



LONDON
METROPOLITAN
UNIVERSITY

ANNUAL REPORT

and ACCOUNTS

2018–19



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OUR MISSION, OUR VISION, OUR VALUES

Our mission

To transform lives through the power of education

Our vision

By 2025 we will be making an even more significant contribution to our city, socially, culturally, environmentally and economically. We will be recognised locally and internationally for our commitment to lasting social change:

- **Our students** will come from our local communities and from across the globe. They will have an excellent experience with successful academic outcomes, and we will continue to celebrate that we are one of the most diverse, socially inclusive and transformative universities in the UK
- **Our graduates** will go out into the world of work as confident, values-driven and successful individuals, making a positive contribution to society and offering a constant flow of talent to support the global economy
- **Our students and staff** will be passionate about our University and recommend London Metropolitan University as a place to study and work, and they will give back to our city and contribute to its success
- **Our research** will drive real impact and change in London and beyond, and the work that we undertake with our London partners and stakeholders will be at the forefront of initiatives to keep the capital great
- **Our business** will be strong and sustainable. Our campuses and facilities will continue to improve, we will be delivering year-on-year surpluses to invest in our assets and we will have ensured stewardship for future generations.

Our values

Our core values define us and provide a framework for the way that we will work to deliver our vision.

We are:

- **Ambitious:** We set the highest standards in everything we do. We take responsibility and are held accountable for our actions and promises, we have the discipline and rigour to ensure continuous improvement and we are determined to succeed
- **Inclusive:** We celebrate our diverse community, we see difference as a source of strength and we challenge exclusionary and discriminatory practice
- **Collaborative:** We work in partnership with our students, staff, alumni, institutions, communities, employers and educational providers across the globe to make a lasting difference
- **Creative:** We generate new ideas and opportunities. We put them into practice and we are innovative in finding new ways to advance knowledge and address global problems.

FOREWORD FROM THE VICE-CHANCELLOR



One year on from joining London Metropolitan University as its Vice-Chancellor, I remain as excited as I did on my first day and continue to feel privileged to lead this great University. I am delighted to introduce the Annual Report and Accounts for what has been a challenging year in which we have begun the transformation of the business.

London Metropolitan University adds real social value to students, staff and communities. We give students the skills and opportunities to transform their lives and careers. We meet the needs of the London labour market, and our staff and students collaborate with city-wide partners on high-impact research and knowledge exchange initiatives which keep our city great.

We are also global. The education we provide prepares students to live and work anywhere in the world, from fast-paced cities to remote rural communities. We have valuable partnerships with education organisations worldwide, providing opportunities for students to access our high-quality provision in their own countries. We collaborate with a host of international organisations to support their aims, and our research has global impact.

We believe that every person in this country and across the globe deserves a chance to transform their own life and the lives of others through higher education. Education provides a catalyst for social equality. Students come to London Metropolitan University when they recognise that they are not prepared to settle for the life and opportunities that were determined for them at birth. The education we offer has changed the lives of so many of our

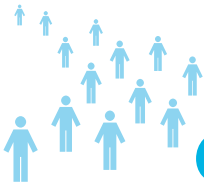
students and, in doing so, we are helping to drive real social change and transformation in this country and beyond.

We also believe that our diversity is what makes London Metropolitan University so special. Our students come from over 140 different countries. They have different economic backgrounds, ages, family situations, ethnicities, religions, identities, abilities and disabilities. The richness of conversation and multiple perspectives that this diversity brings has an energy like no other. It delivers a truly cosmopolitan environment. It opens our minds to totally different experiences, cultures and viewpoints, challenging us all to think and to learn in new ways.

Our new strategy builds on our many strengths, but is also designed to take London Metropolitan University on a change journey of its own. Over the six years of our plan we will retain our commitment to social inclusion but we will also build a university that has academic achievement and financial sustainability at its heart. Our Financial Statements show that we are starting from a position of strength, our balance sheet shows that we have strong cash reserves and no debt, but we are in no doubt that our current deficit must be eliminated over the next three years. There is no doubt that this will be challenging, not least because we are operating in a highly uncertain external environment fuelled by our changing relationship with the European Union and constant shifts in government policy, regulation and funding. Achieving our goals will require determination and commitment from our whole University community. Every decision we make and every activity that we undertake must support our key priorities and make effective use of our resources. Through a sense of shared purpose, we will achieve success.

Professor Lynn Dobbs
November 2019

LONDON MET IN NUMBERS



9,618

UK-based higher
education students



81%

studying full-time

19%

studying part-time



147

distinct nationalities
represented



17%

have a known
disability



76%

undergraduate

24%

postgraduate



63%

from a Black, Asian or Minority
Ethnic (BAME) background

STARTING WITH OUR PEOPLE

Our outstanding academics and professional service staff are at the heart of our strategy



Our goals

To build capacity and capability amongst all staff

To drive confidence, ambition and pride across our institution

To promote wellbeing and inclusion

We already have a committed and hard-working community

Over the last five years there has been huge change at London Met, with staff reductions and major shifts in organisational arrangements.

Despite the uncertainty and high workloads associated with this change, our staff have never wavered in their commitment to London Met, and they have worked tirelessly to support our students, unlock their potential and help them succeed.

They have continued to undertake high-quality research and to work hard to have a positive impact on the wider community, collaborating with partners to propel London forward and making us proud of staff achievements.

As we move into the next cycle of London Met's development, it is critical that we harness the power of our staff and engage them as we work together to build a community that is exciting, worthwhile and inclusive.

Placing our staff at the heart of our strategy, we will:

- Strengthen our leadership and management arrangements across the University to demonstrate our values and deliver our strategy
- Create opportunities to ensure that all staff are appropriately developed, mentored and deployed to deliver our strategic priorities, and support their career aspirations
- Review our staff recruitment and progression procedures to ensure that we appoint, retain and reward high-quality academic and professional service staff
- Develop our approaches to workload planning and contracts to ensure that they are transparent, fair and consistent
- Engage with staff from across our University to enable their voices to be heard in decision-making and ensure that we seek feedback and act upon it
- Improve our internal communications to keep our whole University community informed about our latest developments, opportunities and successes
- Introduce new initiatives to support the health and wellbeing of our staff, including societies, clubs and events that provide a lively, dynamic and caring working and social environment for all staff
- Meet relevant standards in relation to Athena SWAN, the Race Equality Charter, Stonewall and Disability Confident to facilitate diversity in our staff community and ensure that everyone at London Met is valued and included.

Understanding the experiences of culturally diverse higher education students in post-92 UK universities

Prof Jan Bamford of the Guildhall School of Business and Law and Dr Lucie Pollard of the University of the West of Scotland are analysing the interactions and engagement in higher education by students in culturally diverse classrooms in urban universities. The impact of this project has been significant in effecting a change in attitude, behaviours and awareness amongst university staff and students which has improved the experience and educational opportunities for students from different cultural backgrounds, including BAME and international students.

The findings have led to impact on a number of levels, internationally through the development of awareness overseas and discussions with other universities including one in Australia. It has contributed in particular with regard to the importance of understanding the experience of cultural diversity in higher education for both academics and students. The research has led to improvements such as introducing postgraduate to undergraduate mentoring schemes; of Intercultural Communications modules, which attracted unusually high enrolments for an option module and staff workshops on cultural awareness.

Gender representation and constitutional change in the Welsh Assembly

Professor Diana Stirbu of our School of Social Professions, has been working with Cardiff University Wales Governance and Cardiff University academics on research focusing on gender representation within a changing constitutional context in Wales. This work identified persisting problems and proposed solutions to improve the electoral opportunity structures for underrepresented groups and actionable recommendations for political and non-political decision makers.

The researchers' evidence to the All Party Parliamentary Group on Improving Parliament (APPG) in 2014 informed the inquiry's final report, including the observation that in the context of the devolved governments, the newer institutions had benefitted from a blank slate that allowed them to create more inclusive structures such as family-friendly working hours, discontinuing the archaic language and traditions of the UK Parliament and creating a more consensual way of doing politics. The report also observed that such contextual assessments also affect the (lack of) diverse representation in Westminster.

FOCUSING ON STUDENT SUCCESS

Our students are the fabric of our University. We are committed to improving every aspect of their university experience and we will work together to ensure our whole institution is built for student success, especially for those who are already facing barriers



Our goals

To engage all students as partners

To create a world-class academic offer that meets the evolving needs of our highly diverse student body

To strengthen the infrastructure that helps all of our students to succeed

We are dedicated to providing the best possible experience for our students

We have great courses, designed to meet the needs of London and the global labour market. They feature industry input and professional body accreditation, with 72 programmes accredited by Professional, Statutory and Regulatory Bodies, including the Health and Care Professions Council, Solicitors Regulation Authority and Royal Institute of British Architects. We have built a significant reputation for innovative teacher training apprenticeships, helping to fill a national shortfall. We are also the preferred supplier of social work for five London boroughs.

We have sector-leading subject areas. The 2020 *Guardian* university league tables ranked art third in London and seventh in the country, and economics was second in London and 15th in the country. Sixteen of our courses scored 90% or higher for overall satisfaction in the 2019 National Student Survey (NSS).

Our teaching is delivered by leading academics and practitioners. They include senior executives bringing valuable experience from blue chip companies in the finance sector and academics who have worked within the IT industry for organisations including British Telecom and The Wellcome Foundation. Our artists, architects and designers have received major awards including the Jerwood Drawing Prize and the RIBA Stirling Prize for Architecture. Many of our staff have extensive experience of working in London schools, the probation service and the National Health Service.

Our curricula and delivery frameworks have been designed to support our students' learning by ensuring they fully reflect the rich diversity of our students' lives and experiences. Students explore the challenges of multiculturalism, inequality and social inclusion, and examine social issues relating to housing, drugs, long-term unemployment and youth crime. They unearth matters of global importance that reflect the concerns of their generation, from climate change to war, conflict and poverty. They work on-site with disadvantaged communities in Sierra Leone and Nepal, and explore human health through innovations in drug delivery. They learn through practice and gain real-world experience in individual and collaborative projects, engaging with professionals, communities and companies.

The journey our students go on is transformational in terms of confidence and abilities. In 2018, 96.7% of our graduates were in employment or further study six months after graduating and 80.5% were in graduate-level employment. They go into amazing jobs in a huge range of areas, making an impact on communities in London and beyond, as human rights lawyers, business leaders, social workers, creatives, teachers, architects, politicians, scientists and more.

We are working hard to ensure that we maintain our impressive graduate employment record, improve our continuation rates and overall NSS scores, and reduce the degree-awarding and graduate employment gaps for all underrepresented groups of students at our University.

Working with our students, we will:

- Significantly strengthen the way that we involve our Students' Union and our students in our governance and decision-making, and introduce mechanisms to improve communication with students
- Establish a new sector-leading centre for equity and inclusion to enable and oversee inspirational and inclusive teaching practice, while closely monitoring and driving forward improved student outcomes
- Create a visible and vibrant University-wide taught postgraduate community
- Continuously review our curricula to ensure that all of our programmes are fully inclusive and highly engaging, especially for underrepresented groups
- Enable students, industry experts and practitioners to co-design and co-produce our courses
- Ensure our academic mentoring and student support services meet the needs of our diverse student body
- Provide flexible timetables to allow students to fit their studies around other commitments
- Provide every one of our students with the opportunity to undertake a work placement or to volunteer in a local organisation
- Offer clubs, societies and new extracurricular opportunities that improve students' experiences and help develop their social capital
- Establish new initiatives to support the wellbeing and mental health of all students
- Take forward new opportunities to capitalise on digital technologies.

London Met alumni receive honours from the Queen

January 2019: members of the London Metropolitan University alumni community were named in the Queen's New Year's and Birthday Honours lists.

George Brownlie Prentice, who studied at a London Met predecessor institution between 1995-97, and Sandra Olunbunkunola Popoola, who studied at the University between 1998-2001, were both named on the New Year's Honours List in recognition of their remarkable achievements.

Yasemin Allsop, Christopher Ramsey, and Melanie Walker were recognised in the Queen's Birthday Honours List. Yasemin Allsop received her award for services to education and children and families from disadvantaged backgrounds;

Christopher Ramsey, for services to football and diversity in sports; and Melanie Walker, for services to mental health and learning disabilities in the NHS.

London Met graduates win Royal Television Society Award

February 2019: A film by London Met graduates Rachel Kaden, Lewis O'Loughlin, Luke Hallett and Thomas Brazier won best film (factual) at the Royal Television Society's Student Television Awards (London region) in February.

Waiting for Tomorrow tells the story of three rape survivors, taking the viewer through the journey of a sexual assault – from the attack itself to the court case, and then to the survivor living with trauma.

GROWING OUR RESEARCH AND IMPACT

Our research, and the impact that it has, is fundamental to our social mission. It is also the key to supporting our high-quality teaching portfolio



Our goals

To establish an improved infrastructure to support high-quality and high-impact research

To grow the volume of world-leading and internationally excellent research that we undertake

To improve the visibility of our research and the impact it has on some of the biggest challenges facing society today

Our research is already having an impact

Our research already makes a difference to some of the most pressing problems facing London and the wider world, signalling its value to practitioners, policy makers, partners, funders and the public.

Across our University our academic staff are using innovative methodologies to understand complex issues such as educational inequality, environmentally-friendly urban policy, ethical business practices and changing working lives.

