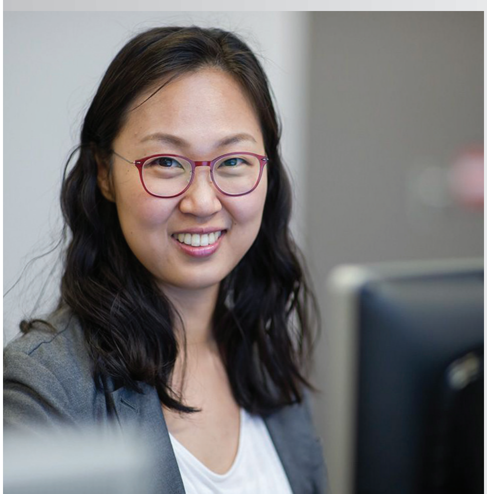
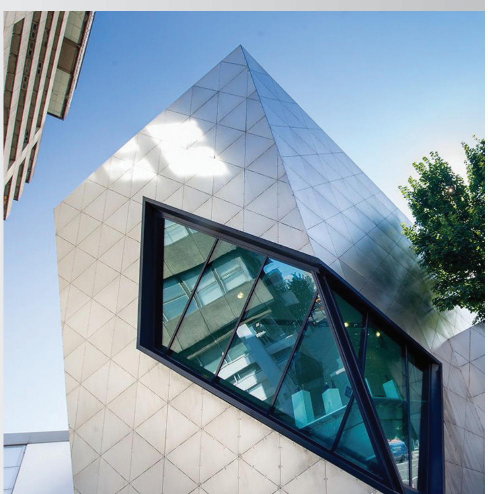
Annual Report
& Accounts





2012-2013

Contents

London Metropolitan University

A company limited by guarantee
with no share capital

Registered in the United Kingdom,
registration number 974438

Registered Office:
166-220 Holloway Road
London
N7 8DB
Tel: 020 7423 0000
www.londonmet.ac.uk

The University is an exempt charity
under the Charities Act 2011

London Metropolitan University: public benefit

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

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

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

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

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

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

Examples of University activities which have delivered public benefit during 2012-13 include:

- Teaching 13,616 Home and EU students on undergraduate programmes and 3,405 Home and EU students on postgraduate programmes. Our bursary and scholarship schemes are designed to encourage students from diverse backgrounds to study at the University and 804 National Scholarship Programme (NSP) bursaries were awarded to Home and EU students during the year. Two undergraduate students also received full scholarships from Sir John Cass's Foundation. We encourage participation from a wide range of international students who would not otherwise be able to afford to study in the United Kingdom, and 30 academic scholarships were awarded to overseas students during the year;
- Tuition fees for undergraduate programmes that were amongst the lowest in the UK in 2012-13, following our intention to be champions of a fordable quality education, and to accord with the access priority of the University;
- The University's Schools, Colleges and Widening Participation department is responsible for co-ordinating the institution's outreach work in schools, colleges and the wider community. The department works with over 150 local schools and colleges, offering packages of support and intervention. Students are trained as mentors and spend up to 15 weeks working in local schools and colleges with young and mature students. For the last seven years the department has been running Upward Bound in partnership with Islington Council, with 200 year 10 & 11 Islington students studying at the University every Saturday in school term time. The University also runs summer schools and master classes in various subjects;
- The Faculty of Social Sciences and Humanities has a commitment to public benefit that is embedded in its teaching, research and consultancy activities. For example, the School of Social Professions within the Faculty has run short programmes for resident representatives and councillors in Islington. The purpose of the course is to provide a university experience to those who have not attended higher education, to provide a bridge for those who are interested in further study and to develop skills in promoting and challenging the work of the local council's housing service. This public engagement and social improvement are key principles that underpin teaching and consultancy across the Faculty, in community development, journalism, public health and wellbeing, regeneration and housing, social policy and social work;
- London Metropolitan Business School continues to support research and knowledge exchange and helps its students reach out into the business community. Examples of this work include: building relationships with current employers of our students including private, public and charity sector through 15 credit placement modules, where students are led to critique and reflect on their job role and their managers are required to complete an assessed appraisal; sourcing local vacancies for long and short placement opportunities across a variety of industries and sectors; and overseeing and furthering employability in the curriculum initiatives, through supporting course leaders in bringing industry specialists into the classroom to contribute to teaching and assessment and enable students to network with industry specialists.
- The Sir John Cass Faculty of Art, Architecture and Design (the Cass) through its own Projects Office is working on activities such as the Aldgate Project, a cross faculty student project; the East End Archive, a photographic digital archive; schools and sanitation infrastructure projects in Sierra Leone and India by Architecture Students; 'Made in Hayes', a cross faculty project commissioned by the local MP John McDonnell and a variety of urban design projects for the London Legacy Development Corporation;
- The University has also set a target of reducing carbon emissions by 33% by the end of 2014 through the implementation of a Carbon Management Plan. Since 2009, the University has reduced its emissions by over 27% which helps conserve natural resources and reduce the associated pollution from energy generation; and
- Ongoing involvement through our REACH Volunteering Team in Student Services which provides volunteers to a range of local business and community organisations. An independent Students' Union was established on 19 June 2013, which will have greater freedom to interact with community organisations and student groups.

Further details are given in our Operating and Financial Review.

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

Financial highlights

Although the University suffered a significant loss of income as a result of revocation by the UK Border Agency (UKBA) of our Highly Trusted Sponsor (HTS) status, steps taken to mitigate this loss allowed us to deliver an operating surplus (before restructuring costs and exceptional items) of £2.6m for the year, £8.1m higher than the revised budget set in November 2012.

Restructuring costs and exceptional items totalling £3.4m took this to a deficit for the year of £0.8m, £12.4m better than budget.

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

Measure	2012-13 Actual	2012-13 Target	2011-12 Actual
Operating surplus as a percentage of income	**2.0%**	**(4.4)%**	3.5%
Liquidity (total expenditure excluding depreciation)	**98 days**	**44 days**	118 days
Net operating cash flow as a percentage of income	**(3.3)%**	**(9.0)%**	8.5%
Cost of staff as a percentage of income	**59.8%**	**64.2%**	55.5%

Balance Sheet

Our net assets have increased by 4% since 31 July 2012, from £52.7m to £55.0m.

Net assets before pension liabilities have decreased by 3%, from £125.8m to £122.1m.

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

The Board of Governors has pleasure in presenting the University's annual report and audited financial statements for the year ended 31 July 2013.

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

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

The Board approved a budget for 2013-14 in July 2013 which showed a breakeven operating surplus for 2013-14, with a year end cash forecast of £36.4m after funding £13.6m of capital investment. A £10m overdraft facility has been put in place to support the University's working capital requirements should there be fluctuations in cash receipts and payments compared with the monthly cashflow forecast. The forecast cash balance at 31 July 2015 is £23.8m after funding £12.2m capital investment in 2014-15.

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.

Operating and financial review

Introduction

2012-13 was the final year of implementation of our Strategic Plan 2010/13 'Transforming Lives, Meeting Needs, Building Careers', designed to drive rapid improvement in the efficiency of our services, the relevance of the curriculum to our students, changes in demand and the satisfaction of our students. The major reviews in 2012-13 were:

- Review of Partnerships; and
- Review of Community and Employer Engagement.

Recommendations from previous reviews on undergraduate programmes have now been implemented and the first year of that new module structure has been embedded. Changes to the postgraduate course structure following the postgraduate review have also been implemented.

In 2012 the University's Board of Governors determined that the framework of that Strategic Plan remained suitable for guiding the University's further strategic direction for the next two years.

The Board approved a budget for 2012-13 in July 2012 which showed a budgeted operating surplus for the year of 6.7% of income with a year-end cash forecast of £23m after funding £20m of capital investment. The achievement of this budget was adversely affected by the revocation by the UKBA on 29 August 2012 of our HTS status, which meant that we were unable to enrol new students under Tier 4 visas, together with a difficult market for UK and other European Union students as higher variable fees were introduced across the sector. This caused a reduction in our forecast income of £37m in 2012-13 compared to the budget for the year.

A revised budget for 2012-13 was agreed by the Board in November 2012 which, after mitigation to reduce the immediate impact of the reduction in income by containment of costs deferral of inessential capital expenditure and by agreeing a revised schedule for repayments to the Higher Education Funding Council for England (HEFCE), showed an operating deficit for the year of £5.5m and a year end cash forecast of £15.1m. An Action Plan was agreed which covers nine key action areas to re-build our academic and financial sustainability.

In January 2013, the Board agreed revised Key Performance Indicators for 2012-13 onwards. These indicators are reported on in this Operating and Financial Review under the relevant strategic priorities:

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

The start of 2012-13 was adversely affected by the revocation of our HTS status which had serious consequences for our new and approximately 1,400 returning international students. We initiated a legal challenge to the UKBA's assessment and on 21 September 2012 the High Court granted temporary concessions that protected the interests of our displaced international students. In the interim, we developed and hosted a Clearing House on behalf of the sector-wide Task Force that had been convened by HEFCE. Over 400 of our students made use of this service and the UKBA subsequently confirmed that 250 opted to continue to study elsewhere. A Student Financial Support Scheme, that we also hosted, ensured that no displaced international student was financially disadvantaged by the UKBA's decision.

Following satisfactory audits of the University's Tier 4 and Tier 2 responsibilities a new licence was awarded on 9 April 2013 with an 'A' rating. This has enabled the University to resume recruitment of international students, albeit with some restrictions, and will allow an application for full HTS status to be made after one year.

In 2012-13, we launched our brand-new Undergraduate Framework as a means of enhancing student progression and achievement recommended by our earlier Review of Undergraduate Education. Implemented across all levels of undergraduate study the new Framework is based on year-long modules, rather than semester ones, and an increase in the number of teaching weeks from 24 to 30, as well as in the average contact time for full-time students from 288 to 360 hours a year, one of the highest averages in the country. An audit by our External Awards Examiners subsequently confirmed *"that potential risks for student progression had been effectively anticipated and planned for, that effective support and guidance was provided for students and that Faculties did employ the various transitional curriculum devices in ways that protected the student experience satisfactorily. Students were successfully protected from being disadvantaged by the transition process".*

Report of the Board of Governors

Following our review of Postgraduate Education, we also implemented a new integrated Postgraduate Framework as a means of enhancing access and progression across all levels of postgraduate study, while simultaneously streamlining our postgraduate course portfolio.

We launched the new upgrade of the University's Virtual Learning Environment and now have over 50 academic staff accredited as e-learning practitioners by the Staff and Educational Development Association.

We have developed a new Continuous Professional Development (CPD) Framework for Academic Practice (scheduled to be accredited by the HE Academy (HEA) in December 2013) as a means of further professionalising the academic workforce. We have identified, supported and sponsored over 20 senior academics from all Faculties who will become Senior Fellows of the HEA. This vanguard will then act as mentors, monitors and assessors to increase further the number of HEA Senior Fellows and Fellows across all academic staff and others engaged in learning support.

We again ran the academic promotion scheme to recognise staff excellence in teaching, research and enterprise – and awarded two Professorships, three Associate Professorships and four Readerships. We also awarded a University Teaching Fellowship to a further three colleagues, using criteria similar to those of the national scheme.

National Student Survey

In the 2013 National Student Survey, London Metropolitan University achieved an overall satisfaction rate of 72% which was 4% down on last year (when we achieved our highest ever rating) – though it remains 5% higher than that achieved in 2010.

There was a significant improvement in Assessment and Feedback to students (+ 7%) (bucking the national trend) but a decline in satisfaction with Course Organisation and Management (– 6%), which may have been a consequence of the significant degree of change in staff and student location at the start of year caused by work on the estate. There were also significant variations between courses within, and across, subject areas that are currently being addressed.

Destination of Leavers Survey

The Destination of Leavers in Higher Education (DLHE) survey of those graduating in 2012 revealed that the number of our undergraduate students entering work, or continuing to further study was 83.3% – equivalent to that of two years ago – and just 1.2% below our HEFCE benchmark (84.5%). London Metropolitan University also has one of the highest average graduate starting salaries (£21,199) of any modern university in the UK.

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

Student numbers

Student numbers, taken, where relevant, from the returns submitted to HESA in the Autumn of each academic year are shown in the table below. The numbers are subject to final HESA publication.

	2012-13	2011-12	2010-11
Full Time (Home/EU)	13,347	14,834	12,718
Full Time (Overseas)	957	2,662	3,155
Part Time	3,833	5,988	6,963
Total	**18,137**	**23,484**	**22,836**

The University saw a drop in student numbers for 2012-13 due to a number of factors. The new student intake in 2011-12 was over the Student Number Control target so a reduced intake was required to meet HEFCE regulations. The revocation of the University's license to issue Tier 4 visas to new students also impacted the ability to recruit this population. Returning overseas students were permitted to re-enrol and some new students charged overseas fees not requiring a Tier 4 visa did start at the University.

