstatement/(repayment) of capital grant		**429**	(429)
Deficit for the year on continuing operations after exceptional items	23	**(1,639)**	(781)
Surplus for the year transferred from accumulated income in endowment reserve	14, 23	**56**	29
Deficit for the year retained within general reserves		**(1,583)**	(752)

All items of income and expenditure arise from continuing operations.

Consolidated statement of historical cost deficit

	Notes	**2013–14 £'000**	2012–13 £'000
Deficit for the year on continuing operations before and after tax		**(1,639)**	(781)
Difference between historical cost depreciation charge and the actual charge calculated on valuation of assets	23	**24**	24
Historical cost deficit for the year		**(1,615)**	(757)

	Notes	Group 2014 £000	Group 2013 £'000	University 2014 £'000	University 2013 £'000
Fixed assets					
Tangible assets	11, 12	**131,845**	129,402	**128,744**	126,066
Investments	13	**64**	64	**64**	64
		131,909	129,466	**128,808**	126,130
Endowment asset investments	14	**757**	663	**757**	663
Current assets					
Stock	15	**44**	54	**41**	52
Debtors	16	**9,194**	7,901	**9,759**	8,354
Assets held for sale	17	**8,115**	8,359	**8,115**	8,359
Current asset investments	18	**13,000**	24,500	**13,000**	24,500
Cash at bank and in hand		**3,017**	6,196	**3,000**	6,136
		33,370	47,010	**33,915**	47,401
Creditors					
Amounts falling due within one year	19	**(23,531)**	(27,302)	**(23,426)**	(27,027)
Net current assets		**9,839**	19,708	**10,489**	20,374
Total assets less current liabilities		**142,505**	149,837	**140,054**	147,167
Creditors					
Amounts falling due after more than one year	20	**(12,892)**	(15,257)	**(12,892)**	(15,257)
Provisions for liabilities	21	**(6,294)**	(12,469)	**(6,294)**	(12,469)
Total net assets excluding pension liability		**123,319**	122,111	**120,868**	119,441
Net pension liability	24	**(89,869)**	(67,158)	**(89,869)**	(67,158)
Total net assets including pension liability		**33,450**	54,953	**30,999**	52,283
Represented by:					
Deferred capital grants	22	**60,330**	59,885	**57,637**	56,988
Endowments					
Expendable		**550**	467	**550**	467
Permanent		**207**	196	**207**	196
	14	**757**	663	**757**	663
Reserves					
General reserve	23	**61,478**	60,785	**61,720**	61,012
Pension reserve	23,24	**(89,869)**	(67,158)	**(89,869)**	(67,158)
Revaluation reserve	23	**754**	778	**754**	778
Total reserves		**(27,637)**	(5,595)	**(27,395)**	(5,368)
Total funds		**33,450**	54,953	**30,999**	52,283

The Financial Statements on pages 28 to 63 were approved by the Board of Governors of London Metropolitan University on 27 November 2014, and were signed on its behalf by:

Rob Hull
Vice-Chair of the Board of Governors

Professor John Raftery
Vice-Chancellor and Chief Executive

Registered company number: 974438

	Notes	**2013–14 £'000**	2012–13 £'000
Net cash outflow from operating activities	27	**(4,593)**	(10,633)
Returns on investments and servicing of finance	28	**90**	3
Capital expenditure	29	**(9,613)**	(5,048)
Management of liquid resources	30	**11,424**	17,349
Financing	31	**(487)**	(962)
(Decrease)/increase in cash in the year		**(3,179)**	709

Reconciliation of net cash flow to movement in net funds

	Notes	**2013–14 £'000**	2012–13 £'000
(Decrease)/increase in cash in the year		**(3,179)**	709
Change in short term deposits	30	**(11,424)**	(17,349)
Change in debt: loans	32	**(160)**	3,787
Change in debt: finance lease	32	**648**	536
Change in net funds in the year	32	**(14,115)**	(12,317)
Net funds brought forward from previous year	32	**25,496**	37,813
Net funds at 31 July	32	**11,381**	25,496

Consolidated statement of total recognised gains and losses

	Notes	2013–14 £'000	2012–13 £'000
Deficit for the year		**(1,639)**	(781)
Unrealised gain on endowment asset investments	14	**18**	185
Gross additions to endowment asset investments	14	**132**	45
Disposal of endowment asset investments	14	**–**	(864)
Actuarial (loss)/gain recognised in the LPFA pension fund	24	**(20,459)**	7,155
Total recognised (losses)/gains relating to the year		**(21,948)**	5,740
Total funds as per balance sheet:			
Opening reserves and endowments	14, 23	**(4,932)**	(10,672)
Total recognised (losses)/gains for the year		**(21,948)**	5,740
Closing reserves and endowments	14, 23	**(26,880)**	(4,932)

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

(A) Basis of preparation

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

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

Going concern

The Board of Governors has examined financial forecasts based upon these audited financial statements and estimates of income, expenditure and cash flow for the period to 31 July 2017. For the purpose of this going concern review, the Board has focused on the period to 30 November 2015.

The Board approved a budget for 2014–15 in July 2014 which showed a planned operating deficit of £7.5m, increasing to a historical cost surplus of £15m after taking into account the sale of Stapleton House. The cash flow forecast for 2014–15 showed a cash balance of £12.1m at 31 July 2015 after funding £25.3m of capital investment and £7.2m repayments of loans and grant. A £10m overdraft facility has been put in place to support the University's working capital requirements should there be fluctuations in cash receipts and payments compared with the monthly cash flow forecast. The forecast cash balance at 31 July 2016 is £28.6m after funding £26.4m capital investment in 2015–16.

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

(B) Basis of consolidation

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

Intra-group transactions are eliminated on consolidation.

Under the exemption in Section 230 of the Companies Act 2006, the University is not required to present its own income and expenditure account. The University's operating deficit for the year ended 31 July 2014 is £2,352k (2012–13: £244k deficit).