Our researchers are at the heart of urgent debates such as youth violence and crime, and the legalisation of drugs. Our Child and Woman Abuse Studies Unit has a long and proud history of researching and challenging violence, working with organisations such as the United Nations and the World Bank, and contributing to the UK's Independent Inquiry into Child Sexual Abuse.

Our scientists and health practitioners are helping to address major nutrition and food-related issues that affect populations at local, national and global levels.

They are also developing effective interventions to address human diseases and advancing research in biomedicine.

Our award-winning Sir John Cass School of Art, Architecture and Design is researching the changing urban fabric of London and helping to drive the switch to a green economy, with the design of low-carbon buildings, biodiverse environments and products incorporating upcycled, recycled or repurposed materials.

Our cyber security staff are involved in cutting-edge innovation and training partnerships with, among others, Lloyds Bank, Cisco and Palo Alto Networks. Staff are also conducting high-quality research to tackle cybercrime within a large multi-national EU Horizon 2020 project.

In our Guildhall School of Business and Law, staff are researching international capital markets and the psychology of management, as well as sustainable and socially responsible corporate governance.

Our Translation, Interpreting and Applied Linguistics specialists are exploring how meaning is created through language and context. They trace gender in subtitling, research virtual communities of practice and compare languages and language uses.

But we want to build an even stronger research community, so we will:

- Provide a supportive research environment to develop staff and student research capabilities across the full breadth of our disciplines
- Set up a new Research Office to support staff to achieve their ambitions
- Establish a Graduate School for research and professional doctorate students underpinned by excellent training and support
- Review and strengthen our research centres
- Embed impact and knowledge exchange within our research culture and exploit external relationships
- Take forward plans to tap into the full breadth of research funding
- Develop initiatives to build a strong PhD community
- Maximise the means to communicate the full range of our work to the widest possible audience.

Research into screening and supporting pregnant women for gestational diabetes

Gestational diabetes mellitus (GDM) affects 3.5% of pregnancies in the UK and is on the increase as a result of a rise in sedentary lifestyles and obesity. Both the women and their babies can be affected by GDM during pregnancy and after birth. The disease is particularly prevalent in communities with a higher genetic pre-disposition to type 2 diabetes.

The School of Human Sciences' Prof Kebreab Ghebremeskel and Dr Yoeju Min have provided evidence of the critical need to: (1) Test all high-risk pregnant women for gestational diabetes mellitus in the early antenatal period; (2) Supplement

Gestational diabetes mellitus women with essential fatty acids throughout pregnancy to prevent maternal and foetal deficiency and associated ill health; (3) Screen GDM women for insulin resistance and type 2 diabetes in the immediate postpartum period and provide structured guidance on healthy diet and lifestyle. The findings of the study could potentially have an impact on the screening policy for GDM, and clinical and nutritional management of women with the condition during antenatal and postnatal periods.

Developing young people through sport – improving their outcomes

The Guildhall School of Business and Law's Dr Stephen Hills' research on the efficacy and benefits of sport intervention programmes in the development of young people has demonstrated that to be effective these programmes need to be specifically designed for their target audiences with clear, attainable aims. Dr Hills evaluated three schemes in their first year of operation, including the NFL Flag scheme, and the My Future Goal programme in association with Fulham FC. Following Hills' assessments and recommendations, changes to each of these programmes resulted in significant changes and developments to each scheme. The limitations of My Future Goal were overcome by modifying its recruitment policy; by amending the skill development aspect of the programme; and by developing an exit strategy for participants which translated the acquired soft outcome of attitude change into skills and employment. In the subsequent two years of the programme, the number of participants has increased from 86 to 300, with the number of these returning to education or

entering employment at the end of their ten-week programme rising from 40% in year one to 75% in year three.

The NFL Flag scheme had, by the end of its first year, generated a significant growth in its grass-roots fan base but had not delivered the proposed substantive improvements to physical activity, mental wellbeing and character development among the 223 participating 8- to 10-year-olds. Hills' recommendations that the scheme be refocused to maximise the fan growth aspect by having NFL teams work in schools, by increasing contact time and by incorporating aspects of American football and role models designed to develop wellbeing and character development. By 2019, the programme had rolled out to over 300 schools and more than 20,000 children. The expansion of the programme and the correlating increase in the NFL's fan base in the UK ensures that the business model is likely to continue to be a financially profitable one for the League, as well as of benefit to school children.

GIVING BACK TO OUR CITY

We are one of London's vital civic institutions, united with other key organisations in our localities and the wider capital in driving opportunity and prosperity for all



Our goals

To embrace the strategic priorities of our London partners and the concerns of our local communities to support the city's economy and address the social issues it faces

To provide opportunities for our staff and students to give back to our city and contribute to its success

To provide the capital with values-driven graduates who will support London's transformation in line with our mission

We already make a valuable contribution to London

Our programmes of study continuously evolve to meet the needs of employers across London, the UK and the rest of the world. We provide adaptable, open-minded and resilient graduates who are work-ready.

Over the last 16 years we have helped thousands of small businesses and entrepreneurs through Accelerator, our business incubator in the heart of Tech City. Its Big Idea Challenge nurtures the enterprise skills of young people across London.

Our Refugee Advice and Guidance Unit, which is part of the Building Bridges Programme funded by the NHS, provides specialist careers advice and guidance as well as employability training for refugee health professionals.

The Social Integration Design Lab, delivered by Snook, New Economics Foundation and London Met, supports the Mayor's strategy for social integration and local regeneration by bringing 17 boroughs together with social design experts, public sector innovators and citizens.

We work with Islington Council to deliver Upward Bound, an educational programme funded by the Dame Alice Owen Foundation, which raises the attainment and aspirations of Islington secondary school pupils.

Our Centre for Life Writing and Oral History is widening participation and engaging diverse communities by capturing the life stories and experiences of local people in an inclusive and empowering way.

Our staff and students give expertise and time to support the voluntary sector. Journalism students publicise the work of local charities including Arsenal in the Community, Freightliners Farm, the Margins Project at Union Chapel and the Estorick Gallery. Architecture students construct full-size structures to support community charity Mudchute, social sciences students support Islington Council's work with older people and law students offer free legal advice to the community.

But we want to play an even bigger part in our city's success, so we will:

- Engage with London partners, local education providers and alumni to co-design solutions to the challenges facing London
- Contribute to the governance of London's institutions and organisations
- Develop lasting and meaningful engagement with our communities to help deliver what they need and want
- Draw on funding opportunities from the Higher Education Innovation Fund (HEIF) and other funding providers to support collaboration between London Met and our partners, supporting our shared agendas
- Embed the principles of social justice and social inclusion into our curriculum, with a specific emphasis on the challenges facing London
- Undertake research and impact work to support the key priorities of our partners
- Involve our students and staff in local community initiatives, community development projects and volunteering initiatives.

London Met hosts innovative drugs policy conference

November 2018: experts and researchers from as far afield as Uruguay and Portugal came to London Met to discuss contemporary drug policies at the Street Drugs in the Big Smoke conference.

The event was a joint venture between the British Association for Psychopharmacology and the British Society of

Criminology. It was organised by Dr James Morgan, senior lecturer in Criminology. Dr Morgan was assisted by Dr Chris Chandler, Head of Psychology, and Devinder Curry, Principal Lecturer in Criminology and Policing.

Yinka Ilori unveils stunning new Dulwich Pavilion design

June 2019: the 'Colour Palace' – designed by Pricogore with Furniture and Product Design alumnus Yinka Ilori – was unveiled as the second edition of the Dulwich Pavilion at Dulwich Picture Gallery in June.

The outcome of an open design competition organised by the

London Festival of Architecture, the world's biggest annual architecture festival, and Dulwich Picture Gallery, the Colour Palace served as a temporary outdoor structure for summer 2019, gracing the lawns outside Sir John Soane's iconic gallery.

MANAGED GROWTH AND DIVERSIFICATION

The ongoing success of our University depends on us growing student numbers and diversifying our business. This will allow us to strengthen our financial position and reduce our reliance on any one recruitment channel



Our goals

To provide an attractive and highly distinctive course portfolio

To broaden the reach of our recruitment strategies locally, nationally and internationally

To make our education more accessible to a greater number of prospective students

Our University is built on solid foundations

We have an attractive course offer based around 14 professional career pathways, giving our students a clear route into employment on graduation.

We have built a significant reputation for innovative teacher training apprenticeships and we are helping to fill a national shortfall.

In line with many other post-92 institutions in London, our enrolments fell following the removal of student number controls between 2012 and 2016. However, we are now receiving healthy numbers of applications from home, EU and international students.

We have over 5,500 students studying on London Met programmes that are taught by our partners across the UK, Spain, Germany, the Republic of Ireland, Russia, Sri Lanka, Nepal, China, Vietnam and Trinidad.

We know that competition is strong but we are confident that, in line with our plan, we can win a greater share of home and overseas students over the next six years.

But we want to strengthen our business, so we will:

- Continually review our course portfolio to ensure it continues to be responsive to the needs of students and employers
- Develop mutually beneficial partnerships with colleges and schools across London
- Build study abroad and full-degree recruitment in international markets
- Strengthen our collaborative partnership network to enable more students to study for one of our degrees in their home country, ultimately improving their prospects
- Undertake sector-leading marketing and conversion work
- Offer more part-time and evening/weekend opportunities for study
- Provide affordable and high-quality student housing in partnership with other organisations.

Radio Garden website provides live radio streaming for millions of listeners worldwide

Emerging from the Transnational Radio Encounters (TRE)-funded work of Prof Peter Lewis (London Met's School of Computing and Digital Media) and Dr Caroline Mitchell (University of Sunderland), Radio Garden is a website which gives access to live streaming from radio across the world. TRE was a Humanities in the European Research Area (HERA)-funded project that ran from 2013 to 16.

Radio Garden has reached well beyond the academic community to individual users across the globe, helping communities to own and control their own media and voices. When it was launched in 2016, *The Independent* wrote how "the world is your tuning dial." In the first six months it had 100 million visitors. Since 2016 this has risen to over 900 million. Funders HERA described it as "one of the most successful humanities public engagement activities ever carried out."

Productivity gains for SMEs in the consumer electronics retail industry – thanks to London Met partnership

London Met academics, including Professor Karim Ouazzane and Dr Preeti Patel from the School of Computing and Digital Media, have had a successful impact on the productivity of SMEs in the online retail industry through a research project. Involving a company partner, Innovate UK and the University, the aim of the partnership was to maximise the strengths of each partner to achieve technology solutions to meet the economic challenges facing resource-constrained SMEs in this sector. The partnership designed and developed innovative enhanced web technology and data warehousing and forecasting solutions that enabled the company to achieve productivity efficiency, sales growth and insights into consumer behaviour.

This successful partnership exemplifies the significance of universities responding effectively to the UK Government's economic growth agenda to deliver private-sector led innovation, economic benefit and sustainability. The partnership was sustained over a number of years and through two funded Knowledge Transfer Partnerships, created a number of employment opportunities for London Met graduates, students and company staff. It was commended as outstanding by independent assessors at Innovate UK in 2017, and shortlisted for its bank of case studies.

VIBRANT CAMPUSES AND CUTTING-EDGE FACILITIES

Our physical infrastructure is the foundation of our strategy



Our goals

To maintain and renovate our estate, IT and digital infrastructure to support our strategic priorities

To ensure that we provide high-quality learning resources and facilities to support student success

To continue taking steps to reduce our carbon footprint and demonstrate leadership on environmental sustainability

We have many great assets

London Met is situated in the heart of central London, with enviable locations in Islington, Aldgate and Shoreditch.

Over the last five years we have spent £58m on new and improved facilities across our campuses.

We have completed the move from Moorgate and students studying business and law are now benefitting from state-of-the-art facilities, including an internationally acclaimed interpreting suite, a mock courtroom and flexible teaching areas, on Holloway Road.

Our Roding building, which opened in spring 2018, is a world-class facility consisting of 11 event rooms with accompanying breakout spaces across three floors with cutting-edge classroom technology and informal study spaces.

Our Sir John Cass School of Art, Architecture and Design, situated in Aldgate, offers wonderful studio spaces at the heart of London's creative district. We have state-of-the-art studios and workshops, and our buildings provide event spaces to host exhibitions, conferences, fashion shows and performances.

Designed by the internationally acclaimed architect Daniel Libeskind, our University's Graduate Centre is the focal point of our Holloway campus and has won many accolades including a RIBA Prize and a special Jeu d'Esprit Prize from the Royal Fine Art Commission Trust.

Our Science Centre on Holloway Road is home to an outstanding Superlab and – with 280 individual workstations – is one of the largest and most advanced science teaching facilities in Europe.

Opened in 2018, our newly refurbished Harglenis building is a dedicated home for our Students' Union, providing social and office space, and a studio for Verve, our student-run radio station.

We have two fantastic libraries with more than 350,000 books, e-books and e-journals as well as a range of special collections, including the Trades Union Congress Library Archive, the Frederick Parker Collection of Furniture, the Atkins/Atcraft Archive and the Archive of the Irish in Britain.

We have a range of high-quality catering outlets and coffee shops, as well as event venues such as our student bar and Great Hall.

