LONDON
METROPOLITAN
UNIVERSITY

Annual Report and Accounts
2015–16

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Contents

London Metropolitan University

A company limited by guarantee with no share capital

Registered in the United Kingdom, registration number 974438

Registered Office:
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www.londonmet.ac.uk

The University is an exempt charity under the Charities Act 2011

The improvement in our financial performance reflects actions from our Programme for Improved Student Outcomes and One Campus, One Community consolidation.

A deficit before other gains and losses and staff restructuring costs of £1.6m. £4.8m better than the forecast deficit of £6.4m, and £3.0m better than 2014-15.

A surplus for the year of £23.2m, as a result of property transactions offsetting operational deficits and restructuring costs.

Total income before donations and endowments was £2.3m higher than forecast for the year, after taking into account a £2m compensation payment for loss of rights of light.

The University achieved all key financial performance indicator targets expressed as a percentage of income.

Measure	2015-16 Actual	2014-15 Actual
Deficit before other gains and losses as a percentage of income	(7.2)%	(6.6)%
Liquidity (total expenditure excluding depreciation)	426 days	269 days
Net operating cash flow as a percentage of income	0.8%	(1.6)%
Cost of staff, excluding restructuring costs, as a percentage of income	58.3%	62.4%
EBITDA	£9.9m	£5.5m

Earnings before interest, tax, depreciation and amortisation (EBITDA), before restructuring costs and FRS 102 notional pension costs, showed an improvement of £5.5m from the forecast to £9.9m. This has had a positive impact on our net operating cash flow as a percentage of income.

A restructuring exercise, aimed at reducing staff cost towards our sector benchmark, reduced staff numbers by approximately 252 posts, with cost reductions commencing from the start of 2015-16.

As part of the ongoing rationalisation of our estate, in February 2016 we completed the sale of a freehold academic property, Central House for £50m. This exceptional property transaction increased our surplus for the year to £23.2m.

Balance sheet

£9.7m was invested in the estate and IT infrastructure during the year.

The University's share of the deficit in the London Pensions Fund Agency fund rose by 48.3%, from £97.8m to £145m, largely due to lower interest rates which have the effect of increasing the present value of the funded liabilities. High past service pension costs as longevity increases continues to represent a significant risk to the University.

Our total funds decreased from £142.7m to £123.5m as a direct result of the increase in our pension provision, offset by the realised gain on the property sale. Cash and deposits totalled £121.2m at 31 July 2016, an increase of £42.3m from 31 July 2015.

The members of the Board of Governors of London Metropolitan University as at 31 July 2016 are listed below.

Unless otherwise stated, all members served throughout the year.

	Date of appointment
Clive Jones (Chair, FRC,GC, RC [Chair], HSAG)	
Rolande Anderson (FRC [Chair], RC)	
Kathryn Castle (AB, GC, Emp)	
Pauline Curtis (AC, GC)	
Rob Hull (Vice Chair, AC, FRC, RC)	
Adrian Kamellard (AC, [Chair])	
Tony Millns (GC [Chair], RC)	
Ann Minogue (Vice Chair, FRC, RC)	
Michael Murphy (AC, HSAG)	
Florence Onwumere (St)	1 July 2016
John Raftery (AB [Chair], FRC, GC, RC, Emp)	
Cathy Sullivan (Emp)	
Dianne Willcocks (GC)	

Independent co-opted committee members

Jane Broadbent (AC)

Richard Indge (AC)

Avnish Savjani (AC)

KEY: (AC) Member of Audit Committee; (Emp) University Employee; (FRC) Member of Finance and Resources Committee; (GC) Member of Governance Committee; (HSAG) Member of Health and Safety Assurance Group; (RC) Member of Remuneration Committee; (St) Student Governor.

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

Emir Feisal was succeeded as Chair of the Finance and Resources Committee by Rolande Anderson on 26 November 2015. He stepped down from the Committee on 14 January 2016 and stepped down as an Independent Governor on 5 February 2016.

Rolande Anderson became Chair of the Finance and Resources Committee on 26 November 2015.

Rob Hull's membership of the Audit Committee terminated on 1 February 2016; he became a member of the Finance and Resources Committee with effect from 1 February 2016.

Kathryn Castle was appointed to the Governance Committee with effect from 26 November 2015. Her term as Academic Board Governor ended on 31 July 2016.

Clive Jones was appointed to the Health and Safety Assurance Group with effect from 26 November 2015. Clive stepped down as Chair of the Board of Governors on 6 October 2016.

Obie Opara's term as Student Governor ended on 30 June 2016.

Florence Onwumere's term as Student Governor commenced on 1 July 2016.

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

Harini Iyengar was appointed as an Independent Governor with effect from 1 August 2016.

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

Pauline Curtis stepped down as an Independent Governor on 6 November 2016.

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

At its meeting on 30 June 2016, the Board agreed that the Remuneration Committee would cease and that its business would be conducted by the Finance and Resources Committee, with effect from 1 September 2016.

At its meeting on 30 June 2016, the Board agreed that the Health and Safety Assurance Group would cease and that its business would be conducted by the Audit Committee, with effect from 1 September 2016.

Trustee remuneration

No payments were made during the year to members of the Board as the trustees of the University except in reimbursement of expenses incurred on the University's business. These expenses amounted to £5k (2014-15 £4k).

The members of the Senior Management Team of London Metropolitan University as at 31 July 2016 are listed below.

Senior Management Team

Vice-Chancellor and Chief Executive	**Professor John Raftery**
Deputy Vice-Chancellor	**Professor Peter McCaffery**
Deputy Chief Executive	**Paul Bowler**
Dean of The Sir John Cass Faculty of Art, Architecture and Design	**Andrew Stone**
Dean of Guildhall Faculty of Business and Law	**Doctor Simon Jones**
Dean of Faculty of Life Sciences and Computing	**Professor Dominic Palmer-Brown**
Dean of the Faculty of Social Sciences and Humanities	**Doctor Elizabeth Charman**
Director of Office of Institutional Effectiveness	**Lynn Burke**
Clerk to the Board of Governors and University Secretary	**Peter Garrod**
Director of Finance	**Pam Nelson**

Principal advisers

External Auditors	KPMG LLP 15 Canada Square Canary Wharf London E14 5GL	
Bankers	Barclays Bank Plc Holloway and Kingsland Business Centre London E8 2JK	
Endowment Investment Custodians	Fidelity Investments Oakhill House Hildenborough Tonbridge Kent TN11 9DZ	
Endowment Investment Managers	Henderson Global Investors Ltd 201 Bishopsgate London EC2M 3AE	
Insurers	Arthur J Gallagher Station Square One Gloucester Street Swindon SN1 1GW	Zurich Municipal Southwood Crescent Farnborough Hampshire GU14 0NJ
Internal Auditors	PricewaterhouseCoopers LLP 7 More London Riverside London SE1 2RT	
Property Advisers	Cushman & Wakefield Central Square Forth Street Newcastle upon Tyne NE1 3PJ	
Solicitors	JG Poole & Co LLP E-Space South 26 St Thomas Place Ely CB7 4EX	Weightmans LLP Second Floor, 6 New Street Square New Fetter Lane London EC4A 3BF

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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 2015 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).

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

The Board has regard to the voluntary Higher Education Code of Governance issued by the Committee of University Chairs (CUC). The Board's Governance Committee carries out an annual mapping of the University's compliance with the CUC Code. The mapping carried out in June 2016 found that there were no fundamental gaps in the University's compliance. The mapping will inform further development of the University's governance in 2016-17. As the University is a charity, the Board has also had regard to the Charity Commission's guidance on public benefit.

How the University is governed

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

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

The Board is responsible for the ongoing strategic direction of the University, its financial solvency, approval of major developments, and the receipt of regular reports from the Executive on the day-to-day operations of the University and its subsidiary companies. Under the Articles of Association a number of matters are reserved to the Board. The Board has approved the following key governance documents, which were updated and reviewed by the Board during the year:

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

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

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

Governance during the year

In the year to 31 July 2016 the Board met five times. In addition, it held a workshop in September 2015 to consider the emerging options from Project Oak Tree (the strategic options analysis which preceded the University's One Campus, One Community sustainability plan), and a Strategy Day in May 2016 to consider progress and make key decisions on the implementation of One Campus, One Community. Mark Anderson succeeded Clive Jones as Chair of the Board with effect from 7 October 2016.

The Board's sub-committees are:

- Audit Committee (met four times in 2015-16)
- Finance and Resources Committee (met four times in 2015-16)
- Governance Committee (met three times in 2015-16, including one meeting conducted by circulation)
- Health and Safety Assurance Group (met twice in 2015-16)
- Remuneration Committee (met once in 2015-16)

These committees are formally constituted with appropriate terms of reference approved by the Board of Governors, which are regularly reviewed. The Scheme of Delegation approved by the Board in November 2014 (updated in June 2016) defines the responsibilities delegated to committees by the Board. The Board of Governors receives a report of each committee meeting, which is presented to the Board by the chair of the committee. With the exception of the Health and Safety Assurance Group, the majority of each committee's membership consists of independent governors and co-opted members, and the chair is always an independent governor.

Following the decision in 2014-15 to discontinue the Academic Strategy Committee, an annual joint meeting of the Academic Board and the Board of Governors was instituted, with the first meeting taking place in January 2016.

The Audit Committee, chaired by Adrian Kamellard, reviews the work of the internal and external auditors and considers their reports, together with recommendations for the improvement of the systems of internal control in conjunction with management responses and implementation plans. It reviews the University's annual financial statements and the appropriateness of its accounting policies. It also provides oversight of the risk management process on the Board's behalf. 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.

The Finance and Resources Committee, chaired by Emir Feisal until 26 November 2015 and by Rolande Anderson from 26 November 2015, 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. No members of the Finance and Resources Committee serve on the Audit Committee.

The Governance Committee, chaired by Tony Millns, is responsible for making recommendations to the Board about filling vacancies in Board and Committee membership and about the award of honorary degrees. It has a remit to consider any governance matters.

During 2015-16, the Health and Safety Assurance Group (HSAG), chaired by Michael Murphy, was responsible for providing assurance that the University was managing the delivery of its responsibilities relating to health and safety, had the necessary systems, policies, and staffing to ensure adoption of good practice and compliance with its statutory responsibilities, and that the Health and Safety Strategy approved by the Board was being implemented effectively by the executive. In June 2016 the Board approved recommendations arising from the One Campus, One Community project that HSAG's responsibilities should be transferred to the Audit Committee with effect from 1 September 2016, and the Health and Safety Assurance Group disbanded. Operational matters relating to the implementation of the Health and Safety Strategy are considered by the Health and Safety Committee, which is an executive committee.

During 2015-16 the Remuneration Committee, chaired by Clive Jones, considered the salaries and terms and conditions of service of senior staff, including the Vice-Chancellor, the Deputy Vice-Chancellor, the Deputy Chief Executive, the Director of Finance and the University Secretary. In June 2016 the Board approved recommendations arising from the One Campus, One Community project that the Remuneration Committee's functions should be transferred from 1 September 2016 to the Finance and Resources Committee, which has now assumed the former responsibilities of the University's Remuneration Committee.

Internal control

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

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

The system of internal control is informed by a continuous process to identify, evaluate and manage the University's significant risks, linked to the achievement of institutional objectives. This process covers business, operational and compliance as well as financial risk, and has been in place for the year ended 31 July 2016 and up to the date of approving these financial statements.

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

- The Board receives regular progress reports on Risk Management and confirms there is a clear policy and plan of risk management, which has been communicated to the Faculties/Schools and Professional Service Departments (PSDs). The University's Risk Management Policy and Process was revised in 2015 and approved by the Board of Governors in November 2015;
- 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/School and PSD, as well as for major projects in which the University is involved;
- The Executive meets quarterly as a Risk Committee to review all aspects of the Corporate Risk Register;
- The Audit Committee oversees the arrangements for risk management and at each meeting receives a report on the Corporate Risk Register as well as a monitoring report on the risk management processes in place in Faculties/Schools and PSDs. Members of the Board receive a report of each meeting of the Audit Committee;
- At each meeting the Audit Committee also receives a report summarising the key risks being monitored in the risk registers of the University's two strategic sustainability programmes – One Campus I One Community and the Programme for Improved Student Outcomes. The report covers risks with residual risk scores classed as 'red', new/removed risks and any changes to residual risk scores since the last report, enabling the Committee to provide the Board with assurance that risks relating to these programmes are being managed effectively;
- Each year the Audit Committee approves a programme of specific internal audits for the following year, in addition to a programme of continuous auditing of the core financial systems. 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 Chief Financial Officer and the University Secretary attend meetings of the Audit Committee and have direct and independent access to members of that Committee, as do the internal and external auditors.