(C) Income recognition

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

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

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

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

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

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

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

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

(D) Taxation status

The Institution is an exempt charity within the meaning of schedule 3 of the Charities Act 2011 (formerly schedule 2 of the Charities Act 1993). It is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the Institution is potentially exempt from taxation in respect of income or capital gains received within categories covered by section 287 CTA 2009 and sections 471 and 478–488 CTA 2010 (formerly s505 of ICTA 1988) and section 256 of the Taxation of Chargeable Gains Act 1992, to the extent such income or gains are applied to exclusively charitable purposes.

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

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

(E) Tangible fixed assets

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

(i) Land and buildings

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

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

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

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

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

(ii) Assets held under finance leases

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

(iii) Assets held under operating leases

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

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

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

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

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

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

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

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

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

Boiler system – over 25 years.

(F) Stock

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

(G) Pension scheme arrangements

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

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

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

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

(H) Investments

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

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

(I) Cash flows and liquid resources

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

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

(J) Provisions and contingent liabilities

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

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

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

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

(K) Bad debt provision

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

(L) Foreign currencies

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

(M) Endowment funds

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

(i) **Restricted permanent endowments**
Where the donor has specified that the fund is to be permanently invested to generate an income stream to be applied to a particular objective.

(ii) **Restricted expendable endowments**
Where the donor has specified a particular objective and the University can convert the donated sum into income.

	2013–14 £'000	2012–13 £'000

1. Funding body grants

	2013–14 £'000	2012–13 £'000
Recurrent grants		
Higher Education Funding Council for England	**28,105**	35,438
National College for Teaching and Leadership	**211**	649
Specific grants		
Knowledge exchange funding	**1,547**	1,547
Inherited pension liabilities	**1,173**	1,089
National Scholarship Programme	**624**	564
Other	**5**	78
Deferred capital grants released		
Buildings	**2,558**	4,485
Equipment	**397**	700
	34,620	44,550

2. Tuition fees

	2013–14 £'000	2012–13 £'000
Full-time students:		
Home and EU fees	**59,579**	54,026
Overseas fees	**4,464**	6,447
Part-time students fees	**10,492**	13,481
	74,535	73,954

3. Research grants and contracts

	2013–14 £'000	2012–13 £'000
Research councils	**393**	420
UK based charities	**121**	136
European Union	**60**	746
Other	**707**	654
	1,281	1,956

4. Other operating income

	2013–14 £'000	2012–13 £'000
Consultancy	**420**	685
Trading income	**1,858**	2,417
Sale of materials and other departmental income	**203**	499
Rental income and hire of facilities	**369**	335
Validation income	**221**	583
Catering income	**239**	229
Other grants and contracts	**(241)**	42
Deferred capital grants released – non HEFCE	**564**	599
Miscellaneous income	**793**	974
	4,426	6,363

5. Endowment income and interest receivable

	2013–14 £'000	2012–13 £'000
Income from endowment investments	**3**	10
Interest receivable from short-term investments	**145**	502
Other interest receivable	**77**	37
	225	549

		2013–14 £'000	2012–13 £'000

6. Staff costs

		2013–14 £'000	2012–13 £'000
Costs:	Academic staff	**39,106**	43,839
	Other staff	**31,150**	32,326
		70,256	76,165
Comprising:	Wages and salaries	**56,486**	61,997
	Social security costs	**4,639**	5,234
	Pension costs	**9,131**	8,934
		70,256	76,165
	Staff restructuring costs	**1,673**	2,832
		71,929	78,997

The average number of full-time equivalent employees during the year was:	2013–14	2012–13
Academic staff	**668**	754
Other staff	**721**	791
	1,389	1,545

The University is using a new methodology for calculating hourly paid lecturer full-time equivalents for 2013–14. Hourly paid lecturers are included in Academic staff. We have re-stated the 2012–13 academic staff full time equivalent to reflect the new methodology.

7. Remuneration of directors and higher-paid staff

A. Directors

The University's Board of Governors do not receive remuneration from the University in their capacity as governors. During the year three governors (2012–13: eight) were remunerated in their capacity as employees of the University. The figures below relate entirely to these governors on a pro-rata basis for their period in office.

	2013–14 £'000	2012–13 £'000
Directors' emoluments		
Salaries	**456**	303
Pension contributions	**46**	45
	502	348
Highest paid director		
Vice-Chancellor and Chief Executive (resigned 31 July 2014)	**412**	254
Salary	**41**	41
Pension contributions	**453**	295

Included in the Vice-Chancellor's salary for 2013–14 is an accrued payment in lieu of notice of £159k.

The Vice-Chancellor is a member of The Universities Superannuation Scheme (USS). As at 31 July 2014 his gross accrued pension per annum was £25k and his accrued tax free lump sum was £165k.

During the year £4k (2012–13: 4k) was paid in respect of governors' expenses. A total of three governors received expenses (2012–2013: four).

B. Higher-paid staff

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

	No.	No.
£100,001 to £110,000	**2**	2
£110,001 to £120,000	**–**	1
£130,001 to £140,000	**1**	1
£150,001 to £160,000	**–**	1
£160,001 to £170,000	**2**	2
	5	7

8. Analysis of total expenditure by activity

	Staff Costs £'000	Other operating expenses £'000	Depreciation £'000	Interest payable £'000	**2013–14 £'000**	2012–13 £'000
Academic departments	42,932	6,381	2,373	–	**51,686**	53,679
Academic services	5,327	3,638	109	–	**9,074**	8,545
Administration and central services	16,437	13,162	313	–	**29,912**	37,109
Premises	3,481	11,435	6,041	158	**21,115**	22,038
Catering operations inc. conferences	91	340	2	–	**433**	336
Research grants and contracts	779	524	6	–	**1,309**	1,933
Other expenditure	2,882	(1,186)	–	2,229	**3,925**	3,988
	71,929	34,294	8,844	2,387	**117,454**	127,628

Other operating expenses includes:

Operating lease rentals		
– land and buildings	**2,477**	2,743
– other	**608**	752
External auditor's remuneration (excluding VAT):		
– audit of these financial statements	**62**	62
– audit of the University's subsidiary	**6**	6
– other audit services	**11**	8
Internal auditor's remuneration	**143**	132
Students' Union grant	**555**	517

The total shown for staff costs includes £1,673k in respect of staff restructuring costs.