But we want to continue to enhance our infrastructure, so we will:

- Keep our estate in good order
- Invest to ensure that all of our teaching facilities are at industry standard
- Evolve our library and special collections to further support student learning and our research goals
- Put environmental issues at the heart of everything we do
- Undertake detailed work to establish priorities for future investment.

Environmental sustainability

London Met is committed to continually reducing its environmental impact and using resources in an environmentally sustainable and responsible way. We recognise our role in leading carbon reduction through the management of our University and through education, research and our wider role within society.

Minimising our environmental impact not only delivers benefits for our institution, but also for the local community and wider society.

We're proud of our environmental achievements to date, which include reducing our carbon footprint by 78% during 2018-19 from a 2009 baseline figure and meeting our 2020 target four years early. This makes our University amongst the greenest in the UK.

Our Environmental Strategy sets targets in a number of areas including travel, procurement, waste, water and food. In 2018/19 we generated over 31,423 kWh of energy from photovoltaic panels on our campus. The amount of waste recycled during 2018/19 was the equivalent of saving 969 trees and we are one of the first Universities to start to recycle single-use coffee cups. We won an Investors in Zero Waste 3 Stars Award for an outstanding effort in reducing waste, and we were awarded a 2:1 in the 2018 People and Planet University Green League. Soil Association 'Food For Life Served Here' standards are applied to our catering kitchen and we achieved Bronze Standard. We continue to work to ensure that the University procures goods in a responsible way. We have maintained our Fairtrade University status and continue to increase the amount of Fairtrade products available at the University and raise awareness of Fairtrade. We are a full member of Electronics Watch through our association with the London Universities Purchasing Consortium (LUPC). We have been running Green Impact for 3 years with students gaining their Auditing skills at the end.

Additionally, we offer courses such as an MSc and a Diploma in Corporate Social Responsibility and Sustainability.

New state-of-the-art interpreting suite opened

October 2019: an audience of students, alumni, staff and honoured guests gathered on the fourth floor of the Tower at London Met's Holloway Campus to mark the official opening of the Michalina Ageros Interpreting Suite, named in honour of the influential and much loved London Met lecturer.

The new facility, which was opened by Michalina and London Met's Deputy Vice-Chancellor Professor Donna Whitehead, will enable students studying on interpreting courses at London Met to work in a state-of-the-art environment similar to the ones they will experience after they graduate.

SUSTAINABLE FINANCES

Over the course of this strategic plan, we will align investment with our KPIs and targets for improvement



Our goals

To grow and diversify our income

To continue making significant improvements in the efficiency and effectiveness of our operations

To closely monitor our financial health, taking account of the impact of the external environment on our University

We are already in a strong position

Over the last five years, our University has been fundamentally reshaped and this has strengthened our financial position.

As a result of that work we have significant cash reserves, putting us in a better position than many other universities in London and elsewhere.

Our University has no borrowings and this will remain the case for the foreseeable future.

We have plans in place to move into operating surplus and guarantee stewardship for future generations.

But we want to be even stronger, so we will:

- Grow our income in our core areas of business
- Diversify our activities to reduce our reliance on any single income stream
- Reduce the administrative burden for our students and staff, and redeploy resources to achieve the best possible results
- Target staffing investments to build academic excellence and support areas of business growth
- Manage capital and other investment projects within a framework of affordability
- Develop a robust set of data and financial information to understand business performance
- Maintain a financial model that will allow the University to make informed decisions and ensure it can respond at pace to changes in the external environment.

Integrated reporting

As London Met embarks on a new six-year strategy, it is also on a journey towards more integrated reporting. This is a more holistic form of accounting, showing how the University creates value for different types of people over time, beyond just pound signs. This builds on the Universities' long and proud history, which has always had a social mission at its heart.

In 2016 the University, along with six other institutions volunteered to take part in the British Universities Finance Directors Group (BUFDG) Integrated Reporting (IR) project.

Many of the activities are already underway, by focusing on creating values-driven and successful graduates, supporting all of our staff, researching topical issues in innovative ways, and giving back to our city. But going forward, by increasingly working towards the principles of integrated reporting, the University will be able to provide a more complete picture of how it creates different forms of public value, the risks and opportunities it faces, and its performance and priorities.



SUCCESS STORIES

Cass tutor named overall winner at World Illustration Awards

July 2019: Anna Mill, who teaches on Architecture BA (Hons) at The Cass, was chosen as the Professional Overall Winner at the Association of Illustrators' (AOI) World Illustration Awards 2019 for her work on the graphic novel *Square Eyes*.

Co-authored with Luke Jones, who leads the Architecture and Interior Design Extended Degree (with Foundation Year) at the School, *Square Eyes* is about a future where the boundaries between memory, dreams and the digital world start to blur.

Professor Peter St John, Moe Reddish and our Vice-Chancellor named among London's most influential people

October 2019: Professor Peter St John and London Met alumnus Moe Reddish were recognised in the Evening Standard's Progress 1000 list for 2019.

Peter, who teaches architecture at The Cass, is listed alongside Adam Caruso, with whom he founded award-winning architecture practice Caruso St John, was named in the Business: Architecture section of the Progress 1000. *The Evening Standard* described their firm as "London's top choice of architects for museums and galleries".

Peter and Moe are joined on the list by London Met's Vice-Chancellor Professor Lynn Dobbs who was recognised for her work as an equality activist.



Big Idea Challenge goes global

September 2019: A team of students from Lviv Polytechnic National University in Ukraine overcame competition from more than 10,000 other students to be named global champions of the inaugural international edition of London Met's Big Idea Challenge at the British Council's Creative Spark conference in Oxford on 3 September.

The Big Idea Challenge international edition was created in partnership with the British Council's Creative Spark: Higher Education Enterprise programme, a five-year initiative to support international university and institutional partnerships to develop enterprise skills and creative economy across seven countries in Central Asia (Kazakhstan, Uzbekistan, Kyrgyzstan), South Caucasus (Azerbaijan, Armenia, Georgia) and Ukraine through UK support.

Simone Ten Hompel wins Glenmorangie Commission

December 2018: as part of the Creating Scotland project, National Museums Scotland and Glenmorangie have commissioned Simone Ten Hompel, Reader in Metal at The Cass, to create a major new piece of contemporary silverwork for display in the National Museum of Scotland.

Leading artists and designers working in the medium of silver were invited to submit proposals and, following close consideration of the applications by the judging panel, the Glenmorangie Commission was awarded to Simone.



OUR TARGETS

By the end of 2024/25

1. We will continue to be one of the most socially inclusive universities in the UK
2. Over three-quarters of our staff will recommend our University as a good place to work
3. We will have been awarded Athena SWAN Silver and Race Equality Bronze. We will be in the top 25% of the Stonewall Index and we will be a Disability Confident Leader
4. Over 90% of our students will continue with their studies after their first year of entry
5. We will be the top modern university in London for National Student Survey scores
6. Our graduate-level employment indicators will be ahead of benchmark
7. We will have significantly reduced the degree-awarding gap for Black, Asian and Minority Ethnic students and those coming from areas of high socio-economic deprivation, as well as the gap relating to Black, Asian and Minority Ethnic progression to highly-skilled employment or further study
8. Over half of our academic staff will be producing internationally excellent and world-leading research, and this figure will be growing year-on-year
9. We will be working with over 250 partners to make a real difference to London
10. We will have over 10,000 students on campus and we will have a strong collaborative partnership network
11. We will have reduced our carbon footprint to be one of the best-performing universities in London
12. We will be delivering year-on-year surpluses and we will have significant cash reserves to invest in our University



Operating and financial review

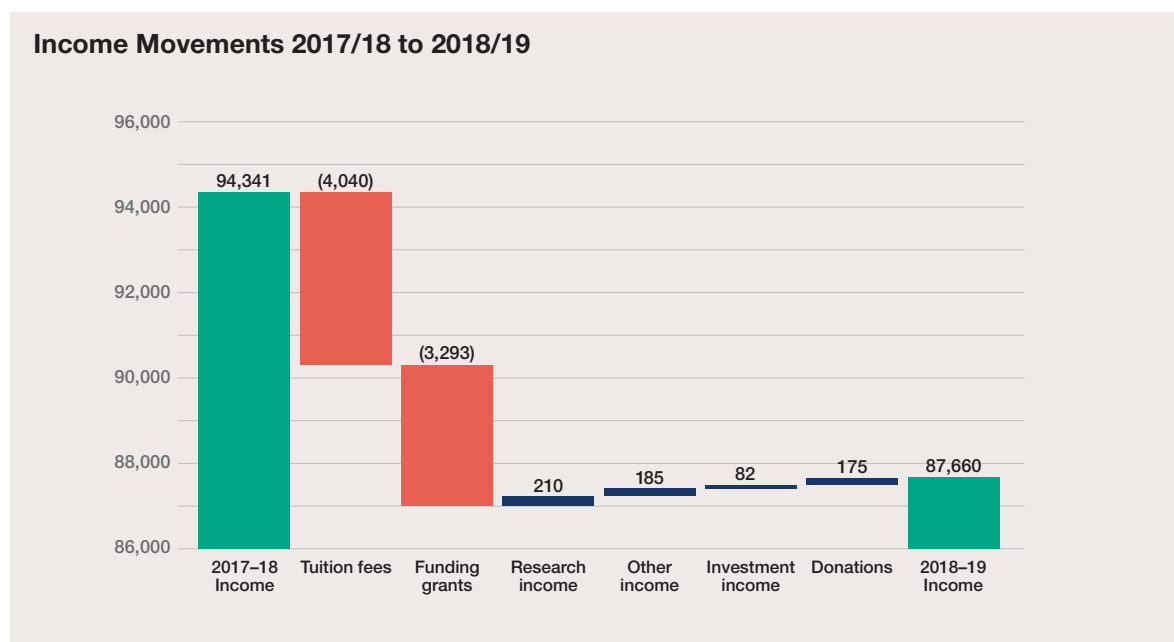
The University has had a much stronger financial performance for the year ended 2018/19 than originally forecast. This was against a backdrop of significant change within the organisation and a continually evolving external environment. At the end of the year, the University had the enviable position of having £67.7m cash in the bank and no external debt. This meant that we outperformed our cash budget by more than £6.0m and ended the year with 272 days net liquidity. During the year the University also reduced its operating deficit by 28.9% to £14.3m. Despite reductions in income of £6.7m, as a result of strategic re-sizing, the organisation was highly effective at matching this by reducing expenditure through various efficiency drives. Staff costs reduced by £3.8m as a result of efficient in-year management of vacancies and deployment across the University. Non-staff costs also reduced by £1.9m as a result of continued cost containment across the University. One-off expenditure relating to fixed assets and provisions also reduced by £6.9m from £10.6m to £3.7m. The University is now on a course to deliver a significantly reduced deficit by the end of 2019/20 and balance its budget by 2022.



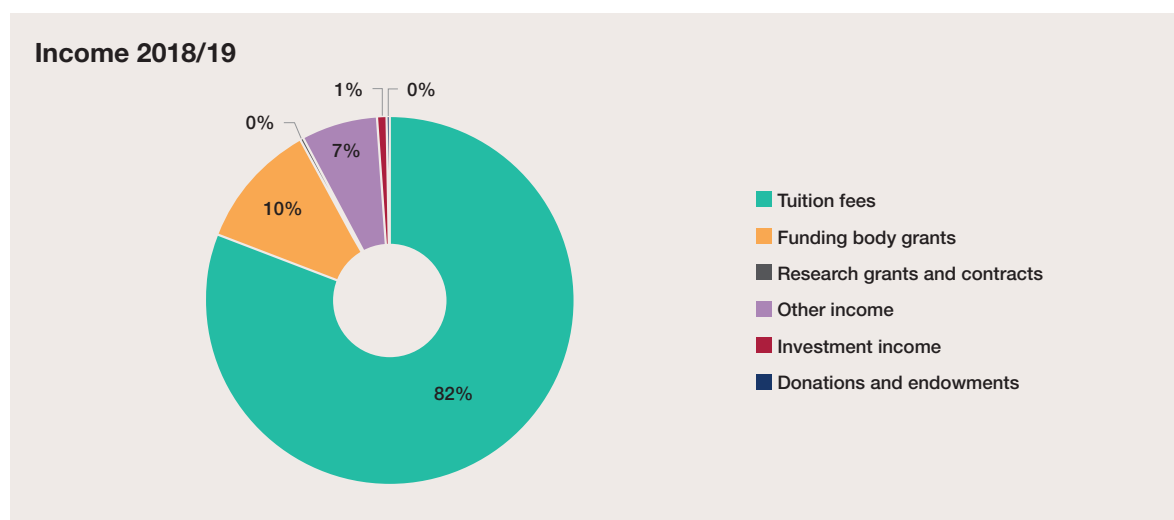
Income

Total income for 2018/19 was £87.7m, (£94.3m 2017/18). This change was driven by the final phase of the right sizing strategy where the University has been consolidating space and lowering the levels of student places.

