

The University for
World-Class Professionals



Manchester
Metropolitan
University

Financial Statements

Year ended 31 July 2014



Financial Statements Report and Accounts 2013/14

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Report of the Board of Governors

Operating and Financial Review

The Governors submit the University's annual report and audited consolidated financial statements for the year ended 31 July 2014. The financial statements have been prepared to comply with the Statement of Recommended Practice (SORP) for further and higher education institutions.

Introduction: Overview of Performance

Overall, 2013/14 has been an outstanding year for the Manchester Metropolitan University (MMU) as it consolidates and strengthens its repositioning in the free market of Higher Education (HE).

An outstanding year, with clear plans and strategies to consolidate the University's strong position.

Strategic development of the curriculum, restructuring of student support and investment in infrastructure and new facilities have all progressed to plan, and have resulted in measurable improvement in student applications, progression, satisfaction and employability. This has resulted in a very strong position in Applications per Accept, significant improvement in League Table positions and solid recruitment across all Faculties.

The University's research profile and impact has been evidenced by a strong submission to the Research Excellence Framework, and internal metrics indicate a significant improvement in the academic quality of outcomes. The Impact Case Studies have shown the relevance of our research to regional and national issues, and will provide a clear focus for future research prioritisation. Our research performance has been subject to an independent external review and has resulted in a proposed new structure for research organisation and delivery.

The underlying financial health of the University continues to be strong, based substantially upon a robust undergraduate recruitment. Income

diversification remains a key part of the overarching strategy with development in international and postgraduate activities both priorities. The University has ambitious plans to grow all forms of research income, with early signs of significant success. The strong financial performance has allowed the continued investment in the Estates Masterplan already under development. Over the next ten years, provision can be made for a £200M capital investment programme, without recourse to additional borrowing. The disposal of surplus assets arising from the campus consolidation has also progressed to plan with the recovery in market values providing a significant improvement in potential cash receipts that will ensure a valuable source of funding for future investments.

Over the next ten years, provision can be made for

£200m
capital investment programme, without recourse to additional borrowing.

Academic Vision, Corporate Strategy and Performance

A clear focus on the student experience

Academic Vision

The University's 2020 Vision (published in 2006) acted as a catalyst for setting out a strategic agenda to shape, maintain and enhance institutional health and sustainability. That Vision has been reinforced by the changes now being evidenced within the HE sector. The key themes of the 2020 Vision have been:

- **A clear focus on the student experience in order to improve student satisfaction, progression and employability**
- **A change agenda which sets out the ambition to rationalise the physical estate from seven campuses to two, centralise and modernise services, and enable investment in learning, teaching and research**

delivering that Vision. This refresh has resulted in the re-confirmation of the priorities, but with an increasing focus upon the academic strands of the Vision. In particular, the aim of becoming a top 50 UK institution for teaching (T50) and research (R50) by 2020.

Overall, the University plans to retain its broad shape and balance of activity. The University is seeking to consolidate its strong home recruitment position within the flexibility afforded by Government/Higher Education Funding Council for England (HEFCE) policy in this area. In addition, the University is seeking to diversify its activity base, and spread risk, by growing its postgraduate taught, international, research and enterprise endeavours.

7 campuses to 2 centralise and modernise services

The 2020 Vision was refreshed in 2013 to take account of the changing funding model for English Universities, and in the recognition of the positive progress the University has made since 2006 in



The Academic Vision lays out our approach to becoming top 50 in learning and teaching. Our new strategy will encourage excellent learning by ensuring that we have appropriately skilled and motivated teachers who have the correct resources and facilities with which to teach an inspiring and relevant curriculum, resulting in outstanding educational gains for our students.

A number of additional actions and initiatives are now in train to underpin and support continuous improvement in the learning experience, and in quality/standards in Learning, Teaching and Assessment, including:

- Investment in new academic appointments to support both the T50 and R50 agenda;
- The introduction of structured classroom observation;
- Enhanced systems for identifying staff Continued Professional Development (CPD) needs and the sharing of best practice;
- The development of university wide processes to underpin promotion, progression and reward/recognition for outstanding teachers.



Teaching

We have structured our strategy according to six key principles, outlined below, along with the subsidiary goals.

Principle 1: We will provide an excellent learning environment and outstanding student experience

- High quality, interactive and creative teaching, learning and assessment, with a focus on the outstanding quality of the classroom experience;
- Staff who engage and challenge their students, providing high quality teaching, scholarship and research;
- Access to leading-edge facilities, learning opportunities and the effective use of technology to support learning, teaching and assessment.

Principle 2: MMU provides an innovative, flexible, enterprising, sustainable and internationalised curriculum

- Enabling students to develop their creativity, independent judgement and critical self-awareness, identifying them as MMU graduates and world-class professionals;
- Being responsive to rapid shifts in employment and professional needs, enabling students to become effective lifelong, independent learners.

Principle 3: Assessment at MMU is an integrated and integral part of learning and teaching

- Clearly communicated assessment standards and criteria that are linked explicitly to learning opportunities, unit design and teaching methodology;

- Consistent application of University Standard Descriptors, marking and moderation procedures within and across units, courses and programmes.

Principle 4: Student progression, confidence & success are achieved through outstanding personalised and individual support

- Support for the complete student cycle in their transitions to university, during induction, from one stage of study to another, and from university into employment;
- Provision of personal and academic tutors to help students progress their studies;
- Communication of high expectations for achievement and self-development.

Principle 5: Programmes are responsive to quality enhancement throughout the student lifecycle

- Ethos of continuous monitoring of courses for quality enhancement;
- Timely and effective response to areas for improvement;
- A culture of partnership in learning and teaching that ensures the student voice is integral to quality enhancement.

Principle 6: Staff are lifelong learners, fully engaged with their own professional development

- Staff engaged in continuous academic and professional development, underpinned by relevant qualifications;
- Development of teaching and assessment practices with peers and managers.



£5.9m

in research grants awarded during the year, with 316 research grant applications submitted

HR EU Excellence

in Research standard evidencing our support for researchers

37%

increase in PGR conferments compared against the mean of previous 5 years

Responding to the Impact Agenda

We continue to develop robust processes to provide evidence of the world-class impact. Highlights this year include:

- Saving lives by transforming the rapid diagnosis of deadly microbial infections;
- Improving the lives of thousands of people worldwide by informing legislation in relation to transgender rights and caste discrimination;
- Helping hundreds of small businesses to grow and improving the economic prospects of UK high streets;
- Revolutionised the way in which every child in the UK is taught between the crucial ages of 0 and 3.

Research and Knowledge Exchange

A revised Research and Knowledge Exchange Strategy was approved in the summer of 2013 and is having a profound transformative effect across the University. It is leading to a lasting and sustainable change in research and knowledge exchange behaviour and performance. Highlights include:

- Grant applications to funding bodies have increased during the year, with 316 research grant applications submitted during 2013/14, and a total value of £5.9m awarded during the year;
- Continued increase in the number and quality of research outputs;
- Establishment of a performance criteria and pay scales for the professoriate;
- Achievement of the European Commission's 'HR Excellence in Research' badge, acknowledging alignment with the principles of the European Charter for researchers and Code of Conduct for their recruitment;
- 6 year agreement with Royal Northern College of Music (RNCM) to provide research degree awards;
- 37% increase in Postgraduate Research (PGR) conferments compared against the mean of previous 5 years.

We have leveraged our excellent research and academic work into a number of sustained Knowledge Exchange value

adding activities including:

- New relationship with Greater Manchester Police leading to contracts with the College of Policing and a pipeline of potential projects in excess of £0.8m;
- New relationship with ASOS, a global online e-tailor with Hollings Faculty deploying its high-tech digital body scanning equipment to provide body-profile sample data;
- The Asia Triennial Arts Festival is scheduled for September 2014, and has won a £0.1m grant from the Arts Council: the last Arts Triennial was estimated to be worth £6m to the local economy;
- Support for graduate start-ups is stronger than ever with the move of Innospace to its new premises. It currently supports around 70 tenants and all 21 of its new grow-on units are occupied;
- MMU has risen from 10th to 4th Higher Education Institution (HEI) in the Northwest for Knowledge Transfer Partnerships (KTP) activity during 2013/14. We are continuing to strengthen our portfolio of new KTPs, with a pipeline including the first for the Faculty of Education, one for MMU Cheshire, three for the Business School, as well as three more for Science and Engineering. If all of the above are successful, as anticipated, this will lift MMU to second place.

Internationalisation Vision will be recognised and valued for:

- Inspiring students to become the next generation of World-Class Professionals
- Providing an internationally distinctive curriculum
- World-class research and knowledge exchange
- Academic and administrative staff with an international outlook

Internationalisation

The Internationalisation Strategy was approved in March 2014 and is currently being delivered. This strategy was designed to help achieve the MMU Academic Vision 2020, where it is essential that the University's teaching and research is of international relevance and quality.