The Board, through the Audit Committee, has reviewed the effectiveness of the system of internal control operating in 2015-16 and up to the date of approval of the financial statements.

There were no significant internal control issues during the year.

The financial statements on pages 30 to 58 were approved by the Board of Governors of London Metropolitan University on 29 November 2016, and signed on its behalf by:

Mark Anderson
Chair of the Board of Governors

Professor John Raftery
Vice-Chancellor and Chief Executive

The Board of Governors (the Board), as the directors of London Metropolitan University, presents the University's annual report and audited financial statements for the year ended 31 July 2016.

Basis of preparation of the financial statements

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

The Board has examined financial forecasts based upon these audited financial statements and estimates of income, expenditure and cash flow for the period to 31 July 2022. For the purpose of their going concern review, the Board has focused on the period to 30 November 2017.

The Board approved a budget for 2016-17 in July 2016 which showed earnings before interest, tax, depreciation and amortisation (EBITDA) of £3.9m. Restructuring costs and non-cash operating items result in a planned operating deficit of £16m. A major review of the University's sustainability was carried out in 2015-16 and a plan, One Campus, One Community, is being implemented. This will consolidate the University on a single campus, bringing all of its teaching and academic departments together to create a revitalised campus in Islington and facilitates the reduction of operational costs through rationalisation of services. The financial forecasts approved by the Board in June 2016 reflect this plan and show a continuing improvement in EBITDA, with a return to operating surplus at the end of the investment cycle.

As at 31 July 2016, the University held cash and investments totalling £121.2m, which provide the basis for investment in the plan. The cash flow forecast for 2016-17 shows a cash balance of £86.7m at 31 July 2017 after funding £23.9m of capital investment and £2.9m repayments of loans and grant. The forecast cash balance at 31 July 2018 is £61.6m after funding £33m of capital investment and £2.9m repayment of grant and loans in 2017-18. The forecasts will be regularly updated as detailed planning for One Campus, One Community is developed.

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

Constitution

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

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

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 2015-16 the company made a deficit of £189k (2014-15: surplus £462k). This company is fully consolidated into the Group accounts.

Donations

The Group makes no political or charitable donations.

Auditors

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

Creditor payment policy

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

Approval of financial statements by the Board

The financial statements on pages 30 to 58 were approved by the Board of Governors of London Metropolitan University on 29 November 2016, and signed on its behalf by:

Mark Anderson
Chair of the Board of Governors

166-220 Holloway Road
London
N7 8DB

Public benefit

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

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

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

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

Our mission: Transforming lives through excellent education

Our values: integrity; excellence; service; collaboration and teamwork; and effective citizenship

Our vision: To be a university of choice, transforming lives for a diverse range of students from London, the UK and around the world. London Met does not simply transmit knowledge to students. We provide them with access to the latest knowledge via digital platforms, develop their skills through guidance and mentorship, and immerse students in situations that encourage the development of analytical reasoning, critical thinking and higher level competencies that connect directly to real-world applications, to life and career. By supporting social engagement and an active campus community, we develop effective, engaged citizens who will contribute to the life of our city and to building a better, fairer society.

Our performance against these aims is discussed below.

Strategic Plan 2015-2020

In his foreword, the Vice-Chancellor recognised that London Met enters the 2015-2020 period facing greater challenges than perhaps at any point in its history, some internal and specific to the University and others relating to the rapid and radical changes in higher education as a whole. The two primary goals of the 2015-2020 Strategic Plan are to secure financial sustainability and to improve outcomes for our students. Full details can be found in our Strategic plan 2015-2020, available on our website.

Work to improve our sustainability has continued throughout 2015-16 with the implementation of our Programme to Improve Student Outcomes (PISO) and of our One Campus, One Community (OCOC) programme, designed to consolidate the University onto a single, revitalised site at Holloway, accompanied by a major programme of organisational design and performance improvement. This provides a coherent vision of a united London Met, to realise an exciting future for our students and staff.

We are pleased to see the positive impact of PISO initiatives, with improvements both in the percentage of our graduates in work or further study (shown in the Destinations of Leavers from Higher Education 2014-15 survey) and in student satisfaction, measured in the National Student Survey 2016. We remain below our benchmark on retention indicators and a priority for 2016-17 is to continue to focus on academic and employment outcomes for our students and graduates, working across all the schools to embed improvements in their plans and targets and with the One Campus, One Community programme to prioritise learning and teaching requirements within support service and infrastructure planning. As part of the OCOC programme, a major organisational restructure took effect in September 2016 that focuses our work in these areas under the leadership of the Pro Vice Chancellors, Academic Outcomes and the Pro Vice Chancellor, Employment Outcomes.

Work has continued on the estates masterplan. The first major academic move was completed in the Summer of 2016, bringing The Sir John Cass School of Art, Architecture and Design The CASS from Commercial Road to our Calcutta House building, which was upgraded to provide new workshops for use by students and staff. The next phase of estates development in 2016-17 includes the move of the rest of The Cass into Calcutta House, to bring the School together for the first time. Design work on the revitalised Holloway campus has progressed and we remain on course to consolidate all activity there in 2021. The first stage of construction at Islington in 2016-17 will provide new teaching and learning spaces and agile workspaces that will showcase and pilot designs for the rest of the programme.

Business process review continues to examine the way in which we operate, to improve effectiveness, remove duplication and to optimise our use of technology both in support services and in teaching and learning.

Business model

The new organisational structure, implemented in September 2016, mapped reporting lines more clearly to our strategic aims of improving academic outcomes and employability, The structure simplifies and flattens management layers, reduces organisational silos and supports cross-university team-working. The Senior Leadership Team has reduced from nine to six members.

Academic subject groupings have been reviewed and the previous four faculties restructured to form six schools that report to the Pro Vice Chancellor Academic Outcomes: The Cass; the School of Computing and Digital Media; the Guildhall School of Business and Law; the School of Human Sciences; the School of Social Professions; and the School of Social Sciences.

Enterprise and Careers and Employability teams report to the Pro Vice Chancellor Employment Outcomes. Professional support service departments have been grouped into five teams reporting to the Chief Operating Officer: Engagement; Finance and Estates; Human Resources; Information Technology Services, and Student Journey. The University Secretary and the Director of Academic Quality and Planning report to the Vice-Chancellor.

Business environment

Higher Education institutions in England operate in a challenging environment that has changed significantly over the last five years and continues to change. The implications for universities of the Higher Education and Research Bill, the introduction of the Teaching Excellence Framework and referendum decision to leave the European Union are current examples of external factors escalating planning risk.

Principal risks and uncertainties

The Risk Committee has been closely monitoring the University's specific risks as well as emerging risks to the sector.

During 2015-16, the major risks to the University, together with risk controls and mitigations, are monitored using the corporate risk register group with themes of:

- failure to improve our academic reputation;
- failure to achieve financial sustainability;
- failure to meet student recruitment and retention targets;
- failure to deliver cultural and infrastructure changes as part of the PISO and OCOC programmes.

Risks are reported to the Audit Committee and the Board of Governors.

Performance towards our academic objectives

Academic Key Performance Indicators Include:

Measure		Actuals 2015-16	Benchmark 2015-16	Actuals 2014-15	Change	How target was set
National Student Survey (NSS)	Overall Satisfaction (Q22)	80%	84.0%	78.0%	2%	Target is to reach competitor average (currently 83.1%) but need to be realistic on how quickly the university can reach it. Longer term goal to converge on sector average
	Teaching on my course	82.0%	n/a	81.0%	1%	Target is to reach competitor average (currently 83.1%) Longer term goal to converge on sector average
Destinations of Leavers from Higher Education (DLHE)	Employed/ further study	89.4%	90.1%	88.8%	0.6%	Higher than competitor average and met HESA benchmark
		59.2%	n/a	46.1%	13.1%	London Metropolitan University set target

Our Strategic Plan places improving student outcomes at the very core of our mission. To help do this we have outlined a number of targeted interventions across the entire student journey.

National Student Survey

In the National Student Survey 2016, London Metropolitan University achieved an overall satisfaction rate of 80.4%, a 2% increase on last year, which is the University's highest ever rating. The overall satisfaction rate excluding students taught at partner colleges was marginally higher at 80.6% (again up 2%).

There were year-on-year improvements in each of the six sections of the survey most notably:

Organisation and Management (+6 from 73% to 79%)
Learning Resources (+3% from 83% to 86%).

Satisfaction has increased for each of the last six years, rising 12% in that time. While this is an improvement and suggests that initiatives we have put in place are benefiting students, we recognise there is always room for improvement.

The Strategic Plan set an initial target that 50% of the academic staffing establishment should have, or be working towards, a Higher Education Academy fellowship or other qualification for university teaching by the end of the academic year 2015-16. By February 2016, 65% of academics held either Higher Education Academy fellowships or a Higher Education Statistics Agency (HESA) standard teaching qualifications.

This target is part of our Programme for Improved Student Outcomes which aims to improve student progression and achievement and to support to enhance student success during and after their studies at the University.

To provide truly excellent education it is our belief that students should be directly involved in shaping their courses and making recommendations to improve teaching quality. In 2015 we began the Student Led Module Feedback Scheme where students provide feedback on their courses part-way through term one. The feedback is analysed and addressed with a quick turnaround, so students can see their suggestions in action. The Scheme has been expanded in 2016 to cover all modules, at all year levels. Our aim is to create a transparent and open feedback system for learning and teaching and develop an ongoing 'conversation' between students and academic staff.

Students also are at the heart of our Peer Assisted Student Success (PASS) scheme, where second and third year students coach first year students. Nearly 3,000 students have taken part in the PASS scheme so far, with over 150 being trained as success coaches – all of whom are paid the London Living Wage for their time.

Our Student Services team and the Students' Union received accreditation with the Matrix Standard in 2016 as recognition of their excellence in delivering information, advice and guidance to students.

Widening participation

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

Many of our students come from sections of society that are disadvantaged in access to education and employment. The impact of our widening participation efforts is reflected in our performance indicators for 2015-16:

- 57.1% of students were from minority ethnic communities;
- 48.3% of full time students were over 25 years old;
- 12.6% had a disclosed disability;
- 98.3% of all young full-time undergraduate entrants were from state schools or colleges;

The above percentages are substantially higher than the national average and are also higher than the respective HEFCE location-adjusted benchmark figures. We remain committed to ensuring that we meet the location-adjusted benchmarks set by HEFCE and preferably, as we currently do now, exceed them.

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

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

Longer-term outreach activities with local schools and colleges, designed to engage potential students in their student journey from the first point of contact through to their transition into University, include a series of six-week Gifted and

Talented master classes in collaboration with the Royal Institution and the Royal Society of Chemistry, covering maths, engineering, computing and chemistry. We also run a national art and design Saturday club in collaboration with The Sorrell Foundation.

In 2015 the University was named runner-up for a Guardian Higher Education Award for Student Diversity and Widening Participation in recognition of our Upward Bound programme – a two year, 29 week per year programme that aims to raise attainment and aspiration for young people from secondary schools in Islington. In 2016, 75% of our pupils achieved grades A* to C in English, compared to the Islington average of 69%. In Maths, 70% of the students received grades A* to C compared to 69% in Islington.

Our bursary and scholarship schemes are designed to encourage students from diverse backgrounds to study at the University and there are a range of bursaries, scholarships and fee reductions available. Under the Student Progression Bursary scheme we offer each new home full-time undergraduate entrant who is eligible for a full maintenance loan a £1,000 student bursary for each year of study. As an accredited Buttle provider we continue to offer a Care Leavers' Bursary to students from a local authority cared-for background.