Income	2018-19	2017-18	Change	% Change
	£'000	£'000		
Tuition fees	71,979	76,019	(4,040)	-5.3%
Funding body grants	8,454	11,747	(3,293)	-28.0%
Research grants and contracts	459	249	210	84.5%
Other income	5,844	5,659	185	3.3%
Investment income	715	633	82	13.0%
Donations and endowments	209	34	175	517.6%
Total income	87,660	94,341	(6,681)	-7.1%



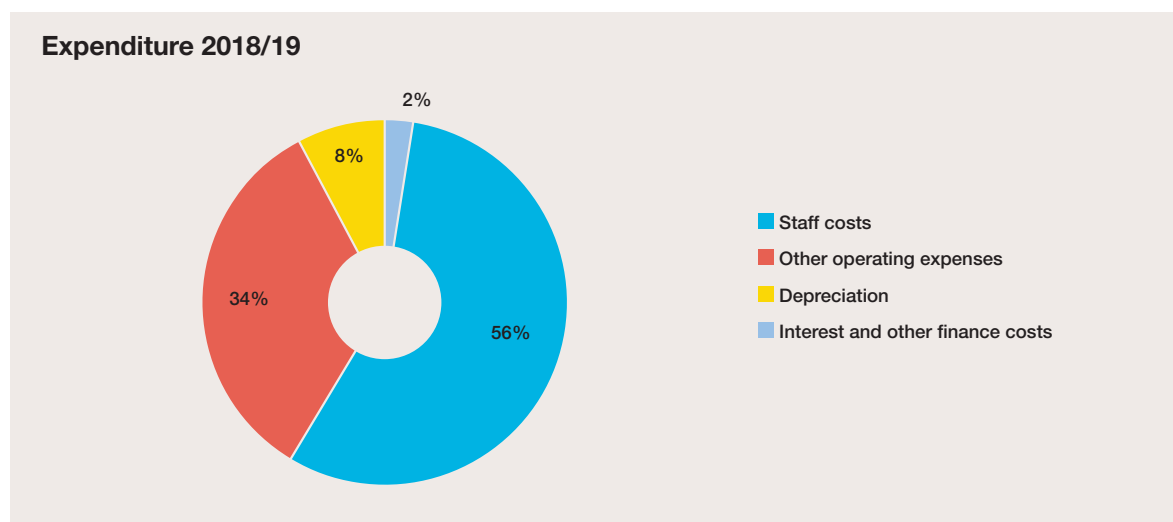
Income is predominantly driven by tuition fees. In the year, tuition fee and funding body grant income reflects a reduction of mainly UK/EU full-time undergraduate students studying at the University. Although smaller in their proportion, it is positive to report that research income has grown by 84%, other income has grown by 3% and investment income has grown by 13%.



Expenditure

Total expenditure for 2018/19 was £98.2m, a decrease of £5.7m (5.4%) from the previous year.

Expenditure	2018-19 £'000	2017-18 £'000	Change	% Change
Staff costs	54,853	58,627	3,774	6.2%
Other operating expenses	33,162	34,640	1,478	4.3%
Depreciation	7,555	7,371	(184)	-2.5%
Interest and other finance costs	2,635	3,214	579	18.0%
Total expenditure	98,205	103,852	5,647	5.4%



Staff costs represent 56.0% of all expenditure and have reduced by 6.2% from £58.6m in 2017/18 to £54.9m in 2018/19. The University has actively managed the levels of staff costs and this is beginning to deliver the changes required to become sustainable. Further management is required moving forward as nationally agreed pay settlements and increasing pension costs are impacting this significant expenditure line.

Spend on other operating expenses has reduced by 4.3% to £33.2m (2017/18: £34.6m). The reduction reflects the close control over expenditure in our continuing drive for efficiency.

Depreciation increased by 2.5% from £7.5m in 2017/18 to £7.6m in 2018/19, reflecting the changing mix of our capital expenditure away from buildings to equipment purchases.

Interest and other finance cost relate almost entirely to pension related non-cash items and this expenditure item has reduced by 18% to £2.6m, but still represents 3% of Income.

Balance sheet

The University's net assets at 31 July 2019 were £136.2m compared to 31 July 2018 (£151.2m) a reduction of £15m.

Fixed assets values reduced by £2.6m. During the year £7.5m was spent on fixed asset additions. This was offset by £7.6m of depreciation and a further £2.5m was a result of impairing the value of our preliminary work on J Block at Holloway Road, a project that has been removed from immediate strategic priorities plus some software developments relating to data warehousing. (See note 10).

Current asset values decreased by £11.7m. Debtors increased by £2.4m and cash and investment balances reduced by £14.0m as a result of investments in our fixed assets worth £7.1m and general trading performance.

Creditors falling due within one year increased by £0.1m, from £19.1m in 2017/18 to £19.2m. This was mainly due to timing changes between trade creditors and accruals as shown in note 15.

Creditors falling due after more than one year decreased from £2.6m in 2017/18 to £0.0m, as £2.5m of grant was repaid to the Office for Students during the year. The final repayment will be made during the next financial year.

Pensions and other provisions increased by £3.1m to £110m as presented in Note 17. Pension provisions relate to the LPFA and the USS pension schemes and represents an increased liability of £3m. The LPFA liability has increased from £102.4m to £104.9m and the USS provision has increased from £0.3m to £0.7m. Detailed analysis of the pension schemes are found in Note 20.

Other provisions increased by £0.2m from £4.1m to £4.3m and relate to 1) Moorgate lease surrender obligations, relating to rent payable, along with the delivery of a dilapidations scheme of works following vacation of the premises; 2) provision is made to account for ongoing funding reviews by the OfS into data consistency relating to the period between 2015/16 to 2018/19 and 3) an ongoing legal dispute.

	2018-19 £'000	2017-18 £'000	Change
Non-current assets			
Fixed assets	182,296	184,887	(2,591)
Investments	673	658	15
	<u>182,969</u>	<u>185,545</u>	<u>(2,576)</u>
Current assets			
Stock	53	52	1
Trade and other receivables	14,778	12,331	2,447
Investments	38,018	37,000	1,018
Cash and cash equivalents	29,701	44,800	(15,099)
	<u>82,550</u>	<u>94,183</u>	<u>(11,633)</u>
Less: Creditors: Amounts falling due within one year	(19,227)	(19,135)	(92)
Net current assets	63,323	75,048	(11,725)
Total assets less current liabilities	246,292	260,593	(14,301)
Creditors: amounts falling due after more than one year	(27)	(2,580)	2,553
Provisions			
Pension provisions	(105,652)	(102,692)	(2,960)
Other provisions	(4,321)	(4,097)	(224)
Total net assets	<u>136,292</u>	<u>151,224</u>	<u>(14,932)</u>
Restricted reserves			
Income and expenditure reserve – endowment reserve	239	227	12
Income and expenditure reserve – restricted reserve	1,154	966	188
Unrestricted reserves			
Income and expenditure reserve – unrestricted reserve	74,277	89,409	(15,132)
Revaluation reserve	60,622	60,622	(0)
Total reserves	<u>136,292</u>	<u>151,224</u>	<u>(14,932)</u>

Treasury management and cash flows

Treasury management plays a critical role by ensuring that the University has the cash it needs at all times to operate smoothly. As a key component of the University's financial control, the treasury management function monitors the timing and amounts of cash inflows and outflows, in particular monitoring and tracking those activities that result in significant cash movements.

Day-to-day cash and short-term investments are managed through rolling annual cash flow forecasts which are reviewed every month. Annual capital cash flow budgets are updated every year in line with the strategic planning and annual budget setting cycles, so that potential future borrowing requirements can be identified and negotiated well in advance of need. Currently the University has an unused £3m overdraft facility in place to provide flexibility for its working capital needs.

The University carefully manages its long-term and short-term cash requirements. In the short term, the University earns interest on working capital fluctuations via placing funds on money market deposit. The University also invests in longer term investments in order to maximise the interest receivable.

All investments are governed by an ethical investment policy that is reviewed annually and has been updated in 2019 to place stricter conditions on investing, along with a treasury management policy to ensure that each counterparty meets the minimum credit rating requirement set by the University, as well as restricting the amount deposited with counterparties in any single country and restricting the percentage deposit with any single counterparty.

The University's foreign currency earnings represent a small proportion of its income and the overall exposure to exchange rate fluctuations is small.

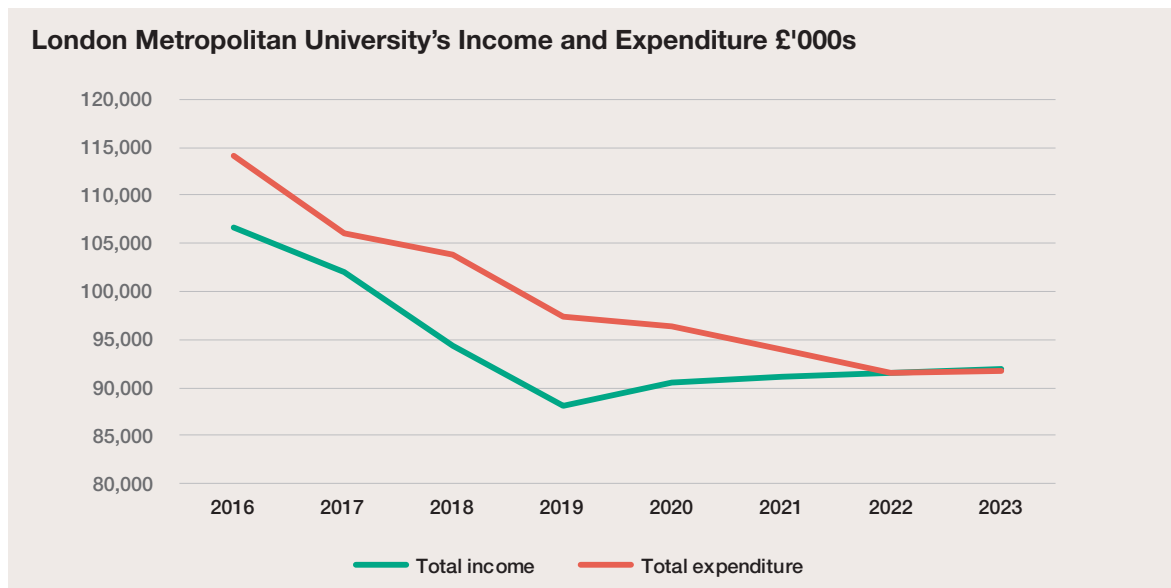
Average daily cash and short-term investment balances in 2018-19 were £73.0m (2017-18: £91.6m). Interest earned on the balances was £0.5m (2017-18: £0.6m) giving an average return for the year of 0.75% (2017-18: 0.69%).

Please see cash flow on the following page.

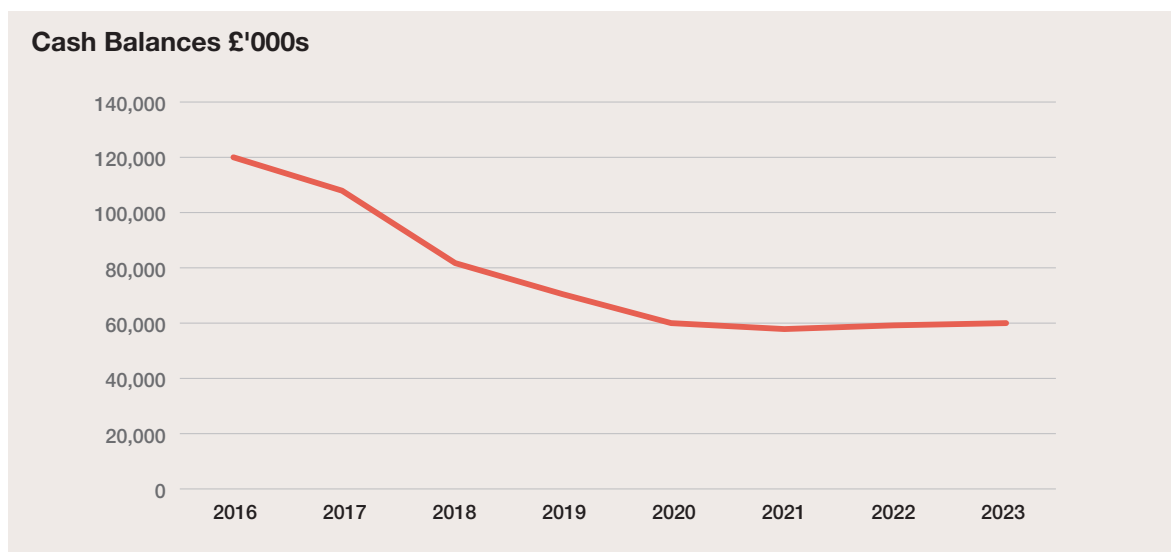
	2018-19 £'000	2017-18 £'000	Change
Cash flow from operating activities			
Deficit for the year	(14,275)	(20,079)	5,804
Adjustment for non-cash items			
Depreciation	7,555	7,371	184
Loss on impairment	2,549	6,616	(4,067)
Gain on investments	(168)	(116)	(52)
Exchange rate loss/(gain)	(29)	10	(39)
(Increase) / decrease in stock	(1)	12	(13)
Increase in debtors	(2,447)	(3,656)	1,209
Decrease in creditors	(2,462)	(3,642)	1,180
(Decrease) / increase in pension provision	(332)	1,135	(1,467)
(Decrease) / increase in other provisions	224	703	(479)
Adjustment for investing or financing activities			
Investment income	(535)	(522)	(13)
Interest payable	2,635	3,214	(579)
Endowment income	(12)	(19)	7
Profit on the sale of fixed assets	0	(145)	145
Capital grant income	(563)	(952)	388
Net cash outflow from operating activities	<u>(7,861)</u>	<u>(10,070)</u>	<u>2,209</u>
Cash flows from investing activities			
Proceeds from sales of fixed assets	0	375	(375)
Capital grant receipts	563	952	(389)
Investment income	547	379	168
Payments made to acquire fixed assets	(7,152)	(17,115)	9,963
(Increase) / Decrease in current asset investments	(1,018)	17,000	(18,018)
	<u>(7,060)</u>	<u>1,591</u>	<u>(8,651)</u>
Cash flows from financing activities			
Interest paid	0	(39)	39
Repayments of amounts borrowed	(178)	(392)	214
	<u>(178)</u>	<u>(431)</u>	<u>253</u>
Decrease in cash and cash equivalents in the year	<u>(15,099)</u>	<u>(8,910)</u>	<u>(6,189)</u>

Future developments

The University agreed a new strategy for 2019/20 – 2024/25 in October 2019. This sets a new pathway for the University and is underpinned by sustainable finances where over the course of the strategic plan we will align investment with our Key Performance Indicators and targets for improvement.