The introduction of the new HEFCE higher fee regime in 2012-13 also had a significant impact on student recruitment across the sector with fewer applications.

The decrease in part-time student numbers again continues the trend in previous years due to both market demand and a changed University offering fewer options for part-time students.

Awards

The following summarises activity conducted through the University Awards Board between 01-11-2012 and 31-10-2013; a small number of awards for collaborative partners remain to be agreed but at present the total number of awards conferred by the University Awards Board in 2012-13 is 8,050. This is circa 10% down on 2011-12 where the outturn number was 8,887. As seen below the decline is largely in the postgraduate taught masters area where numbers graduating in October 2013 reflect the impact of the HTS revocation.

Totals for Bachelors Degrees show:

	2012-13	%	2011-12	%	2010-11	%
1st	460	13.4	467	12.7	417	11.9
2:1	1,310	38.1	1,433	39.1	1,339	38.1
2:2	1,275	37.1	1.382	37.8	1,299	37.0
3rd	295	8.6	283	7.7	329	9.4
Non – Honours	97	2.8	100	2.7	126	3.6
Total	**3,437**		**3,665**		**3,510**	

Report of the Board of Governors

The volume of bachelors awards remains stable with a small decline in 2012-13 but very similar numbers to 2011-12. The proportion of good honours degrees (firsts and upper seconds) declined very slightly from 51.8% to 51.5% while there was a small increase in the proportion of first class degrees.

Totals for Masters Degrees show:

	2012-13	%	2011-12	%	2010-11	%
Distinction	236	20.6	292	16.2	245	10.9
Merit	549	48.0	789	43.8	1,023	45.3
Pass	360	31.4	721	40.0	988	43.8
Total	**1,145**		**1,802**		**2,256**	

The number graduating with a masters degree was significantly affected by the UKBA revocation. Classifications of merit and especially distinction continue to improve for this smaller cohort.

Progression

3,147 students commenced full-time study on a bachelors or foundation degree in 2012-13. Of these 64.1% progressed to the second year of the course (up from 59.4% in 2011-12). A further 5.4% were granted conditional progression with the total progressing up slightly from 69.1% to 69.5%.

For students studying at year 2 of an Undergraduate Degree the progression rate to year 3 was 62% (up from 54.6%) with a further 9.7% conditionally progressed. The total progressing (including conditional progression) increased from 66.9% in 2011-12 to 71.7% in 2012-13.

Strategic priority 3:
Research and enterprise: advancing new knowledge and its applications

Research

Research and knowledge exchange are focused on areas which enhance the University's educational focus and advance its commitment to social justice. Researchers undertake innovative, relevant and evidence-based research on themes such as: urban policy and regeneration; migration and migrants; education; violence against women and children; work and working lives; banking and finance; intelligent systems; communication technologies; and nutrition. Students and staff participate in the research projects, which are funded by a range of sponsors. Examples include:

- In 2012-13, the University participated in several large-scale, collaborative research projects funded by the European Union (EU). 'Changing Employment' is an international, comparative research project under the EU's Seventh Framework Programme for Research and Development (FP7), which is investigating the changing nature of employment in Europe in the context of challenges, threats and opportunities for employees and employers. As part of the project, we are hosting two Marie Curie early stage researchers whose areas of research are: 1) Migration aspirations and realities: the experiences of Polish migrant workers in the UK; and, 2) Life on the Margins – the social implications of precarious work specifically related to young minority ethnic workers;

- Another EU collaborative FP7 project involves monitoring and assessment of regional air quality in China using space observations, while the EU project, 'Challenging Racism at Work', is working with partners in the UK, Bulgaria, Italy, France and Belgium to investigate changes in workplace racism over the past ten years;

- The University also participates in an Erasmus project with universities from across Europe researching children's identities and citizenship in Europe. In the current phase of the project, a Citizenship and Identity Resource Base and a European Centre of Excellence for Research in identity are being established;

- Researchers at the University are participating in research projects funded by the Research Councils. An ESRC-funded project is exploring the labour market experiences and aspirations of undocumented migrants in London. An AHRC-funded project is investigating the issues surrounding accessible theatre. They are working alongside two external organisations to undertake a comprehensive assessment of the cultural value generated for theatres, businesses and audiences by making theatre accessible to people who have sensory impairments. This research is likely to contribute to increased opportunities for hearing and visually-impaired people to engage in mainstream cultural activities and to contribute to developing inclusive practices in the UK;

- Researchers work with a range of community organisations to investigate topics such as the ways in which women and children rebuild their lives after domestic violence and women's experiences of child contact proceedings in the aftermath of domestic violence. Project Oracle focuses on evaluating and understanding youth programmes and interventions in Greater London and aims to develop and share a resource of best practice; and

- Other externally-funded research includes investigations into: the impact of fish and fish oil capsule intake on omega-3 fatty acid status, health and cognitive function of Omani school children of 9-10 years old living in Muscat; and omega-3 fatty acid supplementation in diabetic pregnancy.

The results of the University's research are brought into teaching and are disseminated through conferences, publications, workshops, seminars, exhibitions, performances, expert panels, user groups, guest lectures and summer schools.

Report of the Board of Governors

Enterprise and Community

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

Despite facing challenging conditions in an increasingly difficult external environment underpinned by further public sector funding reductions, we have engaged in a wide range of Enterprise activities, including:

- Strengthening the position of Accelerator, the University's digital media business incubator, as a key player in Tech City's innovation hub, providing both enterprise opportunities and work placements for our students. Seven of the current businesses being run within Accelerator have graduated from the Student Business Hatchery, whilst a further five businesses are headed by our alumni. Notable achievements include the ERDF funded project 'Innovate London', aimed at increasing awareness in small and medium enterprises (SMEs) of the 'innovation challenge'; running a number of two day intensive Business Bootcamps for entrepreneurs and enterprising students; and providing our students with the opportunity and environment to gain valuable business experience through the University's 'Met Temps' scheme. The highlight of the year was a visit by the Governor General of Australia, accompanied by the High Commissioner of Australia to the UK, to the Accelerator to meet with young entrepreneurs, including University students, together with those providing them with business support;

- The Student Enterprise unit participated in the UnLtd Social Entrepreneurship Programme, making 15 awards initiated by our students, graduates and staff, whilst the annual Student Business Competition attracted more than 100 faculty-wide entries. The Student Business Hatchery start-up programme for our graduates goes from strength to strength, with over 45% of businesses currently occupying space in the Accelerator incubator graduating from this programme;

- Building upon last year's success in the Solar Decathlon Europe 2012 project, the CASS co-ordinated the only UK entry for Solar Decathlon China. Cass Projects led a project funded by the Greater London Authority to celebrate the London Olympic and Paralympic Games called Conversation Pieces and Cass Research Office continued to successfully deliver a number of urban research contracts for clients which included the Diocese of London and the London Legacy Development Corporation. The Cass Short Course portfolio was developed during the year with a view to significant expansion from 2013-14;

- Embedding the Digital Manufacturing equipment that forms the 3D production service of Metropolitan Works into the CASS, to maximise use by our students for academic development, research and live projects. The priority has been to improve knowledge, understanding and access to the Digital Manufacturing Technologies within the Faculty, to equip students with the skills to engage with manufacturers in their future careers;

- The Faculty of Life Sciences and Computing's World of Work (WOW) Agency continued to establish partnerships with start-ups, SMEs and larger organisations and to support the Social Enterprise sector in the development of necessary IT, Digital and Multimedia solutions at low cost. The Agency delivered projects during the year to a wide range of clients, including Rockfic, Toucan and Halter Management; and

- Two new KTPs were completed during the year, one being rated as 'outstanding' and receiving a special certificate of excellence from the TSB.

Many of these activities are part-financed from our Higher Education Innovation Fund 2011-15 grant of £1.55m per annum.

Strategic priority 4:
Sustainability: driving resources harder

Human resources

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

The University continued to monitor pay against sector median benchmarks and remains committed to the London Living Wage for all of its staff and contractors' staff.

HR initiatives carried out during the year included:

- A new internal student recruitment service, 'Met Temps', run by students for students, offering an alternative to recruiting temporary staff from external agents;

- Introduction of employee self-service for all professional service department (PSD) staff, including online leave and absence management; online electronic payslips; and personal information management;

- Implementation of pension auto-enrolment, which commenced in July in accordance with the University's staging date; and

- Continuation of the roll out of the Higher Education Role Evaluation (HERA) job evaluation tool, extending it into faculties.

Report of the Board of Governors

During 2012-13, the University completed its consolidation to four Faculties, merging Law, Governance and International Relations and the Business School into the Faculty of Business and Law, merging Life Sciences and Computing into the Faculty of Life Sciences and Computing and merging Architecture and Spatial Design and the Sir John Cass Faculty of Art, Media and Design to form the Sir John Cass Faculty of Art, Architecture and Design. The new faculties restructured to optimise their offering and match resources to needs, delivering course rationalisation and efficiencies. Staffing reductions were carried out in accordance with the provisions of the Trade Union and Labour Relations (Consolidation) Act. To minimise the impact on staff, in addition to the use of normal formal consultation provisions and the University's redeployment policy, bumped redundancies and a voluntary severance scheme were applied to mitigate the need for compulsory redundancies. Consultation information and a Frequently Asked Questions resource were made available to staff on the University's website.

Employee health and wellbeing

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

Support available to staff during 2012-13 included:

- An external Employee Assistance Programme;
- An in-house Occupational Health Service; and
- A Health and Wellbeing Centre.

Equality and diversity

Our policies and practices aim to respond proactively to changes in employment legislation and to promote equality of opportunity in all areas of employment within the University. We are working with the trades unions to develop an overarching Equality and Diversity policy that will bring together the current separate policies covering the various protected equality characteristics. This harmonised policy will bring University policy more into line with the principles of the Single Equality Act and will mirror the structure of the University's Single Equality Scheme.

Staff development

Following the launch of the Leadership Programme during June 2012, a series of workshops supported by action learning sets were put in place for around 90 leaders within the institution. The programme of workshops focused on Leading Change and Leading Performance and the action learning sets were designed to allow leaders the opportunity with a small group of peers to explore the themes of Change and Performance alongside their current challenges and to develop practical strategies and solutions. The workshops were well received by delegates with the stated main benefit being the coming together of Academic and PSD leaders in the learning, sharing their challenges, learning how similar their challenges were and developing solutions for working together more effectively.

In response to the University's nine point Action Plan, a series of workshops covering Attendance Management, Stress Management and Appraisal were offered to managers. Customer Service is an emerging theme for 2013-14, and relates in part to the implementation of Student Facing Offices. Performance Management training, including appraisal and attendance management, will continue with mediation skills and workplace investigations likely additions.

Trades unions

Senior Managers and Human Resources staff met with the University's recognised trades unions on a regular basis to discuss a range of employment matters, most notably the University's financial sustainability and the nine point Action Plan, including the Business Process Review (BPR) and the revocation of our HTS status. Formal consultation took place on restructuring exercises. Consultation with the UCU has been taking place on the operation of the academic contract with regard to the treatment of academic office hours.

Staff numbers

As at 31 July 2013, the University employed a full-time equivalent of 1,679 staff, 54 (3%) fewer than at the same point in 2012.

	2012-13	2011-12	% change
Senior staff	57	66	(14)
Academic staff	657	685	(4)
Administrative staff	717	728	(2)
Casual staff	60	53	13
Hourly paid lecturers	188	201	(6)
Total	**1,679**	**1,733**	**(3)**

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

Staff turnover (calculated as the total number of leavers during the academic year excluding voluntary redundancies divided by the year end number of staff) has reduced slightly compared with 2011-12, the main change being in senior staff turnover, where the percentage is based on a relatively small group:

	2012-13 %	2011-12 %
Senior staff	10	24
Academic staff	12	11
Administrative staff	10	12
Total	**11**	**12**

Staff turnover including voluntary redundancies was 15% (2011-12:18%).