Employability

We recognise the importance of supporting students not only in their transition to university but also ensuring they have the necessary skills to thrive in the workplace. Our Careers and Employability team work closely with our six Schools to embed employability into the curriculum.

As part of our work-based learning scheme all students who join from 2016 onwards have access to work-based learning opportunities during their studies. This is an ambitious and unique scheme involving real work experience to give students the necessary practical knowledge and skills on top of academic qualifications.

A number of courses across all six schools of the University are accredited by professional bodies. We recognise the importance to students of knowing that their courses meet educational and industrial requirements. Professional bodies which have accredited courses run by London Met include the Institute of Engineering and Technology; the Institute of Mathematics and its Applications; the British Psychological Society, the Association for Nutrition, the National College for Teaching and Leadership and the Royal Institute of British Architects.

Destinations of Leavers survey

The Destinations of Leavers from Higher Education survey of those graduating in 2014-15 reported that 89.4% of our full-time, first degree, UK-domiciled graduates (E1a) were employed or engaged in further study within six months of completing their course. This was just 0.7% below the target for our group of benchmark institutions set by HESA each year. This is the second year in a row in which London Metropolitan has achieved its highest ever E1a indicator (this statistic has been published annually by HESA for the past 13 years). Overall 93.0% of our total 2014-15 graduates were in employment or further study with a 2% increase from 2013-14.

Cultural engagement

The University offers a range of exhibitions and events throughout the year, many of which are open to all. The School of Human Sciences and the School of Computing and Digital Media host an annual Student Summer Show, Digital Toybox, to showcase some of the best research projects and commercial work by students studying in the Schools. Each year The Cass holds two student Summer Shows to display work by hundreds of final year undergraduate students and an MA Show by both taught and research postgraduate students.

The Cass also runs a number of events and exhibitions that explore and celebrate the work of its staff and students throughout the year and have dedicated exhibition areas, including the Cass Bank Gallery. Exhibitions over the past year have included: a series of exhibitions featuring work by fashion and textiles students for a local workplace development called The Loom; a number of public exhibitions featuring work by design students, alumni and staff including Hands On at the Aram Gallery in Covent Garden; Making Matters as part of the London Design Festival and Windowspace, a curated monthly exhibition in a street facing "Vitrine" in one of our buildings facing the Whitechapel Gallery.

The University is also home to significant cultural collections including: the Archive of the Irish in Britain – a unique academic and community resource cataloguing the history of the Irish in Britain from the late nineteenth century to the present day, which celebrates its 30th anniversary; the Trades Union Congress Library Collections – a major research library for the study of all aspects of trade unions, collective bargaining and labour history, with both historical and contemporary coverage; and the renowned Frederick Parker Collection – an educational collection comprising over 200 chairs, together with an archive of related historical documents and artefacts.

Environmental sustainability

London Met is committed to reducing its environmental impact and to use resources in an environmentally sustainable and responsible way. We continued to reduce our carbon footprint during 2015-16, meeting and exceeding our 2020 target of a 50% reduction four years early. We were recognised for its carbon reduction attainment in a report published by Brite Green in 2016.

Sustainability initiatives during 2015-16 include housing 40,000 bees on a roof; a major project to improve energy efficiency which included the installation of 3,170 LED lights, 221 solar panels and the upgrading of 914 windows to double glazing; and new recycling bins across the campus, so that none of the University's waste goes to landfill.

Research and knowledge transfer

Research

The University has a vibrant research community, with around 400 students enrolled on research degrees. Staff and students participate in a wide variety of research activities, primarily with an emphasis on applied research, and the most recent Research Excellence Framework (REF) results demonstrate the significance of our research.

We were ranked in the top five nationally for Area Studies, 25th for Impact in Social Work and Social Policy and in Allied Health Professions 90% of our submissions were judged as having considerable impact.

Alongside research undertaken by staff, students have covered a wide range of research topics, including; healthcare law, tourism, domestic violence, dietary interventions, primary school education, textiles, bioenergy, alcoholism and police governance.

Knowledge Transfer Partnerships

The University has Knowledge Transfer Partnerships with a wide range of companies. In 2015-16, the School of Computing and Digital Media secured a £130k grant to work with green taxi company, eConnect Cars, to develop an intelligent dispatch system, enabling the company to scale up their operations, efficiently and effectively. The Intelligent System Research Centre, jointly with the Cyber Security Research Group (part of the School of Computing and Digital Media) formed KTPs with Ask Electronics (Outlets) to develop a business intelligence solution and a forecasting solution, which will help identify trends and facilitate optimum stock management, and with Coborn Ltd. to build a knowledge management system to become a centre of excellence for the diamond industry and to support the transformation of the traditional reactive production business into a modern productive and profitable knowledge intensive and proactive business, including the company's culture.

Enterprise

The Student and Graduate Enterprise programme based within Accelerator (the University's business incubator) provides an ideal environment for engaging effectively with our students as enterprise and entrepreneurship becomes an integral element within a number of our courses.

Our annual business competition – the Big Idea Challenge – continues to go from strength to strength. The pitching format and three competition categories (commercial, social impact and creative) appeal to entrepreneurs from all corners of the University. In 2016 the format was expanded to include participants from 10 sixth form colleges, many of whom were from backgrounds under-represented in the start-up sector. The finalists' 60-second pitch videos received more than 10,000 unique votes from 125 countries.

London Met's flagship entrepreneurship programme is Launchpad, a 10-week lean start-up programme delivered over the summer. Launchpad pushes participants to transform an idea into a commercial opportunity through an intensive series of weekly 'sprints', and for successful teams, unlocks a raft of additional support including mentoring, office space and funding.

The School of Social Professions produces many graduates each year who become successful teachers, social workers, youth workers, nursery workers and workers in health and social care. This year's Ofsted report shows that 96% of Initial Teacher Training graduates went straight into employment following their studies, putting the course ahead of the sector average.

The School of Social Sciences partnered the Social Innovation Partnership to establish Project Oracle in 2012 and this year the organisation was launched as an independent charity which aims to improve the chances for children and young people in London through promoting high quality evidence of youth projects that work and why they work.

The School of Computing and Digital Media includes a World of Work (WOW) IT agency which provides businesses and charitable organisations with affordable IT solutions. A WOW agency spin-off initiative, called WoWBiz, allows local businesses to get small projects completed at zero cost to them. Four WOW agency and six WOWBiz projects have been carried out in 2015-16, with approximately 100 students and graduates gaining work related learning experience on these two initiatives. The former Faculty of Life Sciences and Computing, now the School of Human Sciences and the School of Computing and Digital Media, also holds an annual Faculty Enterprise and Networking Day where students have the opportunity to network with industrial partners.

In 2016 students from Games Modelling, Animation and Effects BSc collaborated with Camden Council to produce an animated documentary to help promote the Council's Family Support Services. The Sir John Cass School of Art, Architecture and Design (The Cass) also has an in-house independent production company, We Make Film, which has produced visual and marketing content for the Bank of England, Hitachi, Benetton Fabrica and The Royal Society of Arts.

The Cass is continuing to work in 2016-17 on activities such as: 'Made in Hayes', a cross school project commissioned by the local MP John McDonnell, to address public realm issues in the town centre of Hayes and is an active member of the Aldgate Partnership, a local business partnership convened by the Corporation of London; collaborating with Toynbee Hall, working with design students on a chair for a twenty-first Century reformer for their refurbished premises and designs for merchandising to support their charitable activities. Other enterprise and community engagement works include the design and construction of two play structures for Christ Church Primary School in Greenwich; a live project to design an outdoor classroom for Waterloo Community Farm; hosting an event for the International Animation Festival; hosting a number of public exhibitions for Photomonth, an annual East London photography festival, and delivery of a wide range of short courses for the public on art, architecture and design.

The Guildhall School of Business and Law supports students as part of their studies to engage with businesses in a diverse range of sectors including law, aviation, business, marketing and the creative industries. Examples include assessment collaborations with State Street Bank, Upper Street Events and Sense Experiential Marketing. Student teams mentored by their tutors regularly compete in business challenges including Business Challenge, Amnesty International Raise-Off, Oxfam and the National Mooting (Legal) Competition. The School also offers accredited work placement modules with large and small organisations such as Burberry, Credit Unions and local housing associations. Students go on industry visits and benefit from networking events with professional bodies. Student societies, such as the Aviation Society, regularly arrange talks from industry guests and visits to places of interest such as Heathrow Airport.

Student numbers

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

	2015-16	2014-15	2013-14
Full-time (Home/EU)	**9,436**	10,277	12,434
Full-time (Overseas)	**434**	551	543
Part-time	**3,062**	3,258	3,297
Total	**12,932**	14,086	16,274

Awards

The following tables summarise the activity conducted through the University Awards Board between November 2015 and October 2016; a small number of awards for collaborative partners remain to be agreed. The numbers of awards at the undergraduate level are down by 12% compared to 2014-15 which reflects further declines in enrolment after the very high recruitment year of 2011-12. Postgraduate taught masters awards have stabilised following declines in student populations in recent years.

Totals for bachelor's degrees show:

	2015-16	%	2014-15	%	2013-14	%
1st	**353**	**15.1**	373	13.9	541	13.8
2:1	**817**	**34.9**	1,000	37.5	1,637	41.9
2.2	**860**	**36.7**	981	36.8	1,414	36.2
3rd	**247**	**10.6**	258	9.7	283	7.2
Non-Honours	**64**	**2.7**	55	2.1	36	0.9
Total	**2,341**		2,667		3,911	

The proportion of good honours degrees (firsts and upper seconds) decreased this year from 51% to 50%. The number of firsts was slightly higher but there was a marked drop in the proportion in the upper second class category.

Totals for master's degrees show:

	2015-16	%	2014-15	%	2013-14	%
Distinction	**128**	**21.0**	140	22.6	157	20.9
Merit	**288**	**47.1**	291	47.0	336	44.8
Pass	**195**	**31.9**	188	30.4	257	34.3
Total	**611**		619		750	

The number of awards was down by 1% in the year while the proportion of merits and distinctions has remained comparable with previous years at 68% (70% in 2014-15 and 66% in 2013-14).

Sustainability

Income and expenditure

A group deficit before other gains and losses and staff restructuring costs of £1.6m. £4.8m better than the forecast deficit of £6.4m, and £3.0m better than 2014-15.

Income before donations and endowments was £2.3m above the forecast for the year, consisting of higher grants of £0.5m in the previous years, £0.2m interest received from higher short-term deposits and £1.5m increased income from project activities, conference fees and VAT recovery.

Included in other income is £2m compensation for loss of rights of light arising from a development adjacent to our building.

To generate funds to invest in our OCOC estate masterplan, the University sold Central House, a freehold academic property for £50m. The sale was completed in February 2016 and generated a surplus of £31.9m. The building was leased back until the end of August 2017 at peppercorn rent following the sale. As a result of this property transaction, and the release of unused provision relating to a contract claim that was settled in May 2016, our surplus for the year was £24.8m.

A restructuring exercise aimed at reducing staff cost towards our sector benchmark reduced staffing by approximately 252 posts, with cost reductions from the start of 2015-16 and throughout the year. Further staffing reductions equating to 133 posts will be made in 2016-17.

Total expenditure reduced by £3.2m to £114.2m (2014-15: £117.4) due to lower total staff costs of £2.5m. The depreciation charge was lower by £0.7m mainly as a result of a change in accounting policy to depreciate building alterations and improvements over a 30-year life (previously a 20-year life).