The total shown for other expenditure includes £2,252k (2012–13: £1,145k) in respect of FRS17 adjustments to staff costs, other operating expenses and interest payable.

9. Interest payable and other finance costs

	2013–14 £'000	2012–13 £'000
Interest payable on bank loans, overdrafts and other loans, repayable wholly or partly in less than five years	**21**	41
Finance lease	**137**	356
Net charge on pension scheme deficit	**2,229**	1,658
	2,387	2,055

10. Exceptional Items

	2013–14 £'000	2012–13 £'000
Decrease/(increase) in onerous obligations under operating leases	**70**	(315)
Surplus on disposal of freehold property	**229**	219
Net reinstatement/(repayment) of capital grant	**429**	(429)
	728	(525)

The decrease/(increase) in onerous obligations under operating leases relates to the net change in provision (note 21).

The surplus on disposal of freehold property relates to the sale of a freehold residential property in Burslem Avenue (note 17).

The University made a provision in 2013 for the repayment of a capital grant made to the University for the former Women's Library building by the Herritage Lottery Fund (HLF). Following negotiations between the University and HFL, agreement was reached in June 2014 that HFL will no longer be seeking repayment of the grant. This has resulted in the capital grant being reinstated (note 22) and the provision for the repayment of the capital grant being reversed (note 21).

11. Tangible fixed assets (Group)

	Land and buildings						
	Freehold £'000	Under construction £'000	Alterations and improvements £'000	Short finance leasehold £'000	Long leasehold £'000	Equipment and furniture £'000	Total £'000
Cost							
At 1 August 2013	92,306	725	57,014	7,551	10,675	27,527	195,798
Additions	–	959	7,773	–	–	2,362	11,094
Disposals	(85)	–	–	–	–	(59)	(144)
Transfers	–	(694)	694	–	–	–	–
At 31 July 2014	**92,221**	**990**	**65,481**	**7,551**	**10,675**	**29,830**	**206,748**
Depreciation							
At 1 August 2013	22,470	–	15,759	4,976	1,424	21,767	66,396
Charge for year	1,951	–	3,273	290	209	2,877	8,600
Eliminated on disposal	(34)	–	–	–	–	(59)	(93)
At 31 July 2014	24,387	–	19,032	5,266	1,633	24,585	74,903
Net book value at 31 July 2014	**67,834**	**990**	**46,449**	**2,285**	**9,042**	**5,245**	**131,845**
Net book value at 31 July 2013	69,836	725	41,255	2,575	9,251	5,760	129,402
Cost of land included in above	**6,120**	**–**	**–**	**–**	**1,174**	**–**	**7,294**

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 £6,244k of net book value relates to alterations and improvements undertaken on properties held under operating leases.

	Freehold	Under construction	Alterations and improvements	Short finance leasehold	Long leasehold	Equipment and furniture	Total
Net book value at 31 July 2014	**35,750**	**–**	**–**	**4,132**	**323**	**–**	**40,205**

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

In 2012 the University classified three freehold academic properties: Stapleton House, Eden Grove and Index House as assets held for sale (note 17). The depreciation charge on these properties was £244k in 2013–14 (2012–13: £244k). The total depreciation charged was £8,844 (2012–13: £8,548), comprising £8,600k depreciation charge on tangible fixed assets and £244k depreciation charge on the assets held for sale.

On 4 April 2014 the University completed the sale of 8 Burslem Avenue, Hainault, Essex, a freehold residential property. The sale generated a surplus of £229k as follows: Sales proceeds of £285k, less costs associated with the disposal of £5k less book value at disposal of £51k. The surplus is disclosed in exceptional items (note 10).

The 'short finance leasehold' building relates to the Learning Centre at Holloway Road. The building is leased to the University for 25 years from January 1995, with an option to buy at a fixed price after 20 years. Lloyds Bank plc holds a charge for this lease over properties which form part of the Stapleton House, Index House and Eden Grove complex. The sale of the three properties completed on 1 September 2014, when the charge held by Lloyds Bank plc over the properties was terminated and the finance lease was redeemed in full.

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

12. Tangible fixed assets (University)

	Land and buildings						
	Freehold £'000	Under construction £'000	Alterations and improvements £'000	Short finance leasehold £'000	Long leasehold £'000	Equipment and furniture £'000	Total £'000
Cost							
At 1 August 2013	88,402	725	56,268	7,551	10,675	24,792	188,413
Additions	–	959	7,773	–	–	2,362	11,094
Disposals	(85)	–	–	–	–	(59)	(144)
Transfers	–	(694)	694	–	–	–	–
At 31 July 2014	**88,317**	**990**	**64,735**	**7,551**	**10,675**	**27,095**	**199,363**
Depreciation							
At 1 August 2013	21,389	–	15,523	4,976	1,424	19,035	62,347
Charge for year	1,755	–	3,237	290	209	2,874	8,365
Eliminated on disposal	(34)	–	–	–	–	(59)	(93)
At 31 July 2014	23,110	–	18,760	5,266	1,633	21,850	70,619
Net book value at 31 July 2014	**65,207**	**990**	**45,975**	**2,285**	**9,042**	**5,245**	**128,744**
Net book value at 31 July 2013	67,013	725	40,745	2,575	9,251	5,757	126,066
Cost of land included in above	**6,120**	**–**	**–**	**–**	**1,174**	**–**	**7,294**

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 £6,244k of net book value relates to alterations and improvements undertaken on properties held under operating leases.