World-class professional graduates should be equipped with the skills, knowledge and experience to compete and succeed in the global labour market. To achieve a top 50 position in the UK, a significant proportion of research output must have global impact and significance.

This strategy is supported by a governance structure that will monitor and manage delivery of the strategy and the associated benefits, as well as being accountable for its overall performance.

In further support of the strategy, each Faculty is in the process of developing its own targeted plans based on specific opportunities within their discipline areas. Institutionally, significant progress has been made in the Chinese market, where the Business School is in advanced discussions to jointly deliver DBA and Masters programmes with three leading Chinese universities. In addition, our relationship with our key recruitment partners, INTO University Partnerships Ltd and NCUK, have been significantly enhanced, which will greatly support the achievement of our challenging overseas recruitment targets.

The Strategy has **five key strands**, each of which will be supported by a dedicated working group:

Student Recruitment	<ul style="list-style-type: none"> • Recruitment of international students (i.e. national of another country) where the degree is completed at MMU; • Recruitment of study abroad fee paying international students on credit bearing units/courses for one year or less.
Transnational Education	<ul style="list-style-type: none"> • Delivery of MMU degrees at strategic partnerships overseas (excluding setting up overseas branch campuses).
Research, Knowledge Exchange and Enterprise	<ul style="list-style-type: none"> • Overseas research, knowledge exchange or CPD partnerships with HEIs or organisations at a University or Faculty level where research involves teams or clusters; • Recruitment of international PGR students.
Student Experience	<ul style="list-style-type: none"> • Study for credit (or not) or work for a period of time overseas; • Internationalisation of the curriculum and extra-curricula activities.
Staff Experience	<ul style="list-style-type: none"> • International relevance of teaching, research and outlook.

Environmental Strategy

Environmental sustainability supports institutional sustainability in the Corporate Strategy. It is part of the core values of the University, influencing policy development, culture, and estates and infrastructure.

Environmental Sustainability

Over the past year, a revised Environmental Sustainability Policy, expanding 10 policy areas to 12, has enabled a new Environmental Strategy (to 2020) to be developed, complementing other University strategies.

Ranking

The University remains the Greenest University in the People and Planet league table.

Leadership and Governance

Progressing to ISO 14001, Silver Phase standard has been achieved. The reporting structure for the Environmental Strategy is now more robust, with an Environmental Management Group established that reports to the Environmental Strategy Board.

Engagement and Partnership

Green Impact delivered strong staff engagement for the 5th year in succession. Our policy on sustainability engagement has developed and deepened, building community engagement in Hulme on the canvas of the Birley Campus. MMU is a finalist in the Green Gown awards for Student Engagement with the dynamic **MetMunch** project.

Learning, Teaching, Research and Knowledge Exchange

With the growth in Education for Sustainable Development (ESD), an ESD Co-ordinator has been appointed and a Learning Experience Group (LEG) established by the Pro-Vice-Chancellor for Students. The Greater Manchester Hydrogen Partnership continues to grow, is nationally recognised, and is working with industry and European partners. The Greater Manchester 'Schools Hydrogen Challenge' has been run across 20 local schools.

Estates and Operations

Consolidation of the estate and energy reduction projects have delivered improved energy efficiency. Against the 2005/6 baseline year, all our utilities are showing savings. A carbon reduction of 24% was achieved in 2013/14, against a target of 35% by 2015/16.

Green funding for energy reduction

IT Services have consolidated 20 server rooms to 3, with a 3% reduction in carbon footprint, saving over £0.4m with a payback term of 4.5 years. LED lighting upgrades in Birley Residences and new Students' Union will deliver pay back in 4.6 years.

Green Travel

The University has Manchester's first rapid charge point and 24 charge points, to facilitate the increased utilisation of electric vehicles.

Waste and Recycling

Aimed at reducing collections from daily to bi-monthly, recycling is increasing steadily across the University. Compaction will be introduced to Birley after successful trials at Crewe of general waste.

Estates and Operations

	Baseline 2005/6	2013/14	2012/13	% Year on year reductions	% Base reduction
CO2 (Tonnes)	22,168	16,831	18,403	(9%)	(24%)
Gas (kWh)	47,627,007	25,565,716	34,387,346	(26%)	(46%)
Electricity (kWh)	27,952,491	25,356,830	26,738,657	(5%)	(9%)
Water (m3)	196,896	166,531	183,069	(9%)	(15%)



The opening of Birley Fields and the new Students' Union building in 2014/15 will complete the original capital programme, which has resulted in the University **consolidating from 7 to 2** campuses (Manchester and Crewe).

Estate and Infrastructure

The University's Estates Strategy that developed from the original 2020 Vision has resulted in a major capital programme that has transformed the physical environment, the facilities available for students and staff, and the environmental sustainability and impact of the University.

All major capital projects planned for completion in 2013/14 have been delivered on time, and within budget. The opening of Birley Fields and the new Students' Union building in 2014/15 will complete the original capital programme, which has resulted in the University consolidating from 7 to 2 campuses (Manchester and Crewe). The capital investment has significantly enhanced the University's competitive positioning, and the provision of its services, and thereby better protected (and promoted) institutional sustainability. It has also been a fully funded programme, with resources largely generated from internal sources.

The campus consolidation has allowed the University to substantively progress the disposal of surplus estate, with prospective purchasers identified for all of its major sites that are not required beyond 2013/14. Prospective capital receipts will result in accounting gains on disposal in future years, and will ensure a valuable source of funding for the next phase of the Estates Masterplan capital investment.

Continued focus has also been given to on-going revenue infrastructure investment (IT infrastructure, minor

works and facilities) to enhance the teaching and learning environment and the student experience. A funded IT investment plan is in place to provide for the refresh (in line with agreed lifecycles) of:

- **Student PCs and Macs**
- **Classroom/Seminar room IT facilities**
- **Staff PCs**
- **Core network and service infrastructure**

In addition, as part of the output from the 2013/14 strategic planning process, a £15m (5 year) rolling programme has been put in place to address priority backlog maintenance and refurbishment of student facing facilities. The works progressing in 2013/14 included further increases to the Student Group work area space on the fifth floor of the All Saints library, and remodelling of seminar rooms on the third floor of the Business School to enhance utilisation and capacity.

The Estates consolidation has also provided the opportunity for the University to review, and update, the University Masterplan for the Manchester Estate. This culminated

in the Board approval of the updated Masterplan during 2013/14. The next phase of the University's capital investment plan is now in place, which focuses on the buildings that were not fully addressed within the current capital programme, the public spaces that connect buildings, and the linkages between the All Saints and Birley Fields sites.

Major building work projects that are under development include a new Arts and Culture Centre as part of a new Mabel Tylecote Building, remodelling and expansion of the John Dalton Building, and the further development of the All Saints Building for Library and student facing activity.

The indicative programme of capital investment, under this next phase, is costed at circa £200m over a period of between 8 to 10 years. The new capital investment programme is still at an 'early stage' development, and therefore subject to change as and when detailed/designed schemes come forward for Board approval. However the indicative cash profiles and forecasts demonstrate that the planned investment can be funded without recourse to any additional borrowing.



Employability

A major review of the support the University provides for students' employability was carried out in the Autumn Term 2013.



The broad purpose of the review was to identify what the University needs to do to enhance the employment outcomes for its students and to achieve targets and aspirations for employability that are set out in the Corporate Strategy and the Academic Vision.

The review drew on a wide range of internal and external sources to produce an analysis of strengths, weaknesses, opportunities and threats in relation to employability. From the analysis, three major themes were identified:

- Developing a clear strategic direction for employability;
- Optimising the relationship between employability and the curriculum;
- Optimising the relationship between the University and business.

As a result of the review, the University is now in the process of implementing the Employability, Employment & Enterprise (E3) Strategy, which we are confident will result in a significant step change in our rates of graduate employment. The University's E3 Strategy will start to be implemented in the 2014/15 academic year, supported by local plans in the faculties, with a phased rollout planned to take around three years.

Employability Targets

The annual Destination of Leavers from Higher Education (DLHE) survey of 2012/13 graduates showed a continuing steady improvement in the quality of the destinations of MMU graduates, particularly in higher-level professional and managerial level jobs and further study, where there was an increase from 58% in 2011/12 to 60% in 2012/13.

The University's E3 Strategy is driving the improvements needed to achieve our target of 70% by 2020, and the additional resource requirements identified have been approved. This additional resource is being used in a variety of ways including:

- The development of a Graduate Recruitment Agency within the Careers and Employability Service to offer a bespoke recruitment service to selected employers;
- Launch of the 'Gradmatch' internship programme which offers financial incentives to local employers to recruit new MMU graduates on eight week paid internships; and
- Enhancing placement and work-based learning opportunities for students in faculties, allowing them to enrich their CVs with practical work experience.



Financial Sustainability

The period from 2012/13 has been evidencing a profound change in the way the University (and the sector) generates and secures (earns) resources.