Over the first three years of the strategy, the financial plan shows the University steadily moving towards an operating breakeven position in 2021/22. From 2021/22 the University will generate positive operating cash flows and capital expenditure over the time line of the plan, amounting to some £17m to ensure funds are available to enhance the student experience.



Principal risks and uncertainties

The principal risks to the achievement of the University's strategy include:

- Economic and political risks including Brexit and HE-related policy uncertainty
- Failure to recruit and retain students
- Increased operating costs via inflationary pressure
- Reputational risk management
- Failure to meet regulatory requirements

These risks are included in the University's corporate risk register and managed through London Met's system of internal control, described in the statement of corporate governance and comprehensive actions to respond to these risks are outlined in the new University Strategy detailed in the first section of this strategic report.

MEMBERS OF THE BOARD OF GOVERNORS

The members of the Board of Governors of London Metropolitan University as at 31 July 2019 are listed below. Unless otherwise stated, all members served throughout the year.

	Date of in-year appointment
Mark Anderson ([Chair], FRC,GC, RC)	
Rolande Anderson (RC [Chair], FRC)	1 July 2018
Tim Cochrane (AC [Chair])	
Rosemary Benson (SG, GC)	4 October 2018
Tricia Croasdell (FRC)	1 August 2018
Margaret Farragher (GC, AC)	1 August 2018
Renarta Guy (AC, RC)	
Harini Iyengar (AC)	
Anders Krohn	
Cathy McCabe (AC)	
Michael Murphy (FRC [Chair], RC)	
Diini Muse (ST)	
Lynn Dobbs (AB [Chair], FRC, GC, EMP)	
Cécile Tschirhart, (AG, AB, FRC, EMP)	
Shefaly Yogendra (GC)	

Independent co-opted committee members

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

KEY:

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

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

Margaret Farragher was appointed to the Audit and Governance Committees as of 1 August 2018.

Tricia Croasdell was appointed to the Finance and Resources Committee as of 1 August 2018.

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

Lynn Dobbs commenced as the Vice Chancellor and was appointed to the Board of Governors on 8 October 2018.

Diini Muse's term as Student Governor commenced on 29 November 2018.

Anders Krohn was appointed as an Independent Governor at the Board's 24 January 2019 meeting, to commence with immediate effect.

Rosemary Benson was appointed as the Staff Governor at the Board of Governor's October 2018 meeting following the elections undertaken in July 2018.

Rosemary Benson was appointed as a member of the Governance Committee on 24 January 2019 to commence with immediate effect.

Cecile Tschirhart was a member of the Governance Committee to 24 January 2019.

Cecile Tschirhart was appointed as a member of the Finance and Resources Committee with immediate effect from 24 January 2019.

1 August 2019

Shefaly Yogendra was appointed as the Chair of the Governance Committee from 1 August 2019.

Jane Broadbent reached the end of her term as co-opted member of the Audit Committee on 31 July 2019.

No payments were made during the year to members of the Board as the trustees of the University except in reimbursement of expenses incurred on the University's business. These expenses amounted to £1.5k (2017/18 £12k).

SENIOR LEADERSHIP TEAM

The members of the Senior Leadership Team of London Metropolitan University as at 31 July 2019 are listed below.

Professor Lynn Dobbs	Vice-Chancellor and Chief Executive	From 6 Oct 2018
Professor John Raftery	Vice-Chancellor and Chief Executive	To 5 Oct 2018
Doctor Liz Charman	Pro Vice-Chancellor, Academic Outcomes	To Feb 2019
Doctor Liz Charman	Pro Vice-Chancellor, Academic Development	From Mar 2019
Suzanne Burley	Pro Vice-Chancellor, Learning and Teaching	From Mar 2019
Professor Dominic Palmer-Brown	Pro Vice-Chancellor Employment Outcomes	To Jan 2019
Gary Davies	Associate Pro Vice-Chancellor, Student Recruitment	Dec 2018 – Feb 2019
Gary Davies	Pro Vice-Chancellor, Student Recruitment and Business Development	From Mar 2019
Don MacRaid	Pro Vice-Chancellor, Research and Knowledge Exchange	From Jun 2019
John Duffy	Chief Operating Officer	To Apr 2019
Pam Nelson	Chief Finance Officer and Deputy Chief Operating Officer	To Feb 2019
Pam Nelson	Deputy Chief Operating Officer	To May 2019
Eugene McCrossan	Chief Finance Officer	From Mar 2019
Robert Fisher	HR Director	
Chris Ince	University Secretary and Registrar	

PRINCIPAL ADVISERS

External Auditors

KPMG LLP
15 Canada Square
Canary Wharf
London E14 5GL

Bankers

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

Endowment Investment Custodians

Fidelity Investments
Oakhill House
Hildenborough
Tonbridge
Kent TN11 9DZ

Endowment Investment Managers

Henderson Global Investors Ltd
201 Bishopsgate
London EC2M 3AE

Insurers

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

Zurich Municipal
Southwood Crescent
Farnborough
Hampshire GU14 0NJ

Internal Auditors

PricewaterhouseCoopers LLP
7 More London Riverside
London SE1 2RT

Property Advisers

Cushman & Wakefield
Central Square
Forth Street
Newcastle upon Tyne
NE1 3PJ

Solicitors

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

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

STATEMENT OF RESPONSIBILITIES OF THE BOARD OF GOVERNORS

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

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

The Companies Act 2006 and the Memorandum of Assurance and Accountability with the Office for Students "OfS" (the Memorandum) require the Board of Governors to ensure that Financial Statements are prepared for each financial year. The financial year 2017/18 saw the Office for Students replace the Higher Education Funding Council for England "HEFCE" as the University's principal regulator.

The Financial Statements should give a true and fair view of the state of affairs of the University, and of the income and expenditure, cash flows and recognised gains and losses for that period.

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

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

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

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

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

The Board of Governors is responsible for preparing the Director's Report, Strategic Report and the financial statements in accordance with the requirements of the Office for Students' Terms and Conditions of Funding for Higher Education Institutions and Research England's Terms and Conditions of Research England Grant and applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the University financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland. The terms and conditions of funding further require the financial statements to be prepared in accordance with the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education, in accordance with the requirements of the Accounts Direction issued by the Office for Students.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the University and of their income and expenditure, gains and losses and changes in reserves for that period. In preparing each of the University financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the University's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the University or to cease operations, or have no realistic alternative but to do so.

The Board of Governors is responsible for keeping adequate accounting records that are sufficient to show and explain the University's transactions and disclose with reasonable accuracy at any time the financial position of the University and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the University and to prevent and detect fraud and other irregularities.

The Board of Governors are also responsible for ensuring that:

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

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

STATEMENT OF CORPORATE GOVERNANCE

This statement is intended to help readers understand the corporate governance procedures that are in place at the University. It covers the period from 1 August 2018 to the date of approval of the audited financial statements.

The moral and ethical environment

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

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

The Board has regard to the voluntary Higher Education Code of Governance issued by the Committee of University Chairs (CUC). The Board's Governance Committee carries out an annual mapping of the University's compliance with the CUC Code. The mapping carried out in May 2019 found that the University continued to comply with all substantial elements of the CUC's Code, noting that the code was under review. The mapping will inform further development of the University's governance in 2019/20. As the University is a charity, the Board has also had regard to the Charity Commission's guidance on public benefit.

How the University is governed

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

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

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

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

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

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

London Metropolitan University's Students' Union is a company limited by guarantee with charitable status. While the Students' Union is an independent organisation with considerable responsibility for and autonomy in its own affairs, the University's Board of Governors is responsible under the Education Act 1994 for general oversight. The University values its students and to that end the President of the Students' Union is a member of the Board of Governors. The Board also appoints one of the Students' Union's external trustees. That role was performed by Governor Renarta Guy in 2018/19.

Governance during the year

In the year to 31 July 2019 the Board met five times. In addition, it held two Strategy Days in May 2019 to consider Strategy Review documentation.

The Board's sub-committees are:

- Audit Committee (met four times in 2018-19)
- Finance and Resources Committee (met four times in 2018-19)
- Governance Committee (met three times in 2018/19)
- Remuneration Committee (met once in 2018-19)

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

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

The Remuneration Committee was chaired by Rolande Anderson in 2018/19. In January 2019 the Committee met to consider proposals for revisions to the Senior Leadership Team, Senior Staff objectives for 2019/20, succession planning and approved the Senior Staff remuneration guidance document.

The Audit Committee, chaired by Tim Cochrane 2018/19, reviews the work of the internal and external auditors and considers their reports, together with recommendations for the improvement of the systems of internal control in conjunction with management responses and implementation plans. It reviews the University's annual financial statements and the appropriateness of its accounting policies. It also provides oversight of the risk management process on the Board's behalf. Each meeting receives a report on data quality management, and the committee also derives assurance from reports on the continuous auditing of student data performed by the internal auditors. The committee receives and considers reports from the Office for Students insofar as they affect the University's business and monitors adherence to regulatory requirements, including health and safety (a health and safety report is provided to each meeting of the Audit Committee; operational matters relating to the implementation of the Health and Safety Strategy are considered by the Health and Safety Committee, which is an executive committee). Members of the Senior Leadership Team attend Audit Committee meetings as necessary, but are not members of it. The Chair of the Board is not a member and does not attend its meetings.

The Finance and Resources Committee, chaired by Michael Murphy in 2018/19, reviews and recommends to the Board of Governors the University's annual capital and revenue budgets and the financial forecasts submitted to the Office for Students. Its role includes inter alia reviewing the University's financial regulations and its draft financial statements, monitoring financial performance, and considering estates and human resources matters.

The Governance Committee, chaired by Mark Anderson in 2018/19, is responsible for making recommendations to the Board about filling vacancies in Board and Committee membership and about the award of honorary degrees. It has a remit to consider any governance matters. The Committee reviews the effectiveness of the University's governance as an ongoing process, including an annual assessment of the University's compliance with the Higher Education Code of Governance, and the annual consideration of effectiveness questionnaires completed by governors and committee members. The committee regularly reviews the diversity of the Board and its committees, and takes diversity into account when making recommendations to the Board regarding appointments.

Internal control

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

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 2019 and up to the date of approving these financial statements.

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

- The Board approved a Statement of Risk Appetite in June 2017 which specifies the amount of risk the University is willing to tolerate or accept in the pursuit of its long-term objectives. The Statement of Risk Appetite is subject to regular review by the SLT, Audit Committee and Board.
- The Board receives regular progress reports on Risk Management and confirms there is a clear policy and plan of risk management, which has been communicated to the Schools and Professional Service Departments (PSDs). The University's Risk Management Policy and Process was revised in 2017 and approved by the Board of Governors in June 2017.
- The Corporate Risk Register is updated throughout the year and identifies the main risk owners and risk-mitigating actions. Risks are scored by likelihood and impact and are ranked accordingly. Risk registers are also maintained for each School and major PSD, as well as for major programmes in which the University is involved. The University has a 'Risk Champions' group of staff involved in maintaining local risk registers which meets quarterly. Minutes of the Risk Champions group are reported to the Senior Leadership Team;
- The Board and Audit Committee have been regularly updated regarding the review of the Corporate Risk Register and revisions to the Universities risk management procedures throughout 2018/19;
- The Senior Leadership Team conducts an in-depth review of the Corporate Risk Register in September and reviews it quarterly over the course of the year. The University Secretary and Registrar is the member of the Senior Leadership Team with lead responsibility for risk management;
- The Audit Committee oversees the arrangements for risk management and at each meeting receives a report on the Corporate Risk Register as well as a report on the risk management processes in place in Schools and PSDs. Members of the Board receive a report of each meeting of the Audit Committee;
- Each year the Audit Committee approves a programme of specific internal audits for the following year, in addition to a programme of continuous auditing of the core financial systems and student data. The programme of internal audit is based around a structured assessment of system risks within the University's operations and is reviewed in-year to ensure that emerging issues are addressed;
- The Audit Committee receives reports from the internal auditors at each meeting. These reports provide an independent opinion of the adequacy and effectiveness of the University's arrangements for risk management and the internal control systems, together with appropriate recommendations. The internal auditors also report as a matter of course on the progress made in implementing recommendations from previous reports,
- The Audit Committee, in its annual report to the Board of Governors, provides an annual opinion on the adequacy and effectiveness of the University's arrangements for risk management, control and governance;
- An in-depth audit of Risk Management arrangements was undertaken in 2018/19. The University's external auditors undertook a benchmarking exercise which allowed the Audit Committee to consider the appropriateness of risk arrangements when compared with the rest of the sector;
- The Chief Financial Officer and the University Secretary and Registrar attend meetings of the Audit Committee and have direct and independent access to members of that Committee, as do the internal and external auditors. The Audit Committee held its annual 'members only' session with the internal and external auditors in May 2019.