	Freehold £'000	Under construction £'000	Alterations and improvements £'000	Short finance leasehold £'000	Long leasehold £'000	Equipment and furniture £'000	Total £'000
Net book value at 31 July 2014	**35,276**	**–**	**–**	**4,132**	**323**	**–**	**39,731**

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

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

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

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

13. Investments (University and Group)

	1 August 2013 £'000	Impairment in value £'000	31 July 2014 £'000
CVCP Properties plc	64	–	64

CVCP Properties plc

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

Subsidiaries

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

London Metropolitan University Enterprises Limited

The company is registered and incorporated in England and is wholly owned by the University. Its principal business activities are the provision of consultancy services and a print centre. The deficit for this subsidiary in 2013–14 is £15k (2012–13: £12k deficit) and the net liabilities at 31 July 2014 are £242k (2013: £227k net liabilities).

London Metropolitan University Nigeria Limited

The company is registered and incorporated in Nigeria and is wholly owned by the University. Its principal business activity was to provide qualitative counselling to students wishing to study at London Metropolitan University on behalf of the University. It does not trade in its own right and the University has no material investment in the company. The company ceased trading on 31 May 2014 and is in the process of preparing a final set of accounts for 2014. The deficit for this subsidiary in 2012–13 was £31k (2011–12: £2k deficit) and the net liabilities at 31 July 2013 were £3k (2012: £27k net assets).

14. Endowment asset investments (University and Group)

	2014 £'000	2013 £'000
Endowment assets		
Balance at 1 August	**663**	1,326
Appreciation of endowment asset investments	**18**	185
Disposal of shares from Multi-Manager fund	**–**	(638)
Increase/(decrease) in cash balances held for endowment funds	**90**	(225)
(Decrease)/increase in endowment debtor balances	**(20)**	21
Decrease/(increase) in endowment creditor balances	**6**	(6)
Balance at 31 July	**757**	663
Represented by:		
Shares in Henderson Managed Growth Fund	**411**	396
Cash and other current assets	**289**	213
Fixed interest stocks	**19**	18
Unit trusts	**38**	36
Total	**757**	663

	Restricted Permanent £'000	Restricted Expendable £'000	2014 £'000	2013 £'000
Endowment reserves				
Balance at 1 August	177	426	**603**	1,221
Capital	19	41	**60**	105
Accumulated income	196	467	**663**	1,326
Additions	–	132	**132**	45
Disposal – Fawcett Library Trust Fund	–	–	**–**	(864)
Investment income	–	3	**3**	10
Expenditure	–	(59)	**(59)**	(39)
	–	(56)	**(56)**	(29)
Increase in market value of investments	11	7	**18**	185
Balance at 31 July	207	550	**757**	663
Represented by:	188	491	**679**	603
Capital	19	59	**78**	60
Accumulated income	207	550	**757**	663

	2014 £'000	2013 £'000
Top five endowment funds by value:		
Lord Limerick Memorial Bursary Fund	**238**	159
Rubber Fund	**113**	111
Library Fund	**70**	66
Teaching Studies Fund	**59**	58
Wood Brothers Prize Fund	**41**	38
	521	432

The Fawcett Library Trust Fund was transferred to the London School of Economics on 31 July 2013. The custodianship of the Women's Library collections was transferred to the London School of Economics on 2 January 2013.

	2014 £'000	2013 £'000

15. Stock

	2014 £'000	2013 £'000
Group		
Raw materials	**27**	24
Work in progress	**–**	7
Goods purchased for resale	**17**	23
	44	54
University		
Raw materials	**24**	22
Work in progress	**–**	7
Goods purchased for resale	**17**	23
	41	52

16. Debtors

	2014 £'000	2013 £'000
Group		
Amounts falling due within one year:		
Trade debtors	**4,009**	3,393
Amounts due from HEFCE	**1,204**	–
Loans to staff and students	**98**	89
Other debtors	**161**	206
Prepayments and accrued income	**3,722**	4,213
	9,194	7,901
University		
Amounts falling due within one year:		
Trade debtors	**3,934**	3,351
Amounts due from HEFCE	**1,204**	–
Loans to staff and students	**98**	89
Other debtors	**154**	203
Prepayments and accrued income	**3,722**	4,193
Amounts due from subsidiary companies	**647**	518
	9,759	8,354

Included in amounts due from subsidiary companies are two loans for £263k and £65k respectively made to London Metropolitan University Enterprises Limited. The first loan commenced on 1 April 2009 with the principal being repayable over 20 years. The interest rate being charged is based on the average Bank of England base rate for the year + 1.0%.

The second loan was made on 31 October 2012 to temporarily cover working capital requirements. The loan is scheduled for repayment in 2014–15.

17. Assets held for sale (University and Group)

	2014 £'000	2013 £'000
Carrying value of assets held for sale previously classified under fixed assets (notes 11 and 12)		
Freehold property academic – land	**2,098**	2,098
Freehold property academic – building	**5,220**	5,401
Freehold property academic – alterations and improvements	**797**	860
	8,115	8,359

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

	2014 £'000	2013 £'000

18. Current asset investments (University and Group)

	2014 £'000	2013 £'000
Deposits maturing in one year or less	**13,000**	24,500

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

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

At 31 July 2014 the weighted average interest rate of the fixed rate deposits was 0.6% per annum (31 July 2013: 1.2%) and the remaining weighted average period for which the interest rate is fixed on these deposits was 71 days (31 July 2013: 88 days). The fair value of these deposits was not materially different from the book value.