The strong recovery in Home and EU Student recruitment in 2013/14 will improve income further in 2014/15 and 2015/16.

The period from 2012/13 has been evidencing a profound change in the way the University (and the sector) generates and secures (earns) resources. There is now much more volatility and financial risk in the sector, and fewer safety nets that can be relied upon. Therefore, no institution, however good their past financial performance, can be complacent about the delivery of financial health and sustainability going forward.

In the more competitive environment, universities are having to consider additional investment (including addressing some areas of past under-investment) in order to maintain and enhance productive capacity. Effective prioritisation and management of resources, along with cash management, is becoming ever more crucial to future financial health.

In financial health terms, the University is one of the strongest in the English Sector, as evidenced from available sector statistics published by HEFCE. In particular the University remains comfortably within the sector upper quartile in respect of income/surplus and cash generation, and well below the median and mean in terms of external borrowings.

The strong recovery in Home and EU student recruitment in 2013/14 will improve income further in 2014/15 and 2015/16. In addition, income should be bolstered by the adoption of the £9k fee cap on all full time Home and EU undergraduate programmes in 2014/15,

and from the new Birley Fields student residences coming into operation in September 2014.

The lifting of the Student Number Control (SNC) cap by 2015/16 also provides an opportunity (based upon recent strong Home and EU recruitment) to further strengthen income generation, but the University will also need to invest in capacity building (in terms of staff, facilities and Estates/IT Infrastructure) to support any material student number growth while seeking (at the same time) to also maintain/enhance academic quality and the overall student experience.

Overall, the existing target for cash generation of circa 10% of annual income per annum (on a 5 year rolling average) still remains valid in looking at ensuring that longer term sustainability needs are met.

2013/14 highlights



26.6%
Increase in tuition
fee income



£70.3m
Capital
Investment



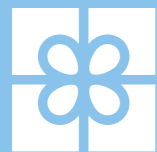
£14.4m
Operating Surplus
before Exceptional
items



£41.5m
External Borrowing



12,150
Number of students
receiving a student
support package



£18.2m
Student support
packages awarded



£441.3m
Tangible Fixed
Assets



£62.2m
Cash balances



£142.8m
Staff costs



£274.9m
Discretionary reserves
(excluding pensions)



£14.5m
Cashflow from
operating activities

Financial Performance and Sustainability

It is pleasing to report that the financial performance of the University in 2013/14 reflects another strong year of good financial health and effective financial management, including delivery of key performance indicators (KPIs) as set out in the University's Financial Strategy:

KPI	Target	2013/14
Operating Surplus as a % of income	(i) 6% (5 year average) (ii) >3% in any one year	(i) 9.7% (5 year average) (ii) 5.8%
Net Liquidity (days)	> 75 days	100 days
External borrowing as % of total income	<20%	16.7%

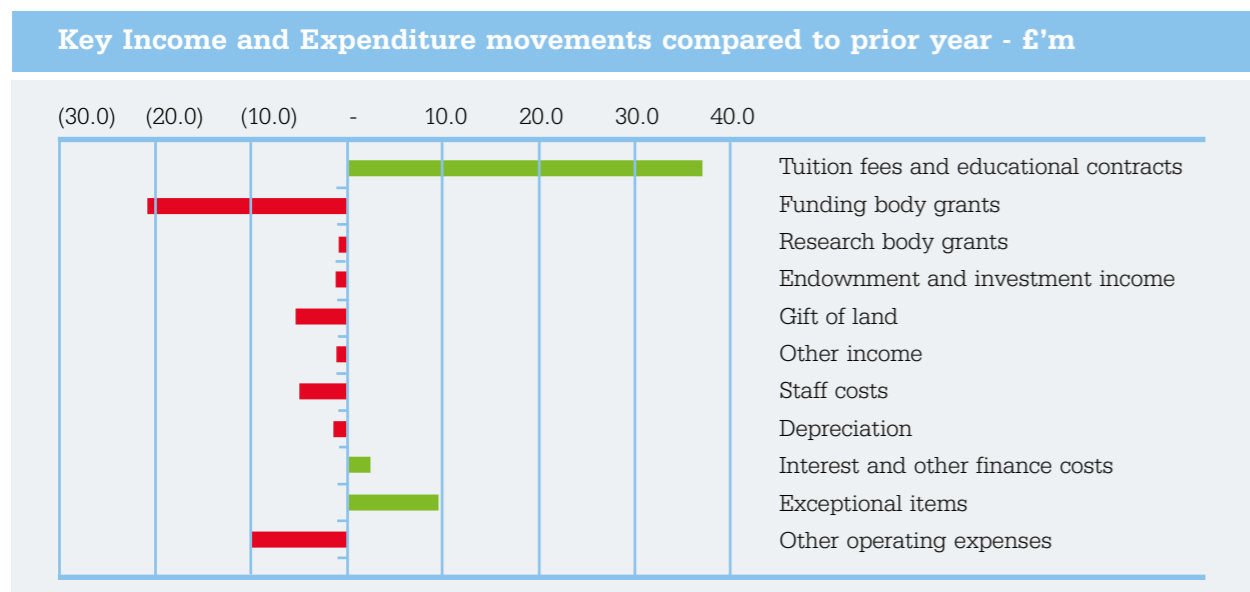
For the financial year ended 2013/14, the surplus on continuing operations after depreciation, but before tax and exceptional items was £14.4m (5.8% of income), compared with £20.2m (8.4% of income) in 2012/13; this represents continued excellent performance against a Financial Strategy KPI that sets an operating surplus requirement of £7.5m (3% of annual income).

The 2013/14 financial results are summarised as follows:

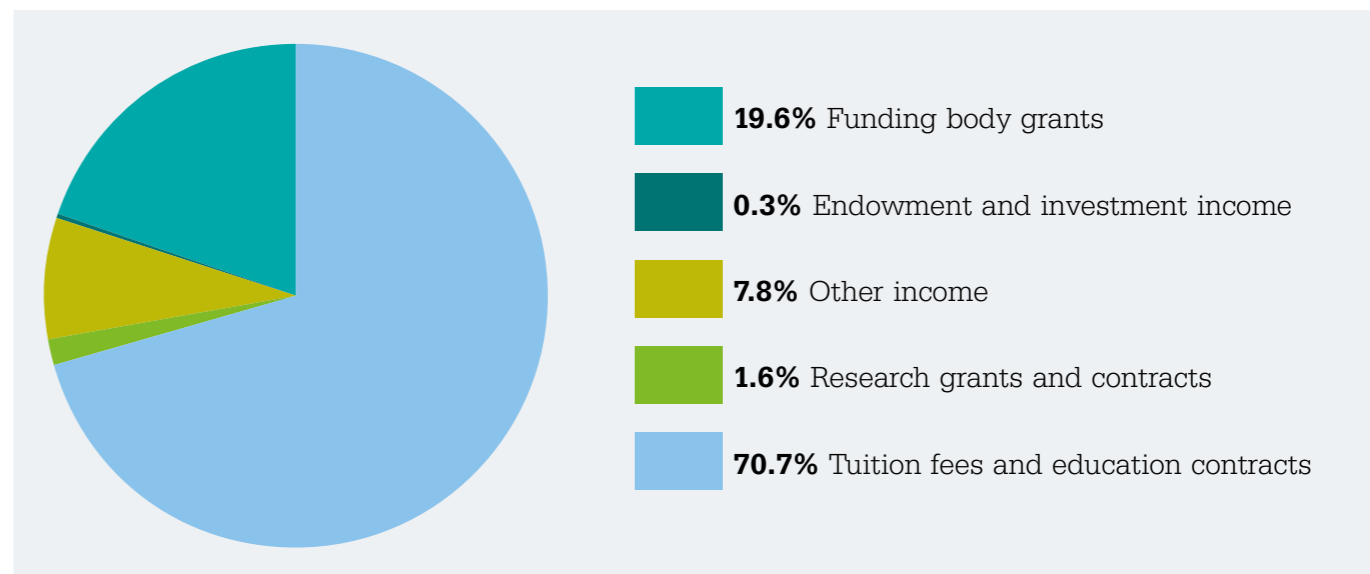
Results for the Year	2013/14	2012/13 £000
Income	248,986	241,102
Expenditure	(234,615)	(220,916)
Surplus after depreciation of tangible fixed assets at valuation and before tax and exceptional items	14,371	20,186
Exceptional items: continuing operations	(9,060)	(18,574)
Surplus on continuing operations after depreciation of assets at valuation, tax and exceptional items	5,311	1,612
Deficit for the year transferred to accumulated income in endowment funds	187	237
Surplus for the year retained within general reserves	5,498	1,849
Historic cost surplus for the year	11,793	9,510

Financial Performance and Sustainability

The key income and expenditure movements between the two financial years are illustrated below:



Income analysis



Total income increased by £7.9m, some 3.3%, year-on-year.