The following tables compare 2015-16 and 2014-15 performance:

	2015-16 £'m	2014-15 £'m	Movement %
Income			
Tuition fees	**82.4**	78.6	4.8
Funding body grants	**15.4**	21.6	(28.7)
Other income – including endowments and donations	**8.8**	9.9	(11.1)
Total income	**106.6**	110.1	(3.2)
Expenditure			
Staff cost (excluding restructuring costs)	**64.0**	69.8	(8.3)
Other operating expenses	**35.0**	34.8	0.6
Depreciation	**5.6**	6.3	(11.1)
Interest payable and other finance costs	**3.6**	3.8	(5.3)
Total operating expenditure	**108.2**	114.7	(5.7)
Operating deficit	**(1.6)**	(4.6)	65.2

Financial sustainability

Our financial strategy aims to:

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

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

Financial indicators

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

	2015-16 Actual	2015-16 Forecast	2014-15 Actual
Deficit before other gains and losses as a percentage of income	**(7.2)%**	(11.2)%	(6.6)%
Liquidity (total expenditure excluding depreciation)	**426 days**	414 days	269 days
Net operating cash flow as percentage of income	**0.8%**	1.8%	(1.6)%
Cost of staff, excluding restructuring costs, as a percentage of income	**58.3%**	62.5%	62.4%

The University achieved all key financial performance indicator targets expressed as a percentage of income.

Balance sheet

Our consolidated net assets at 31 July 2016 were £123.5m, a decrease of £19.1m compared to 31 July 2015. The decrease is after taking into account a pension provisions of £145.3m (2015: £98.2m), a rise of 48%. The impact on net assets was reduced by the realisation of property gains from the sale of Central House.

Fixed assets

At the date of transition to FRS 102, the University chose to perform a one-off valuation of its freehold properties and freeze that value as 'deemed cost'. The University will continue to adopt the historical cost accounting convention.

Expenditure during the year on fixed assets was £9.7m. Assets sold had a net book value on disposal of £17.8m. Our depreciation charge for the year was £5.6m, bringing the total net book value of land, buildings and equipment to £171.1m at 31 July 2016 (2015: £186.2m).

Current assets

The main change in net current assets is an increase in cash and cash equivalents, including investments in short-term deposits. These increased from £79m at 31 July 2015 to £121.2m at 31 July 2016 as a result of the sale of Central House.

Group debtors decreased by £1.7m to £8.0m. The decrease is primarily due to amounts owed by HEFCE for adjustments to previous years' grant income of £1.4m which were received in 2015-16. Our trade receivables have decreased due to reductions in self-financed student debt, together with our commitment to maintaining strong credit control and debt management procedures.

Creditors and provisions

Creditors falling due within one year decreased by £0.6m, from £23.3m at 31 July 2015 to £22.7m. Trade payables have decreased from £7.5m at 31 July 2015 to £3.8m in line with reductions to operating expenditure. Accruals have increased from £7.4m at 31 July 2015 to £11.2m. An accrual of £4m (2015: £2.4m) was made for the cost of redundancy payments arising from the restructuring and staff reduction exercise that commenced in May 2016. Expenditure accruals decrease by £1.2m in line with reductions to operating expenditure.

Creditors falling due after more than one year decreased from £10.8m at 31 July 2015 to £8.2m, as £2.5m of grant was repaid to HEFCE during the year.

Pension provisions increased from £98.2m at 31 July 2015 to £145.3m. The increase in the provision is primarily due to changes in actuarial assumptions, the main factor being reductions in the discount rate linked to falling bond rates. £11.3m (2015: £11.5m) of the provision relates to unfunded benefits for inherited liabilities, the contributions for which are reimbursed to the University annually by HEFCE. High past service pension costs as longevity increases continue to represent a significant risk to the University.

Other provisions comprise a provision for rent reviews of £1.3m. Two of the University's leasehold buildings have retrospective rent reviews due under the terms of the contracts. The provision represents the University's best estimate of additional obligations that might arise as a result of the reviews.

Treasury management

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

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

Average daily cash balances in 2015-16 were £91.2m (2014-15: £36.7m). Interest earned on the balances was £0.8m (2014-15: £0.2m) giving an average return for the year of 0.9% (2014-15: 0.6%).

Financial forecasts

In June 2016 the Board of Governors approved the University's budget for 2016-17 and financial forecasts to July 2022.

The forecast reflects assumptions that take into account the expected impact of the PISO and OCOC transformation programmes and estimates of staff cost reductions arising from the Section 188 consultation announced on 31 May 2016.

The forecast shows total income in 2021-22 at £96.4m, £5.6m less than 2015-16, mainly as a result of reductions in funding council grants (£4.5m) and lower research grants and contracts and investment income (£1.1m). Total operating expenditure excluding the cost of delivering the OCOC transformation programme, interest payable and non-cash items reduces by £20.5m over the same period (staff cost £17.1m, non-staff cost £3.4m).

The forecast shows an operating deficit of £15.9m in 2016-17 returning to an operating surplus position of £1.5m in 2021-22, with staff cost as a percentage of income at 57.2% in 2016-17 reducing to 48.4% by 2021-22.

Forecasts and our key financial performance indicators are regularly reviewed to ensure that the University returns to operating surplus and is able to generate operating cash to fund investment.

The cash balance at 31 July 2017 is forecast at £86.7m, after capital investment of £24m. Capital receipts including assets sales and capital grants is forecast at £11m in 2017-18.

Key figures for the two years to 31 July 2018 are as follows:

	2015-16 Actual	2015-16 Forecast
Total income	**96.4**	**93.0**
Expenditure		
Staff costs (excluding restructuring cost)	(55.2)	(47.8)
Other operating expenses	(57.1)	(54.9)
Planned operating deficit	(15.9)	(9.7)

The key risk to the forecast is failure to meet student enrolment and retention targets, leading to shortfalls in fee income and delays in the OCOC transformation programme.

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

Human resources

The University's human resources policies and practices are designed to support institutional sustainability by being flexible, responsive and productive. Their aim is to promote an institutional culture which values professionalism, customer focus, teamwork, innovation and creativity, accountability, diversity and continuous improvement. Our employment framework helps managers recruit and retain good staff and get the best from them through targeted performance review and development aligned to our strategic plan.

We monitor our pay against sector median benchmarks and we remain an accredited London Living Wage employer.

Staffing initiatives carried out during the year included:

- the launch of MyReview, our new online appraisal system, resulting in 96% substantive staff participation in appraisals;
- a manager essentials programme for 200 managers and supervisors focused towards effective performance management;
- over 300 staff participating in our second staff development festival which focused on wellbeing and engagement;
- beginning the third year of our graduate intern scheme and saying goodbye to our second year cohort, all of whom secured employment before the end of the scheme; and
- a third peer-nominated staff award scheme for individuals and teams.

A restructuring and staffing reduction exercise commenced in November 2015 to reduce our staffing establishment towards benchmark levels. The restructuring encompassed all four faculties and all professional services departments. Where staffing reductions were necessary, to minimise the impact on staff, in addition to the use of formal consultation provisions and the University's redeployment procedure, a voluntary severance scheme was successfully used to mitigate the need for compulsory redundancies. We continued our focus on clear and open communications during our change processes, with clear communication of the context and rationale from the Vice-Chancellor at the outset and use of our dedicated consultation information web pages and frequently asked questions resource.

Further restructuring commenced in May 2016 to deliver the organisational restructure in support of the OCOC project and is due for completion for academic staff at the end of 2016-17 and for professional services staff at the end of 2017-18. The longer time frame for the restructuring of our professional services is to allow time for a review of our key business processes to enable delivery of an efficient and effective support services structure.

Employee health and wellbeing

Employee health and wellbeing is monitored against sector benchmarks and is reviewed by the Health and Safety Committee. A Task and Finish Group set up in November 2014 to take forward actions from the 2014 stress and wellbeing survey completed its work in December 2015 and outputs were reported to the Wider Management Group in January 2016. The work of the group included holding Solution Focus Groups to identify possible improvements; the development of an action plan; improved WellMet resources; a simplified stress risk assessment standard; better promotion of the Employee Assistance Programme; wellbeing events as a regular feature of our annual Staff Development festivals and additional workshops including "Managing Stress in your Team".

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. Our commitments, aims and responsibilities, including our general equality duty and duties in respect of the protected characteristics listed in the Equality Act 2010 are set out in our Equality and Diversity policy covering protected equality characteristics. Our Single Equality Scheme sets out a range of planned equality actions that are monitored for progress annually. A Dignity at Work Policy has been drafted to update our current Harassment Policy. All new staff are invited to complete our Dignity at Work Essentials online learning resource which is also promoted widely to existing staff.

As at 31 July 2016, the gender of our workforce was 55% female and 45% male, very similar to the 2014 proportions of 54% female and 46% male. 1% of our staff have declared a disability (2015: 1%).

Ethnic Group	2016	2015	% Change
Asian	**11%**	12%	(1)%
Black	**13%**	13%	-
Mixed	**4%**	4%	-
Other	**3%**	3%	-
White	**61%**	61%	-
Unknown/refused	**8%**	7%	1%

Staff development

In addition to our new manager essentials programme and workshops to support the launch of our new MyReview appraisal system, we also continued to offer our range of online management development training, with topics including coaching and conduct. These were supplemented by a range of customised bite-sized workshops targeted at meeting specific identified faculty and departmental needs. We also continued to offer a range of online compliance training modules including data protection, information security, dignity at work, equality and diversity essentials, anti-bribery and anti-fraud essentials.

The Wider Management Group of senior managers and their next-line reports met each month, with events including briefings, discussions, networking and development activities.

An additional internal networking and ideas exchange programme was launched during the year, with monthly meetings in which each faculty and professional service department management team met with another team, cycling through faculties and departments so that different teams met every month, to discuss work priorities and explore opportunities for working better together.

Our successful second Staff Development Festival saw us hold over 90 events over two weeks, mainly staffed by volunteers which resulted in over 1000 individual bookings. We also ran our annual Learning and Teaching Conference which attracted approximately 200 delegates.

Trades unions

Senior Managers and human resources staff met with our recognised trades unions regularly during the year to discuss a wide range of employment matters including restructuring, employment practices, change management, health and safety, agile working, OCOC, hourly paid lecturers and policy/procedural matters.

Supporting our communities

In addition to running a student and staff volunteering service through the University, we also encourage our staff to engage in external work that is supportive of their professional responsibilities as this benefits both the University and our local community.

In 2015-16, we asked our full-time staff to update us regarding their external work. 14% of our staff updated us about their external voluntary activities including serving as curators, trustees, treasurers, directors and providing a range of voluntary work including training, coaching, mediation, mentoring advisory and consultancy work to local organisations.

Staff numbers

As at 31 July 2016, the University employed a full-time equivalent of 1,198 staff, 192 (14%) less than at the same point in 2015.

	2016	2015	% change
Senior staff	**39**	52	(25)%
Academic staff	**398**	520	(23)%
Administrative staff	**538**	576	(7)%
Casual staff	**90**	86	4%
Hourly paid lecturers	**133**	155	(14)%
Total	**1,198**	1,389	(14)%

The overall staffing reductions reflect planned restructuring to improve efficiency and contribute towards longer term financial sustainability. The increase in casual staff numbers reflects continued growth in student employment via the Met Temps student employment service.

Staff turnover (calculated as the total number of leavers during the academic year excluding redundancies divided by the year end number of staff) was higher than in 2014-15, largely due to an increase in the number of fixed term contracts that were not renewed.

	2016	2015
Senior staff	**15**	2
Academic staff	**17**	8
Administrative staff	**12**	6
All staff	**14**	7

Staff turnover including redundancies was 25% (2014-15: 15%). 104 full-time equivalent (FTE) staff left during the year for reasons of redundancy (77 in 2014-15).

Estates

Planning and development

Our estates strategy is to revitalise the University's educational and social environment, with a physical estate that supports the University's mission by supporting its students' learning, being of good quality, safe, affordable and environmentally sustainable.

2015-16 continued the implementation of the OCOC estates masterplan. Projects included the:

- completion of the first phase of refurbishment work at Calcutta House and relocation of The Cass activity previously located at Commercial Road
- completion of the sale of Central House with lease back on a peppercorn rent until 31 August 2017
- design for The Cass's move from Central House
- design for new teaching and learning spaces at Holloway Road
- completion of capital works at Moorgate
- movement of Law facilities and teaching to Moorgate

Environmental sustainability

The University continued to reduce its carbon footprint during 2015-16, with a 57% cumulative reduction against the 2009 baseline, meeting and exceeding our 2020 target of a 50% reduction four years early. The University's success has been recognised in winning several awards:

- Green Gown Award for Carbon Reduction – Highly Commended
- Public Sector Sustainability Award – Best Carbon Reduction
- Public Sector Sustainability Award – Most Sustainable Organisation Runner Up
- Islington Sustainable Energy Partnership – Gold certification

The University was also listed as the number one university for carbon reduction in a report published by Brite Green. To meet the aims of the University's Environmental Sustainability Policy of reducing the environmental impact of operations, projects have been implemented in the key areas of energy, waste, travel, biodiversity and awareness.