19. Creditors – amounts falling due within one year

	2014 £'000	2013 £'000
Group		
Bank mortgage and other loans	**644**	619
Trade creditors	**5,820**	8,354
Amounts owed to HEFCE	**2,945**	2,636
Taxation and pension contributions	**2,547**	2,654
Obligations under finance lease	**3,889**	4,537
Other creditors	**361**	25
Accruals	**4,587**	5,652
Deferred income	**2,738**	2,825
	23,531	27,302
University		
Bank mortgage and other loans	**644**	619
Trade creditors	**5,771**	8,148
Amounts owed to HEFCE	**2,945**	2,636
Taxation and pension contributions	**2,547**	2,654
Obligations under finance lease	**3,889**	4,537
Other creditors	**361**	17
Accruals	**4,531**	5,591
Deferred income	**2,738**	2,825
	23,426	27,027

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

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

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

	2014 £'000	2013 £'000
HEFCE grant repayment		
Payable between one and two years	**2,500**	2,500
Payable between two and five years	**10,000**	10,000
Payable after five years	**–**	2,500
	12,500	15,000
HEFCE revolving green fund loans (interest free, unsecured)		
Principal payable between one and two years	**214**	–
Principal payable between two and five years	**71**	–
	285	–
SALIX energy efficiency loans (interest free, unsecured)		
Principal payable between one and two years	**64**	150
Principal payable between two and five years	**43**	107
	107	257
Total	**12,892**	15,257

The HEFCE grant repayment relates to overpayments of grant to the University from 2005–06 to 2007–08. The total amount repayable was £36.5m. £21.5m has been repaid to 31 July 2014. The remaining payment will be made at £2.5m per annum until 2019–20.

The HEFCE revolving green fund loans were awarded for investments in University energy-efficiency initiatives. Two interest free loans were awarded to the University in 2013–14, the first for £250k in March 2014 for a building retrofit and the second for £250k for a number of small scale projects. Two further loan advances totalling £856k are expected in 2014–15, £750k for the building retrofit project and £106k for the small scale projects. The loan for the small scale projects will be fully repaid in May 2018 and the loan for the building retrofit will be fully repaid in November 2018.

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

21. Provisions for liabilities (University and Group)

	2014 £'000	2013 £'000
Restructuring provision		
At 1 August	–	231
Utilised	–	(231)
At 31 July	–	–
Onerous obligations under operating leases		
At 1 August	8,904	10,424
(Decrease)/Increase	(70)	315
Utilised	(2,840)	(1,835)
At 31 July	5,994	8,904
Contract claims		
At 1 August	300	300
At 31 July	300	300
Repayment of capital grant		
At 1 August	3,265	–
Increase	–	3,265
Release of provision	(3,265)	–
At 31 July	–	3,265
Total		
At 1 August	12,469	10,955
(Decrease)/increase	(70)	3,580
Utilised	(2,840)	(2,066)
Release of provision	(3,265)	–
At 31 July	6,294	12,469

The restructuring provision related to staff given notice of compulsory redundancy before the balance sheet date, but who had not at the date that the financial statements were signed, had their last date of service confirmed.

The University vacated and mothballed leased properties at 133 Whitechapel High Street in 2009–10, at 2 Goulston Street, Ladbroke House in July 2012 and Spring House in January 2014. The leases at both 133 Whitechapel High Street and 2 Goulston Street ended on January 2014. The provision for onerous obligations under operating leases reflects the University's estimated residual obligations under these leases. £2,840k (2013: £1,835) was released against the provision representing building operating costs of £1,811 (2013: £1,835) and dilapidation settlements and consequential losses for the properties at 133 Whitechapel High Street and 2 Goulston Street of £1,029k (2013:nil).

The provision was decreased by £70k as follows: a decrease in the provision of Spring House by £102k following a decision to delay the date of vacating Spring House from December 2013 to January 2014; a reduction of £15k of the amount originally provided for dilapidations for the property at Whitechapel High Street; and an increase in provision of £47k representing an under provision of 2013–14 building operating costs.

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

The provision for repayment of capital grant related to the possible repayment of a grant given to the University in 1998 by the Heritage Lottery Fund (HLF). The grant was given to part-fund the former Women's Library building, to house the Women's Library collections. Following the transfer of these collections to the London School of Economics in 2012–13, a provision was made for the grant to become repayable whilst negotiations over the future use of the building continued with the HLF. Negotiations with the HLF concluded in June 2014, with HLF agreeing with the University's proposal to change the use of the former Women's Library building. The provision has been released in full to the Income and Expenditure Account (Note 10).

22. Deferred capital grants

			Group			University
	HEFCE £'000	Other grants £'000	Total £'000	HEFCE £'000	Other grants £'000	Total £'000
At 1 August 2013						
Buildings	45,351	13,436	58,787	45,351	10,539	55,890
Equipment	1,098	–	1,098	1,098	–	1,098
	46,449	13,436	59,885	46,449	10,539	56,988
Cash received						
Buildings	1,128	–	**1,128**	1,128	–	**1,128**
Reinstate deferred capital grant (note 10)						
Buildings	–	2,836	**2,836**	–	2,836	**2,836**
Released to income and expenditure account						
Buildings	2,558	564	3,122	2,558	360	2,918
Equipment	397	–	397	397	–	397
	2,955	564	**3,519**	2,955	360	**3,315**
At 31 July 2014						
Buildings	**43,921**	**15,708**	**59,629**	**43,921**	**13,015**	**56,936**
Equipment	**701**	**–**	**701**	**701**	**–**	**701**
	44,622	**15,708**	**60,330**	**44,622**	**13,015**	**57,637**

The reinstatement of deferred capital grant represents the capital grant given to the University by the HLF in 1998 for part-funding of the former Women's Library building. In 2013 the grant was released to the Income and Expenditure account in full, to be offset against the amount repayable to the HLF, however agreement was reached between HLF and the University in June 2014 that repayment of the grant will not be required, so the grant has been reinstated.