Report of the Board of Governors

Estates

2012-13 continued the implementation of the Estates Master Plan with the joint objectives of reducing the size and cost of the estate and improving its quality. Actions included:

- Exchange of contracts with Unite for the sale of the Stapleton House/Eden Grove/Index House complex. A joint planning application was made in August 2013 for development of new student accommodation on the site;
- Closure of 133 Whitechapel High Street and 2 Goulston Street, held on a joint lease. Negotiation of the dilapidations liability with our landlords is underway in preparation for lease termination in January 2014;
- The annual review of space needs in November 2012, which led to a recommendation to sell our building at Commercial Road. Agents have been appointed;
- A major review of the condition of building fabric was initiated to reduce the risk of failure of elements of the external envelope of buildings and the associated risk to health and safety;
- Completion of new accommodation for the School of Architecture at Central House. This formed the template for further phases of work in the building to be completed in November 2013, which will enable the closure of Spring House by the end of 2013;
- Planning for the provision of new Student Facing Offices as recommended in the University's Business Process Review. The first, planned for our Moorgate building, will open in January 2014; and
- The first phase of a major capital project commenced at Moorgate for the relocation of the University's Business School from Holloway to Moorgate in 2014-15.

Environmental sustainability

The University reduced its carbon footprint by 4% during 2012-13 through the implementation of projects specified in the Carbon Management Plan. The reduction is lower than anticipated due to the cold winter and spring and a warmer than average summer. Since 2009, we have reduced carbon emissions by 27% and are on target to deliver a 33% reduction by the end of 2014.

We were successful in a bid to HEFCE's Revolving Green Fund and were awarded £1.4m comprising £0.4m funding for small scale projects and £1m funding for an exemplary retrofit project. The exemplary retrofit project, Transforming Energy at Central House (TEACH), will upgrade the glazing, install LED lights throughout the building and install water saving devices in toilets. A programme of staff and student awareness will be run in conjunction with capital improvements to maximise energy savings. Only 10 Universities were successful in this category.

The University went up 12 places in the People and Planet Green League from 2012 to 2013. In the Carbon Reduction Commitment Energy Efficiency Scheme performance league table, we were ranked 4th of Universities and placed 99th out of 2,097 participants.

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

- **Energy** – 2012-13 was the second compliance year for legislation brought in by the Government to reduce carbon emissions (CRCEES). Energy efficiency considerations built into planning for all refurbishment projects included lighting controls upgrades, rationalisation of meters, a new compressor, installation of Variable Speed Drives and alterations to the Building Management System.
- **Water** – We have altered the standard specification for refurbishment projects to include water efficiency measures such as setting the length of time that taps run. Automatic cistern controls are being trialled at Central House.
- **Waste** – We continue to participate in WRAP's Halving Waste to Landfill programme by stipulating our refurbishment contractors reduce the amount of waste they send to landfill. The University has to date achieved an 80% recycling rate on refurbishment work, exceeding the 50% reduction specified by the scheme.
- **Travel** – During 2012-13, we participated in a Transport for London pilot scheme to encourage staff and students to cycle safely. As part of the project, Cycling Ambassadors have been recruited from across the University. Three staff and students have undertaken National Standard Cycling Instructors training funded by the project. Over 120 staff and students have undertaken free cycle safety training. The initial one year pilot scheme has been so successful that it has been extended by one year and will include six universities. London Metropolitan University will be trialling the use of an electric vehicle as part of its fleet during 2013-14.
- **Awareness** – The University participated in Climate Week and Fairtrade Fortnight. Two cycle safety days were held which included events such as Exchanging Places, bike marking and a No Rush challenge.

Report of the Board of Governors

Finance

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

Our Strategic Plan adopts four measures of financial health. Targets based on the budget set in November 2012 were achieved in each case:

	2012-13 Actual	2012-13 Target	2011-12 Actual
Operating surplus as a percentage of income	2.0%	(4.4)%	3.5%
Liquidity (total expenditure excluding depreciation)	98 days	44 days	118 days
Net operating cash flow as percentage of income	(3.3)%	(9.0)%	8.5%
Cost of staff as a percentage of income	59.8%	64.2%	55.5%

Income and expenditure

Our operating surplus (defined as surplus excluding staff restructuring costs and exceptional items) for 2012-13 was £2.6m, £8.1m better than the budgeted operating deficit of £5.5m in the revised budget.

The revised budget replaced the budget set in July 2013, with income budgets £37m below the July budget as a result of the revocation of our HTS status, which meant that we could not recruit new students under Tier 4 visas, and of lower than expected home and EU undergraduate recruitment.

The reduction in income was mitigated by cost-saving measures including deletion of vacant posts, a voluntary severance scheme, targeted restructuring and savings in non-pay costs.

The following tables compare 2012-13 and 2011-12 performance:

	2012-13 £'m	2011-12 £'m	Movement %
Income			
Funding body grants	44.6	58.5	(23.7)
Tuition fees	74.0	84.9	(12.8)
Other income	8.8	12.3	(28.5)
Total income	**127.4**	155.7	(18.2)
Expenditure			
Staff cost (excluding restructuring costs)	76.2	86.3	(11.7)
Other operating expenses	38.0	54.1	(29.8)
Depreciation	8.5	8.7	(2.3)
Interest payable and other finance costs	2.1	2.1	-
Total operating expenditure	**124.8**	151.2	(17.5)
Operating surplus	**2.6**	4.5	(40.9)

Balance sheet

Our consolidated net assets at 31 July 2013 were £55.0m, an increase of £2.3m (4.3%) compared to 31 July 2012.

This figure is after taking into account a pension deficit of £67.2m (2012: £73.2m) on the pension scheme for non-academic staff, operated by the LPFA. £10m of the deficit relates to unfunded benefits for inherited liabilities, the contributions for which are reimbursed to the University annually by HEFCE.

Net assets excluding the pension fund deficit decreased by £3.7m (3.0%) from £125.8m to £122.1m.

Fixed assets

Expenditure during the year on fixed assets was £7.2m, bringing the total net book value of land, buildings and equipment to £129.4m (2012: £130.5m). A house at Stradbroke Grove, Ilford was sold in November 2012, generating a surplus on disposal of £0.2m.

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

Current assets

Group debtors decreased by £0.5m to £7.9m. The decrease is primarily due to reductions in self-financed student debt, together with our commitment to maintaining strong credit control and debt management procedures.

Net cash balances, including investments in short-term deposits, decreased from £47.1m at 31 July 2012 to £30.7m as cash outflows, including grant repayments to HEFCE of £2.5m and capital expenditure of £7.2m, exceeded cash inflows.

Report of the Board of Governors

Creditors and provisions for liabilities

Creditors falling due within one year decreased by £13.5m, from £40.8m to £27.3m. The main reason is the rescheduling of repayment of grant to HEFCE. The remaining amount due, £17.5m, is now payable at £2.5m per annum until 2019-20. Previously an additional £7.5m was to be repaid in 2012-13, with a final payment of £10m in 2013-14. We are very grateful to HEFCE for its agreement to this rescheduling. Creditors falling due after more than one year have decreased from £18.6m at 31 July 2012 to £15.3m, due to HEFCE's decision to convert our Strategic Development Fund loan into a non-repayable grant (£3.4m) and to the decision to repay a bank mortgage and amount owing in connection with a finance lease from the expected proceeds of sale of the Stapleton House complex in 2013-14 (£4.9m), offset by an increase resulting from the rescheduling of the HEFCE grant repayment (£5m).

The provision for the cost of future lease obligations for properties no longer in operational use has been increased by a net £1.5m to £12.5m (2012: £10.4m) to reflect revised estimates of future costs for these buildings.

An accrual of £2.4m (2012: £1.7m plus provision of £0.2m) have been made for the cost of redundancy payments arising from the reorganisation of professional services departments and academic faculties during 2012-13.

Treasury management

The University expects significant pressure on its cash flow, particularly during 2013-14 and 2014-15, as it addresses the continuing impact of the sudden reduction in income from 2012 enrolment. Cash flow monitoring forms a significant part of the University's financial controls. Day-to-day cash and short-term investments are managed through rolling annual cash flow forecasts which are updated every month. An overdraft facility for £10m has been put into place, to cover any short-term working capital requirements caused by the timing of receipts, in particular by the delay until May of payment by the Student Loan Company of 50% of relevant undergraduate fees. Annual capital cash flow forecasts are updated every year with planning and annual budget cycles, so that any future borrowing requirements can be identified and negotiated well in advance of need.

The University's treasury management policy was reviewed during 2012-13. The policy manages risk by specifying a minimum credit rating requirement for each counterparty used, restricting the amount deposited with counterparties in any single country and restricting the percentage deposit with any single counterparty.

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

Average daily cash balances in 2012-13 were £38.5m (2011-12: £58.0m). Interest earned on the balances was £0.5m (2011-12: £0.8m) giving an average return for the year of 1.3% (2011-12: 1.4%).

Endowment fund investments at July 2013 were £0.7m (2012: £1.3m). The majority of endowment investments (£0.8m at 31 July 2012) related to the Women's Library and were transferred to the London School of Economics on 2 January 2013 with the Women's Library collections.

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.

Subsidiary trading company

London Metropolitan University Enterprises Limited has entered into Gift Aid arrangements in order that its taxable profits can be donated to the University. In 2012-13 the company made a deficit of £12k (2011-12: deficit £52k). This company is fully consolidated into the Group accounts.

Strategic priority 5:
Investment: accelerating our transformation through ICT

2012-13 continued the implementation of the ISS Transformation Programme with the primary objective of improving student and Learning and Teaching experience.

The following are some of the key initiatives that were delivered:

- Rollout of Course Offer Database to Academic Registry. This initiative was funded by JISC, whose role it is to provide leadership in the use of information and communications technology in the education sector;
- Upgrade of the Virtual Learning Environment including a mobile application;
- Introduction of an Applicant portal and an International Applicant (Tier 4) portal to meet the Home Office requirements;
- Introduction of a Customer Relationship Management tool for prospective students;
- Implementation of a new website which includes social media integration. A Sitemore survey shows that the new website is 6th fastest, 5th most improved and has climbed 117 places in the ranking table;
- Implementation of the first phase of a new finance system;
- Roll-out of HR self-service to all PSDs and one faculty;
- Roll-out of Windows 7 and Office 2010;
- Delivery of a Customer Service Excellence programme that has improved staff satisfaction by 22% and improved student satisfaction (NSS) to 86%. PRINCE2 and ITSM principles are being adopted and rolled-out;
- Implementation of a new backup system to improve disaster recovery provision; and
- Implementation of Next Generation firewalls.

Report of the Board of Governors

Future developments

Throughout 2012-13, a Strategic Plan Working Group comprising independent governors, the student governor, management and staff, met to examine issues concerning the future development of the University. This Working Group reported periodically between March 2013 and June 2013. The Strategic Plan 2013/2015 was published in August 2013.

It has three main priorities: Quality Higher Education, Fair Access and Sustainability and has three key enablers: People, Technology and Estates, in order to help us achieve those priorities.

Although real progress has been made to date in implementing our earlier transformational Strategic Plan 2010/13 Plan, we recognise that the revocation of our HTS status has had a major impact on our reputation and resource. These issues were addressed through the implementation during 2012-13 of an Action Plan designed to re-build our academic and financial sustainability. This work is continuing.

The University's Strategic Plan 2013/2015 extends several features of the earlier Strategic Plan to 2015, while also including new features to meet the University's rapidly changing circumstances. The two-year plan forms the basis of transition to a bolder repositioning of the University from 2015 onwards, as an institution better able to meet its aspirations to quality education through a clearer focus upon higher education outputs, staff service, student satisfaction, rationalisation of estates and technological facilitation of learning.

Financial forecasts

In July 2013 the Board of Governors and senior management of the University considered a range of assumptions used to derive financial forecasts for the three years to July 2016. The forecast assumes that we are able to enrol international students in 2013-14 and that our reapplication for HTS status will be granted in time for enrolment in 2014-15. However, international student numbers are not expected to return to the 2011-12 levels within the forecast period, as low numbers of returning students mean that we could not reach steady state international student numbers until at least 2018-19. Home and EU student numbers are forecast to decline, as changes in student number controls are implemented and the number of higher education institutions operating in London (both public and private) continues to increase.

The forecasts demonstrate the need for continuing business process review to reduce support costs and improve service efficiency and that savings will be delivered from resizing the University's estate and services to reflect forecast student numbers.

The forecasts include a budgeted breakeven operating position for 2013-14 with in-year savings of £9.3m required to achieve this. We forecast an operating surplus of £1.1m in 2014-15, increasing to £4.7m in 2015-16.

The cash balance at 31 July 2014 is forecast at £36.4m falling to £23.8m at 31 July 2015, after capital investment of £13.6m in 2013-14 and £12.2m in 2014-15 and capital receipts estimated at £30.2m in 2013-14. Our cash position remains under pressure at certain points during the year, particularly before the third Student Loan Company fee payment point in May 2014 and receipt of sale proceeds from the Stapleton House complex. As a result we have put in place a £10m overdraft facility to address working capital risk.