The Board, through the Audit Committee, has reviewed the effectiveness of the system of internal control operating in 2018/19 and up to the date of approval of the financial statements.

There were no significant internal control issues during the year.

The financial statements on pages 42 to 66 were approved by the Board of Governors of London Metropolitan University on 26 November 2019, and signed on its behalf by:

Mark Anderson

Professor Lynn Dobbs

Chair of the Board of Governors

Vice-Chancellor and Chief Executive

Date: 26 November 2019

DIRECTORS' REPORT

The Board of Governors (the Board), as the directors of London Metropolitan University, presents the University's annual report and audited financial statements for the year ended 31 July 2019.

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 University has applied the allowance to early adopt the requirements of paragraph 12(d) of the Accounts Direction for periods beginning on or after 1 August 2019 as published on 25 October 2019.

The Board has examined financial forecasts based upon these audited financial statements and estimates of income, expenditure and cash flow for the period to 31 July 2023. For the purpose of their going concern review, the Board has focused on the period to 30 November 2019.

The Board approved a budget for 2019/20 in June 2019 which showed a reduced deficit. A major review of the University's strategic direction was undertaken during 2018/19 and a new Strategy 2019/20 – 2024/25 was approved by the Board and is referenced in the Strategic Report on Pages 4-19 of this annual report.

As at 31 July 2019, the University held cash and investments totalling £67.1m, which provide the basis for investment in the plan. The cash flow forecast for 2019/20 shows cash and investments of £58.9m at 31 July 2020 after funding £6.8m of capital investment. The forecast cash and investments balance at 31 July 2021 is £58.3m after funding £5.5m of capital investment in 2020/21. All capital expenditure plans have been approved by the Board and are reported to the SLT and Board on a monthly basis. Financial forecasts are updated on a quarterly basis and reported to the Board at each meeting.

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

Constitution

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

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

Donations

The University makes no political or charitable donations.

Auditors

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

Creditor payment policy

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

Approval of financial statements by the Board

The financial statements on pages 42 to 66 were approved by the Board of Governors of London Metropolitan University on 26 November 2019, and signed on its behalf by:

Mark Anderson

Professor Lynn Dobbs

Chair of the Board of Governors

Vice-Chancellor and Chief Executive

INDEPENDENT AUDITOR'S REPORT TO THE BOARD OF GOVERNORS OF LONDON METROPOLITAN UNIVERSITY

Date: 26 November 2019

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of the London Metropolitan University ("the University") for the year ended 31 July 2019 which comprise the Statement of Comprehensive Income and Expenditure, Statement of Changes in Reserves, Balance Sheet and cash flow statement and related notes, including the accounting policies.

In our opinion the financial statements:

- give a true and fair view of the state of the University's affairs as at 31 July 2019, and of the University's income and expenditure, gains and losses and changes in reserves, and of the cash flows, for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland, and with the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education;
- meet the requirements of the Accounts Direction dated 19 June 2018 issued by the Office for Students, other than where the University has applied the allowance to early adopt the requirements of paragraph 12(d) of the Accounts Direction for periods beginning on or after 1 August 2019 as published on 25 October 2019; and
- have been prepared in accordance with the requirements of the Companies Act 2006

Basis for opinion

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

The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the Board, and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the University's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the University's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a University and this is particularly the case in relation to Brexit.

Going concern

The Board of Governors have prepared the financial statements on the going concern basis as they do not intend to liquidate the University or to cease its operations, and as they have concluded that the University's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the Board of Governors' conclusions, we considered the inherent risks to the University's business model, including the impact of Brexit, and analysed how those risks might affect the University's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the University will continue in operation.

Other information

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

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

- we have not identified material misstatements in the other information;
- in our opinion the information given in Strategic Review, Statement of Corporate Governance and Director's report as well as Members of Board of Governor, Senior leadership team and Principal advisers for the financial year for the financial year, is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Board of Governors responsibilities

As explained more fully in their statement set out on page 33 and 34, the Board of Governors (who are the Directors of the University company for the purposes of company law) is responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the University's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless it either intends to liquidate the University or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

In our opinion, in all material respects:

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

THE PURPOSE OF OUR AUDIT WORK AND TO WHOM WE OWE OUR RESPONSIBILITIES

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

Fleur Nieboer (Senior Statutory Auditor)

for and on behalf of

KPMG LLP, Statutory Auditor

Chartered Accountants

15 Canada Square

London

E14 5GL

STATEMENT OF COMPREHENSIVE INCOME AND EXPENDITURE

	Notes	2018-19 £'000	2017-18 £'000
Income			
Tuition fees	1	71,979	76,019
Funding body grants	2	8,454	11,747
Research grants and contracts	3	459	249
Other income	4	5,844	5,659
Investment income	5	715	633
Total income before donations and endowments		87,451	94,307
Donations and endowments	6	209	34
Total income		87,660	94,341
Expenditure			
Staff costs	7	54,556	56,684
Staff restructuring costs	7	297	1,943
Other operating expenses	8	33,162	34,640
Depreciation	10	7,555	7,371
Interest and other finance costs	9	2,635	3,214
Total expenditure		98,205	103,852
Deficit before other gains and losses		(10,545)	(9,511)
Gain on disposal of fixed assets	10	-	145
Fixed asset impairment	10	(2,549)	(6,616)
Provisions	17	(1,181)	(4,097)
Deficit for the year		(14,275)	(20,079)
Actuarial (loss) / gain in respect of pension scheme	20	(657)	22,022
Total comprehensive income for the year		(14,932)	1,943
Represented by:			
Endowment comprehensive income for the year	18	12	19
Restricted comprehensive income for the year		188	15
Unrestricted comprehensive income for the year		(15,132)	2,774
Revaluation reserve comprehensive loss for the year		-	(865)
		(14,932)	1,943
Reconciliation of Total Comprehensive Income to the Operating Performance			
		2018-19	2017-18
		£'000	£'000
Total Comprehensive Income		(14,932)	1,943
Actuarial (loss) / gain in respect of pension scheme	20	657	(22,022)
Pension Interest	9	2,635	3,175
Notional interest and staff adjustments relating to pension fund deficit	8	1,842	4,311
Provisions	10 & 17	4,914	10,568
Operating Performance Deficit		(4,884)	(2,025)

All items of income and expenditure relate to continuing activities.

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

STATEMENT OF CHANGES IN RESERVES

	INCOME AND EXPENDITURE RESERVES			Revaluation Reserve	Total £'000
	Endowment £'000	Restricted £'000	Unrestricted £'000	£'000	
Balance at 1 August 2017	208	951	86,635	61,487	149,281
- Surplus / (Deficit) for the year	19	37	(20,135)	-	(20,079)
- Other comprehensive income	-	-	22,022	-	22,022
- Transfers between revaluation and income and expenditure	-	-	865	(865)	-
- Release of restricted funds spent in year	-	(22)	22	-	-
Total comprehensive income for the year	<u>19</u>	<u>15</u>	<u>2,774</u>	<u>(865)</u>	<u>1,943</u>
Balance at 1 August 2018	227	966	89,409	60,622	151,224
- Surplus / (Deficit) for the year	12	210	(14,497)	-	(14,275)
- Other comprehensive income	-	-	(657)	-	(657)
- Transfers between revaluation and income and expenditure	-	-	-	-	-
- Release of restricted funds spent in year	-	(22)	22	-	-
Total comprehensive income for the year	<u>12</u>	<u>188</u>	<u>(15,132)</u>	<u>-</u>	<u>(14,932)</u>
Balance at 31 July 2019	<u>239</u>	<u>1,154</u>	<u>74,277</u>	<u>60,622</u>	<u>136,292</u>

BALANCE SHEET

	Notes	2018-19 £'000	2017-18 £'000
Non-current assets			
Fixed assets	10	182,296	184,887
Investments	11	673	658
		182,969	185,545
Current assets			
Stock	12	53	52
Trade and other receivables	13	14,778	12,331
Investments	14	38,018	37,000
Cash and cash equivalents		29,701	44,800
		82,550	94,183
Less: Creditors: Amounts falling due within one year	15	(19,227)	(19,135)
		63,323	75,048
Net current assets			
	-	246,292	260,593
Total assets less current liabilities			
Creditors: amounts falling due after more than one year	16	(27)	(2,580)
Provisions			
Pension provisions	17	(105,652)	(102,692)
Other provisions	17	(4,321)	(4,097)
		136,292	151,224
Total net assets			
Restricted reserves			
Income and expenditure reserve - endowment reserve	18	239	227
Income and expenditure reserve - restricted reserve	19	1,154	966
Unrestricted reserves			
Income and expenditure reserve - unrestricted reserve		74,277	89,409
Revaluation reserve		60,622	60,622
		136,292	151,224
Total reserves			

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

The financial statements on pages 42 to 66 were approved by the Board of Governors of London Metropolitan University on 26 November 2019, and were signed on its behalf by:

Mark Anderson

Professor Lynn Dobbs

Chair of the Board of Governors

Vice-Chancellor and Chief Executive

Date: 26 November 2019

CASH FLOW STATEMENT

	Notes	2018-19 £'000	2017-18 £'000
Cash flow from operating activities			
Deficit for the year		(14,275)	(20,079)
Adjustment for non-cash items			
Depreciation	10	7,555	7,371
Loss on impairment		2,549	6,616
Gain on investments	5	(168)	(116)
Exchange rate loss/(gain)		(29)	10
(Increase) / decrease in stock	12	(1)	12
Increase in debtors	13	(2,447)	(3,656)
Decrease in creditors	15/16	(2,462)	(3,642)
(Decrease) / increase in pension provision	17	(332)	1,135
(Decrease) / increase in other provisions	17	224	703
Adjustment for investing or financing activities			
Investment income	5	(535)	(522)
Interest payable	9	2,635	3,214
Endowment income		(12)	(19)
Profit on the sale of fixed assets		-	(145)
Capital grant income		(563)	(952)
Net cash outflow from operating activities		(7,861)	(10,070)
Cash flows from investing activities			
Proceeds from sales of fixed assets		-	375
Capital grant receipts		563	952
Investment income		547	379
Payments made to acquire fixed assets		(7,152)	(17,115)
(Increase)/Decrease in current asset investments		(1,018)	17,000
		(7,060)	1,591
Cash flows from financing activities			
Interest paid		-	(39)
Repayments of amounts borrowed		(178)	(392)
		(178)	(431)
Decrease in cash and cash equivalents in the year		(15,099)	(8,910)
Cash and cash equivalents and the beginning of the year		44,800	53,710
Cash and cash equivalents and the end of the year		29,701	44,800

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

ACCOUNTING POLICIES

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

(A) BASIS OF PREPARATION

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

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

The University has applied the allowance to early adopt the requirements of paragraph 12(d) of the Accounts Direction for periods beginning on or after 1 August 2019 as published on 25 October 2019.

Going concern

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

The Board has examined financial forecasts based upon these audited financial statements and estimates of income, expenditure and cash flow for the period to 31 July 2024. For the purpose of their going concern review, the Board has focused on the period to 30 November 2020.

As at 31 July 2019, the University held cash and investments totalling £67.7m, which provide the basis for investment in the plan. The cash flow forecast for 2019/20 shows cash and investments of £59m at 31 July 2020 after funding £6.8m of capital investment. The forecast cash and investments balance at 31 July 2021 is £58m after funding £5.5m of capital investment in 2020/21. All major capital projects are considered by the Board before major financial commitment is made. The forecasts are regularly updated and reported to the Board at each meeting.

The Board approved a budget for 2019/20 in June 2019 which showed a deficit of £(5.9m). The University agreed a new strategy for 2020–2025 in October 2019. Over the first three years of the strategy, the financial plan shows the University steadily moving towards an operating breakeven position in 2021/22. From 2021/22, the University will generate positive operating cash flows and capital expenditure over the timeline of the plan, amounting to £17.1m to ensure funds are available to enhance the student experience.

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

(B) BASIS OF CONSOLIDATION

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

(C) INCOME RECOGNITION

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

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

Tuition fees

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

Sale of goods and services

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

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

Investment income

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

Agency income

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

Performance model

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

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

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

Government grants

Both revenue and capital government grants are accounted for under the performance model.

Funding council block grants relating to a single academic year are recognised in full in the period to which the grant relates.

Non-government grants, donations and endowments

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

(i) Non-government grants and donation income with performance conditions;

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

(ii) Donations without restrictions

Income with neither restrictions nor performance conditions is recognised within the Statement of comprehensive income when the grant is receivable and recorded within unrestricted reserves.