23. Reserves

	Revaluation £'000	Income and expenditure £'000	Pension £'000	Total £'000
Group				
At 1 August 2013	778	60,785	(67,158)	(5,595)
Depreciation on revalued freehold property	(24)	24	–	–
Deficit for the year	–	(1,639)	–	(1,639)
Transfer from endowment reserve (note 14)	–	56	–	56
Actuarial loss on pension fund (note 24)	–	–	(20,459)	(20,459)
FRS 17 interest cost	–	2,229	(2,229)	–
Difference between FRS 17 pension charge and cash contribution	–	23	(23)	–
At 31 July 2014	754	61,478	(89,869)	(27,637)
University				
At 1 August 2013	778	61,012	(67,158)	(5,368)
Depreciation on revalued freehold property	(24)	24	–	–
Deficit for the year	–	(1,624)	–	(1,624)
Transfer from endowment reserve (note 14)	–	56	–	56
Actuarial loss on pension fund (note 24)	–	–	(20,459)	(20,459)
FRS 17 interest cost	–	2,229	(2,229)	–
Difference between FRS 17 pension charge and cash contribution	–	23	(23)	–
At 31 July 2014	754	61,720	(89,869)	(27,395)

24. Pension arrangements (University and Group)

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

A. The London Pensions Fund Authority (LPFA) Fund

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

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

The actuarial valuation as at 31 March 2013 informed a review by the LPFA of the contributions to be paid to the Fund by employers from 1 April 2014. It was agreed that, with effect from 1 April 2014, the contribution to be paid by the University to the Fund for current service was 16.0% of pensionable payroll. The University has also agreed to pay lump sum contributions for past service deficits of £937,000 from 1 April 2014 to March 2015, £1,080k from April 2015 to March 2016 and £1,132k from April 2016 to March 2017.

The University's contribution to the Fund for 2013–14 was £3.7m (2012–13: £4.0m). The University's estimated contribution to the Fund for 2014–15 is £4.3m.

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

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

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

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

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

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

24. Pension arrangements (continued)

LPFA – FRS 17 statements
A full FRS17 actuarial valuation was carried out as at 31 July 2013 by the Fund actuary, Barnett Waddingham.

The major assumptions used by the actuary were as follows:

	2014	2013	2012
Rate of increase in salaries	**4.5%**	4.3%	3.5%
Rate of increase in pensions in payment – RPI	**3.5%**	3.4%	2.6%
Rate of increase in pensions in payment – CPI	**2.7%**	2.6%	1.8%
Discount rate	**4.2%**	4.8%	3.9%
Inflation assumption	**2.7%**	2.6%	1.8%

The current mortality assumptions include sufficient allowance for future improvements in mortality rates.
The assumed life expectations on retirement at age 65 are:

	Years
Current pensioners	
Males	**21.8**
Females	**25.1**
Future pensioners (retiring in 20 years)	
Males	**24.1**
Females	**27.3**

24. Pension arrangements (continued)

Fund assets

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

	Long term rate of return expected at 31 July 2014	**Value at 31 July 2014 £'000**	Long term rate of return expected at 31 July 2013	Value at 31 July 2013 £'000	Long term rate of return expected at 31 July 2012	Value at 31 July 2012 £'000
Equities	**6.7%**	**76,636**	6.4%	81,563	5.6%	103,923
Target return portfolio	**6.1%**	**49,881**	4.9%	50,326	4.3%	14,637
Alternative assets	**n/a**	**–**	5.4%	26,031	4.6%	23,419
Cash	**3.2%**	**24,145**	0.5%	1,735	0.5%	4,391
Cashflow matching	**3.4%**	**10,650**	3.4%	13,883	n/a	–
Infrastructure	**6.3%**	**5,822**	n/a	–	n/a	–
Commodities	**6.1%**	**1,857**	n/a	–	n/a	–
Property	**5.6%**	**4,780**	n/a	–	n/a	–
Total		**173,771**		173,538		146,370

Net pension liability (University and Group)

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

	2014 £'000	2013 £'000	2012 £'000
Fair value of employer assets	**173,771**	173,538	146,370
Present value of Fund liabilities	**(251,748)**	(230,629)	(209,317)
Present value of unfunded liabilities	**(11,892)**	(10,067)	(10,221)
Total value of liabilities	**(263,640)**	(240,696)	(219,538)
Net pension liability	**(89,869)**	(67,158)	(73,168)

The present value of the unfunded liabilities as at 31 July 2014 consists of £2,400k (2013: £2,559k) in respect of enhanced LGPS pensions and £9,492k (2013: £7,508k) in respect of enhanced teachers' pensions.

Analysis of the amount charged to the income and expenditure account

	2013–14 £'000	2012–13 £'000
Current service costs	**4,759**	4,538
Interest on Fund liabilities	**11,521**	9,201
Expected return on Fund assets	**(9,292)**	(7,543)
Losses on curtailments and settlements	**795**	131
Total charge to income and expenditure account	**7,783**	6,327
Actual return on Fund assets	**2,891**	**27,537**

24. Pension arrangements (continued)

	2013–14 £'000	2012–13 £'000
Analysis of amount recognised in consolidated statement of total recognised gains and losses (STRGL)		
Actual return less expected return on Fund assets	**(6,401)**	19,994
Experience gains/(losses) arising on Fund liabilities	**17,312**	(260)
Changes in assumptions	**(31,370)**	(12,579)
Actuarial (losses)/gains recognised in STRGL	**(20,459)**	7,155
Cumulative actuarial losses recognised in STRGL	**(23,296)**	(2,837)

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

	2013–14 £'000	2012–13 £'000
At 1 August	**(67,158)**	(73,168)
Movement in year:		
Current service cost	**(4,759)**	(4,538)
Contributions by employer	**4,345**	4,102
Contributions in respect of unfunded benefits	**1,186**	1,080
Impact of curtailments and settlements	**(795)**	(131)
Net return on assets	**(2,229)**	(1,658)
Actuarial (losses)/gains	**(20,459)**	7,155
At 31 July	**(89,869)**	(67,158)

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

	2013–14 £'000	2012–13 £'000
At 1 August	**240,696**	219,538
Movement in year:		
Current service cost	**4,759**	4,538
Interest cost	**11,521**	9,201
Contributions by members	**1,487**	1,492
Contributions in respect of unfunded benefits	**(1,186)**	(1,080)
Actuarial losses	**12,748**	12,839
Impact of curtailments and settlements	**795**	131
Estimated benefits paid	**(7,180)**	(5,963)
At 31 July	**263,640**	240,696