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

Key figures for the two years to 31 July 2015 are as follows:

	2013-14 £'m	2014-15 £'m
Total income	**113.9**	**111.1**
Expenditure		
Staff costs (excluding restructuring cost)	(74.3)	(73.9)
Other operating expenses	(39.6)	(36.1)
Operating surplus	**0**	**1.1**
Non-operating items	17.9	(3.0)
Historical cost surplus/(deficit)	**17.9**	**(1.9)**
Closing cash balance	**36.4**	**23.8**

Key assumptions used to compile the forecasts for 2013-14 and 2014-15 are:

- Grant reductions of £9m from 2012-13 to 2013-14 and £10m from 2013-14 to 2014-15;
- Reduction in forecast home/EU student recruitment from 2012-13 to 2014-15;
- Restitution of our Tier 4 HTS status in time for enrolment in 2014-15;
- Fee inflation at 4% per annum;
- A 1% cost-of-living increase for all non-senior staff plus 1.5% increases for incremental drift for staff below the top of their grade;
- Non pay cost inflation of 2.5%;
- A capital programme requiring cash expenditure of £13.6m in 2013-14 and £12.2m in 2014-15; and
- A capital receipt of £30.2m.

Report of the Board of Governors

Principal risks and uncertainties

The Risk Committee, which meets monthly, has been closely monitoring not just the University's specific risks but also the emerging risks to the sector. During 2012-13 the major risks to the University have been:

- Failure to achieve financial sustainability;
- Failure to meet student recruitment and retention targets; and
- Failure to deliver the correct supporting infrastructure including systems transformation and estates master-planning.

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

Post balance sheet events

In September 2013 agreement was reached with Sir John Cass's Foundation whereby the University would vacate the Jewry Street Building on 31 July 2014 and that, upon the building being vacated, the Foundation would then make a charitable grant to the University of £2m and a further £600k of grant payable in two equal amounts over a period of two years thereafter.

Donations

The Group makes no political or charitable donations.

Constitution

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

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

Auditors

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

The financial statements on pages 23 to 53 were approved by the Board of Governors of London Metropolitan University on 28 November 2013 and were signed on its behalf on 29 November 2013 by:

Clive Jones
Chair of Board of Governors

166-220 Holloway Road
London N7 8DB

Date: 29 November 2013

Members of the Board of Governors

The members of the Board of Governors of London Metropolitan University as at 31 July 2013 are listed below.

Unless otherwise stated, all members served throughout the year.

	Date of appointment
Clive Jones (Chair, AS, F,G, R [Chair])	
Mark Robson (Vice-Chair, F [Chair], R)	
Rob Hull (A, AS) (Vice-Chair from 4 July 2013)	
Kathryn Castle (AS, E)	
Katherine Farr (A [Chair], G)	
Emir Feisal (A, HS, AS)	
Malcolm Gillies (AS, E, F, G, R) (Vice-Chancellor and Chief Executive)	
Jason Jackson (AS, S)	8 July 2013
Maureen Laurie (F, R)	
Tony Millns (G [Chair], R)	
Ann Minogue (F, W [Chair]) (Vice-Chair from 1 October 2013)	
Daleep Mukarji (A, HS [Chair])	
Dianne Willcocks (AS [Chair], G)	

Resignations since 1 August 2012 were as follows:

	Date of resignation
Kay Dudman (E)	24 October 2012
Ian Jennings (E) (appointed 31 October 2012)	15 January 2013
Jawad Botmeh (E) (appointed 29 January 2013)	15 March 2013

In addition, Richard Indge continued to serve throughout the year as an independent co-opted member of the Audit Committee.

Students' Union representatives

This was a transitional year for the Students' Union as it moved to a new governance structure.

	Date of appointment	Date of resignation
Syed Ali (AS, S, E)	17 November 2011	30 October 2012
Ayoola Onifade (S, E)	31 October 2012	13 November 2012
Syed Ali (AS, S, E)	14 November 2012	20 November 2012
Adnan Pavel (AS, S, E)	21 November 2012	7 July 2013
Jason Jackson (AS, S)	8 July 2013	

Post year-end events

Mark Robson stepped down as Vice-Chair of the Board and Chair of the Finance and Resources Committee with effect from 30 September 2013.

Emir Feisal stepped down from the Audit Committee on 30 September 2013 and became Chair of the Finance and Resources Committee with effect from 1 October 2013.

Kathryn Castle's term of office as the governor appointed by the Academic Board ended on 30 September 2013. She was re-elected by the Academic Board at its meeting on 14 November 2013.

Cathy Sullivan was elected in August 2013 to become the staff governor, in succession to Jawad Botmeh. Cathy was appointed to the Board on 26 September 2013.

Avnish Savjani was appointed as an independent co-opted member of the Audit Committee on 24 September 2013.

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

Eight of the directors who served during the year to 31 July 2013 had contracts with the University in their capacity as employees. None of the directors had a beneficial interest in any group company.

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

Executive Group and advisers

The members of the Executive Group of London Metropolitan University as at 31 July 2013, together with changes since that date, are listed below. Unless otherwise stated, all members served throughout the year.

Executive Group

Vice-Chancellor and Chief Executive	Professor Malcolm Gillies
Deputy Vice-Chancellor	Professor Peter McCaffery
Deputy Chief Executive	Paul Bowler
Clerk to the Board of Governors and University Secretary	Alison Wells
Director of Finance	Pam Nelson
Director of Human Resources	Robert Fisher (appointed 12 August 2013) Lyn Link (resigned 31 July 2013)

Advisers

Auditors	KPMG LLP 15 Canada Square Canary Wharf London E14 5GL
Bankers	Barclays Bank Plc Holloway & Kingsland Business Centre London E8 2JK Standard Chartered Bank Plc 1st Floor H-2 Connaught Circus New Delhi 110 001 India Standard Chartered Bank (Pakistan) Ltd New Garden Tower Branch 1/4 Usman Block New Garden Town Lahore Pakistan Standard Chartered Bank (Nigeria) Ltd 105B Ajose Adeogun Street P.M.B. 80038 Victoria Island, Lagos Nigeria Bank of China Dongzhimen Branch No. 35 Dongzhimenwai Dajie Dongcheng District Beijing 100027 China
Endowment Investment Custodians	Fidelity Investments Oakhill House Hildenborough Tonbridge Kent TN11 9DZ
Endowment Investment Managers	Henderson Global Investors Ltd 201 Bishopsgate London EC2M 3AE

Executive Group and advisers

Insurers	Gallagher Heath Focal Point 27-35 Fleet Street Swindon SN1 1RG
	UM Association (Special Risks) Hasilwood House 60-64 Bishopsgate London EC2N 4AW
	Zurich Municipal Southwood Crescent Farnborough Hampshire GU14 0NJ
Internal Auditors	PricewaterhouseCoopers LLP 7 More London Riverside London SE1 2RT
Property Advisers	DTZ Debenham Tie Leung Ltd 125 Old Broad Street London EC2N 2BQ
Solicitors	Michelmores LLP Woodwater House Pynes Hill Exeter Devon EX2 5WR
	Penningtons Manches LLP Abacus House 33 Gutter Lane London EC2V 8AR
	Shoosmiths LLP Russell House 1550 Parkway Solent Business Park Fareham, Whiteley Hampshire PO15 7AG
	Veale Wasbrough Vizards Orchard Court Orchard Lane Bristol BS1 5WS
	Weightmans LLP Second Floor, 6 New Street Square New Fetter Lane London EC4A 3BF

Statement of responsibilities of the Board of Governors

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Statement of corporate governance

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 2012 to the date of approval of the audited financial statements.

The moral and ethical environment

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

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

The Board has regard to the voluntary Governance Code of Practice, contained in the 'Guide for Members of Higher Education Governing Bodies in the UK' published by the Committee of University Chairs. As a charity the Board has had regard to the Charity Commission's guidance on public benefit.

How the University is governed

The University is a company limited by guarantee and an exempt charity, which means that the governors are simultaneously company directors and charity trustees. Its governing document is the Memorandum and Articles of Association, which was last revised in 2010. Work is in progress to revise the Articles further with a view to seeking agreement from the Privy Council for the introduction of Articles which are more concise and flexible whilst continuing to meet the legal requirements for a University's Instrument of Government. It is hoped that the revised Articles will be approved during 2013-14.

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 Chair and Vice-Chair(s) are elected annually. The Articles stipulate that neither staff nor student members of the Board are eligible to serve as Chair or Vice-Chair of the Board. There is thus a clear division of responsibility.

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

The Charities Act 2006 withdrew exempt charity status from university students' unions with effect from 1 June 2010, thus obliging them to seek charitable status on their own account (commonly by incorporating as companies limited by guarantee). London Metropolitan University's Students' Union was incorporated on 19 June 2013 as a company limited by guarantee and was granted charitable status on 8 August 2013. This development gives the Students' Union considerable responsibility for and autonomy in its own affairs, but does not relieve the University's Board of Governors of its responsibility under the Education Act 1994 for general oversight. The University continues to value its students and to that end the President of the Students' Union is now automatically a member of the Board of Governors. The Board also appoints one of the Students' Union's external trustees and has appointed Rob Hull to this role.

Governance during the year

In the year to 31 July 2012 the Board met nine times. In addition it held a Strategy Day, when it initiated a process of discussion and consultation about the development of a post-2013 Strategic Plan. At its meeting on 4 July 2013 the Board approved a strategic plan for the period 1 August 2013 to 31 July 2015. A second strategy day was held on 15 November 2013.

The Board's sub-committees are:

- Academic Strategy Committee (met twice in 2012-13)
- Audit Committee (met four times in 2012-13)
- Finance and Resources Committee (met four times in 2012-13)
- Governance Committee (met twice in 2012-13)
- Health and Safety Assurance Group (met twice in 2012-13)
- Remuneration Committee (met once in 2012-13)

All of these committees are formally constituted with appropriate terms of reference which were reviewed in the year. With effect from 1 August 2013 each committee will receive its membership and terms of reference document at the first meeting of the academic year. The Board of Governors receives minutes of their meetings. The majority of each committee's membership consists of independent governors and the chair is always an independent governor.

The Academic Strategy Committee, chaired by Dianne Willcocks, provides a link between the Academic Board and the Board of Governors. Amongst other things, it oversees and monitors student retention, progression and achievement.

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

Statement of corporate governance

The Finance and Resources Committee, chaired by Mark Robson, reviews and recommends to the Board of Governors the University's annual capital and revenue budgets and the financial forecasts submitted to HEFCE. Its role includes inter alia reviewing the University's financial regulations and its draft financial statements, monitoring financial performance, and considering estates and human resources matters. Mark Robson was appointed to the Board of HEFCE in July 2012. This is considered to give him a declarable interest in every meeting he attends and his interest is declared and noted accordingly.

The Governance Committee, chaired by Tony Millns, is responsible for making recommendations to the Board about filling vacancies in Board and Committee membership and about the award of honorary degrees. It has a remit to consider any governance matters and has led the preparation for the Board effectiveness review which is due to report back to the Board in January 2014.

The Health and Safety Assurance Group, chaired by Daleep Mukarji, is responsible for the oversight and monitoring of health and safety. It reports through the Audit Committee. Operational matters are considered by the Health and Safety Committee, which is an executive committee.

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

In addition two task-based working groups existed during the year, each formally constituted and with appropriate terms of reference. The Shared Services Oversight Group, set up to oversee from a governance perspective the proposed shared services exercise, consists of the Vice-Chancellor and four independent governors, including two members of the Audit Committee. The Strategic Plan Working Group, which oversaw the development of the University's Strategic Plan 2013/2015, consists of the Vice-Chancellor and Chief Executive, two members of the Audit Committee and the student governor.

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 Financial Memorandum with HEFCE.

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

The system of internal control is informed by a continuous process to identify, evaluate and manage the University's significant risks, linked to the achievement of institutional objectives. This process covers business, operational and compliance as well as financial risk, and has been in place for the year ended 31 July 2013 and up to the date of approving these financial statements.