Funding Council Grants

Funding body grants reduced by £20.8m overall (some 29.9%). Underlying recurrent grants from the Higher Education Funding Council for England (HEFCE) fell by £18.5m, reflecting the sector-wide phased reduction in HEFCE teaching grant as old fee regime students complete their studies and successive cohorts of new fee regime students are recruited. The reduction in grants from the National College for Teaching and Leadership of £1.9m year

on year also reflects a movement in the funding sources for Initial Teacher Training, which is now being mainly funded through tuition fees rather than block grants for new entrants from 2012/13 onwards.

Financial Performance and Sustainability

Tuition Fees and Educational Contracts

The following table illustrates the movement of tuition fee income between 2012/13 and 2013/14:

Tuition fees and education contracts	2013/14	2012/13	£000 Movement	% Movement
Full-time students	144,072	108,768	35,304	32.5%
Full-time students charged overseas fees	12,691	12,067	624	5.2%
Part-time fees	6,145	5,447	698	12.8%
Short course fees	709	957	(248)	(25.9%)
Education contracts - NHS	9,286	9,159	127	1.4%
Education contracts - other	3,023	2,542	481	18.9%
	175,926	138,940	36,986	26.6%

Overall, tuition fees and education contracts increased by £37.0m, some 26.6% year on year, principally as a result of a £35.3m increase in full-time fee income. This movement is due, in part, to the shift from block grant funding towards tuition fees, as noted above, and buoyant home student recruitment which resulted in an increase of 13.4% in 2013 student entry.

There was also an increase in international tuition fee income of £0.6m (5.2% year on year), with Education contracts (excluding NHS contracts) increasing by £0.5m (18.9% year on year).

Research Grants and Contracts

Research grants and contracts income decreased by £0.8m to £4.1m, some 17.2% year on year. However, there has been a recent transformation in research grants awards, with the income growth anticipated to be recognised in subsequent years.

Other Income

The decrease in other income of £6.3m is largely attributable to a one-off benefit of £5.3m recognised in other income in 2012/13, representing the gift of land at Birley Fields from Manchester City Council. There was also a decline of £0.7m year on year in other services rendered, resulting from the reduction in several large (mostly public funded) CPD contracts.

Residence and catering income net of discounts is the same as the prior year at £10.9m, while the income gross of discounts is £15.3m, an increase of £1.5m on 2012/13 gross income of £13.8m. The growth in residence and catering income is primarily attributable to the increased utilisation of the student support packages awarded on the MMU Met Card, with the following discounts recognised against residence and catering income:

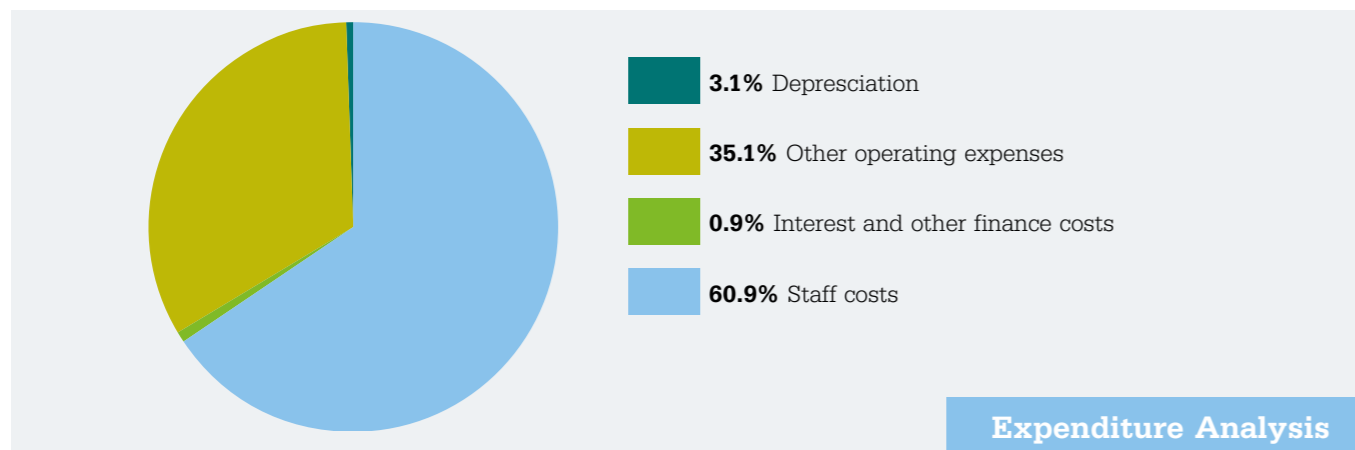
	2013/14 £'m	2012/13 £'m	Change
Gross residence and catering income	15.3	13.8	10.9%
Discounts:			
Accommodation fees	(3.4)	(2.4)	41.7%
Catering discounts	(1.0)	(0.5)	100.0%
Net residence and catering income	10.9	10.9	0.0%

Endowment and Investment Income

The reduction in endowment and investment income of £1.1m year on year, to some £0.7m overall, reflects a planned reduction in cash balances in support of the approved capital investment programme.

Financial Performance and Sustainability

The University's expenditure increased by some £13.7m, or 6.2%, year-on-year.



Staff Costs

Staff costs increased by £4.8m from £138.0m in 2012/13 to £142.8m in 2013/14, reflecting national pay awards, incremental progression, pension cost increases and some targeted investment.

As a percentage of income, staff costs in the year amounted to 57.4% of the income base, which is comparable with the prior year (a slight increase of 0.2% year on year).

Other operating costs

Other operating costs increased by £10.0m from £72.2m in 2012/13 to £82.2m, an increase of some 13.9% year on year. The headline figure masks a number of significant changes during the year. The key movements include;

- The gross value of student support packages awarded is £18.2m (2012/13: £16.7m). The net value recognised in 2013/14 is £13.6m (2012/13: £12.1m), which includes the following discounts (right):

- Residences and catering expenditure increased by £3.1m (34.3%) to £12.2m, which partly reflects the planned investment in the refurbished café facilities in the Geoffrey Manton building. As a result of an increase in catering sales, temporary staffing costs have also increased.
- Consumables and laboratory expenditure increased by £0.6m (31.6%) to £2.5m, with additional expenditure incurred providing class materials to art students, mostly owing to improved utilisation of the Met Card to purchase class materials at the Manchester School of Art store.
- Repairs and general maintenance expenditure has increased by £2.4m (57.9%) to £6.7m, with an investment of £1.3m to create a Digital Innovation Hub facility in the John Dalton building, in addition to other priority maintenance and refurbishments facilitated during the year, and targeted at the enhancement of student facing facilities.
- Research grants and contract expenditure has decreased by £0.3m (22.4%) to £1.0m, as a direct result of the reduction in research income.

	2013/14 £'m	2012/13 £'m	Change
Gross student support package expenditure	18.2	16.7	9.0%
Discounts:			
Tuition fee waivers	(0.1)	(1.7)	(94.1%)
Accommodation fees	(3.4)	(2.4)	41.7%
Catering and other discounts	(1.1)	(0.5)	120.0%
Net student support package expenditure	13.6	12.1	12.4%

Interest and other costs

The decrease of £2.5m in interest and other finance costs reflects the reduction in the net FRS17 charge on the pension scheme, from £2.7m in 2012/13 to £0.2m in 2013/14. This is a result of the increase in the expected return on assets (based upon the long-term expected returns at the start of the year), with the opening fair value of employer assets increasing from £193.9m in 2012/13 to £234.6m in 2013/14, contributing towards the assumed higher return on assets. The interest costs (based upon the present value of a defined benefit obligation) is slightly lower than the expected return on assets, which gives rise to a FRS17 net gain on the pension scheme of £0.3m.

Exceptional items

An exceptional accelerated depreciation charge of £12.2m has been made in respect of buildings which at the balance sheet date are being held, or are

due to be vacated, for future disposal, in accordance with the University's estates strategy to rationalise the physical estate from seven campuses to two. This has also given rise to a one-off accelerated release of deferred capital grants of £3.1m.

Net funds and cash flow

Net funds stand at £21.6m, with operating cash flow from operating activities, at some £14.5m. The University has maintained healthy levels of net liquidity whilst continuing to invest significant sums on its estates consolidation and capital programme.