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

	2013–14 £'000	2012–13 £'000
At 1 August	**173,538**	146,370
Movement in year:		
Expected rate of return on Fund assets	**9,292**	7,543
Contributions by members	**1,487**	1,492
Contributions by the employer including unfunded benefits	**5,531**	5,182
Actuarial (losses)/gains	**(7,711)**	19,994
Estimated benefits paid including unfunded benefits	**(8,366)**	(7,043)
At 31 July	**173,771**	173,538

24. Pension arrangements (continued)

	2013–14 £'000	2012–13 £'000	2011–12 £'000	2010–11 £'000	2009–10 £'000
Experience gains and losses					
Defined benefit obligation	**(263,640)**	(240,696)	(219,538)	(203,448)	(210,949)
Fund assets	**173,771**	173,538	146,370	145,673	130,601
Deficit	**(89,869)**	(67,158)	(73,168)	(57,775)	(80,348)
Experience adjustments on Fund assets	**(7,711)**	19,994	(7,346)	4,355	3,593
Percentage of assets	**(4.4)%**	11.5%	(5.0)%	3.0%	2.8%
Experience adjustments on Fund liabilities	**18,622**	(260)	636	39,059	715
Percentage of liabilities	**7.1%**	(0.1)%	0.3%	19.2%	0.3%
Cumulative actuarial gains and losses	**(52,371)**	(31,912)	(39,067)	(24,730)	(48,213)

B. The Teachers' Pension Scheme (TPS)

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

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

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

The University's contribution to the TPS for 2013–14 was £3.8m (2012–13: £4.1m). The University's estimated contribution to the scheme for 2014–15 is £3.5m.

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

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

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

24. Pension arrangements (continued)

C. The Universities Superannuation Scheme (USS)

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

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

The cost recognised in the income and expenditure account is regarded as being equal to the contributions payable to the scheme for the year. The University's contribution to the USS for 2013–14 was £0.3m (2012–13: £0.3m). The University's estimated contribution to the scheme for 2014–15 is £0.2m, payable by the University at 16% of pensionable salaries.

The appointment of directors to the board of the trustee is determined by the trustee company's Articles of Association. Four of the directors are appointed by Universities UK; three are appointed by the University and College Union, of whom at least one must be a USS pensioner member; and a minimum of three and a maximum of five are independent directors appointed by the board. Under the scheme trust deed and rules, the employer contribution rate is determined by the trustee, acting on actuarial advice.

The latest triennial actuarial valuation of the scheme was at 31 March 2011. This was the second valuation for USS under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. The actuary also carries out a review of the funding levels. In particular, he carries out a review of the funding level each year between triennial valuations and details of his estimates of the funding level at 31 March 2014 are also included in this note.

At 31 March 2013, USS had over 148,000 active members and the University had 34 active members participating in the scheme.

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

To calculate the technical provisions, it was assumed that the valuation rate of interest would be 6.1% per annum, salary increases would be 4.4% per annum (with short-term general pay growth at 3.65% per annum and an additional allowance for increases in salaries due to age and promotion reflecting historic scheme experience, with a further cautionary reserve on top for past service liabilities) and pensions would increase by 3.4% per annum for three years following the valuation then 2.6% thereafter.

The assumed life expectations on retirement at age 65 are:

Males (females) currently aged 65	23.7 (25.6) years
Males (females) currently aged 45	25.5 (27.6) years

At the valuation date, the value of the assets of the scheme was £32,433.5 million and the value of the scheme's technical provisions was £35,343.7 million indicating a shortfall of £2,910.2 million. The assets therefore were sufficient to cover 92% of the benefits which had accrued to members after allowing for expected future increases in earnings.

The actuary also valued the scheme on a number of other bases as at the valuation date. On the scheme's historic gilt basis, using a valuation rate of interest in respect of past service liabilities of 4.4% per annum (the expected return on gilts) the funding level was approximately 68%. Under the Pension Protection Fund regulations introduced by the Pensions Act 2004 the scheme was 93% funded; on a buy-out basis (ie assuming the Scheme had discontinued on the valuation date) the assets would have been approximately 57% of the amount necessary to secure all the USS benefits with an insurance company; and using the FRS17 formula as if USS was a single employer scheme, using a AA bond discount rate of 5.5% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2011 was 82%.

As part of the valuation, the trustees determined, after consultation with the employers, a recovery plan to pay off the shortfall by 31 March 2021. In 2011 the actuary estimated that if experience remained in line with the assumptions made, the shortfall at 31 march 2014 would be £2.2 billion, equivalent to a funding level of 95%

24. Pension arrangements (continued)

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

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

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

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

Surpluses or deficits which arise at future valuations may impact on the institution's future contribution commitment. A deficit may require additional funding in the form of higher contribution requirements, where a surplus could, perhaps, be used to similarly reduce contribution requirements.

The technical provisions relate essentially to the past service liabilities and funding levels, but it is also necessary to assess the ongoing cost of newly accruing benefits. The cost of future accrual was calculated using the same assumptions as those used to calculate the technical provisions but the allowance for promotional salary increases was not as high. Analysis has shown very variable levels of growth over and above general pay increases in recent years, and the salary growth assumption built into the cost of future accrual is based on more stable, historic, salary experience. However, when calculating the past service liabilities of the scheme, a cautionary reserve has been included, in addition, on account of the variability mentioned above.

As at the 2011 valuation the scheme was still a fully Final Salary Scheme for future accruals and the prevailing employer contribution rate was 16% of salaries.

Following UK government legislation, from 2011 statutory pension increases or revaluations are based on the Consumer Prices Index measure of price inflation. Historically these increases had been based on the Retail Prices Index measure of price inflation.

Since the previous valuation as at 31 March 2008 there have been a number of changes to the benefits provided by the scheme although these became effective from October 2011. These include:

New entrants
Other than in specific, limited circumstances, new entrants are now provided on a Career Revalued Benefits (CRB) basis rather than a Final Salary (FS) basis.

Normal pension age
The normal pension age was increased for future service and new entrants, to aged 65.

Flexible retirement
Flexible retirement options were introduced.