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

- The University's appetite for risk is formalised in a Statement of Risk Appetite;
- The Board reviews the Statement of Risk Appetite, Risk Management Strategy and Risk Management Policy at least annually, which it did most recently at its meeting on 31 January 2013. There is a clear policy and plan of risk management, which has been communicated to the Faculties and Professional Service Departments (PSDs);
- The Corporate Risk Register is updated throughout the year and identifies the main risk owners and risk-mitigating actions. Risks are scored by likelihood and impact and are ranked accordingly. Risk registers are also maintained for each Faculty and PSD, as well as for major projects in which the University is involved;
- The Executive Group meets monthly as a Risk Committee to review all aspects of the Corporate Risk Register;
- The Board receives at each meeting a report on the Corporate Risk Register and changes to it since the previous meeting. A report of each meeting of the Risk Committee is provided to all Board members by e-mail;
- The Audit Committee oversees the arrangements for risk management. Members of the Board receive the minutes of each meeting of the Audit Committee;
- At each meeting the Audit Committee receives a presentation on local risk management by a Dean of Faculty or head of PSD. This enables the Committee to test local understanding of risk management and to act as a 'critical friend' to the University;
- Each year the Audit Committee approves a programme of specific internal audits for the following year, in addition to a programme of continuous auditing of the core financial systems. The programme of internal audit is based around a structured assessment of system risks within the University's operations and is reviewed in-year to ensure that emerging issues are addressed;
- The Audit Committee receives reports from the internal auditors at each meeting. These reports provide an independent opinion of the adequacy and effectiveness of the University's arrangements for risk management and the internal control systems, together with appropriate recommendations, The internal auditors also report as a matter of course on the progress made in implementing recommendations from previous reports; and
- The Director of Finance and the University Secretary attend meetings of the Audit Committee and have direct and independent access to members of that Committee, as do the internal and external auditors.

Statement of corporate governance

During the year the Audit Committee approved an overarching statement on the reporting of institutional malpractice, together with a revised suite of policies comprising the Public Interest Disclosure Policy (whistleblowing), the Anti-Bribery and Corruption Policy, the Anti-Money Laundering Policy and the Fraud Response Plan.

The Board, through the Audit Committee, has reviewed the effectiveness of the system of internal control operating in 2012-13 and up to the date of approval of the financial statements.

Significant internal control issues

The issue of significant internal control that arose during 2011-12 continued into 2012-13, namely the UKBA's suspension and subsequent revocation of the University's HTS licence.

The University's licence was suspended in July 2012 and revoked in late August. Following satisfactory audits of the University's Tier 4 and Tier 2 responsibilities a new licence was awarded on 9 April 2013 with an 'A' rating. This has enabled the University to resume recruitment of international students, albeit with some restrictions, and will allow an application for full HTS status to be made after one year.

The University obtained permission to challenge the revocation by way of judicial review. The hearing was set down for mid-October 2013, but the case was withdrawn when a settlement was agreed with the Home Office in September 2013.

The financial statements on pages 23 to 53 were approved by the Board of Governors of London Metropolitan University on 28 November 2013 and were signed on its behalf on 29 November 2013 by:

Clive Jones
Chair of the Board of Governors

Professor Malcolm Gillies
Vice-Chancellor and Chief Executive

Date: 29 November 2013

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

We have audited the Group and University financial statements (the financial statements) of London Metropolitan University for the year ended 31 July 2013 which comprise the Consolidated Income and Expenditure Account, the Consolidated and University Balance Sheets, the Consolidated Cash Flow Statement, the Consolidated Statement of Total Recognised Gains and Losses and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of the Board of Governors and auditor

As explained more fully in the Statement of Responsibilities set out on page 17, the Board of Governors (whose members are also the directors of the company for the purposes of company law) is responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit, and express an opinion, on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those auditing standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the affairs of the Group and University as at 31 July 2013 and of the Group's income and expenditure, recognised gains and losses and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education; and
- have been prepared in accordance with the Companies Act 2006.

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

In our opinion, in all material respects:

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

Opinion on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

- adequate accounting records have not been kept by the University, or returns adequate for our audit have not been received from branches not visited by us; or
- the University financial statements are not in agreement with the accounting records and returns; 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.

Andrew Sayers
(Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
15 Canada Square
Canary Wharf
London E14 5GL

Date: 2 December 2013

Consolidated income and expenditure account

	Notes	2012-13 £'000	2011-12 £'000
Income			
Funding body grants	1	**44,550**	58,454
Tuition fees	2	**73,954**	84,870
Research grants and contracts	3	**1,956**	2,570
Other operating income	4	**6,363**	8,833
Endowment income and interest receivable	5	**549**	939
Total income		**127,372**	155,666
Expenditure			
Staff cost	6	**76,165**	86,321
Staff restructuring costs	6	**2,832**	3,121
Other operating expenses	8	**38,028**	54,117
Depreciation	11	**8,548**	8,748
Interest payable and other finance costs	9	**2,055**	2,110
Total expenditure		**127,628**	154,417
(Deficit)/surplus for the year on continuing operations after depreciation of assets at valuation and disposal of assets		**(256)**	1,249
Exceptional items	10		
Increase in onerous obligations under operating leases		**(315)**	(2,186)
Net repayment of capital grant		**(429)**	-
Surplus on disposal of freehold property		**219**	15,752
(Deficit)/surplus for the year on continuing operations after exceptional items	23	**(781)**	14,815
Surplus for the year transferred from accumulated income in endowment reserve	14,23	**29**	52
(Deficit)/surplus for the year retained within general reserves		**(752)**	14,867

All items of income and expenditure arise from continuing operations.

Consolidated statement of historical cost (deficit)/surplus

	Notes	**2012-13 £'000**	2011-12 £'000
(Deficit)/surplus for the year on continuing operations before and after tax		**(781)**	14,815
Difference between historical cost depreciation charge and the actual charge calculated on valuation of assets	23	**24**	24
Historical cost (deficit)/surplus for the year		**(757)**	14,839

Balance sheets

	Notes	Group 2013 £'000	Group 2012 £'000	University 2013 £'000	University 2012 £'000
Fixed assets					
Tangible assets	11,12	**129,402**	130,540	**126,066**	126,930
Investments	13	**64**	64	**64**	64
		129,466	130,604	**126,130**	126,994
Endowment asset investments	14	**663**	1,326	**663**	1,326
Current assets					
Stock	15	**54**	60	**52**	51
Debtors	16	**7,901**	8,436	**8,354**	8,908
Assets held for sale	17	**8,359**	8,663	**8,359**	8,663
Current asset investments	18	**24,500**	41,640	**24,500**	41,640
Cash at bank and in hand		**6,196**	5,487	**6,136**	5,399
		47,010	64,286	**47,401**	64,661
Creditors					
Amounts falling due within one year	19	**(27,302)**	(40,849)	**(27,027)**	(40,536)
Net current assets		**19,708**	23,437	**20,374**	24,125
Total assets less current liabilities		**149,837**	155,367	**147,167**	152,445
Creditors					
Amounts falling due after more than one year	20	**(15,257)**	(18,565)	**(15,257)**	(18,565)
Provisions for liabilities	21	**(12,469)**	(10,955)	**(12,469)**	(10,955)
Total net assets excluding pension liability		**122,111**	125,847	**119,441**	122,925
Net pension liability	24	**(67,158)**	(73,168)	**(67,158)**	(73,168)
Total net assets including pension liability		**54,953**	52,679	**52,283**	49,757
Represented by:					
Deferred capital grants	22	**59,885**	63,351	**56,988**	60,215
Endowments					
Expendable		**470**	433	**470**	433
Permanent		**193**	893	**193**	893
	14	**663**	1,326	**663**	1,326
Reserves					
General reserve	23	**60,785**	60,368	**61,012**	60,582
Pension reserve	23,24	**(67,158)**	(73,168)	**(67,158)**	(73,168)
Revaluation reserve	23	**778**	802	**778**	802
Total reserves		**(5,595)**	(11,998)	**(5,368)**	(11,784)
Total funds		**54,953**	52,679	**52,283**	49,757

The Financial Statements on pages 23 to 53 were approved by the Board of Governors of London Metropolitan University on 28 November 2013 and were signed on its behalf on 29 November 2013 by:

Clive Jones
Chair of the Board of Governors

Professor Malcolm Gillies
Vice-Chancellor and Chief Executive

Registered company number: 974438

Consolidated cash flow statement

	Notes	2012-13 £'000	2011-12 £'000
Net cash outflow from operating activities	27	(10,633)	(5,293)
Returns on investments and servicing of finance	28	3	124
Capital (expenditure)/receipts	29	(5,048)	11,569
Management of liquid resources	30	17,349	(6,263)
Financing	31	(962)	812
Increase in cash in the year		709	949

Reconciliation of net cash flow to movement in net funds

	Notes	2012-13 £'000	2011-12 £'000
Increase in cash in the year		709	949
Change in short term deposits	30	(17,349)	6,263
Change in debt: loans	32	3,787	(1,279)
Change in debt: finance lease	32	536	467
Change in net funds in the year	32	(12,317)	6,400
Net funds brought forward from previous year	32	37,812	31,412
Net funds at 31 July	32	25,495	37,812

Consolidated statement of total recognised gains and losses

	Notes	2012-13 £'000	2011-12 £'000
(Deficit)/surplus for the year		**(752)**	14,867
Unrealised gain/(loss) on endowment asset investments	14	**185**	(40)
Net additions to endowment asset investments	14	**16**	124
Disposal of endowment asset investments	14	**(864)**	-
Actuarial gain/(loss) recognised in the LPFA pension fund	24	**7,155**	(14,337)
Total recognised gains relating to the year		**5,740**	614
Total funds as per balance sheet:			
Opening reserves and endowments	14,23	**(10,672)**	(11,286)
Total recognised gains for the year		**5,740**	614
Closing reserves and endowments	14,23	**(4,932)**	(10,672)

Accounting policies

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

(A) Basis of preparation

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

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

Going concern

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

The Board approved a budget for 2013-14 in July 2013 which showed a break-even operating surplus for 2013-14, with a year-end cash forecast of £36.4m after funding £13.6m of capital investment. A £10m overdraft facility has been put in place to support the University's working capital requirements should there be fluctuations in cash receipts and payments compared with the monthly cashflow forecast. The forecast cash balance at 31 July 2015 is £23.8m after funding £12.2m capital investment in 2014-15.

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

(B) Basis of consolidation

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

Intra-group transactions are eliminated on consolidation.

Under the exemption in Section 230 of the Companies Act 2006, the University is not required to present its own income and expenditure account. The University's operating deficit for the year ended 31 July 2013 is £244k (2011-12: £1,301k surplus).

(C) Income recognition

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

Fee income is credited to the income and expenditure account using a time-apportionment method over the period of the course. It is stated gross of scholarships, fee waivers and provisions for doubtful debts, all of which are included in other operating expenses. Where the amount of the tuition fee is reduced by a discount for prompt payment, income receivable is shown net of the discount.

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

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

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

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

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

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

(D) Taxation status

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

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

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

Accounting policies

(E) Tangible fixed assets

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

(i) Land and buildings

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

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

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

Freehold buildings are depreciated over 50 years or their remaining expected economic life if shorter.

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

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

(ii) Assets held under finance leases

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

(iii) Assets held under operating leases

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

(iv) Assets under construction

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

(v) Assets used by the University

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

(vi) Assets acquired or modified with the aid of specific grants

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

(vii) Repairs and maintenance

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

(viii) Heritage assets

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

(ix) Equipment and furniture

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

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

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

Boiler system – over 25 years.

(F) Stock

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

(G) Pension scheme arrangements

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

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

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

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

Accounting policies

(H) Investments

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

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

(I) Cash flows and liquid resources

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

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

(J) Provisions and contingent liabilities

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

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

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

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

(K) Bad debt provision

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

(L) Foreign currencies

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

(M) Endowment funds

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

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

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

Notes to the financial statements

1. Funding body grants

	2012-13 £'000	2011-12 £'000
Recurrent grants		
Higher Education Funding Council for England	35,438	49,047
National College for Teaching and Leadership	649	2,721
Specific grants		
Higher Education Innovation Fund	1,547	1,547
Inherited pension liabilities	1,089	1,189
National Scholarship Programme	564	-
Other	78	202
Deferred capital grants released		
Buildings	4,485	2,251
Equipment	700	1,497
	44,550	58,454

2. Tuition fees

Full-time students:		
Home and EU fees	54,026	47,138
Overseas fees	6,447	23,592
Part-time students fees	13,481	14,140
	73,954	84,870

3. Research grants and contracts

Research councils	420	451
UK based charities	136	362
European Union	746	1,104
Other	654	653
	1,956	2,570

4. Other operating income

Consultancy	685	863
Trading income	2,417	3,464
Sale of materials and other departmental income	499	524
Rental income and hire of facilities	335	328
Validation income	583	1,600
Catering income	229	251
Other grants and contracts	42	321
Deferred capital grants released – non HEFCE	599	615
Miscellaneous income	974	867
	6,363	8,833

5. Endowment income and interest receivable

Income from endowment investments	10	14
Interest receivable from short-term investments	502	810
Other interest receivable	37	115
	549	939

Notes to the financial statements

6. Staff costs

		2012-13 £'000	2011-12 £'000
Costs:	Academic staff	**43,839**	50,226
	Other staff	**32,326**	36,095
		76,165	86,321
Comprising:	Wages and salaries	**61,997**	70,304
	Social security costs	**5,234**	6,037
	Pension costs	**8,934**	9,980
		76,165	86,321
Staff restructuring costs		**2,832**	3,121
		78,997	89,442

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

	2012-13	2011-12
Academic staff	**836**	955
Other staff	**791**	877
	1,627	1,832

7. Remuneration of directors and higher-paid staff

A. Directors

The University's Board of Governors do not receive remuneration from the University in their capacity as governors. During the year eight governors (2011-12: six) were remunerated in their capacity as employees of the University. The figures below relate entirely to these governors on a pro-rata basis for their period in office.