Capital grants

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

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

Research income

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

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

(D) ENDOWMENTS

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

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

Restricted permanent endowments

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

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

Restricted expendable endowments

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

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

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

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

(E) TAXATION

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

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

(F) FIXED ASSETS

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

Land and buildings

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

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

Costs incurred in relation to land and buildings after initial purchase or construction, and prior to valuation, are capitalised to the extent that they increase the expected future benefits to the University.

Freehold land is not depreciated as it is considered to have an indefinite useful life. Freehold buildings are depreciated on a straight line basis over their expected useful lives as follows:

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

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

Equipment and furniture

Furniture and equipment, including computers and software, costing less than £6,000 per individual item or group of items is recognised as expenditure in the year of acquisition. All other equipment is capitalised.

Capitalised equipment is stated at cost and depreciated over its expected useful life as follows:

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

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

Impairment

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

Repairs and maintenance

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

Heritage assets

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

(G) LEASES

Finance leases

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

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

Operating leases

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

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

(H) STOCK

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

(I) RETIREMENT BENEFITS

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

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

The University is able to identify its share of the underlying assets and liabilities of the LPFA scheme and thus

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

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

(J) EMPLOYMENT BENEFITS

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

(K) INVESTMENTS

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

(L) CASH AND CASH EQUIVALENTS

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

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

(M) PROVISIONS AND CONTINGENT LIABILITIES

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

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

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

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

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

(N) FOREIGN CURRENCIES

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

(O) RESERVES

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

(P) SIGNIFICANT ESTIMATES AND JUDGEMENTS

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

Tangible fixed assets

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

Depreciation

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

Leases

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

Trade debtors

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

Defined benefit pension scheme

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

Onerous lease provision

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

Rent review provision

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

Impairment

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

NOTES TO THE ACCOUNTS

	2018-19 £'000	2017-18 £'000
1. Tuition fees		
Full-time students:		
Home and EU	60,259	63,926
Overseas	3,430	3,708
Part-time students	8,290	8,385
	71,979	76,019
2. Funding body grants		
Recurrent grants		
Higher Education Funding Council for England (HEFCE) – to 31 March 2018	-	6,258
Office for Students (OfS) – from 1 April 2018	4,698	1,772
Research England (RE) – from 1 April 2018	1,197	437
National College for Teaching and Leadership	121	130
Specific grants - OfS		
Knowledge exchange funding	859	-
Capital grants	563	-
Inherited pension liability reimbursement	1,016	302
Other	-	58
Specific grants – HEFCE		
Knowledge exchange funding	-	439
Inherited pension liability reimbursement	-	778
Capital grants	-	952
Other	-	348
Specific grants – Research England		
Knowledge exchange funding	-	293
	8,454	11,747
3. Research grants and contracts		
Research councils	-	-
UK based charities	228	6
European Union	61	178
Other	170	65
	459	249
4. Other income		
Consultancy	309	179
Trading income	2,423	2,062
Sale of materials and other departmental income	441	138
Rental income and hire of facilities	1,101	894
Income from academic partnerships	1,268	1,773
Other income	302	613
	5,844	5,659
5. Investment income		
Investment income on endowments	13	19
Investment income on restricted reserves	10	15
Gain on investments	168	116
Other investment income	524	483
	715	633
6. Donations and endowments		
Donations with restrictions	209	20
Unrestricted donations	-	14
	209	34

7. Staff costs

		2018-19 £'000	2017-18 £'000
Costs:	Academic Staff	27,539	27,417
	Other Staff	27,017	29,267
		<u>54,556</u>	<u>56,684</u>
Comprising:	Salaries	40,801	42,003
	Social security costs	4,246	4,312
	HMRC apprenticeship levy	192	196
	Movement in LPFA provision	(60)	1,983
	Movement in USS provision	455	(32)
	Other pension costs	8,922	8,222
		<u>54,556</u>	<u>56,684</u>
Staff restructuring costs		297	1,943
		<u>54,853</u>	<u>58,627</u>

The number of full-time equivalent staff included in staff restructuring costs was 21 (2017/18: 58)

Emoluments of the current Vice-Chancellor and Chief Executive: From 6 October 2018

Salary	196	-
Performance related pay	-	-
Payments in lieu of pension contributions	-	-
Pension contributions	32	-
Payment in lieu of notice	-	-
	<u>228</u>	<u>-</u>

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

Pay ratios

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

	No.	No.
Basic salary	6.6	0
Total remuneration	7.6	0

Emoluments of the outgoing Vice-Chancellor and Chief Executive: To 5 October 2018

Salary	54	293
Performance related pay	9	101
Payments in lieu of pension contributions	7	39
Pension contributions	-	-
Payment in lieu of notice	-	117
	<u>70</u>	<u>550</u>

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

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

The head of provider changed during the year. The ratios for the previous Vice-Chancellor and Chief Executive are:

	No.	No.
Basic salary	8.6	8.6
Total remuneration	10.0	12.7

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

2018-19	2017-18
£'000	£'000

Higher paid post-holders' emoluments

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

	2018-19	2017-18
	No.	No.
£100,001 to £105,000	1	0
£105,001 to £110,000	1	0
£110,001 to £115,000	0	2
£115,001 to £120,000	1	1
£120,001 to £125,000	2	0
£125,001 to £130,000	1	0
£130,001 to £135,000	0	1
£150,001 to £155,000	0	1
£170,001 to £175,000	1	0
	7	5

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

	425	435
Academic staff	536	582
Other staff	961	1,017

Compensation of loss of office to higher paid post holders

Compensation recorded within staff costs	121	117
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The 2018-19 figure relates to payments in lieu of notice paid to two employees earning emoluments in excess of £100,000. The 2017/18 figure relates to payments in lieu of notice paid to the Vice-Chancellor and Chief Executive for the period between his last working day, 5 October 2018 and his last contractual day of service, 24 January 2019.

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the University. The University considers the Board of Governors and the Senior Leadership Team as its key management personnel. Key management personnel consist of 25 people (2017/18: 20), including the Vice-Chancellor and Chief Executive. Of the 25 personnel, 13 (2017/18: eight) were remunerated as employees of the University. The remaining 12 (2017-18: twelve) are independent governors and are not remunerated.

Salaries	1,189	1,287
Pension contributions	159	88
	1,348	1,375

During the year £7k (2017-18: £12k) was paid in respect of governors' expenses. A total of four governors received expenses.

8. Analysis of total expenditure by activity

	Staff Costs	Other operating expenses	Depreciation	Interest payable	2018-19	2017-18
	£'000	£'000	£'000	£'000	£'000	£'000
Academic departments	26,170	2,628	1,171	-	29,969	31,740
Academic services	12,400	9,213	874	-	22,487	20,824
Administration and central services	12,630	8,799	914	-	22,343	24,881
Premises	3,005	12,750	4,578	-	20,333	18,611
Research grants and contracts	351	69	18	-	437	291
Other expenditure	-	-	-	2,635	2,635	7,505
	54,556	33,459	7,555	2,635	98,205	103,852

	2018-19	2017-18
	£'000	£'000

Other operating expenses includes:

Operating lease rentals

- land and buildings

- other

4,149 3,757
465 531

External auditor's remuneration (excluding VAT):

- audit of these financial statements

- other audit

- other non-audit services

61 59
10 21
17 -

Internal auditor's remuneration

Students' Union grant

155 150
556 556

Other expenditure includes:

Restructuring

- Staff costs

- Non-staff costs

Notional interest and staff adjustments relating to pension fund deficit

Compensation for loss of office for the Vice-Chancellor and Chief Executive

Interest payable re retrospective rent review

297 1,943
359 1,095
1,842 4,311
121 117
- 39

9. Interest and other finance costs

	2018-19	2017-18
Interest on net defined benefit pension liability	2,629	3,169
Interest on USS pension deficit funding	6	6
Interest payable following rent review	-	39
	2,635	3,214

10. Tangible fixed assets

	LAND AND BUILDINGS					Total £'000
	Freehold	Under construction	Alterations and improvements	Long leasehold	Equipment and furniture	
	£'000	£'000	£'000	£'000	£'000	
Cost						
At 1 August 2018	144,887	2,406	52,144	1,175	41,179	241,791
Additions	-	-	5,562	-	1,951	7,513
Disposals	-	-	-	-	-	-
Transfers	-	(2,406)	2,406	-	-	-
At 31 July 2019	144,887	-	60,112	1,175	43,130	249,304
Depreciation						
At 1 August 2018	7,153	-	17,214	382	32,155	56,904
Charge for year	1,761	-	2,004	19	3,771	7,555
Eliminated on disposal	-	-	-	-	-	-
Impairment reduction	-	-	2,228	-	321	2,549
At 31 July 2019	8,914	-	21,446	401	36,247	67,008
Net book value at 31 July 2019	135,973	-	38,666	774	6,883	182,296
Net book value at 31 July 2018	137,734	2,406	34,930	793	9,024	184,887
Cost of land included in above	35,050	-	-	-	-	-

Alterations and improvements

The alterations and improvements net book value can be allocated to the various categories of fixed assets as detailed below.

Alterations and improvements net book value at 31 July 2019	24,463	-	-	25	-	24,488
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The most recent valuation of the University's freehold properties was prepared by Cushman & Wakefield as at 1 August 2014 (the date of transition to FRS 102). At the date of transition to FRS 102, the University chose to perform a one-off valuation of its freehold properties and freeze that value as 'deemed cost'. The University will continue to adopt the historical cost accounting convention.

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

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

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

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

11. Non-current investments

	Investment in OEIC	Other non- current investments	Total
	£'000	£'000	£'000
At 1 August 2018	594	64	658
Change in market value	15	0	15
At 31 July 2019	<u>609</u>	<u>64</u>	<u>673</u>

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.

Investment in Open Ended Investment Company (OEIC)

The University has an investment in a Managed Growth Fund.

Other non-current investments

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

12. Stock

	2018-19 £'000	2017-18 £'000
Raw materials	31	31
Goods purchased for resale	22	21
	<u>53</u>	<u>52</u>

13. Trade and other receivables

Amounts falling due within one year:

Trade receivables	11,300	8,326
Due from OfS	816	766
Loans to staff and students	56	55
Other debtors	220	485
Prepayments and accrued income	2,386	2,699
	<u>14,778</u>	<u>12,331</u>

14. Current investments

Short term deposits	<u>38,018</u>	<u>37,000</u>
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Deposits with less than three months' maturity at the balance sheet date are held with banks and building societies operating in the London market and licensed by the Financial Services Authority. The interest rates for these deposits are fixed for the duration of the deposit at the time of placement.

15. Creditors – amounts falling due within one year

Unsecured loans	(53)	(178)
Amounts owed to OfS	(4,309)	(3,125)
Trade payables	(5,242)	(4,021)
Social security and other taxation payable	(2,147)	(2,221)
Other payables	(5)	(19)
Accruals	(4,596)	(6,854)
Deferred income	(2,875)	(2,717)
	<u>(19,227)</u>	<u>(19,135)</u>

16. Creditors – amounts falling due after more than one year

	2018-19 £'000	2017-18 £'000
OfS grant repayment		
Payable between one and two years	-	(2,500)
Payable between two and five years	-	-
	<u>-</u>	<u>(2,500)</u>
OfS revolving green fund loans (interest free, unsecured)		
Principal payable between one and two years	(27)	(80)
Principal payable between two and five years	-	-
	<u>(27)</u>	<u>(80)</u>
Total	<u>(27)</u>	<u>(2,580)</u>

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. £34m has been repaid to 31 July 2019. £2.5m will be paid in 2019/20.

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

17. Provisions for liabilities

	Pension provisions			Other provisions £'000
	LPFA £'000	USS £'000	Total £'000	
At 1 August 2018	(102,414)	(278)	(102,692)	(4,097)
Utilised in year	-	-	-	957
Additions	(2,499)	(461)	(2,960)	(1,181)
At 31 July 2019	<u>(104,913)</u>	<u>(739)</u>	<u>(105,652)</u>	<u>(4,321)</u>

LPFA Defined benefit obligations

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

USS obligation

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

Other provisions – onerous obligations under operating lease

The University vacated its leased property in Moorgate in September 2019. The provision of £3.6m is for onerous obligations under the operating lease and dilapidations.

Other provisions – legal case

This provision relates to costs in a long running legal case.

18. Endowment reserves

Restricted net assets relating to permanent endowments are as follows:

	2018-19	2017-18
	£'000	£'000
Endowment reserves		
Balance at 1 August		
Capital	205	189
Accumulated income	22	19
	227	208
Investment income	3	3
Increase in market value of investments	9	16
Balance at 31 July	239	227
Represented by:		
Capital	214	205
Accumulated income	25	22
	239	227
Analysis by purpose:		
Lectureships	21	19
Scholarships and bursaries	91	87
Research support	7	7
Prize funds	74	70
General	46	44
	239	227
Analysis by asset:		
Non-current asset investments	239	227

19. Restricted reserve

	Restricted Funds £'000	Donations £'000	2019 Total £'000	2018 Total £'000
At 1 August	966	-	966	951
New donations	200	-	200	22
Investment income	9	-	9	7
Expenditure	(22)	-	(22)	(22)
Increase in market value of investments	1	-	1	8
Total restricted comprehensive income for the year	188	-	188	15
At 31 July	1,154	-	1,154	966
Analysis of restricted funds by purpose:				
Lectureships			68	68
Scholarships and bursaries			573	581
Prize funds			276	273
General			237	44
			1,154	966

20. Pension arrangements

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

A. The London Pensions Fund Authority (LPFA) fund

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

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

The actuarial valuation as at 31 March 2013 informed a review by the LPFA of the contributions to be paid to the Fund by employers from 1 April 2014. It was agreed that, with effect from 1 April 2014, the contribution to be paid by the University to the Fund for current service was 16.0% of pensionable payroll. The University also agreed to pay lump sum contributions for past service deficits of £937k from 1 April 2014 to March 2015, £1,080k from April 2015 to March 2016, £1,132k from April 2016 to March 2017 and £1,780k from 1 April 17 to 31 March 2018.