Member contributions increased
Contributions were uplifted to 7.5% p.a. and 6.5% p.a. for FS Section members and CRB Section members respectively.

Cost sharing
If the total contribution level exceeds 23.5% of salaries per annum, the employers will pay 65% of the excess over 23.5% and members will pay the remaining 35% to the fund as additional contributions.

Pension increase cap
For service derived after 30 September 2011, USS will match increases in official pensions for the first 5%. If official pensions increase by more than 5% then USS will pay half of the difference up to a maximum increase of 10%.

24. Pension arrangements (continued)

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

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

The fund is invested in a wide range of asset classes, both publicly traded (including equities and fixed income) and private (including private equity, infrastructure, property and timberland). A diversified portfolio helps to spread across different asset classes and to boost the level of confidence in maintaining sufficient investment returns from the fund as a whole. The investment approach is innovative and responsible, and targeted at achieving returns required to meet the scheme's liabilities. Recently, the trustee has invested directly in infrastructure assets. These investments are typically illiquid, but can achieve attractive inflation-linked returns in ways often not available in the publicly traded markets and which can match the scheme's liabilities to a high degree.

25. Capital commitments (University and Group)

	2014 £'000	2013 £'000
At 31 July capital commitments were as follows:		
Commitments contracted	**2,208**	2,050
Authorised but not contracted	**3,850**	6,174
	6,058	8,224

26. Commitments under operating leases (University and Group)

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

Land and buildings:		
Expiring within one year	**8**	397
Expiring within one – two years	**462**	–
Expiring within two – five years	**1,145**	1,545
Expiring in over five years	**2,153**	2,153
Other:		
Expiring within one year	**311**	400
Expiring within one – two years	**321**	–
Expiring within two – five years	**15**	321
Expiring in over five years	**–**	15
	4,415	4,831

27. Reconciliation of deficit on continuing operations to net cash outflow from operating activities

	2013–14 £'000	2012–13 £'000
Deficit on continuing operations	**(1,639)**	(781)
Depreciation	**8,844**	8,548
Deferred capital grants released to income	**(3,519)**	(5,784)
Deferred capital grant reinstated/(released) to exceptional item	**2,836**	(2,836)
Interest payable	**2,387**	2,055
Decrease in stocks	**10**	6
(Increase)/decrease in debtors	**(1,273)**	733
Decrease in creditors	**(5,639)**	(12,484)
(Decrease)/increase in provisions	**(6,175)**	1,514
Endowment income and interest receivable	**(225)**	(549)
Donations received	**(42)**	(39)
Pension cost less contributions payable	**23**	(513)
Exchange rate loss/(gain)	**48**	(284)
Profit on sale of fixed assets	**(229)**	(219)
Net cash outflow from operating activities	**(4,593)**	(10,633)

28. Returns on investments and servicing of finance

	2013–14 £'000	2012–13 £'000
Donations received	**42**	39
Interest paid	**(158)**	(389)
Income from endowments	**3**	10
Other interest received	**203**	343
Net cash inflow	**90**	3

29. Capital expenditure

	2013–14 £'000	2012–13 £'000
Purchase of tangible fixed assets	**(11,094)**	(7,166)
Receipts from sale of fixed assets	**280**	280
Net deferred capital grants received	**1,128**	1,793
Net endowments received	**73**	45
Net cash outflow	**(9,613)**	(5,048)

30. Management of liquid resources

	2013–14 £'000	2012–13 £'000
Decrease in current asset investments	**11,500**	17,140
(Increase)/decrease in endowment cash investments	**(76)**	209
Net cash inflow	**11,424**	17,349

31. Financing

	2013–14 £'000	2012–13 £'000
HEFCE revolving green fund loans	**499**	–
SALIX energy efficiency loans	**–**	221
Repayment of capital element of loans	**(338)**	(647)
Repayment of capital element of finance lease	**(648)**	(536)
Net cash outflow	**(487)**	(962)

32. Analysis of changes in net funds

	At 1 August 2013 £'000	Other changes £'000	Cash flows £'000	**At 31 July 2014 £'000**
Cash at bank and in hand	6,196	–	(3,179)	**3,017**
Endowment cash asset investments	213	–	76	**289**
	6,409	–	(3,103)	**3,306**
Short term investments	24,500	–	(11,500)	**13,000**
Debt due within one year	(619)	(644)	619	**(644)**
Debt due after one year	(257)	644	(779)	**(392)**
Finance lease	(4,537)	–	648	**(3,889)**
	25,496	–	(14,115)	**11,381**

The analysis of changes in net debt excludes HEFCE grant repayment of £15m (2013: £17.5m) as this is not a commercial loan and is being recovered by HEFCE through adjustments to recurrent grant payments.

33. HEFCE Access Fund (University and Group)

	2013–14 £'000	2012–13 £'000
Balance unspent at 1 August	**13**	34
Income		
Amounts received	**566**	585
Interest earned	**1**	2
Expenditure		
Disbursed to students and administration	**(580)**	(608)
Balance unspent at 31 July	**–**	13

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

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

34. HEFCE Student Support Fund (University and Group)

	2013–14 £'000	2012–13 £'000
Balance unspent at 1 August	**87**	–
Amounts received	**–**	850
Disbursed to students	**(22)**	(763)
Balance unspent at 31 July	**65**	87

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

A further £11k was disbursed to students after the year-end with the unspent balance of £54k being returned to HEFCE on 20 November 2014.

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

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

	2013–14 £'000	2012–13 £'000
Balance unspent at 1 August	**678**	488
Amounts received	**836**	1,678
Disbursed to students and administration	**(991)**	(1,488)
Balance unspent at 31 July	**523**	678

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

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

36. Related party transactions

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

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

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

37. Contingent liabilities

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

38. Post balance sheet events

On 1 September 2014 the University completed the sale of Stapleton House, Index House and Eden Grove situated on Holloway Road, N7 8DB to LSAV (Stapleton) LP for £30.3m. The sale generated a surplus on disposal of £22.4m.

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