	2012-13 £'000	2011-12 £'000
Directors' emoluments		
Salaries	**303**	341
Pension contributions	**45**	50
	348	391

Highest paid director

Vice-Chancellor and Chief Executive		
Salary	**254**	254
Pension contributions	**41**	41
	295	295

During the year £4k (2011-2012: 2k) was paid in respect of governors' expenses. A total of four governors received expenses (2011-2012: five).

B. Higher-paid staff

The number of other higher-paid staff (excluding the Vice-Chancellor and Chief Executive) who received remuneration (excluding pension contributions) in the following ranges was:	No.	No.
£100,001 to £110,000	**2**	2
£110,001 to £120,000	**1**	1
£130,001 to £140,000	**1**	-
£140,001 to £150,000	**-**	3
£150,001 to £160,000	**1**	-
£160,000 to £170,000	**2**	2
	7	8

Notes to the financial statements

8. Other operating expenses

	2012-13 £'000	2011-12 £'000
Staff-related costs	**4,640**	4,634
Inherited pension liabilities	**1,196**	1,173
University bursaries	**2,947**	5,595
Other student awards	**1,065**	2,549
Grant to student union	**53**	-
Student travel and expenses	**1,312**	1,320
Books and periodicals	**1,665**	1,755
Consumables and laboratory materials	**1,004**	1,329
Examination and degree expenses	**503**	345
Franchise costs	**1,343**	1,819
Operating leases – property	**2,743**	4,369
Operating leases – equipment	**752**	771
Insurance	**554**	536
Energy and water	**2,253**	2,493
Repairs and maintenance	**3,799**	4,915
Rates	**524**	565
Other facilities costs	**1,868**	2,122
IT maintenance and licences	**1,713**	1,632
Print costs	**439**	486
Postage, stationery and telecommunications	**420**	533
External auditors' remuneration (audit)	**115**	94
External auditors' remuneration (other)	**2**	5
Internal auditors' remuneration (audit)	**132**	132
Internal auditors' remuneration (other)	**4**	92
Other external audit fees	**21**	6
Legal and other professional fees	**3,788**	3,424
Publicity	**1,394**	1,518
Subscriptions	**603**	622
Catering	**228**	242
HEFCE student number control penalty	**391**	7,427
Other expenses	**557**	1,614
	38,028	54,117

The HEFCE student number control penalty relates to student recruitment in 2011-12 above the University's student recruitment numbers cap.

Notes to the financial statements

9. Interest payable and other finance costs

	2012-13	2011-12
	£'000	£'000
Interest payable on bank loans, overdrafts and other loans, repayable wholly or partly in less than five years	**41**	48
Finance lease	**356**	359
Net charge on pension scheme deficit	**1,658**	1,703
	2,055	2,110

10. Exceptional Items

Increase in onerous obligations under operating leases	**(315)**	(2,186)
Net repayment of capital grant	**(429)**	-
Surplus on disposal of freehold property	**219**	15,752
	(525)	13,566

The increase in onerous obligations under operating leases relates to the net movement in provision during 2012-13 (note 21).

Net repayment of capital grant comprises a provision for the repayment of a capital grant of £3,265k made to the University for the Women's Library by the National Heritage Memorial Fund in October 1998 (note 21), less the release of the Women's Library National Heritage Memorial Fund capital grant balance as at 31 July 2013 of £2,836k (note 22).

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

Notes to the financial statements

11. Tangible fixed assets (Group)

	Land and buildings						
	Freehold £'000	Under construction £'000	Alterations and improvements £'000	Short finance leasehold £'000	Long leasehold £'000	Equipment and furniture £'000	Total £'000
Cost							
At 1 August 2012	92,306	716	52,145	7,551	10,675	25,646	189,039
Additions	-	725	4,153	-	-	2,288	7,166
Disposals	-	-	-	-	-	(407)	(407)
Transfers	-	(716)	716	-	-	-	-
At 31 July 2013	**92,306**	**725**	**57,014**	**7,551**	**10,675**	**27,527**	**195,798**
Depreciation							
At 1 August 2012	20,493	-	12,909	4,686	1,215	19,196	58,499
Charge for year	1,977	-	2,850	290	209	2,978	8,304
Estimated on disposal	-	-	-	-	-	(407)	(407)
At 31 July 2013	**22,470**	**-**	**15,759**	**4,976**	**1,424**	**21,767**	**66,396**
Net book value at 31 July 2013	**69,836**	**725**	**41,255**	**2,575**	**9,251**	**5,760**	**129,402**
Net book value at 31 July 2012	71,813	716	39,236	2,865	9,460	6,450	130,540
Cost of land included in above	**9,734**	**-**	**-**	**1,174**	**-**	**-**	**10,908**

Alterations and improvements

The alterations and improvements net book value can be allocated to the various categories of fixed assets as detailed below.
An additional £6,831k of net book value relates to alterations and improvements undertaken on properties held under operating leases.

Net book value at 31 July 2013	**29,651**	**-**	**-**	**4,394**	**379**	**-**	**34,424**

London Metropolitan University occupies premises in Jewry Street rent free under a right of use from Sir John Cass's Foundation, by virtue of a Charity Commission Scheme dated 24 April 1970, under Section 18 of the Charities Act 1960. The University has the obligation to repair and maintain the building. Jewry Street is included in 'long leasehold' buildings at a valuation of £9.5m. This valuation was prepared for the University on an existing use basis by Drivers Jonas LLP in October 2008. In September 2013 agreement was reached with Sir John Cass's Foundation whereby the University would vacate the Jewry Street Building on 31 July 2014 and that, upon the building being vacated, the Foundation would then make a charitable grant to the University of £2m and a further £600k of grant payable in two equal amounts over a period of two years thereafter.

The University has classified three freehold academic properties: Stapleton House, Eden Grove and Index House as assets held for sale (note 17). The depreciation on these properties was £244k in 2012-13 (2011-12: £244k). The total depreciation charged for 2012-13 was £8,548k, comprising £8,304k depreciation charge on tangible fixed assets and £244k depreciation charge on the assets held for sale.

The 'short finance leasehold' building relates to the Learning Centre at Holloway Road. The building is leased to the University for 25 years from January 1995, with an option to buy at a fixed price after 20 years. Lloyds Bank plc holds a charge for this lease over properties which form part of the Stapleton House, Index House and Eden Grove complex currently in the process of being sold, at which point the finance lease will be redeemed.

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

Notes to the financial statements

12. Tangible fixed assets (University)

	Land and buildings						
	Freehold £'000	Under construction £'000	Alterations and improvements £'000	Short finance leasehold £'000	Long leasehold £'000	Equipment and furniture £'000	Total £'000
Cost							
At 1 August 2012	88,402	716	51,399	7,551	10,675	22,911	**181,654**
Additions	-	725	4,153	-	-	2,288	7,166
Disposals	-	-	-	-	-	(407)	(407)
Transfers	-	(716)	716	-	-	-	-
At 31 July 2013	**88,402**	**725**	**56,268**	**7,551**	**10,675**	**24,792**	**188,413**
Depreciation							
At 1 August 2012	19,608	-	12,710	4,686	1,215	16,505	**54,724**
Charge for year	1,781	-	2,813	290	209	2,937	8,030
Estimated on disposal	-	-	-	-	-	(407)	(407)
At 31 July 2013	**21,389**	-	**15,523**	**4,976**	**1,424**	**19,035**	**62,347**
Net book value at 31 July 2013	**67,013**	**725**	**40,745**	**2,575**	**9,251**	**5,757**	**126,066**
Net book value at 31 July 2012	68,794	716	38,689	2,865	9,460	6,406	126,930
Cost of land included in above	**9,734**	-	-	-	**1,174**	-	**10,908**

Alterations and improvements

The alterations and improvements net book value can be allocated to the various categories of fixed assets as detailed below.
An additional £6,831k of net book value relates to alterations and improvements undertaken on properties held under operating leases.

Net book value at 31 July 2013	**29,141**	-	-	**4,394**	**379**	-	**33,914**

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

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

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

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

Notes to the financial statements

13. Investments (University and Group)

	1 August 2012 £'000	Impairment in value £'000	**31 July 2013 £'000**
CVCP Properties plc	**64**	**-**	**64**

CVCP Properties plc

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

Subsidiaries

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

London Metropolitan University Enterprises Limited

The company is registered and incorporated in England and is wholly owned by owned by the University. Its principal business activities are the provision of consultancy services and a print centre. The deficit for this subsidiary in 2012-13 is £12k (2011-12: £52k deficit) and the net liabilities at 31 July 2013 are 227k (2012: £215k net liabilities).

London Metropolitan University Nigeria Limited

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

Notes to the financial statements

14. Endowment asset investments (University and Group)

	2013 £'000	2012 £'000
Endowment assets		
Balance at 1 August	**1,326**	1,242
Appreciation/(depreciation) of endowment asset investments	**185**	(40)
Disposal of shares from Multi-Manager fund	**(638)**	-
(Decrease)/increase in cash balances held for endowment funds	**(225)**	140
Increase/(decrease) in debtor balances	**21**	(16)
Increase in endowment creditor	**(6)**	-
Balance at 31 July	**663**	1,326
Represented by:		
Shares in Henderson Managed Growth Fund	**396**	854
Cash and short term investments	**213**	422
Fixed interest stocks	**18**	23
Unit trusts	**36**	27
Total	**663**	1,326

	Restricted Permanent £'000	Restricted Expendable £'000	2013 £'000	2012 £'000
Endowment reserves				
Balance at 1 August				
Capital	842	379	**1,221**	1,114
Accumulated income	51	54	**105**	128
	893	433	**1,326**	1,242
Additions	1	44	**45**	176
Disposals – Fawcett Library Trust Fund	(864)	-	**(864)**	-
Investment income	6	7	**10**	14
Expenditure	(12)	(27)	**(39)**	(66)
	(6)	(20)	**(29)**	(52)
Increase/(decrease) in market value of investments	172	13	**185**	(40)
Balance at 31 July	196	**470**	**663**	1,326
Represented by:				
Capital	201	402	**603**	1,221
Accumulated income	19	41	**60**	105
	220	443	**663**	1,326

	2013	2012
Top endowment funds by value:		
Lord Limerick Memorial Bursary Fund	**159**	152
Rubber Fund	**111**	104
Library Fund	**66**	45
Teaching Studies Fund	**58**	57
Wood Brothers Prize Fund	**38**	26
Women's Library Trust Fund	**-**	636
Women's History Fellow ship Trust Fund	**-**	96
Sadd Brown Library Trust Fund	**-**	27
	432	1,143

The University had one linked (paragraph (w)) charity which is the Fawcett Library Trust Fund (The Women's Library) comprising the Women's Library Trust Fund, Women's History Fellowship Trust Fund and the Sadd Brown Library Trust Fund. The Fund received donations of £1k 2011-12: £111k) and generated income of £3k (2011-12: £3k). The capital was invested in a managed growth fund. The Fund was transferred to the London School of Economics on 31 July 2013. The custodianship of the Women's Library collections was transferred to the London School of Economics on 2 January 2013.

Notes to the financial statements

15. Stock

	2013 £'000	2012 £'000
Group		
Raw materials	24	33
Work in progress	7	2
Goods purchased for resale	23	25
	54	60
University		
Raw materials	22	28
Work in progress	7	-
Goods purchased for resale	23	23
	52	51

16. Debtors

Group		
Amounts falling due within one year:		
Trade debtors	3,393	4,106
Loans to staff and students	89	113
Other debtors	206	99
Prepayments and accrued income	4,213	4,118
	7,901	8,436
University		
Amounts falling due within one year:		
Trade debtors	3,351	4,085
Loans to staff and students	89	113
Other debtors	203	64
Prepayments and accrued income	4,193	4,118
Amounts due from subsidiary companies	518	528
	8,354	8,908

Included in amounts due from subsidiary companies are two loans for £280k and £100k respectively made to London Metropolitan University Enterprises Limited. The first loan commenced on 1 April 2009 with the principal being repayable over 20 years. The interest rate being charged is based on the average Bank of England base rate for the year + 1.0%.