- **Energy** – Carbon targets have been met and exceeded through implementing technologies such as installing LED lights, efficient fans, daylight controls and alterations to the Building Management System. The University has started generating its first renewable energy with 221 solar panels installed on the roof of the Science Centre. Solar panels have been installed in the Tower courtyard to allow staff and students to charge up phones and laptops.
- **Waste** – New recycling bins with improved signage have been rolled out across the campus to increase recycling rates. None of the University's waste goes to landfill.
- **Awareness** – The Students' Union achieved a silver rating in the NUS's Green Impact scheme. A programme of events was run throughout the year including a Green Week in March.
- **Travel** – Funding was obtained by Transport for London to provide Dr Bike sessions for staff and students.
- **Biodiversity** – A roof garden has been constructed on the top of Benwell Road with a gardening club developed to allow staff and students to participate. The University has two beehives, each with 20,000 bees. Gardening events were held throughout the year to improve green spaces such as restoring the garden at Old Castle Street and planting 700 spring bulbs in the Tower courtyard.

Technology Investment Plan

In 2015-16, the focus of technology investment was predominantly on:

- modernising the core technology infrastructure: networks, storage, servers, identity management and telephony
- improving the student experience: laptop loan lockers, replacement of student PCs and upgrading classroom technology
- development and roll-out of Student Engagement Dashboard for Personal Academic Tutors (Management Information Programme)

As part of the OCOC programme it was agreed that transformation would be enabled by a "digital by default" approach. To help deliver this, the 2016-22 Technology Investment Plan (Digital Strategy) adopted the following principles:

Vision

To develop and implement a digital service, with University staff as key enablers, which will be shaped around the needs of students and academics.

Strategic Objectives

- To be digital by default
- To realise value for money in service delivery
- To optimise business processes to drive value
- To deliver robust fit-for-purpose services for the users

Critical success factors

- Give users access to all their data in one place and improve cyber security: Trust
- Improve customer service: Valued
- Employees have access to the tools which enable them to be more effective in their roles: Autonomy and Trust
- Switching focus from Service Delivery to Outcomes: Simplify and Integrate
- Ease of information access (especially on a mobile devices): Self-Service
- Deliver unique individual value via insight of user wants, needs and preferences: Personalisation

Initiatives planned for 2016-17 include:

- Lecture recording
- Digital First classrooms
- University-wide roll-out of Lynda.com (online training library for students and staff)
- Improvements to the Virtual Learning Environment
- Ubiquitous Wi-Fi
- Managed Data Centre(s)
- Development of Information Management and Business Intelligence Strategy

We have audited the financial statements of London Metropolitan University for the year ended 31 July 2016 set out on pages 30 to 58. 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) including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

This report is made solely to the Board of Governors in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and of the University's Articles of Government and section 124B of the Education Reform Act 1988. Our audit work has been undertaken so that we might state to the Board of Governors those matters we are required to state to it 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 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 of the Board of Governors set out on pages 7 and 8, the Board of Governors (who are 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 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 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 and Accounts 2015-16 to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the University's affairs as at 31 July 2016 and of the Group's and the University's income and expenditure, gains and losses, changes in reserves and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and with the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education; and
- meet the requirements of HEFCE's Accounts direction to higher education institutions for 2015-16 financial statements; and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matters prescribed in the HEFCE Audit Code of Practice (effective 1 August 2014) issued under the Further and Higher Education Act 1992

In our opinion, in all material respects:

- funds from whatever source administered by the Group or the University for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation;
- funds provided by HEFCE have been applied in accordance with the Memorandum of Assurance and Accountability and any other terms and conditions attached to them; and
- the corporate governance and internal control requirements of HEFCE's Accounts direction to higher education institutions for 2015-16 financial statements have been met

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Statement of Corporate Governance, Directors' Report and Strategic Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

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

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

30 November 2016

Notes:

The maintenance and integrity of London Metropolitan University website is the responsibility of the governing body; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Consolidated statement of comprehensive income and expenditure

	Notes	2015-16 £'000	2014-15 £'000
Income			
Tuition fees	1	**82,446**	78,587
Funding body grants	2	**15,388**	21,586
Research grants and contracts	3	**1,174**	1,733
Other income	4	**6,656**	4,981
Investment income	5	**824**	311
Total income before endowments and donations		**106,488**	107,198
Donations and endowments	6	**78**	2,949
		106,566	110,147
Expenditure			
Staff costs	7	**63,993**	69,849
Staff restructuring costs	7	**6,035**	2,678
Other operating expenses	8	**34,960**	34,783
Depreciation	10	**5,585**	6,341
Interest and other finance costs	9	**3,634**	3,791
Total expenditure		**114,207**	117,442
Deficit before other gains and losses		**(7,641)**	(7,295)
Gain on disposal of fixed assets	10	**30,676**	26,299
Release of unused provision	17	**200**	4,165
Surplus for the year		**23,235**	23,169
Actuarial loss in respect of pension scheme	20	**(42,499)**	(4,061)
Total comprehensive (loss)/income for the year		**(19,264)**	19,108
Represented by:			
Endowment comprehensive income for the year		**18**	16
Restricted comprehensive (loss)/income for the year		**(61)**	389
Unrestricted comprehensive (loss)/income for the year		**(12,425)**	59,728
Revaluation reserve comprehensive loss for the year		**(6,796)**	(41,025)
		(19,264)	19,108

All items of income and expenditure relate to continuing activities

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

Consolidated and University statement of change in reserves

Consolidated — Income and Expenditure account

	Endowment £'000	Restricted £'000	Unrestricted £'000	Revaluation £'000	Total £'000
Balance at 1 August 2014	**137**	**621**	**12,977**	**109,948**	**123,683**
Surplus/(deficit) from the income and expenditure statement	16	460	22,693	-	23,169
Other comprehensive income	-	-	(4,061)	-	(4,061)
Transfers between revaluation and income and expenditure	-	-	641	(641)	-
Transfer revaluation reserve to unrestricted reserve	-	-	40,384	(40,384)	-
Release of restricted funds spent in year	-	(71)	71	-	-
Total comprehensive income for the year	**16**	**389**	**59,728**	**(41,025)**	**19,108**
Balance at 1 August 2015	**153**	**1,010**	**72,705**	**68,923**	**142,791**
Surplus/(deficit) from the income and expenditure statement	18	81	23,136	-	23,235
Other comprehensive income	-	-	(42,499)	-	(42,499)
Transfers between revaluation and income and expenditure	-	-	640	(640)	-
Transfer revaluation reserve to unrestricted reserve	-	-	6,156	(6,156)	-
Release of restricted funds spent in year	-	(142)	142	-	-
Total comprehensive income for the year	**18**	**(61)**	**(12,425)**	**(6,796)**	**(19,264)**
Balance at 31 July 2016	**171**	**949**	**60,280**	**62,127**	**123,527**

University

	Endowment £'000	Restricted £'000	Unrestricted £'000	Revaluation £'000	Total £'000
Balance at 1 August 2014	**137**	**621**	**12,860**	**109,948**	**123,566**
Surplus/(deficit) from the income and expenditure statement	16	460	22,589	-	23,065
Other comprehensive income	-	-	(4,061)	-	(4,061)
Transfers between revaluation and income and expenditure	-	-	641	(641)	-
Transfer revaluation reserve to unrestricted reserve	-	-	40,384	(40,384)	-
Release of restricted funds spent in year	-	(71)	71	-	-
Total comprehensive income for the year	**16**	**389**	**59,624**	**(41,025)**	**19,004**
Balance at 1 August 2015	**153**	**1,010**	**72,484**	**68,923**	**142,570**
Surplus/(deficit) from the income and expenditure statement	18	81	23,324	-	23,423
Other comprehensive income	-	-	(42,499)	-	(42,499)
Transfers between revaluation and income and expenditure	-	-	640	(640)	-
Transfer revaluation reserve to unrestricted reserve	-	-	6,156	(6,156)	-
Release of restricted funds spent in year	-	(142)	142	-	-
Total comprehensive income for the year	**18**	**(61)**	**(12,237)**	**(6,796)**	**(19,076)**
Balance at 31 July 2016	**171**	**949**	**60,247**	**62,127**	**123,494**

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

	Notes	Group 2016 £'000	Group 2015 £'000	University 2016 £'000	University 2015 £'000
Non-current assets					
Fixed assets	10	**171,111**	186,152	**171,111**	186,152
Investments	11	**573**	543	**573**	543
		171,684	186,695	**171,684**	186,695
Current assets					
Stock	12	**38**	41	**38**	41
Trade and other receivables	13	**8,000**	9,734	**8,000**	9,735
Investments	14	**84,500**	53,500	**84,500**	53,500
Cash and cash equivalents		**36,733**	25,471	**36,501**	25,448
		129,271	88,746	**129,039**	88,724
Less: Creditors: Amounts falling due within one year	15	**(22,749)**	(23,339)	**(22,550)**	(23,538)
Net current assets		**106,522**	65,407	**106,489**	65,186
Total assets less current liabilities		**278,206**	252,102	**278,173**	251,881
Creditors: amounts falling due after more than one year	16	**(8,150)**	(10,846)	**(8,150)**	(10,846)
Provisions					
Pension provisions	17	**(145,276)**	(98,165)	**(145,276)**	(98,165)
Other provisions	17	**(1,253)**	(300)	**(1,253)**	(300)
Total net assets		**123,527**	142,791	**123,494**	142,570
Restricted reserves					
Income and expenditure reserve – endowment reserve	18	**171**	153	**171**	153
Income and expenditure reserve – restricted reserve	19	**949**	1,010	**949**	1,010
Unrestricted reserves					
Income and expenditure reserve – unrestricted reserve		**60,280**	72,705	**60,247**	72,484
Revaluation reserve		**62,127**	68,923	**62,127**	68,923
Total reserves		**123,527**	142,791	**123,494**	142,570

The Financial Statements on pages 30 to 58 were approved by the Board of Governors of London Metropolitan University on 29 November 2016, and were signed on its behalf by:

Mark Anderson
Chair of the Board of Governors

Professor John Raftery
Vice-Chancellor and Chief Executive

Registered company number: 974438

	Notes	31-Jul-16 £'000	31-Jul-15 £'000
Cash flow from operating activities			
Surplus for the year		**23,235**	23,169
Adjustment for non-cash items			
Depreciation	10	**5,585**	6,341
Gain on investments	18,19	**(31)**	(37)
Exchange rate gain		**(137)**	(9)
Decrease in stock	12	**3**	3
Decrease/(increase) in debtors	13	**2,138**	(498)
Decrease in creditors	14	**(3,260)**	(1,219)
Increase in pension provision	17	**978**	333
Increase/(decrease) in other provisions	17	**953**	(5,994)
Adjustment for investing of financing activities			
Investment income	5	**(798)**	(289)
Interest payable	9	**3,634**	3,791
Endowment income		**(23)**	(394)
Profit on the sale of fixed assets		**(30,676)**	(26,299)
Capital grant income		**(789)**	(1,584)
Net cash inflow/(outflow) from operating activities		**812**	(2,686)
Cash flows from investing activities			
Proceeds from sales of fixed assets		**50,124**	80,764
Capital grant receipts		**789**	1,584
Investment income		**406**	218
Payments made to acquire fixed assets		**(9,702)**	(13,804)
Increase in current asset investments		**(31,000)**	(40,500)
		10,617	28,262
Cash flows from financing activities			
Interest paid		**-**	(128)
Endowment cash received		**23**	394
New unsecured loans		**213**	856
Repayments of amounts borrowed		**(403)**	(644)
Capital elements of finance lease rental payments		**-**	(3,889)
		(167)	(3,411)
Increase in cash and cash equivalents in the year		**11,262**	22,165
Cash and cash equivalents and the beginning of the year		**25,471**	3,306
Cash and cash equivalents and the end of the year		**36,733**	25,471

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

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

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

Going concern

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

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

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

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

(B) Basis of consolidation

The consolidated financial statements include the University and its subsidiary undertaking for the financial year to 31 July 2016. The results of subsidiaries acquired or disposed during the period are included in the consolidated statement of income and expenditure from the date of acquisition to the date of disposal. 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 surplus for the year ended 31 July 2016 is £23,423k (2014-15: £23,065k).