Fixed assets

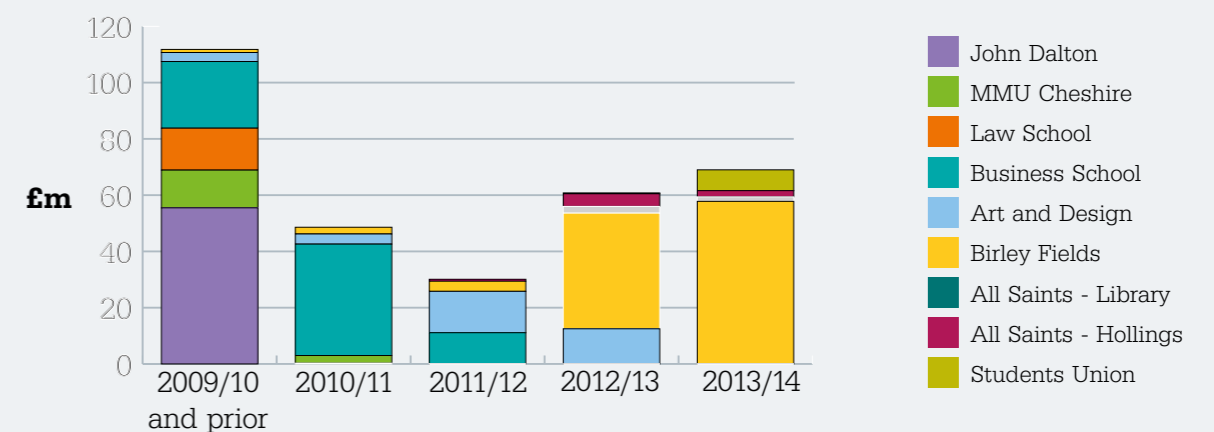
Tangible fixed assets increased in year by £50.2m to £441.3m (net of depreciation). As noted the University is making significant investment in the consolidation of its estate and in infrastructure, investing in 2013/14 some £70.3m in land and buildings,

and equipment additions. In 2013/14 £57.8m was invested in the Birley Fields campus development (car park, energy centre, student residences, main academic building), £2.2m spent on the refurbishment of the Cavendish building to facilitate the relocation of the Hollings Faculty to the All Saints campus, £1.6m spent on the refurbishment of the Sir Kenneth Green Library, and £7.4m spent on the new Students' Union building. An additional £1.3m was incurred on minor capital works and equipment additions.

The expenditure incurred to date on the current capital programme is summarised in the graph below.

The remaining commitments in respect of the current capital programme amount to some £29.5m, which is due to be expended in the 2014/15 financial year on the completion of the Birley Fields campus and a new Students' Union building.

Summary of capital spend



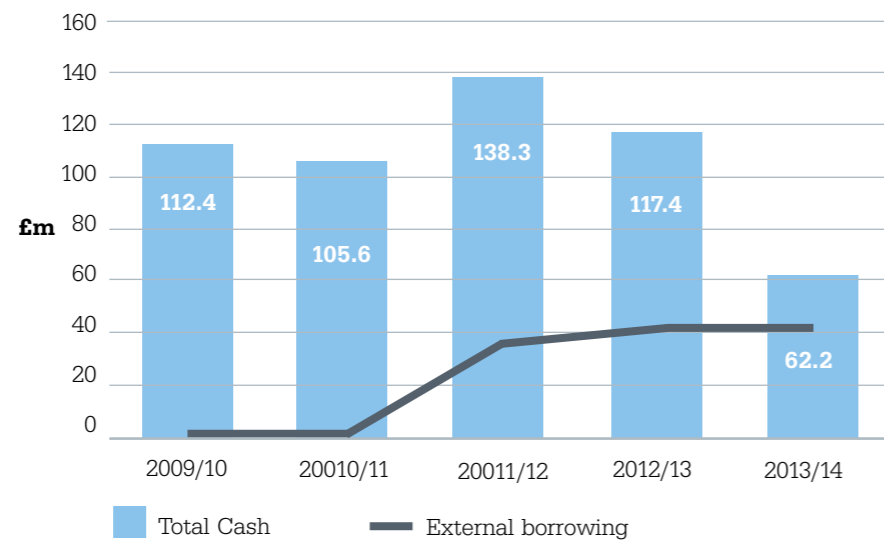
Financial Performance and Sustainability

Net current assets

Cash balances have declined over the past year by some £55.2m in line with University plans and forecasts. External borrowing has decreased by £0.1m, with total external borrowing of £41.5m at 31 July 2014. As the current capital programme concludes, cash balances will stabilise over the next financial year, to be more in line with normal operating targets for liquid funds. Overall cash balances are very strong, with the continued healthy cash flow from operating activities enabling the capital programme to progress with only modest reliance upon external borrowing.

Short-term creditors have decreased by £7.6m year-on-year, mainly due to nearing completion on the construction of Birley Fields (decrease of £10.1m in trade creditors), while unsecured loan payments are due to increase by £1.9m next year, in line with the terms of the Barclays Bank plc unsecured loan financing. Net liquidity days stands at a very healthy 100 days, compared with the current financial strategy target of circa 75 days.

The five-year cash and borrowing history is as follows:



FRS 17 pension liability

The valuation of the Greater Manchester Pension Fund on a FRS 17 accounting basis as at 31 July 2014, has given rise to a net deficit of £87.4m (2012/13 deficit £54.3m), reflecting a year on year movement of £33.1m. This valuation movement reflects the inherent volatility of the pension valuation, and the significant sensitivities around key

assumptions; in particular, the negative movement in 2013/14 primarily reflects a lower discount rate that has been applied to determine the present value of Pension liabilities, which has only been partly offset by a lower salary increase rate assumption.

A summary of the key FRS 17 sensitivities is as follows:

Change in assumption	Approximate % increase to Liability	Approximate monetary value £'m
0.5% decrease in real discount rate	11%	35.0
1% increase in member life expectancy	3%	9.9
0.5% increase in salary increase rate	3%	11.2
0.5% increase in the pension increase rate	7%	23.3

We are sustainable
No1 in the the Green League

We are older than you think
**Manchester School of Art
founded 1839**

We have great graduates with **9 out of 10** gaining employment within 6 months

We are a popular choice
over 57k applications for 2014

We are growing
11% increase in applications on 2013

We are ambitious
T50 R50 Vision

We are professionally relevant
over 70 professional body accreditations

We drive the region with
over 9k graduates per anum

Student Recruitment, Satisfaction and Experience

MMU saw an increase of circa 11% in applications for 2014 entry compared to a sector average of 4%. In terms of applications per place this is 5.7 for 2013/14.

Student recruitment

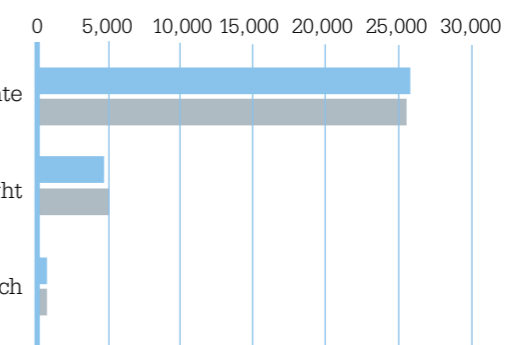
MMU has a strong focus on student recruitment and there was an increase in demand for 2014 entry.

Total Applications		
2012	2013	2014
49,370	51,939	57,833
% increase in 2013 (from 2012) 5.2%		
% increase in 2014 (from 2012) 17.2%		

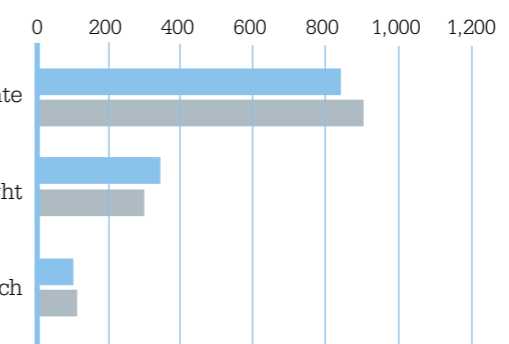
Student Numbers Breakdown of MMU headcount by level and status

■ 2013/14
■ 2012/13

Home/EU headcount



Overseas headcount



Student Recruitment, Satisfaction and Experience

Student Numbers Breakdown of MMU headcount by level and status

Study Level	Student Mode	2012/13	2013/14*	Increase / (Decrease)
Home/EU	Undergraduate	25,671	25,805	0.5%
	Postgraduate Taught	5,018	4,673	(6.9%)
	Postgraduate Research	525	449	(14.5%)
International	Undergraduate	882	829	(6.0%)
	Postgraduate Taught	289	328	13.5%
	Postgraduate Research	78	77	(1.3%)
Total	Undergraduate	26,553	26,634	0.3%
	Postgraduate Taught	5,307	5,001	(5.8%)
	Postgraduate Research	603	526	(12.8%)
	Total	32,463	32,161	(0.9%)

*Based on the initial 2013/14 HESA student number return. Please note that this data excludes the following types of students: Incoming/Outgoing visiting and exchange students, students studying wholly outside the UK, and externally enrolled students.

Student experience

The academic student experience focuses on ensuring that each student not only achieves their academic potential, but has also gained the appropriate employability and enterprise skills to step assertively onto their career ladder.