The second loan for £100k was made on 31 October 2012 to temporarily cover working capital requirements. The loan is scheduled for repayment in 2013-14.

17. Assets held for sale (University and Group)

Carrying value of assets held for sale previously classified under fixed assets (notes 11 and 12)

Freehold property academic – land	2,098	2,098
Freehold property academic – building	5,401	5,581
Freehold property academic – alterations and improvements	860	924
Freehold property residential – building	-	60
	8,359	8,663

The assets held for sale comprise three freehold academic properties: Stapleton House, Eden Grove and Index House. Contracts of sale were exchanged in May 2013 and completion of the sale of the three properties is expected in June 2014.

On 13 November 2012 the University completed the sale of 166 Stradbroke Grove, Ilford, Essex, a freehold residential property. The sale generated a surplus of £219k as follows: Sales proceeds of £281k, less costs associated with the disposal of £2k less book value at disposal of £60k. The surplus is disclosed in exceptional items (note 10).

Notes to the financial statements

18. Current asset investments (University and Group)

	2013 £'000	2012 £'000
Deposits maturing in one year or less	**24,500**	41,640

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

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

At 31 July 2013 the weighted average interest rate of the fixed rate deposits was 1.2% per annum (31 July 2012: 1.8%) and the remaining weighted average period for which the interest rate is fixed on these deposits was 88 days (31 July 2012: 75 days). The fair value of these deposits was not materially different from the book value.

19. Creditors – amounts falling due within one year

Group		
Bank mortgage and other loans	**619**	635
Trade creditors	**8,354**	10,671
Amounts owed to HEFCE	**2,636**	10,034
Taxation and pension contributions	**2,654**	2,845
Obligations under finance lease	**4,537**	537
Other creditors	**25**	511
Accruals	**5,652**	7,777
Deferred income	**2,825**	7,839
	27,302	40,849
University		
Bank mortgage and other loans	**619**	635
Trade creditors	**8,148**	10,419
Amounts owed to HEFCE	**2,636**	10,034
Taxation and pension contributions	**2,654**	2,845
Obligations under finance lease	**4,537**	537
Other creditors	**17**	503
Accruals	**5,591**	7,742
Deferred income	**2,825**	7,821
	27,027	40,536

Notes to the financial statements

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

	2013 £'000	2012 £'000
Bank mortgage (secured)		
Principal payable between one and two years	-	122
Principal payable between two and five years	-	270
	-	**392**
HEFCE grant repayment		
Payable between one and two years	2,500	10,000
Payable between two and five years	10,000	-
Payable after five years	2,500	-
	15,000	**10,000**
HEFCE Strategic Development Fund loan (interest free, unsecured)		
Principal payable between two and five years	-	3,361
Finance lease obligations (secured)		
Principal payable between one and two years	-	611
Principal payable between two and five years	-	3,926
	-	4,537
SALIX energy eff iciency loans (interest free, unsecured)		
Principal payable between one and two years	150	171
Principal payable between two and five years	107	104
	257	275
Total	15,257	18,565

The bank mortgage is secured on Eden Grove and is repayable in quarterly instalments until September 2016 at a fixed rate of interest of 6.69%. This loan has been transferred in full to Creditors – amounts falling due within one year (note 19) as it will be repaid upon the sale of the Stapleton House complex which is scheduled to complete in June 2014.

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. £19m has been repaid to 31 July 2013. The remaining payment has been rescheduled, with HEFCE's agreement, to be paid at £2.5m per annum from 2013-14 to 2019-20.

The HEFCE Strategic Development Fund loan has been converted by HEFCE to a capital grant. The loan balance as at 31 July 2012 of £3,361k has been transferred to deferred capital grants (note 22).

The finance lease relates to the Learning Centre building. The finance lease obligation has been transferred to Creditors – amounts falling due within one year (note 19) as the outstanding obligations will be repaid in full in 2013-14 upon the sale of the Stapleton House complex which is scheduled to complete in June 2014.

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

Notes to the financial statements

21. Provisions for liabilities (University and Group)

	2013 £'000	2012 £'000
Restructuring provision		
At 1 August	231	1,470
Increase	-	231
Release of provision	(231)	(1,470)
At 31 July	-	231
Onerous obligations under operating leases		
At 1 August	10,424	8,895
Increase	315	2,358
Release of provision	(1,835)	(829)
At 31 July	8,904	10,424
Contract claims		
At 1 August	300	-
Increase	-	300
At 31 July	300	300
Repayment of capital grant		
At 1 August	-	-
Increase	3,265	-
At 31 July	3,265	-
Total		
At 1 August	10,955	10,365
Increase	3,580	2,889
Release of provision	(2,066)	(2,299)
At 31 July	12,469	10,955

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

The University vacated and mothballed leased properties at 133 Whitechapel High Street in 2009-10, at 2 Goulston Street and Ladbroke House in July 2012, and originally planned to vacate Spring House in August 2013. The provision for onerous obligations under operating leases reflects the University's estimated residual obligations under these leases. £1,835k was released against the provision representing building operating costs for 2012-13. The provision was increased by £315k as follows: an increase in the expected cost of dilapidations for the properties at 133 Whitechapel High Street (£304k) and 2 Goulston Street (£11k); a reduction of £204k following the decision to delay the date of vacating Spring House from August 2013 to December 2013; and an inflationary uplift to the provision for rent and operating costs for 2012-13 of £204k for 133 Whitechapel High Street, 2 Goulston Street and Ladbroke House.

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

The provision for repayment of capital grant relates to the possible repayment of a grant given to the University in 1998 by the National Heritage Memorial Fund. The grant was given to part-fund the Women's Library building, to house the Women's Library collections. Following the transfer of these collections to the London School of Economics in 2012-13, provision has been made for the grant to become repayable whilst negotiations over the future use of the building continue with the National Heritage Memorial Fund.

Notes to the financial statements

22. Deferred capital grants

	HEFCE	Other grants	Group Total	HEFCE	Other grants	University Total
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 August 2012						
Buildings	45,289	16,836	62,125	45,289	13,735	59,024
Equipment	1,191	35	1,226	1,191	-	1,191
	46,480	16,871	63,351	46,480	13,735	60,215
Cash received						
Buildings	1,186	-	1,186	1,186	-	1,186
Equipment	607	-	607	607	-	607
	1,793	-	1,793	1,793	-	1,793
Transfer from Creditors over one year (note 20)						
Buildings	3,361	-	3,361	3,361	-	3,361
Release to exceptional item (note 10)						
Buildings	-	2,836	2,836	-	2,836	2,836
Released to income and expenditure account						
Buildings	4,485	564	5,049	4,485	360	4,845
Equipment	700	35	735	700	-	700
	5,185	599	5,784	5,185	360	5,545
At 31 July 2013						
Buildings	45,351	13,436	58,787	45,351	10,539	55,890
Equipment	1,098	-	1,098	1,098	-	1,098
	46,449	**13,436**	**59,885**	**46,449**	**10,539**	**56,988**

The transfer from creditors falling due after more than one year represents the reclassification of the HEFCE Strategic Development Fund loan to a grant.

The release to exceptional item represents the release of the capital grant given to the University by the National Heritage Memorial Fund in 1998 for the part-funding of the Women's Library building. The grant release has been offset against the amount repayable to the National Heritage Memorial Fund following the transfer of the Women's Library collection to the London School of Economics.

Notes to the financial statements

23. Reserves

	Revaluation £'000	Income and expenditure £'000	Pension £'000	Total £'000
Group				
At 1 August 2012	802	60,368	(73,168)	(11,998)
Depreciation on revalued freehold property	(24)	24	-	-
Deficit for the year	-	(781)	-	(781)
Transfer from endowment reserve (note 14)	-	29	-	29
Actuarial gain on pension fund (note 24)	-	-	7,155	7,155
FRS 17 interest cost	-	1,658	(1,658)	-
Difference between FRS 17 pension charge and cash contribution	-	(513)	513	-
At July 31 2013	**778**	**60,785**	**(67,158)**	**(5,595)**
University				
At 1 August 2012	802	60,582	(73,168)	(11,784)
Depreciation on revalued freehold property	(24)	24	-	-
Deficit for the year	-	(768)	-	(768)
Transfer from endowment reserve (note 14)	-	29	-	29
Actuarial gain on pension fund (note 24)	-	-	7,155	7,155
FRS 17 interest cost	-	1,658	(1,658)	-
Difference between FRS 17 pension charge and cash contribution	-	(513)	513	-
At July 31 2013	**778**	**61,012**	**(67,158)**	**(5,368)**

Notes to the financial statements

24. Pension arrangements (University and Group)

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

A. The London Pensions Fund Authority (LPFA) Fund

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

The University pays contributions to the Fund at rates determined by the Fund's actuaries, based on regular actuarial reviews of the financial position of the Fund. From August 2012 to July 2013, the employer's contribution rate payable by the University was 18.6% of pensionable salaries.

The University's contribution to the Fund for 2012-13 was £4.0m (2011-12: £4.4m).The University's estimated contribution to the Fund for 2013-14 is £3.9m.

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

The pension cost, which includes the liability for pension increases, has been determined in accordance with the advice from the Fund actuary, Barnett Waddingham, and is based on an actuarial valuation as at 31 March 2010 using the projected unit method. The rates certified at the actuarial valuation as at 31 March 2010 applied from the year 2011-12. The main financial assumptions in the 2010 actuarial valuation were:

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

The actuarial valuation as at 31 March 2010 showed that the market value of the Fund's assets attributable to the University was estimated at approximately £127.26m and that the actuarial value of those assets represented 90% of the value of the benefits that have accrued to the University's pensioners, deferred pensioners and current members based upon past service but allowing for assumed pay increases and pension increases.

The valuation showed that, with effect from 1 April 2011, the required level of long-term contributions to be paid by the University to the Fund was 18.6% of pensionable payroll. This contribution rate is calculated to be sufficient to cover the employer's liabilities. This comprises a future service rate of 11.8% of pensionable payroll, together with a past service adjustment of 6.8%. The future service rate of contribution is the rate that, in addition to contributions paid by members, is sufficient to meet the liabilities arising in respect of service after the valuation.

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

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

LPFA – FRS 17 statements

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

The major assumptions used by the actuary were as follows:

	2013	**2012**	**2011**
Rate of increase in salaries	**4.3%**	3.5%	4.5%
Rate of increase in pensions in payment – RPI	**3.4%**	2.6%	3.5%
Rate of increase in pensions in payment – CPI	**2.6%**	1.8%	2.7%
Discount rate	**4.8%**	3.9%	5.3%
Inflation assumption	**2.6%**	1.8%	2.7%

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

	Years
Current pensioners	
Males	**21.0**
Females	**24.0**
Future pensioners (retiring in 20 years)	
Males	**23.0**
Females	**25.9**

Notes to the financial statements

24. Pension arrangements (continued)

Fund assets

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

	Long term rate of return expected at 31 July 2013	**Value at 31 July 2013 £'000**	Long term rate of return expected at 31 July 2012	Value at 31 July 2012 £'000	Long term rate of return expected at 31 July 2011	Value at 31 July 2011 £'000
Equities	**6.4%**	**81,563**	5.6%	103,923	6.8%	100,515
Target return portfolio	**4.9%**	**50,326**	4.3%	14,637	4.5%	16,024
Alternative assets	**5.4%**	**13,883**	4.6%	23,419	5.8%	20,394
Cash	**0.5%**	**1,735**	0.5%	4,391	3.0%	5,827
Cashflow matching	**3.4%**	**26,031**	n/a	-	n/a	-
Other bonds	**n/a**	**-**	n/a	-	5.3%	2,913
Total		**173,538**		146,370		145,673

Net pension liability (University and Group)

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

	2013 £'000	2012 £'000	2011 £'000
Fair value of employer assets	**173,538**	146,370	145,673
Present value of Fund liabilities	**(230,629)**	(209,317)	(192,269)
Present value of unfunded liabilities	**(10,067)**	(10,221)	(11,179)
Total value of liabilities	**(240,696)**	(219,538)	(203,448)
Net pension liability	**(67,158)**	(73,168)	(57,775)

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

Analysis of the amount charged to the income and expenditure account

	2012-13 £'000	2011-12 £'000
Current service costs	**4,538**	4,662
Interest on Fund liabilities	**9,201**	10,741
Expected return on Fund assets	**(7,543)**	(9,038)
Losses on curtailments and settlements	**131**	996
Total charge to income and expenditure account	**6,327**	7,361
Actual return on Fund assets	**27,537**	1,693