(C) Income recognition

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

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

Tuition fees

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

Short course fees are accounted for as for service contracts below.

Sale of goods and services

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

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

Investment income

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

Agency income

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

Transactions without commercial substance

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

Performance model

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

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

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

Government grants

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

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

Non-government grants, donations and endowments

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

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

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

(ii) Donations without restrictions

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

Capital grants

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

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

Research income

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

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

(D) Endowments

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

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

Restricted permanent endowments

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

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

Restricted expendable Endowments

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

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

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

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

(E) Taxation

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

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

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

(F) Fixed assets

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

Land and buildings

The University's freehold land and buildings have been revalued to fair value on 1 August 2014, the date of transition to the 2015 FE HE SORP, and are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

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

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

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

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

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

Equipment and furniture

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

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

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

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

Repairs and maintenance

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

Heritage assets

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

(G) Leases

Finance leases

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

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

Operating leases

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

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

(H) Stock

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

(I) Retirement benefits

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

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

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

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

(J) Employment benefits

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

(K) Investments

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

(L) Cash and cash equivalents

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

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

(M) Provisions and contingent liabilities

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

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

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

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

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

(N) Foreign currencies

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

(O) Reserves

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

(P) Transition to 2015 SORP and FRS102

The University is preparing its financial statements in accordance with FRS 102 for the first time and consequently has applied first time adoption requirements. Some of the FRS 102 recognition, measurement, presentation and disclosure requirements and accounting policy choices differ from previous UK GAAP. Consequently, the University has amended certain accounting policies to comply with FRS 102 and the 2015 FE HE SORP. The Board has also taken advantage of certain exemptions from the requirements of FRS 102 permitted by FRS 102 Chapter 35 "Transition to this FRS".

An explanation of how the transition to the 2015 SORP has effected the reported financial position, financial performance and cash flows of the consolidated results of the University is provided in note 28.

Application of first time adoption grants certain exemption from the full requirements of the 2015 SORP in the transition period. The following exceptions have been taken into these financial statements:

- Revaluation as deemed cost – At 1 August 2014, the University has retained the carrying values of freehold properties as being deemed cost and measured at fair value.

	2015-16 £'000	2014-15 £'000
1. Tuition fees		
Full-time students:		
Home and EU	**68,264**	64,331
Overseas	**4,296**	4,576
Part-time students	**9,886**	9,680
	82,446	78,587
2. Funding body grants		
Recurrent grants		
Higher Education Funding Council for England	**12,203**	15,952
National College for Teaching and Leadership	**166**	349
Specific grants		
Knowledge exchange funding	**893**	1,547
Inherited pension liability reimbursement	**1,152**	1,173
Postgraduate support scheme	**170**	950
Capital grants	**789**	1,584
Other	**15**	31
	15,388	21,586
3. Research grants and contracts		
Research councils	**108**	169
UK based charities	**132**	222
European Union	**334**	709
Other	**600**	633
	1,174	1,733
4. Other income		
Consultancy	**177**	227
Trading income	**1,533**	1,223
Sale of materials and other departmental income	**271**	228
Rental income and hire of facilities	**918**	749
Validation income	**481**	1,308
Other grants and contracts	**-**	322
Other income	**3,276**	924
	6,656	4,981

Included in other income is a £2m compensation for loss of rights of light.

	2015-16 £'000	2014-15 £'000
5. Investment income		
Invstment income on endowments	**18**	16
Investment income on restricted reserves	**18**	37
Other investment income	**788**	258
	824	311
6. Donations and endowments		
Donations with restrictions	**43**	424
Unrestricted donations	**35**	2,525
	78	2,949

7. Staff costs

		2015-16	2014-15
		£'000	£'000
Costs:	Academic staff	33,115	37,495
	Other staff	30,878	32,354
		63,993	69,849
Comprising:	Salaries	49,479	55,710
	Social security costs	4,510	4,626
	Movement in LPFA provision	1,894	1,168
	Movement in USS provision	(20)	76
	Other pension costs	8,130	8,269
		63,993	69,849
Staff restructuring costs		6,035	2,678
		70,028	72,527
Emoluments of the Vice-Chancellor and Chief Executive:			
Salary		220	220
Pension contributions		35	35
		255	255

The Vice-Chancellor and Chief Executive is a member of The London Pensions Fund Authority (LPFA). As at 31 July 2016 his gross accrued pension per annum was £79k (2015: £74k) and his accrued tax free lump sum was £140k (2015: £140k). Changes in tax rules on pension contributions affecting annual and lifetime allowances cause these figures to be under review, with likely retrospective reduction.

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	1	2
£110,001 to £120,000	2	0
£130,001 to £140,000	0	1
£160,000 to £170,000	2	2
	5	5
The average number of full-time equivalent employees during the year was:		
Academic staff	555	648
Other staff	641	755
	1,196	1,403

Key management personnel

Key management personnel are those employees having authority and responsibility for planning, directing and controlling the activities of the University. The University considers the Board of Governors, the Executive Group and the Senior Management Group as its key management personnel. Key management personnel consist of 27 personnel (2014-15: 29), including the Vice-Chancellor and Chief Executive. Of the 27 personnel, 14 (2014-15: 13) were remunerated as employees of the University. The remaining 13 (2014-15: 16) are independent governors and are not remunerated.

	2015-16	2014-15
	£'000	£'000
Salaries	1,291	1,299
Pension contributions	208	196
	1,499	1,495

During the year £5k (2014-15: £4k) was paid in respect of governors' expenses.
A total of five governors received expenses (2014-15: four).

8. Analysis of total expenditure by activity

	Staff Costs	Other operating expenses	Depreciation	Interest payable	**2015–16**	2014–15
	£'000	£'000	£'000	£'000	**£'000**	£'000
Academic departments	32,267	6,223	1,715	-	**40,206**	45,109
Academic services	4,230	2,506	171	-	**6,907**	7,397
Administration and central services	21,196	12,298	809	-	**34,302**	37,711
Premises	3,615	14,418	2,818	-	**20,851**	19,265
Research grants and contracts	811	411	72	-	**1,294**	1,362
Other expenditure	7,909	(896)	-	3,634	**10,647**	6,598
	70,028	**34,960**	**5,585**	**3,634**	**114,207**	117,442

	2015–16	2014–15
Other operating expenses include:		
Operating lease rentals		
– land and buildings	**3,528**	2,699
– other	**562**	676
External auditor's remuneration (excluding VAT):		
– audit of these financial statements	**84**	62
– audit of the University's subsidiary	**1**	4
– other audit services	**76**	11
Internal auditor's remuneration	**143**	143
Students' Union grant	**535**	546

The total shown for other expenditure includes £6,035k of staff restructuring costs (2014-15: £2,678k) and £4,612k (2014-15: £3,920k) in respect of FRS17 adjustments and USS deficit recovery plan provision adjustments to staff costs, other operating expenses and interest payable.

9. Interest and other finance costs

	2015-16	2014-15
	£'000	£'000
Loan interest	**-**	3
Finance lease interest	**-**	125
Net charge on pension scheme deficit	**3,634**	3,663
	3,634	3,791

10. Tangible Fixed Assets (Group)

	Land and buildings					
	Freehold	Under construction	Alterations and improvements	Long leasehold	Equipment and furniture	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost						
At 1 August 2015	163,448	937	22,983	1,175	31,120	219,663
Additions	-	3,951	3,726	-	2,025	9,702
Disposals	(18,276)	-	(1,149)	-	(414)	(19,839)
Transfers	-	(785)	785	-	-	-
At 31 July 2016	**145,172**	**4,103**	**26,345**	**1,175**	**32,731**	**209,526**
Depreciation						
At 1 August 2015	2,085	-	6,724	322	24,380	33,511
Charge for year	1,765	-	878	20	2,923	5,586
Eliminated on disposal	(211)	-	(57)	-	(414)	(682)
At 31 July 2016	**3,639**	**-**	**7,545**	**342**	**26,889**	**38,415**
Net book value at 31 July 2016	**141,533**	**4,103**	**18,800**	**833**	**5,842**	**171,111**
Net book value at 31 July 2015	**161,363**	**937**	**16,259**	**853**	**6,740**	**186,152**
Cost of land included in above	**35,121**	**-**	**-**	**-**	**-**	**35,121**

Alterations and improvements

The alterations and improvements net book value can be allocated to the various categories of fixed assets as detailed below. An additional £10,280k of net book value relates to alterations and improvements undertaken on properties held under operating leases.

	Freehold	Under construction	Alterations and improvements	Long leasehold	Equipment and furniture	Total
Net book value at 31 July 2016	**8,490**	**-**	**-**	**30**	**-**	**8,520**

The most recent valuation of the group's freehold properties was prepared by Cushman & Wakefield as at 1 August 2014 (date of transition to FRS102). At the date of transition to FRS 102, the University chose to perform a one-off valuation of its freehold properties and freeze that value as "deemed cost". The University will then continue to adopt the historical cost accounting convention.

On 22 February 2016 the University completed the sale of a freehold academic property, Central House. The sale generated a surplus of £30.5m as follows: sales proceeds of £50m, less book value at disposal of £19.2m less costs associated with the disposal of £0.3m.

During 2015-16 the University disposed of computer and other specialist equipment with no net book value. The sales generated a surplus of £125k.

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

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

The Irish History Archive consists of materials donated in a number of different media over the last 20 years, the most significant of which is the Paul Hill Prison Letters (1974-89). The original collections were inherited by the University from the Irish in Britain History Group in 1989 and have been substantially augmented.

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

11. Non-Current Investments

Consolidated	Investment in OEIC	Other non current investments	Total
	£'000	£'000	£'000
At 1 August 2015	479	64	543
Change in market value	30		30
At 31 July 2016	**509**	**64**	**573**

Investment in Open Ended Investment Company (OEIC)

The University has an investment in a Managed Growth Fund.

Other non-current investments

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

Subsidiaries

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

London Metropolitan University Enterprises Limited

The company is registered and incorporated in England and is wholly owned by the University. Its principal business activities were the provision of consultancy services and a print centre. The company ceased trading on 1 August 2014. In 2015-16 the company made a deficit of £180k (2014-15: surplus £462k) and the net assets at 31 July 2016 are £42k (2015: £222k).

London Metropolitan University Nigeria Limited

The company is registered and incorporated in Nigeria and is wholly owned by the University. Its principal business activity was to provide qualitative counselling to students wishing to study at London Metropolitan University on behalf of the University. It does not trade in its own right and the University has no material investment in the company. The company ceased trading on 31 May 2014 and is in the process of preparing a final set of accounts for 2014.

	2016	2015
	£'000	£'000

12. Stock

University and Group		
Raw materials	**14**	26
Goods purchased for resale	**24**	15
	38	41

13. Trade and other receivables

University and Group		
Amounts falling due within one year:		
Trade receivables	**5,175**	5,448
Amounts due from HEFCE	**-**	1,385
Loans to staff and students	**89**	103
Other debtors	**109**	26
Prepayments and accrued income	**2,627**	2,772
	8,000	9,734

14. Current investments

University and Group		
Deposits maturing in one year or less	**84,500**	53,500

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

At 31 July 2016 the weighted average interest rate of the fixed rate deposits was 0.7% per annum (31 July 2015: 0.6%) and the remaining weighted average period for which the interest rate is fixed on these deposits was 33 days (31 July 2015: 56 days). The fair value of these deposits was not materially different from the book value.