The following table illustrates the key initiatives we have delivered, piloted or initiated in 2013/14 to support the academic student experience:

Encouraging students' academic skills	Student Engagement Monitoring (an EOAL project) has been piloted in Cheshire and will be rolled out across the University in 2014/15. We have piloted or developed a number of approaches to support our students including: Personal Tutors; 'peer-assisted learning'; extra-curricular opportunities to develop numeracy skills; additional assessment support; and support to students who resit over the summer.
Removing barriers to engaging with academic activity	We have developed the pilot to enhance central induction to complement local inductions. We are also prepared to pilot peer mentoring in the new academic year.
Demonstrating practice in professional competencies	Work is progressing to pilot the Global Citizenship Undergraduate Curriculum framework which will map out programme opportunities, giving credible practice that can be presented on students' Personal Development Records.
Meeting employer needs	The Employability, Employment and Enterprise Strategy has been developed, which will include a specific focus on SMEs (small and medium-sized enterprises), and also set up an Employer Reference Board.
Enhancing the capability of academic staff	Our Learning, Teaching and Assessment Strategy has been approved, including a framework for continuous professional development and has been rolled out across the University.

Staff

Our staff deliver our business and the key to any successful and high performing organisation such as MMU, is a workforce aligned to organisational aims, managed by inspirational leaders and confident managers with clear lines of accountability and high standards of performance and conduct.

The engaged culture

MMU continues to progress in this area with the completion of many elements of the University's continuous improvement action plan. MMU was a finalist in the inaugural Investors in People (IiP) Awards, Champions category, an independent benchmark of progress in the area of excellent people management. The second staff awards and celebration event was held in July again to great acclaim. There were around 650 nominations for 11 awards and over 700 staff attended. The awards and celebration event provides an opportunity to value our staff and underpins the sense of the MMU community.

The University's Single Equality Scheme action plan was successfully delivered and a new strategy and objectives were approved for implementation from January 2014. The University has engaged in the Aurora initiative to encourage women to develop to their full potential and is working towards the "Stonewall" charter mark. Equality of opportunity and valuing diversity remain at the heart of what we do.

The Academic Vision

Academic staff deliver our core business. Providing career pathways and developmental opportunities along with clear policy frameworks will improve the motivation and confidence of our academic managers and is critical to achieving the Academic Vision. The University has completed a number of initiatives to underpin

excellence in research and knowledge exchange and learning and teaching.

Additional planned initiatives include the implementation of a post-doctoral research scheme, the implementation of a Future Research and Knowledge Exchange (RKE) Leaders programme, the development of a new Professoriate Pay Review Scheme linking pay to performance, the achievement of the HR Excellence in Research Award, and the development of a new framework to support academic practice and quality.

Fit for purpose structures and systems

Restructuring continues to take place as a result of campus consolidation, in line with the University's strategic aims. In addition, good progress has been made in delivering the optimisation phase of the new HR system: SAP.

The implementation of the myHR system, training and events and personnel development modules and new e-Recruitment system will provide the University with streamlined systems, improved management information and will drive new ways of working.

New policy frameworks

Additional HR policies have been developed to reflect changing legislation and social media, working practice and good governance. These include the Acceptable Use of Social

Media, a Consultancy Policy and a Flexible Working Requests Policy.

Providing our students with an excellent experience is our focus. Continuing to develop a highly professional and motivated workforce led by inspirational leaders and confident managers remains at the top of our agenda.



Future Outlook and Risks

Cash generation and capital expenditure

For the sector as a whole, liquidity is in decline; in large part on a planned basis to support capital investment. Latest available sector forecasts indicate that liquidity will be less than borrowing in 2013/14. This heightens financing risks, and underscores the importance of effective cash flow management. The University is in a relatively good position, with forecasts that are indicating the maintenance of positive net funds, lower reliance upon external borrowing, and the benefit of prospective material one-off capital receipts from the disposal of surplus estate (following the consolidation of the Manchester campus) to assist in funding the next stages of the University Capital Investment Programme.

Income constraints and risks

The unit of resource in respect of Home and EU Undergraduate (UG) students is set to reduce in real terms as a result of the on-going cap on fees at £9k per annum. The residual HEFCE teaching grant for new funding regime students is also set for deeper cuts than previously planned. In addition, sector forecasts are indicating a decline in the Home postgraduate and part-time market, and slower growth in the overseas student recruitment market. As noted, the University will benefit from income growth as a result of the rising of its Home and EU UG fees to the £9k cap, but that benefit will dissipate over the next three to four years if the fee cap freeze continues. In respect of the Overseas student

market, the risks for the University are less than the sector as a whole because of historic under-performance in this area. However, the University's international student market share is well below the sector average, and needs to improve not just in order to generate resource and diversify our income streams but also to support the aims of the Academic Vision.

Expenditure Pressures

Pension funding and reform in respect of sector pension schemes will result in rising employer contributions over the next 3 years. Teacher Pensions Scheme (TPS) contributions are set to rise by circa 2.3% (from 14.1% to 16.4%) from September 2015 based on recent Government announcements; Universities Superannuation Scheme (USS) contributions are forecast to rise from the current 16% up to 21% (possibly more), and Local Government Pension Schemes for non-academic staff are likely to see similar rises on the back of 2013 actuarial valuations.

In addition, State Pension reforms should result in the abolition of the reduced 'contracting out' national insurance (NI) rate for both employers and employees from April 2016 onwards. The University has already modelled the impact of these prospective changes in its scenario forecasting for its Finance and HR Committee (FHRC) and the Board of Governors; overall these changes are forecast to add 4% to the University's salary bill by 2017/18. This will add to what has been (and is likely to continue to be) a challenging sector

environment in terms of national pay bargaining. In addition there will be the need to deliver greater capacity to support student recruitment growth (where appropriate), and to adequately invest in staff, facilities, IT and capital in order to maintain competitiveness. In turn, this will place increasing focus on the sector delivering greater efficiencies in order to fund future investment, and (in some areas) address past under-investment.

Government Policy Uncertainty

The sector, despite the funding reforms in 2012, still operates within a significant public regulatory framework, and the impact of Government policy interventions continues to be felt. There will certainly be ongoing uncertainty around potential changes in HE funding, and the student loan and support system, post the 2015 General Election.

Conclusion

Maintaining confidence, remaining strategically focused and being clear on plans and priorities should ensure good prospects for maintaining positive progress in the coming years.

The University remains in a relatively strong financial position, and has good prospects to sustain that performance in the next few years. However there are significant risks emerging for the sector as a whole, and the University will not be immune to some of the adverse impact from these risks. Diversification of activity and the delivery of growth in International, PG taught and Research activity will be critical; not just to the delivery of the Academic Vision, but also the University's financial health prospects beyond 2016/17 if Home and EU fee levels remain capped at £9k. However the University is well placed to meet future challenges, and leverage benefit and opportunities from the changing HE landscape.



Public Benefit Statement: 2013/14

The purpose of The Manchester Metropolitan University is to advance education and learning through the conduct and support of teaching and research alongside contributing to the local and regional economy.

When establishing the strategic direction of the University, the Board of Governors and the University's Executive has given careful consideration to the Charity Commission's general and supplementary guidance on public benefit; and also to the guidance issued by HEFCE in its capacity as principal regulator on behalf of the Commission.

In accordance with the University's charitable status, the principles of public benefit that are relevant to the Manchester Metropolitan University are:

Principle 1

There must be an identifiable benefit or benefits

In addition to the obvious benefits of advancing education and research, the Manchester Metropolitan University also seeks to provide benefit to the local and regional community in a variety of ways through generating economic activity, working with local schools and colleges to improve their own activities, organising volunteering for local charities and providing support for local community sports, health and environmental groups.

Principle 2

Benefit must be to the public, or section of the public

Students and staff of the University are the immediate beneficiaries of the activities of the University. However the range of beneficiaries is much wider than this. These include local and regional businesses, other public sector organisations in the region, local charities and a wide variety of community groups.