The actuarial valuation as at 31 March 2016 informed a review by the LPFA of the contributions to be paid by employers from 1 April 2017. It was agreed that, with effect from 1 April 2017, the contributions to be paid by the University would be 17.3% of pensionable payroll plus a lump sum payment of £2,940k for the period 1 April 2018 to 31 March 2019.

The University's contribution to the Fund for 2018/19 was £5,752k (2017/18: £5,064k). The University's estimate of the contribution to the Fund for 2019/20 is £5,900k.

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

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

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

The actuarial valuation as at 31 March 2016 showed that the market value of the Fund's assets attributable to the University was estimated at approximately £180m and that the actuarial value of those assets represented 91% of the value of the benefits that have accrued to the University's pensioners, deferred pensioners and current members based upon past service but allowing for assumed pay increases and pension increases.

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

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

On 22 January 2018, the Government published the outcome to its Indexation and equalisation of GMP in public service pension schemes consultation, concluding that the requirement for public service pension schemes to fully price protect the GMP element of individuals' public service pension would be extended to those individuals reaching State Pension Age (SPA) before 6 April 2021. HM Treasury published a Ministerial Direction on 4 December 2018 to implement this outcome, with effect from 6 April 2016.

LPFA – FRS 102 statements

The major assumptions used by the actuary were as follows:

	2019	2018	2017
Rate of increase in salaries	3.9%	3.9%	4.1%
Rate of increase in pensions in payment – RPI	3.4%	3.4%	3.5%
Rate of increase in pensions in payment – CPI	2.4%	2.4%	2.6%
Discount rate	2.1%	2.7%	2.7%

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

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

The assumed life expectations on retirement at age 65 are:

	2019	2018
	Years	Years
Current pensioners		
Males	20.4	21.4
Females	23.3	24.3
Future pensioners (retiring in 20 years)		
Males	22.2	23.7
Females	25.2	26.6

LPFA – FRS 17 statements

Fund assets

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

	Fair Value as at 31 July 2019		Fair Value as at 31 July 2018		Fair Value as at 31 July 2017
	%	£'000	%	£'000	%
Equities	55%	138,720	59%	135,646	61%
LDI/Cashflow matching	n/a	-	n/a	-	n/a
Target return portfolio	25%	64,658	26%	60,608	21%
Infrastructure	6%	14,590	5%	11,886	4%
Commodities	n/a	-	n/a	-	n/a
Property	9%	23,193	9%	20,600	7%
Cash	5%	13,429	1%	3,256	7%
Total	100%	254,590	100%	231,996	100%
				218,594	

The return on the Fund (on a bid value to bid value basis) for the year to 31 July 2019 is estimated to be 11% (2018: 6%). The actual return on Fund assets over the year may be different.

Net pension liability

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

	2018-19	2017-18
	£'000	£'000
Fair value of scheme assets (bid value)	254,590	231,996
Present value of the defined benefit obligation	(351,524)	(324,520)
Present value of unfunded obligations	(7,979)	(9,890)
Total value of obligations	(359,503)	(334,410)
Deficit in the scheme – net pension liability recorded within pension provision (note 17)	(104,913)	(102,414)

The present value of the unfunded liabilities as at 31 July 2019 consists of £1,603k (2018: £2,268k) in respect of enhanced LGPS pensions and £6,376k (2018: £7,622k) in respect of enhanced teachers' pensions.

Current service cost	(5,694)	(6,258)
Past service costs, including curtailments	(388)	(892)
Total operating charge	(6,082)	(7,150)
Analysis of the amount charged to interest payable		
Interest cost	(8,757)	(9,047)
Interest on assets	6,128	5,878
Net charge to interest payable	(2,629)	(3,169)

Analysis of other comprehensive income

Return on Fund assets in excess of interest	18,242	9,584
Other actuarial gains on assets	-	-
Change in demographic assumptions	17,907	-
Experience (loss) / gain on defined benefit obligation	434	(500)
Change in financial assumptions	(37,240)	12,938
Total other comprehensive income	(657)	22,022

	2018-19	2017-18
	£'000	£'000

Cumulative actuarial loss recognised as other comprehensive income

Cumulative actuarial losses recognised at the start of the year	(73,223)	(86,161)
Cumulative actuarial losses recognised at the end of the year	(110,463)	(73,223)

Analysis of movement in deficit

Deficit at beginning of year	(102,414)	(120,099)
Contributions paid by the University	7,171	6,266
Current service costs	(5,694)	(6,258)
Past service costs, including curtailments	(388)	(892)
Other finance charges	(2,629)	(3,169)
Administration expenses	(302)	(284)
Actuarial gains recognised in other comprehensive income	(657)	22,022
Deficit at end of year	(104,913)	(102,414)

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

At 1 August	334,410	338,693
Movement in year:		
Current service cost	5,694	6,258
Interest cost	8,757	9,047
Contributions by members	1,195	1,242
Change in demographic assumptions	(17,907)	-
Contributions in respect of unfunded benefits	(1,029)	(1,099)
Change in financial assumptions	37,240	(12,938)
Experience loss / (gain) on defined benefit obligation	(434)	500
Past service costs, including cutailments	388	892
Estimated benefits paid	(8,811)	(8,185)
At 31 July	359,503	334,410

Analysis of movement in the fair value of the University's share of Fund's assets

At 1 August	231,996	218,594
Movement in year:		
Expected rate of return on Fund assets	24,370	15,462
Administration expenses	(302)	(284)
Other actuarial gains	-	-
Contributions by members	1,195	1,242
Contributions by the employer including unfunded benefits	7,171	6,266
Estimated benefits paid including unfunded benefits	(9,840)	(9,284)
At 31 July	<u>254,590</u>	<u>231,996</u>

B. The Teachers' Pension Scheme (TPS)

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

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

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

The University's contribution to the TPS for 2018-19 was £2,941k (2017-18: £2,983k). The University's estimated contribution to the Scheme for 2019-20 is £3,950k (2018-19 is £2,959k).

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

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

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

C. The Universities Superannuation Scheme (USS)

The institution participates in Universities Superannuation Scheme (USS) which is the main scheme covering most academic and academic-related staff. The Scheme is a hybrid pension scheme, providing defined benefits (for all members), as well as defined contribution benefits. The assets of the scheme are held in a separate trustee-administered fund.

Because of the mutual nature of the scheme, the assets are not attributed to individual institutions and a scheme-wide contribution rate is set. The institution is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. As required by Section 28 of FRS 102 "Employee Benefits", the institution therefore accounts for the scheme as if it were a wholly defined contribution scheme. As a result, the amount

charged to the Consolidated Statement of Comprehensive Income represents the contributions payable to the scheme. Since the institution has entered into an agreement (the Recovery Plan) that determines how each employer within the scheme will fund the overall deficit, the institution recognises a liability for the contributions payable that arise from the agreement (to the extent that they relate to the deficit) and therefore an expense is recognised.

The total cost charged to the Consolidated Statement of Comprehensive Income is £196k (2017/18: £181k). The 2018 USS valuation was finalised in September 2019 by the USS trustee and the details were formally confirmed to the University by USS. The auditor's view is that this is a non-adjusting post balance sheet event meaning it has no impact on the year-end position.

The latest available complete actuarial valuation of the Retirement Income Builder section of the Scheme is at 31 March 2017 ("the valuation date"), which was carried out using the projected unit method. As at the year-end a valuation as at 31 March 2018 was underway but not yet complete.

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

The 2017 valuation was the fourth valuation for USS under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. At the valuation date, the value of the assets of the scheme was £60.0bn and the value of the scheme's technical provisions was £67.5bn indicating a shortfall of £7.5bn and a funding ratio of 89%.

The key financial assumptions used in the 2017 valuation are described below. More detail is set out in the Statement of Funding Principles.

Discount rate (forward rates)	Years 1-10: CPI - 0.53% reducing linearly to CPI - 1.32% Years 11-20: CPI + 2.56% reducing linearly to CPI + 1.7% by year 21 Years 21 +: CPI + 1.7%
Pensions increase (CPI)	Term dependent rates in line with the difference between the Fixed Interest and Index Linked yield curves, less 1.3% p.a.

The main demographic assumption used relates to the mortality assumptions. These assumptions are based on analysis of the scheme's experience carried out as part of the 2017 actuarial valuation. The mortality assumptions used in these figures are as follows:

Mortality base table

2017 valuation

Pre-retirement	71% of AMC00 (duration 0) for males and 112% of AFC00 (duration 0) for females.
Post retirement	96.5% of SAPS S1NMA "light" for males and 101.3% of RFV00 for females.

Future improvements to mortality

CMI_2016 with a smoothing parameter of 8.5 and a long term improvement rate of 1.8% pa for males and 1.6% pa for females.

The current life expectancies on retirement at age 65 are:

	2019	2018
Males currently aged 65 (years)	24.6	24.5
Females currently aged 65 (years)	26.1	26.0
Males currently aged 45 (years)	26.6	26.5
Females currently aged 45 (years)	27.9	27.8
Scheme assets	£67.4bn	£63.6bn
Total Scheme liabilities	£79.2bn	£72.0bn
FRS 102 total Scheme deficit	£11.8bn	£8.4bn
FRS 102 total funding level	85%	88%

A new deficit recovery plan was put in place as part of the 2017 valuation and is set out in the new Schedule of Contributions dated 28 January 2019. This requires payment of 5% of salaries over the period 1 April 2020 to 30

June 2034. In accordance with the requirements of FRS 102 and the SORP, the University has made a provision for this contractual commitment to fund the past deficit. In the prior year, the deficit payments were 2.1% of salaries up to March 2031.

This significant increase in deficit contributions has given rise to a substantial increase in the deficit provision which has increased from £83.1m to £248.4m as set out in note 21. £165.1m of this increase is attributable to the change in the deficit contributions contractual commitment. See also note 7 in respect of significant one-off pension costs/gains.

Since the year end, following the completion of the 2018 actuarial valuation, a new deficit recovery plan has been agreed. This amends the existing deficit recovery plan as set out in the 2017 valuation Schedule of Contributions. This new plan requires deficit payments of 2% of salaries from 1 October 2019 to 30 September 2021, and then payments of 6% of salaries from 1 October 2021 to 31 March 2028. As at 31 July 2019, and assuming all other assumptions used to calculate the provision remain unchanged, this would have resulted in a revised provision of £853k, an increase of £114K from the current year end provision, and a lower deficit of £15m in the Statement of Comprehensive Income.

21. Capital commitments

At 31 July capital commitments were as follows:

	2019	2018
	£'000	£'000
Commitments contracted	947	3,999
Authorised but not contracted	2,730	3,485
	<u>3,677</u>	<u>7,484</u>

22. Lease obligations

Total rentals payable under operating leases	31 July 2019		Total	31 July 2018
	Buildings	Equipment		
	£'000	£'000	£'000	Total
				£'000
Payable during the year	4,149	465	4,614	4,288
Future minimum lease payments due:				
Not later than one year	5,697	113	5,810	4,465
Later than one year and not later than 5 years	10,400		10,400	14,781
Later than 5 years	4,922		4,922	7,536
Total future lease payments due	<u>21,019</u>	<u>113</u>	<u>21,132</u>	<u>26,782</u>

23. Events after the reporting period

There are no events to report after the reporting period

24. Department for Education Teacher Training Bursary funds

	2018-19	2017-18
	£'000	£'000
Balance unspent at 1 August	54	88
Amounts received	1,718	1,320
Disbursed to students and administration	(1,745)	(1,354)
Balance unspent at 31 July	<u>27</u>	<u>54</u>

Teacher Training Bursary Funds were paid to universities by the NCTL to provide financial support to students studying for a postgraduate qualification which leads to Qualified Teacher Status. The NCTL was discontinued in April 2018 with disbursement of bursaries taken over by the Department for Education (DfE).

These grants are available solely for students. The University acts only as paying agent. The grant and related disbursements are therefore excluded from the Statement of comprehensive income and balance sheet of the University.

25. Related party transactions

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

The Board of Governors considers it appropriate to disclose the following transactions for the period covered by the financial statements:

Michael Murphy, a member of the Board of Governors and the Audit Committee, has a consultancy client, Lodestone Communications which received payments of £94k (2017/18: £79k) in relation to professional fees.

Rolande Anderson, chair of the Remuneration Committee and a member of the Finance and Resources Committee, is an associate of the College of Policing Limited, which received payments of £8k (2017/18: £13k) in relation to course fees.

Mr. Mark Boansi was a member of the Board of Governors as Students' Union Representative until 18 October 2018. He was replaced by Diini Muse on 29 November 2018. The Union is a separate legal entity which the University does not control or exercise significant influence over policy decisions. The Union received a payment from the University of £556k (2017/18: £593k), 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.

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