Notes to the financial statements

24. Pension arrangements (continued)

	2012-13 £'000	2011-12 £'000
Analysis of amount recognised in consolidated statement of total recognised gains and losses (STRGL)		
Actual return less expected return on Fund assets	19,994	(7,346)
Experience (losses)/gains arising on Fund liabilities	(260)	636
Changes in assumptions	(12,579)	(7,627)
Actuarial gains/(losses) recognised in STRGL	7,155	(14,337)
Cumulative actuarial losses recognised in STRGL	(2,837)	(9,992)

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

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

	2012-13 £'000	2011-12 £'000
At 1 August	(73,168)	(57,775)
Movement in year:		
Current service cost	(4,538)	(4,662)
Contributions by employer	4,102	5,189
Contributions in respect of unfunded benefits	1,080	1,116
Impact of curtailments and settlements	(131)	(996)
Net return on assets	(1,658)	(1,703)
Actuarial gains/(losses)	7,155	(14,337)
At 31 July	(67,158)	(73,168)

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

	2012-13 £'000	2011-12 £'000
At 1 August	219,538	203,448
Movement in year:		
Current service cost	4,538	4,662
Interest cost	9,201	10,741
Contributions by members	1,492	1,676
Contributions in respect of unfunded benefits	(1,080)	(1,116)
Actuarial losses	12,839	6,991
Impact of curtailments and settlements	131	996
Estimated benefits paid	(5,963)	(7,860)
At 31 July	240,696	219,538

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

	2012-13 £'000	2011-12 £'000
At 1 August	146,370	145,673
Movement in year:		
Expected rate of return on Fund assets	7,543	9,038
Contributions by members	1,492	1,676
Contributions by the employer including unfunded benefits	5,182	6,305
Actuarial gains/(losses)	19,994	(7,346)
Estimated benefits paid including unfunded benefits	(7,043)	(8,976)
At 31 July	173,538	146,370

Experience gains and losses	2012-13 £'000	2011-12 £'000	2010-11 £'000	2009-10 £'000	2008-09 £'000
Defined benefit obligation	(240,696)	(219,538)	(203,448)	(210,949)	(190,847)
Fund assets	173,538	146,370	145,673	130,601	113,691
Deficit	(67,158)	(73,168)	(57,775)	(80,348)	(77,156)
Experience adjustments on Fund assets	19,994	(7,346)	4,355	3,593	(15,987)
Percentage of assets	11.5%	(5.0)%	3.0%	2.8%	(14.1)%
Experience adjustments on Fund liabilities	(260)	636	39,059	715	-
Percentage of liabilities	(0.1)%	0.3%	19.2%	0.3%	0.0%

Notes to the financial statements

24. Pension arrangements (continued)

B. The Teachers' Pension Scheme (TPS)

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

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

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

The University's contribution to the TPS for 2012-13 was £4.1m (2011-12: £5.0m). The University's estimated contribution to the scheme for 2013-14 is £3.6m.

The last valuation of the TPS related to the period 1 April 2001 to 31 March 2004. The Government Actuary's report of October 2006 revealed that the total liabilities of the Scheme (pensions currently in payment and the estimated cost of future benefits) amounted to £166,500 million. The value of the assets (estimated future contributions together with the proceeds from the notional investments held at the valuation date) was £163,240 million. The assumed real rate of return is 3.5% in excess of prices and 2% in excess of earnings. The rate of real earnings growth is assumed to be 1.5%. The assumed gross rate of return is 6.5%.

As from 1 January 2008, and as part of the cost-sharing agreement between employers' and teachers' representatives, the standard contribution has been assessed at 19.75%, plus a supplementary contribution rate of 0.75% (to balance assets and liabilities as required by the regulations within 15 years); a Standard Contribution rate (SCR) of 20.5%. This translates into an employee contribution rate of 6.4% and employer contribution rate of 14.1% payable. The cost-sharing agreement has also introduced, effective for the first time from the 2008 valuation, a 14.1% cap on employer contributions payable.

The 2006 interim actuarial review, published in June 2007, did not recommend any changes to the SCR and concluded, as at 31 March 2006, and using the above assumptions, that the Scheme's total liabilities amounted to £176,600 million.

On 15 March 2012, it was confirmed that the next actuarial review of the scheme will take place in advance of the implementation of the scheme reforms in 2015. The Government has also announced that it intends to replace the cap and share with increases in employee contributions.

C. The Universities Superannuation Scheme (USS)

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

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

The cost recognised in the income and expenditure account is regarded as being equal to the contributions payable to the scheme for the year. The University's contribution to the USS for 2012-13 was £0.3m (2011-12: £0.3m). The University's estimated contribution to the scheme for 2013-14 is £0.3m, payable by the University at 16% of pensionable salaries.

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

The latest triennial actuarial valuation of the scheme was at 31 March 2011. This was the second valuation for USS under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. The actuary carries out a review of the funding level each year between triennial valuations and details of his estimate of the funding level at 31 March 2012 are included in this note.

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

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

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

The assumed life expectations on retirement at age 65 are:

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

Notes to the financial statements

24. Pension arrangements (continued)

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

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

As part of the valuation, the trustees determined, after consultation with the employers, a recovery plan to pay off the shortfall by 31 March 2014. If experience up to that date is in line with the assumptions made for this current actuarial valuation and contributions are paid at the determined rates or amounts, the shortfall at 31 March 2014 is estimated to be £2.2 billion, equivalent to a funding level of 95%. The contribution rate will be reviewed as part of each valuation and may be reviewed more frequently.

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

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

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

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

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

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

Flexible retirement
Flexible retirement options were introduced.

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

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

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

Since 31 March 2011 global investment markets have continued to fluctuate and following their peak in September 2011 have declined rapidly towards the year end, although the market's assessment of inflation has remained reasonably constant. The actuary has estimated that the funding level as at 31 March 2012 under the scheme specific funding regime had fallen from 92% to 77%. This estimate is based on the results from the valuation at 31 March 2011 allowing primarily for investment returns and changes to market conditions. These are seen as the two most significant factors affecting the funding positions which have been taken into account for the 31 March 2012 estimation.

On the FRS 17 basis, using an AA bond discount rate of 4.9% per annum based on spot yields, the actuary calculated that the funding level at 31 March 2012 was 74%. An estimate of the funding level measured on a historic gilt basis at that date was approximately 56%.

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

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

Notes to the financial statements

24. Pension arrangements (continued)

The trustees believe that over the long-term equity investment and investment in selected alternative asset classes will provide superior returns to other investment classes. The management structure and targets set by the trustee are designed to give the fund a significant exposure to equities through portfolios that are diversified both geographically and by sector. The trustee recognises that, putting the issue of the USS fund's size and scale to one side for a moment, it might be theoretically possible to select investments producing income flows broadly similar to the estimated liability cash flows. However, in order to meet the long-term funding objective within a level of contributions that it considers the sponsoring employers would be willing and able to make, it is necessary and appropriate for the trustee to take on a degree of investment risk relative to the liabilities. This taking of investment risk seeks to target a greater return than the matching assets would provide whilst maintaining a prudent approach to meeting the fund's liabilities. Before deciding what degree of investment risk to take relative to the liabilities, the trustee receives advice from its internal investment team, its investment consultant and the scheme actuary, and importantly considers the ability of the sponsoring employers to support the scheme if the investment strategy does not deliver the expected returns.

The positive cash flow of the scheme means that it is not necessary to realise investments to meet liabilities, and the scheme actuary has confirmed that this is likely to remain the position for the next 10 years or more. The trustee believes that this, together with the ongoing flow of new entrants into the scheme and most critically the ability of the employers to provide additional support to the scheme should additional contributions be required, enables it to take a longer-term view of its investments. Some short-term volatility in returns can be tolerated and need not feed through immediately to the contribution rate. However, the trustee is mindful of the difficult economic climate which exists for defined benefit pension schemes currently, and the need to be clear about the responses that are available should the deficits persist and a revised recovery plan becomes necessary following the next actuarial valuation of the scheme as at March 2014. The trustee is making preparations ahead of the next valuation to compile a formal financial management plan, which will bring together – in an integrated form – the various funding strands of covenant strength, investment strategy and funding assumptions, in line with the latest guidance from the Pension Regulator.

25. Capital commitments (University and Group)

At 31 July capital commitments were as follows:	**2013** **£'000**	2012 £'000
Commitments contracted	**2,050**	2,420
Authorised but not contracted	**6,174**	5,380
	8,224	7,800

26. Commitments under operating leases (University and Group)

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

Land and buildings:		
Expiring within one year	**397**	46
Expiring within one – two years	**-**	42
Expiring within two – five years	**1,545**	1,860
Expiring in over five years	**2,153**	2,153
Other:		
Expiring within one year	**400**	410
Expiring within one – two years	**270**	76
Expiring within two – five years	**373**	-
	5,138	4,587

Notes to the financial statements

27. Reconciliation of (deficit)/surplus on continuing operations to net cash outflow from operating activities

	2012-13 £'000	2011-12 £'000
(Deficit)/surplus on continuing operations	(778)	14,815
Depreciation	8,548	8,748
Deferred capital grants released to income	(5,784)	(4,363)
Deferred capital grants released to exceptional item	(2,836)	-
Interest payable	2,055	2,110
Decrease in stocks	6	13
Decrease in debtors	733	3,688
Decrease in creditors	(12,484)	(13,752)
Increase in provisions	1,514	590
Endowment income and interest receivable	(552)	(939)
Donations received	(39)	(54)
Pension cost less contributions payable	(513)	(647)
Exchange rate (gain)/loss	(284)	127
Profit on sale of fixed assets	(219)	(15,629)
Net cash outflow form operating activities	**(10,633)**	(5,293)

28. Returns on investments and servicing of finance

	2012-13 £'000	2011-12 £'000
Donations received	39	54
Interest paid	(389)	(398)
Income from endowments	10	14
Other interest received	343	454
Net cash inflow	**3**	124

29. Capital (expenditure)/receipts

	2012-13 £'000	2011-12 £'000
Purchase of tangible fixed assets	(7,166)	(9,450)
Receipts from sale of fixed assets	280	18,571
Net deferred capital grants received	1,793	2,272
Endowments received	45	176
Net cash (outflow)/inflow	**(5,048)**	11,569

30. Management of liquid resources

	2012-13 £'000	2011-12 £'000
Decrease/(increase) in current asset investments	17,140	(6,140)
Decrease/(increase) in Endowment cash investments	209	(123)
Net cash inflow/(outflow)	**17,349**	(6,263)

31. Financing

	2012-13 £'000	2011-12 £'000
HEFCE Strategic Development Fund loan	-	1,827
SALIX energy efficiency loans	221	70
Repayment of capital element of loans	(647)	(618)
Repayment of capital element of finance lease	(536)	(467)
Net cash (outflow)/inflow	**(962)**	812

Notes to the financial statements

32. Analysis of changes in net funds

	At 1 August 2012 £'000	Other changes £'000	Cash flows £'000	**At 31 July 2013 £'000**
Cash at bank and in hand	5,487	-	709	**6,196**
Endowment cash asset investments	422	-	(209)	**213**
	5,909	-	500	**6,409**
Short term investments	41,640	-	(17,140)	**24,500**
Debt due within one year	(635)	(619)	635	**(619)**
Debt due after one year	(4,028)	619	3,152	**(257)**
Finance lease	(5,074)	-	536	**(4,538)**
	37,812	-	(12,317)	**25,495**

The analysis of changes in net debt excludes HEFCE grant repayment of £17.5m (2012: £20m) as this is not a commercial loan and is being recovered by HEFCE through adjustments to recurrent grant payments.

33. HEFCE Access Fund (University and Group)

	2012-13 £'000	2011-12 £'000
Balance unspent at 1 August	**34**	23
Income		
Amounts received	**585**	547
Interest earned	**2**	2
Expenditure		
Disbursed to students and administration	**(608)**	(538)
Balance unspent at 31 July	**13**	34

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

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

Notes to the financial statements

34. HEFCE Student Support Fund (University and Group)

	2012-13 £'000	2011-12 £'000
Balance unspent at 1 August	-	-
Amounts received	850	-
Disbursed to students	(763)	-
Balance unspent at 31 July	87	-

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

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

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

	2012-13 £'000	2011-12 £'000
Balance unspent at 1 August	488	-
Amounts received	1,678	1,298
Disbursed to students and administration	(1,488)	(810)
Balance unspent at 31 July	678	488

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

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

36. Related party transactions

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

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

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

37. Contingent liabilities

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

38. Post balance sheet events

In September 2013 agreement was reached with Sir John Cass's Foundation whereby the University would vacate the Jewry Street Building on 31 July 2014 and that, upon the building being vacated, the Foundation would then make a charitable grant to the University of £2m and a further £600k of grant payable in two equal amounts over a period of two years thereafter.

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