15. Creditors – amounts falling due within one year

	2016 £'000	2015 £'000
Group		
Unsecured loans	**409**	403
Amounts owed to HEFCE	**2,500**	2,898
Trade payables	**3,778**	7,478
Social security and other taxation payable	**2,525**	2,505
Other payables	**16**	95
Accruals	**11,247**	7,416
Deferred income	**2,274**	2,544
	22,749	23,339
University		
Unsecured loans	**409**	403
Amounts owed to HEFCE	**2,500**	2,898
Trade payables	**3,778**	7,478
Social security and other taxation payable	**2,326**	2,479
Other payables	**16**	95
Accruals	**11,247**	7,416
Deferred income	**2,274**	2,544
Amounts owed to subsidiary companies	**-**	225
	22,550	23,538

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

	2016 £'000	2015 £'000
HEFCE grant repayment		
Payable between one and two years	**2,500**	2,500
Payable between two and five years	**5,000**	7,500
	7,500	10,000
HEFCE revolving green fund loans (interest free, unsecured)		
Principal payable between one and two years	**570**	339
Principal payable between two and five years	**80**	464
	650	803
SALIX energy efficiency loans (interest free, unsecured)		
Principal payable between one and two years	**-**	43
Total	**8,150**	10,846

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. £26.5m has been repaid to 31 July 2016. The remaining payment will be made at £2.5m per annum until 2019-20.

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

The HEFCE revolving green fund loans were awarded for investments in University energy-efficiency initiatives. Three interest free loans were awarded to the University. The first two loans were awarded in 2013-14 and the third loan was awarded in 2015-16. A total of £1.6m (2014-15: £1.4m) has been awarded. The first loan, which was awarded in 2013-14 for £1m will be fully repaid in November 2018, the second loan for £0.4m which was also awarded in 2013-14 will be fully repaid in May 2018. The remaining loan for £0.2m will be fully repaid in November 2020.

The SALIX energy efficiency loans were awarded for investment in energy-efficient technologies. Five interest free 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 were fully repaid in September 2014. The loan awarded in 2011-12 was fully repaid in September 2015. 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.

17. Provisions for liabilities

Consolidated	Defined benefit obligations	Obligation to fund deficit on USS pension	Total pensions provisions	Rent Reviews	Contract Claim	Total Other
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
At 1 August 2015	97,843	322	98,165	-	300	300
Utilised in year	-	-	-	-	(100)	(100)
Additions in 2015-16	47,125	-	47,125	1,253	-	1,253
Unused amounts reversed in 2015-16	-	(14)	(14)	-	(200)	(200)
At 31 July 2016	**144,968**	**308**	**145,276**	**1,253**	**-**	**1,253**

Defined benefit obligations

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

Obligation to fund deficit on USS pension scheme

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

Rent reviews

A rent review provision is recognised when additional obligations might arise as a result of rent reviews, which form part of the University's unavoidable cost of meeting its obligations under lease contracts. Two of the University's leasehold buildings retrospectively have rent reviews due under the terms of the contracts.

Contract claim

The contract claim provision related to a disputed claim from a supplier for works carried out under a service contract. The claim was settled in May 2016.

18. Endowment reserves (University and Group)

Restricted net assets relating to endowments are as follows:

	Restricted Permanent £'000	**2016 £'000**	2015 £'000
Endowment reserves			
Balance at 1 August			
Capital	139	**139**	124
Accumulated income	14	**14**	13
	153	**153**	137
Increase in market value of investments	18	**18**	16
Balance at 31 July	**171**	**171**	**153**
Represented by:			
Capital	157	**157**	139
Accumulated income	14	**14**	14
	171	**171**	153
Analysis by purpose:			
Lectureships		**14**	13
Scholarships and bursaries		**65**	59
Research support		**5**	5
Prize funds		**54**	48
General		**33**	28
		171	153
Analysis by asset:			
Non-current asset investments		**171**	153

19. Restricted reserve

	Restricted Funds £'000	Donations £'000	**2016 Total £'000**	2015 Total £'000
At 1 August	1,010	-	**1,010**	621
New donations	23	40	**63**	423
Investment income	6		**6**	16
Expenditure	(102)	(40)	**(142)**	(71)
Increase in market value of investments	12		**12**	21
Total restricted comprehensive income for the year	(61)	-	**(61)**	389
At 31 July	**949**	-	**949**	1,010

Analysis of restricted funds by purpose:

	2016	2015
Lectureships	**64**	64
Scholarships and bursaries	**609**	627
Prize funds	**238**	214
General	**38**	105
	949	1,010

20. Pension arrangements (University and Group)

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

A. The London Pensions Fund Authority (LPFA) Fund

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

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

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

The University's contribution to the Fund for 2015-16 was £4,198k (2014-15: £4,412k). The University's estimate of the contribution to the Fund for 2016-17 is £4,045k.

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

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

20. Pension arrangements (University and Group) – continued

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

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

The actuarial valuation dated 31 March 2013 was published on 27 March 2014. The next actuarial valuation is due as at 31 March 2016, publication is expected early in 2017.

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

LPFA – FRS 102 statements

A full FRS102 actuarial valuation was carried out as at 31 July 2016 by the Fund actuary, Barnett Waddingham.

The major assumptions used by the actuary were as follows:

	2016	2015	2014
Rate of increase in salaries	**3.9%**	4.4%	4.5%
Rate of increase in pensions in payment – RPI	**3.0%**	3.5%	3.5%
Rate of increase in pensions in payment – CPI	**2.1%**	2.6%	2.7%
Discount rate	**2.5%**	3.8%	4.2%

Salaries are assumed to increase at 1.8% p.a. above CPI in addition to a promotional scale. The actuary has allowed for a short-term overlay from 1 August 2015 to 31 July 2019 for salaries to rise at 1.0% p.a.

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

	2016 Years	2015 Years
Current pensioners		
Males	**21.9**	21.9
Females	**25.3**	25.2
Future pensioners (retiring in 20 years)		
Males	**24.3**	24.2
Females	**27.6**	27.5

20. Pension arrangements (University and Group) – continued

Fund assets

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

		Fair value as at 31 July 2016		Fair Value as at 31 July 2015		Fair Value as at 31 July 2014
	%	**£'000**	%	£'000	%	£'000
Equities	**51%**	**97,584**	44%	79,722	44%	76,636
LDI/Cashflow matching	**9%**	**16,575**	14%	26,068	6%	10,650
Target return portfolio	**24%**	**46,121**	19%	35,029	29%	49,881
Infrastructure	**7%**	**13,401**	5%	9,680	3%	5,822
Commodities	**1%**	**1,014**	0%	810	1%	1,857
Property	**4%**	**7,091**	3%	5,661	3%	4,780
Cash	**4%**	**7,890**	13%	23,272	14%	24,145
Total	**100%**	**189,676**	98%	180,242	100%	173,771

	31 July 2016	31 July 2015	31 July 2014
	%pa	%pa	%pa
The weighted average expected long-term rates of return were:	**5.0%**	5.8%	5.8%

Net pension liability (University and Group)

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

	2015-16	2014-15
	£'000	£'000
Fair value of scheme assets (bid value)	**189,676**	180,242
Present value of the defined benefit obligation	**(323,339)**	(266,620)
Present value of unfunded obligations	**(11,305)**	(11,465)
Total value of obligations	**(334,644)**	(278,085)
Deficit in the scheme – net pension liability recorded within pension provision (note 17)	**(144,968)**	(97,843)

The present value of the unfunded liabilities as at 31 July 2016 consists of £2,311k (2015: £2,344k) in respect of enhanced LGPS pensions and £8,994k (2015: £9,121k) in respect of enhanced teachers' pensions.

Current service cost	**(5,680)**	(5,550)
Past service costs, including curtailments	**(991)**	(159)
Total operating charge	**(6,671)**	(5,709)
Analysis of the amount charged to interest payable		
Interest cost	**(10,479)**	(10,932)
Interest on assets	**6,851**	7,276
Net charge to interest payable	**(3,628)**	**(3,656)**
Analysis of other comprehensive income		
Return on Fund assets in excess of interest	**2,745**	533
Experience loss on defined benefit obligation	**-**	(43)
Change in financial assumptions	**(45,244)**	(4,551)
Total other comprehensive income	**(42,499)**	**(4,061)**

20. Pension arrangements (University and Group) – continued

	2015-16 £'000	2014-15 £'000
Cumulative actuarial loss recognised as other comprehensive income		
Cumulative actuarial losses recognised at the start of the year	**(27,847)**	(23,296)
Cumulative actuarial losses recognised at the end of the year	**(73,091)**	(27,847)

	2015-16 £'000	2014-15 £'000
Analysis of movement in deficit		
Deficit at beginning of year	**(97,843)**	(89,869)
Contributions paid by the University	**5,943**	5,713
Current service costs	**(5,680)**	(5,550)
Past service costs, including curtailments	**(991)**	(159)
Other finance charges	**(3,628)**	(3,656)
Administration expenses	**(270)**	(261)
Losses recognised in other comprehensive income	**(42,499)**	(4,061)
Deficit at end of year	**(144,968)**	(97,843)

	2015-16 £'000	2014-15 £'000
Analysis of the movement in the present value of the Funds's liabilities		
At 1 August	**278,085**	263,640
Movement in year:		
Current service cost	**5,680**	5,550
Interest cost	**10,479**	10,932
Contributions by members	**1,522**	1,614
Contributions in respect of unfunded benefits	**(1,166)**	(1,172)
Change in financial assumptions	**45,244**	4,551
Experience loss on defined benefit obligation	**-**	43
Past service costs, including cutailments	**991**	159
Estimated benefits paid	**(6,191)**	(7,232)
At 31 July	**334,644**	278,085

	2015-16 £'000	2014-15 £'000
Analysis of movement in the fair value of the Funds's assets		
At 1 August	**180,242**	173,771
Movement in year:		
Expected rate of return on Fund assets	**9,596**	7,809
Administration expenses	**(270)**	(261)
Contributions by members	**1,522**	1,614
Contributions by the employer including unfunded benefits	**5,943**	5,713
Estimated benefits paid including unfunded benefits	**(7,357)**	(8,404)
At 31 July	**189,676**	**180,242**

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

20. Pension arrangements (University and Group) – continued

B. The Teachers' Pension Scheme (TPS)

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

Under definitions set out in FRS 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 2015-16 was £3,793k (2014-15: £3,731k). The University's estimated contribution to the Scheme for 2016-17 is £3,593k.

The Government Actuary's Department was appointed as Scheme actuary by the Secretary of State to carry out an actuarial valuation of the Scheme as at 31 March 2012. The valuation was published in June 2014 and has determined a new rate of employer contributions of 16.4% of pensionable pay payable from 1 April 2015 (the implementation date) for a four year period from 1 April 2015 (the implementation period) and the initial employer cost cap of 10.9% of pensionable pay. Total Scheme liabilities have been estimated at £191.5bn and notional assets at £176.6bn, giving a notional past service deficit of £15.9bn. The assumed real rate of return is 3.0% in excess of prices. The rate of real earnings growth is assumed to be 2.75% and the assumed gross rate of return is 5.06%.

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

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

C. The Universities Superannuation Scheme (USS)

The University participates in the Universities Superannuation Scheme (the Scheme). Throughout the current and preceding periods, the Scheme was a defined benefit only pension scheme until 31 March 2016 which was contracted out of the State Second Pension. The assets of the Scheme are held in a separate trustee-administered fund. Because of the mutual nature of the Scheme, the Scheme's assets are not hypothecated to individual institutions and a scheme-wide contribution rate is set. The University is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the Scheme on a consistent and reasonable basis and therefore, as required by Section 28 of FRS102 "Employee benefits", accounts for the Scheme as if it were a defined contribution scheme.

As a result, the amount charged to the income and expenditure account represents the contributions payable to the Scheme in respect of the accounting period. Since the University has entered into an agreement (the Recovery Plan that determines how each employer within the Scheme will fund the overall deficit), the University recognises a liability for the contributions payable that arise from the agreement to the extent that they relate to the deficit and the resulting expense in the Statement of Comprehensive Income.