During 2013/14 the University delivered its charitable purpose for public benefit through a wide ranging number of activities and financial support packages. These have included:

- The University awarded £18.2 million (2012/13: £16.7 million) in student support packages to students from lower income and disadvantaged backgrounds. These bursaries benefited 12,150 students (11,195 in 2012/13). In terms of both values and numbers of student benefitting, the figures for 2012/13 were the highest for a single university;
- More than 50% of our undergraduate students received a bursary or scholarship, the majority from low-income households within the region, underpinning one of our primary purposes, access to higher education for all;
- Over 25% of our current undergraduate students are from black and minority ethnic groups, one of the highest percentages of any UK university;
- Our MMU Futures initiatives gave work experience and volunteering skills to more than 5,000 students, with the majority working and helping in local and regional communities across the North West;
- Provided over 50 paid internships for MMU graduates to undertake valuable work experience across many areas of the University, with the majority going onto graduate employment following completion;
- The Business School and Student

Hub received the Prime Minister's Award for Best Public Building in October 2013, following on from the building receiving multiple architectural awards last year;

- MMU remains the UK's greenest university being the best of 140 universities in the People and Planet League Table. The University scored maximum marks for environmental policy, environmental staff, carbon management, staff and student engagement, sustainability in the curriculum and waste management;
- We have nearly completed our 99-week construction programme of our new Birley campus, a £139 million investment in Hulme and one of the largest regeneration schemes in Manchester. We implemented a wide range of community engagement activities to provide employment opportunities for locals, contribute to an improvement in the social environment, and an on-going programme of community education in education and health;
- The opening of Birley represents the final part of our 10-year, £350 million investment plan to create one of the most modern universities in the UK, with seven academic faculties in a single, central Manchester campus all benefitting from world-class facilities;
- Linked to our development at Birley, and working with the University of Manchester, we supported Aspire, a not for profit agency, to help local residents back to work. More than 1,100 local people have found work through this initiative;
- The Business School was awarded

an inaugural Small Business Charter mark in recognition of the help and support for small companies; the Charter provides a host of benefits in MMU's mission to drive the regional economy, including the ability to invest directly in start-ups and entrepreneurs through Government grants;

- The Manchester School of Art opened the Benzie Building, together with a fully-modernised eight storey Chatham Tower; providing exceptional learning and teaching facilities, the Benzie Building has been shortlisted as one of six UK buildings for the prestigious Stirling Prize, the UK's highest accolade for architectural merit;
- In June 2014, we launched and hosted the third Manchester Children's Book Festival. Developed by our Humanities Faculty in conjunction with noted authors, multiple local partners and schools, it provided 11 days of superb events, performances and activities for more than 9,000 children and readers of all ages;
- Our Art and Design Degree Shows attracted more than 13,000 visitors in October and June, with many of our leading artists, designers and fashion graduates going on to show at London Fashion Week;
- A series of professorial lectures at our Cheshire campus allowed Dianne Thompson, CEO of Camelot (and MMU Chancellor), Pete Waterman, and Dame Sarah Storey to highlight their careers and life passions to staff, students and many from the local community;

Public Benefit Statement: 2013/14

- The Social Care Partnership Network was launched earlier this year to create stronger bonds between MMU's Social Care department and local employers; held quarterly the event will help staff and inform students about their career paths;
- Our Getting A-Head project targets pupils in Moss Side from the age of 10 and aims to divert them from negative behaviours, nurture ability, achievements and aspirations; run by MMU and the The Louise Da-Cocodia Education Trust it was recently awarded a three-year grant by the Paul Hamlyn Foundation towards the development of the project. The next phase focuses on plans for progression to further/higher education and involves young people from Moss Side, Hulme, Longsight, Whalley Range and Old Trafford;
- MMU has signed up to a ten-year partnership to enhance the sporting and educational legacy in the city. The University is working with Manchester City Football Club and Manchester City Council (MCC) across a variety of programmes in education, corporate social responsibility, community relations, commercial knowledge and infrastructure development. The relationship will create a unique platform for elite sport development and community engagement including education and training for male and female City players and career development programmes for students;
- iPad learning, paper-free schools and digital teaching were the subjects

of the University's influential iThink Therefore iPad events in the North West. Two events at Manchester Central united 300 delegates from the teaching profession, practitioners and the technology industry and speakers from government and industry to help heads and governors choose the best products and systems for their schools in the new digital learning age.

Research at MMU

Much of our recent research benefits the public across wide subject areas – we launched a new website to showcase the entries submitted as part of the next research Excellence Framework - <http://www2.mmu.ac.uk/research/ref/>

Some examples of our research impact and excellence in the past academic year have included:

- Researchers at MMU's Centre for Aviation Transport and the Environment (CATE) are part of a European-wide team helping to send planes around the world propelled by biofuel. The team's latest demonstration of the technology used a passenger Airbus A330-200 aircraft to fly from The Netherlands to the Caribbean, using a mixture of 20 per cent biofuel and 80 per cent aviation fuel. CATE receives almost €0.5m to evaluate the sustainability and test the emission of biofuels as part of the €10million European Union project, the biggest project in the world for the production of aviation biofuels;
- Chemists at MMU developed a hand-held sensor for measuring levels of deadly arsenic in drinking water. This

allows on-the-spot electrochemical analysis of samples - arsenic in drinking water can lead to skin, bladder, kidney or lung cancer as well as diseases of the blood vessels in the legs and feet, and has been deemed 'the largest mass poisoning of a population in history' by the World Health Organisation;

- Research in practice from the Manchester School of Art earned them the honour of having the first ceramicist-in-residence at the Victoria and Albert (V&A) Museum. The culmination of four years of work with the V&A is Dixon's Restoration Series showing at the museum from March 2013 to March 2014 – a series of busts of Nobel Prize Winners unable to collect their awards owing to incarceration – Liu Xiaobo, the Chinese writer, pacifist Carl van Ossietzky and Aung San Suu Kyi, the Burmese democracy figurehead. The works have been featured in a series of arts magazines and the Aung San Suu Kyi piece has been acquired for the Craft Council's permanent collection;
- Blood scientists in the developing world could be trained faster and better to fight killer diseases with the help of an MMU-developed online microscope. Haematology specialists have digitised microscope slides of healthy and infected blood cells for scientists to access in countries where traditional training techniques are in short supply, and has now been adopted by the World Health Organization. Researchers have already tested the system in Africa



where results for blood scientists were encouraging, with individuals becoming better at diagnosing malaria;

- Chunky guidebooks for tourists could be a thing of the past, thanks to research that is being carried out at the Manchester Metropolitan University. A team from the University's Department of Tourism Management, are testing ways to use Google Glass to provide visitors to Manchester Art Gallery with information about the artworks they are viewing. It is believed to be the first time that work like this has been done on using Google Glass for tourism in Europe;
- Scientists at the Manchester Metropolitan University have developed scanners that find concealed weapons in real-time using radar waves and complex computer programs. The technology is designed to rapidly scan individuals in a crowd as they pass through areas such as public spaces, gates or entrances and instantly alert officials as soon as a threat is detected;
- Researchers from the Manchester Metropolitan University are investigating how football can help refugees and asylum seekers become part of their new communities. The team from the University's Centre for the Study of Football and its Communities will create a "toolkit" for clubs to help them work with migrants. The team has been awarded a grant by the anti-discrimination network Fare and will work with key partners Migrant Voice, Poverty

Alliance, Manchester City Council and United Glasgow FC;

- Computer scientists are devising new and more efficient ways to spot diseased crops to help boost harvest yields. Researchers are developing image processing and machine learning programs to discover disease on pictures of crop leaves and assess the severity of infection. The new detection system will dramatically speed up diagnosis compared to the current time-consuming method of walking among crops, using visual observation and estimation;
- A project to revitalise UK high streets has identified the top priorities for immediate action. MMU's business academics are leading the project High Street UK 2020 in a bid to reverse the decline of retail districts in 10 towns across England, Wales and Northern Ireland. The Centre of Enterprise department is advising councillors, retail managers, traders and other stakeholders on strategies for car parking, pedestrian access, business incentives, opening hours, marketing and use of space. The research identified which factors that impact upon high street performance can be managed locally.

By order of the Board of Governors
V Murray
Chair of the Board of Governors
28 November 2014

The Manchester Metropolitan University is a higher education corporation established under the Education Reform Act 1988. The University is also an exempt charity under schedule 2 of the Charities Act 2011. The University's framework of governance is established in the Instrument and Articles of Government which are approved by the Privy Council.

Corporate Governance

The University is committed to exhibiting best practice in all aspects of corporate governance.

It aims to conduct its business in accordance with the principles identified in the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership) and with the Committee of University Chairs (CUC) 'Guide for Members of Higher Education Governing Bodies in the UK', which incorporates the Governance Code of Practice and General Principles.

In accordance with CUC guidance, the University maintains a Register of Interests of Governors and senior managers which is available for inspection on request to the Clerk to the Board of Governors. A list of Governors and senior managers who served during the financial year, and until the date the financial statements were formally approved, can be found on pages 86 to 87.

Summary of the University's Structure of Corporate Governance

The Board of Governors is the governing body of the University. The Board's responsibilities are set out in the University's Articles of Government, the Scheme of Delegation and the Financial Memorandum with HEFCE. The Board's responsibilities include determining the educational character and mission of the University, approving annual estimates of income and expenditure, ensuring the solvency of the University, safeguarding the University's assets, appointing the Vice-Chancellor, Clerk and external auditors and for putting in place effective systems of control and accountability.

In accordance with the University's Instrument of Government, the Board of Governors comprises predominantly independent members, together with the Vice-Chancellor and members of the staff and student bodies. The roles of Chair and Deputy Chair are separated from the role of the University's Chief Executive, the Vice-Chancellor.