The total cost recognised in the statement of comprehensive income is regarded as being equal to the contributions payable to the Scheme for the year. The University's contribution to the USS for 2015-16 was £203k (2014-15: £231k). There was neither a prepayment nor an accrual at the end of the financial year in respect of these contributions. The University's estimated contribution to the Scheme for 2016-17 is £189k.

20. Pension arrangements (University and Group) – continued

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

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

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

The 2014 valuation was the third valuation for USS under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. At the valuation date, the value of the assets of the Scheme was £41.6 billion and the value of the Scheme's technical provisions was £46.9 billion, indicating a shortfall of £5.3 billion. The assets therefore were sufficient to cover 89% of the benefits which had accrued to members after allowing for expected future increases in earnings.

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

	2016	2015
Discount rate	3.6%	3.3%
Pensionable salary growth	n/a	3.5% in the first year and 4.0% thereafter
Pension increase (CPI)	2.2%	2.2%

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

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

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

	2016	2015
Males currently aged 65 (years)	24.3	24.2
Females currently aged 65 (years)	26.5	26.4
Males currently aged 45 (years)	26.4	26.3
Females currently aged 45 (years)	28.8	28.7

	2016	2015
Scheme assets	£49.8bn	£49.1bn
Total Scheme liabilities	£58.3bn	£60.2bn
FRS 102 total Scheme deficit	£8.5bn	£11.1bn
FRS 102 total funding level	85%	82%

21. Capital commitments (University and Group)

	2016	2015
	£'000	£'000
At 31 July capital commitments were as follows:		
Commitments contracted	6,588	2,869
Authorised but not contracted	5,740	5,832
	12,328	8,701

22. Lease obligations

Total rentals payable underoperating leases		31 July 2016		31 July 2015
	Buildings	Equipment	Total	Total
	£'000	£'000	£'000	£'000
Payable during the year	2,155	562	2,717	2,625
Future minimum lease payments due:				
Not later than one year	2,155	270	2,425	2,625
Later than one year and not later than five years	8,619	563	9,182	8,619
Later than five years	8,929	-	8,929	11,083
Total lease payments due	19,703	833	20,536	22,327

23. Events after the reporting period

There are no events to report after the reporting period.

24. HEFCE Student Support Fund (University and Group)

	2015-16	2014-15
	£'000	£'000
Balance unspent at 1 August	-	65
Amounts repaid	-	(54)
Disbursed to students	-	(11)
Balance unspent at 31 July	-	-

The Student Support Fund was established in 2012 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.

Final payments were disbursed to students during the early part of the 2014-15 and the unspent balance of £54k was returned to HEFCE on 20 November 2014.

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

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

	2015-16	2014-15
	£'000	£'000
Balance unspent at 1 August	**539**	523
Amounts received	**1,530**	1,176
Disbursed to students and administration	**(1,441)**	(1,160)
Unspent balance written off	**(539)**	-
Balance unspent at 31 July	**89**	539

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.

The unspent balance written off of £539k relates to an old balance carried forward since 2010-11.

26. Related party transactions

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

The Board of Governors considers it appropriate to disclose the following transactions for the period covered by the financial statements where a company directorship or partner status in a professional firm is involved:

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

Mr Obie Opara was a member of the Board of Governors as Students' Union Representative until 30 June 2016. He was replaced by Ms Florence Onwumere on 1 July 2016. Mr Opara was president of London Metropolitan University Students' Union (the Union) until 30 June 2016 and was replaced by Ms Onwumere on 1 July 2016. 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 FRS102, which applies to transactions and balances between group entities that have been eliminated on consolidation.

27. Contingent liabilities

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

As explained in the note of accounting policies, these are the University's first financial statements prepared in accordance with FRS 102 and the 2015 SORP. The accounting policies set out in Note 1 have been applied in preparing the financial statements for the year ended 31 July 2016, the comparative information presented in these financial statements for the year ended 31 July 2015 and in the preparation of an opening FRS 102 Statement of Financial position at 1 August 2014. The University has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (2007 SORP). An explanation of the impact of the transition to financial statements prepared applying FRS 102 and the 2015 SORP to the University's financial position, financial performance and cash flows is set out in the following tables.

28. Transition to FRS102 and the 2015 SORP

As explained in the note of accounting policies, these are the University's first financial statements prepared in accordance with FRS102 and the 2015 SORP. The accounting policies set out in Note 1 have been applied in preparing the financial statements for the year ended 31 July 2016, the comparative information presented in these financial statements for the year ended 31 July 2015 and in the preparation of an opening FRS102 Statement of Financial position at 1 August 2014. The University has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (2007 SORP). An explanation of the impact of the transition to financial statements prepared applying FRS102 and the 2015 SORP to the University's financial position, financial performance and cash flows is set out in the following tables.

		At 1 August 2014			At 31 July 2015		
	Note	As previously stated	Effect on transition	FRS 102 (as restated)	As previously stated	Effect on transition	FRS 102 (as restated)
Financial position		**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Fixed assets	(A), (I)	131,847	73,251	205,098	120,746	65,406	186,152
Investments	(B)	64	468	532	64	479	543
Endowment asset investments	(B)	757	(757)	-	1,162	(1,162)	-
Current assets	(A), (B), (I)	33,370	22,746	56,116	88,065	681	88,746
Creditors: amounts falling due within one year	(D)	(23,531)	(2,402)	(25,933)	(21,013)	(2,326)	(23,339)
Net current assets/(liabilities)		9,839	20,344	30,183	67,052	(1,645)	65,407
Total assets less current liabilities		**142,507**	**93,306**	**235,813**	**189,024**	**63,078**	**252,102**
Creditors: amounts falling due after more than one year		(12,892)	-	(12,892)	(10,846)	-	(10,846)
Provisions	(E), (F), (I)	(96,163)	(3,075)	(99,238)	(98,143)	(322)	(98,465)
Total net assets		**33,452**	**90,231**	**123,683**	**80,035**	**62,756**	**142,791**
Deferred capital grants	(I)	60,330	(60,330)	-	47,182	(47,182)	-
Endowments	(B)	757	(757)	-	1,162	(1,162)	-
Reserves	(A), (I)	(27,635)	151,368	123,683	31,691	111,100	142,791
Total Reserves		**33,452**	**90,231**	**123,683**	**80,035**	**62,756**	**142,791**

		Year ended 31 July 2015		
	Note	As previously stated	Effect on transition	FRS 102 (as restated)
		£'000	£'000	£'000
Financial performance				
Income	(C), (I)	111,379	(4,181)	107,198
Donations	(B)	-	2,949	2,949
Expenditure	(A), (D), (F)	116,861	581	117,442
Deficit before other gains and losses		(5,482)	(1,813)	(7,295)
Gain on disposal of fixed assets	(A), (I)	67,560	(41,261)	26,299
Release of unused provision		4,165	-	4,165
Surplus for the year		66,243	(43,074)	23,169
Actuarial loss in respect of pension fund	(G), (H)	-	(4,061)	(4,061)
Surplus on the year transferred from accumulated income in endowment reserve		28	(28)	-
Total comprehensive income		**66,271**	**(47,163)**	**19,108**

28. Transition to FRS102 and the 2015 SORP – continued

The only impact of the transition to FRS 102 on the cash flows of the University and the Group is the reclassification of some short term investments to cash equivalents; a change to movement in creditors to reflect the recognition of short-term compensation absences; and an increase to provisions to account for the obligation to disclose the past deficit of the Universities Superannuation Scheme. The consolidated cash flow can be found on page 33.

Notes to the reconciliation

(A) Revaluation of University freehold properties as at 1 August 2014

On first time adoption of FRS 102 the University elected that all freehold land and buildings be measured at their fair value at the date of transition (1 August 2014) and for that fair value to be used as the deemed cost of freehold land and buildings going forward. As at 1 August 2014 the revaluation added £103,713k to the value of fixed assets, current assets, where a university held a building for sale, and to the revaluation reserve. During 2014-15 three revalued buildings were sold and an additional building was revalued. These movements are reflected in the transition adjustment for 2014-15 of £65,406k. The building disposals reduced the revaluation reserve by £40,384k. The residual life of our buildings was increased as a result of the valuation from 50 years to an average of 55 years. This led to the depreciation charge for the year ending 31 July 2015 being reduced by £2,394k.

(B) Reclassification of endowment asset investments and change to income recognition criteria

Under the previous accounting policy endowment asset investments were shown on the balance sheet. Under FRS 102 endowment assets are included within appropriate asset categories. £468k (£479k as at 31 July 2015) was included in non-current asset investments and £289k (£681k as at 31 July 2015) was included in current assets as cash and cash equivalents. Under the previous accounting policy new endowments received were recognised in the Statement of Recognised Gains and Losses (STRGL); under FRS 102 these are recognised in the Income Statement, on entitlement to the income. £395k has been recognised in donations in the Income Statement.

(C) Investment gains and losses

Under the previous accounting policy, gains and losses on investment assets were recognised in the University's reserves. Under FRS 102 all investment gains and losses are recognised in the Income Statement. For the year ended 31 July 2015 £38k of investment gains are recognised in the Income Statement.

(D) Recognition of short-term compensation absences

Under the previous accounting policy no provision was made for holiday pay (holiday earned but not taken before the year-end). FRS 102 requires the cost of any unused entitlement to be recognised in the period in which the employee's services are received. Consequently, an accrual of £2,402k was recognised at 1 August 2014. Following a re-measurement exercise in 2014-15, the accrual was reduced by £79k, credited to the Income Statement in the year ended 31 July 2015. A re-measurement exercise was also undertaken in 2015-16 which saw a further reduction in the accrual of £558k which was credited to the Income Statement in the year ended 31 July 2016.

(E) Change in classification of pension liabilities to provisions

The 2015 SORP requires that pension liabilities be re-classified as pension provisions on the Balance Sheet.

(F) Obligation to disclose the past deficit on the Universities Superannuation Scheme (USS)

Under the previous accounting policy the University was not required to recognise actuarial deficits or surpluses on multi-employer pension scheme, as its share of assets and liabilities was not separately identified. Under FRS 102, a provision is required to reflect the deficit on the Universities Superannuation Scheme, which arise from the contractual obligation with the Scheme for payments relating to benefits arising from past performance. A provision was created as at 1 August 2014 for £239k. The provision was increased by £83k as at 31 July 2015, with a resultant charge to the Income Statement.

(G) Presentation of actuarial gains and losses within Total Comprehensive Income

Actuarial gains and losses on the University's share of the LPFA pension fund were previously presented in the Statement of Total Recognised Gains and Losses (STRGL). All such gains and losses are now presented within the Income Statement, as movements in Other Comprehensive Income.

28. Transition to FRS102 and the 2015 SORP – continued

(H) Change in recognition of the LPFA Fund finance costs

The net pension finance cost recognised in the Income and Expenditure account for the year ended 31 July 2015 under the previous accounting practice was the net of the expected return on pension fund assets and the interest on pension liabilities. FRS 102 requires recognition in the Income Statement of a net interest cost, calculated by multiplying the net fund obligations by the market yield on high quality corporate bonds (the discount rate applied). The change has no effect on net assets as the measurement of the net defined benefit fund obligation has not changed. Instead the decrease in surplus for the year of £3,016k has been mirrored by a reduction in the actuarial losses to £4,061k (£7,077k under previous practice) presented within Other Comprehensive Income.

(I) Capital grants accounted for under the performance model

Revenue recognition rules under FRS 102 require capital grants without performance conditions, or where performance conditions have been satisfied, to be credited to the Income statement, rather than to deferred capital grants on the Balance Sheet, as was previously the case. Consequently, deferred capital grants totalling £49,324k were released to the income and expenditure reserve – unrestricted on 1 August 2014, either because there were no performance conditions or the performance conditions had been satisfied. £8,170k of grant was released to fixed assets to reverse out a building existing use value adjustment that was required under the previous accounting practice. A further £2,836k of grant was released to provisions to reverse a reinstatement of grant that had been released against provisions under the previous accounting standard. An adjustment has been made to the Income Statement in 2014-15 to include £1,585k of capital grants received and to reverse the previous capital grant release of £3,234k. A further adjustment of £877k was made to reverse the release of deferred capital grants on buildings that were disposed of in 2014-15.

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