The Vice-Chancellor has responsibility to the Board of Governors for the organisation, direction and management of the University. He is also the designated Accountable Officer for the purposes of the Financial Memorandum with HEFCE. The Vice-Chancellor is supported by an Executive comprising the Deputy Vice-Chancellors, Directors of Finance, Human Resources and Services and the Registrar.

Conduct of Business

The Board of Governors has three Board meetings per year along with two Away Days to consider long-term strategy. The Board has three Committees and three Advisory Groups:

- Audit Committee;
- Finance and Human Resources Committee;
- Nominations, Governance and Remuneration Committee;
- Estates and Services Advisory Group;
- Marketing and Recruitment Advisory Group;
- Student Experience and Retention Advisory Group;

These Committees and Advisory Groups meet regularly and have clearly defined, delegated responsibilities.

The **Audit Committee** is responsible for:

- reviewing the audit issues relating to the draft annual financial statements prior to submission to the Board of Governors, monitoring compliance with statutory requirements, accounting standards and best practices for financial reporting;
- agreeing with the internal and external auditors the range of the respective audits and reviews and discussing with the auditors and with management any matters arising from the audits and agreeing appropriate action;
- monitoring the adequacy and effectiveness of the accounting, internal control, governance and risk management systems.

The Vice-Chancellor and the Director of Finance attend all Audit Committee meetings although they are not members of the Committee. There are also opportunities for the internal and external auditors to meet with the Audit Committee for independent discussions without any of the University's management being present. The Audit Committee met four times during 2013/14.

The **Finance and Human Resources Committee** is responsible for:

- making recommendations to the Board concerning the annual estimates for both capital and

Corporate Governance

recurrent income and expenditure, the effective and efficient use of resources and the safeguarding of the University's assets;

- reviewing management accounts and operating statements;
- determining policies relating to the borrowing of money and the granting of mortgages, charges or other security;
- authorising the establishment of companies and acquiring membership of existing companies;
- reviewing policies and practices concerned with staffing issues such as annual pay awards, staff appraisal, staff development, discipline and grievance, equality and diversity and staff welfare.

The **Finance and Human Resources Committee** met three times during 2013/14.

The **Nominations, Governance and Remuneration Committee** is responsible for:

- advising the Board on the appointment and reappointment of Governors;
- ensuring arrangements are in place for the induction and ongoing development of Governors;
- ensuring arrangements are in place for monitoring the effectiveness of the Board;
- making decisions on behalf of the Board on the terms of employment and the levels of remuneration of the holders of senior posts as defined in the Articles of Government and

expressing a view on behalf of the Board on the general salary structure, remuneration and terms of employment of the University's senior management.

The **Nominations, Governance and Remuneration Committee** met seven times during 2013/14.

- The **Estates and Services Advisory Group** is responsible for:
 - reviewing the University's estates strategy and the maintenance of its existing assets;
 - advising the Board on the acquisition, disposal and best use of land and accommodation for the purposes of the University;
 - overseeing the progress of major capital projects;
 - monitoring issues in relation to catering, residential, domestic and other services;
 - reviewing the University's health and safety policy and its effectiveness.

The **Estates and Services Advisory Group** met three times during 2013/14.

The **Marketing and Recruitment Advisory Group** is responsible for assisting the University in achieving both greater internal market awareness and improved external market visibility and reputation. The Marketing and Recruitment Advisory Group met three times during 2013/14.

The **Student Experience and Retention Advisory Group** is responsible for supporting the University's achievement of excellence in student experience, retention and

success. The Student Experience and Retention Advisory Group met three times during 2013/14.

All of the Board's Committees and Advisory Groups regularly report to the Board, making recommendations as appropriate. In addition, the Audit Committee produces an annual report, which is also sent to HEFCE. The Vice-Chancellor provides an update on university business at each Board meeting and members of the Executive also attend Board meetings to answer any questions that may arise.

In accordance with good practice/CUC guidance, the Board of Governors periodically reviews its own effectiveness. The last review took place in November 2010. A review of the interrelationship between the Board of Governors and Academic Board also took place in June 2011. Recommendations arising from both reviews have been implemented.

Newly appointed Governors are encouraged to participate in an individual induction programme, tailored to their specific needs and experience. In addition, all Governors are kept informed of seminars and conferences for Governors offered by organisations such as the Leadership Foundation for Higher Education.

Internal Control

The University's Governing Body has responsibility for maintaining a sound system of internal control that supports the achievement of policies, aims and objectives, whilst safeguarding the public and other funds and assets for which it is responsible, in accordance

with the responsibilities assigned to the Governing Body in the Instrument and Articles and the Financial Memorandum with HEFCE.

The system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an annual ongoing process designed to identify the principal risks to the achievement of policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically. This process has been implemented during the year ended 31 July 2014 and up to the date of approval of the financial statements, and accords with HEFCE guidance.

The University's internal control system is supported by a number of policies which have been approved by the Governing Body. These include a Risk Management Policy, a Bribery Act Compliance Statement and comprehensive Financial Regulations which detail financial controls and procedures.

The Governing Body has responsibility for reviewing the effectiveness of the system of internal control. The following processes have been established:

- it meets formally three times during the year to consider the plans and strategic direction of the University;
- it has two Away Days, at which it interrogates the strategy of the University, the Strategic Plan and its

implementation;

- it receives regular reports from the Chairman of the Audit Committee concerning internal control, and requires regular reports from managers on the steps they are taking to manage risks in their areas of responsibility, including progress reports on key projects;
- a member of the Executive has responsibility for the promotion and co-ordination of risk management processes and reporting;
- the Audit Committee receives regular reports from the Head of Internal Audit, which includes Internal Audit's independent opinion on the adequacy and effectiveness of the Institution's system of internal control, together with recommendations for improvement;
- a system of key performance and risk indicators has been developed;
- a university-wide Risk Register is maintained;
- the University has arranged for reports on internal control activities to be received from budget holders, departmental heads and project managers;
- a robust risk prioritisation methodology has been established.

The Governing Body's review of the effectiveness of the system of internal control is informed by Internal Audit which operates to standards defined in the HEFCE Audit Code of Practice. In addition to being subject to periodic review by the HEFCE Audit Service, the services provided by the internal

audit consortium are kept under review by a Board made up of senior staff from member institutions.

The most recent Internal Audit annual opinion concluded that the University's internal controls and arrangements for governance, risk management and securing value for money were effective.

The Governing Body's review of the effectiveness of the system of internal control is also informed by the work of the executive managers within the Institution who have responsibility for the development and maintenance of the internal control framework, and by comments made by the external auditors in their management letter and other reports.

**By order of the Board of Governors
V Murray
Chair of the Board of Governors
28 November 2014**

In accordance with Articles of Government made by the Board in exercise of powers conferred by the Education Reform Act 1988, the Board of Governors of the Manchester Metropolitan University is responsible, inter alia, for the oversight of the University's activities and for the effective and efficient use of resources, for the solvency of the Institution and for the safeguarding of its assets. The Board is required by the Act to present audited financial statements for each financial year.

Responsibilities of the Board of Governors

The Board of Governors is responsible for keeping proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the University and enable it to ensure that the financial statements are prepared in accordance with the Act and with guidance from the Higher Education Funding Council for England and other relevant accounting and financial reporting standards.

In addition, within the terms and conditions of a Financial Memorandum agreed between HEFCE and the Board of Governors of the University, the Board, through its designated office holder, is required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the University and of the surplus or deficit and cash flows for that year.

In causing the financial statements to be prepared, the Board of Governors has ensured that:

- suitable accounting policies are selected and applied consistently;
- the methods and principles in the Statement of Recommended Practice (SORP) for further and higher education institutions are observed;
- judgements and estimates are made that are reasonable and prudent;
- applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- financial statements are prepared on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

The Board of Governors has taken reasonable steps to:

- ensure that funds from HEFCE are used only for the purposes for which they have been given and in accordance with the Financial Memorandum with the Funding Council and any other conditions

which the Funding Council may, from time to time, prescribe;

- ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources;
- safeguard the assets of the University and prevent and detect fraud;
- secure the economical, efficient and effective management of the University's resources and expenditure.

The key elements of the University's system of internal financial control, which is designed to discharge the responsibilities set out above, include the following:

- clear definitions of the responsibilities of, and the authority delegated to, heads of academic and administrative departments;
- a comprehensive medium and short-term planning process, supplemented by detailed annual income, expenditure, capital and cash flow budgets;
- regular reviews of academic performance and quarterly reviews of financial results involving variance reporting and updates of forecast outturns;
- clearly defined and formalised requirements for approval and control of expenditure;
- a formalised treasury management policy;
- a professional Internal Audit team whose annual programme is approved

by the Audit Committee.

The Audit Committee, on behalf of the Board, has reviewed the effectiveness of the University's system of internal control. Any system of internal financial control can, however, provide only reasonable, but not absolute, assurance against material misstatement or loss.

The maintenance and integrity of the Manchester 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.

The Governors who held office at the date of approval of this report confirm that, so far as they are each aware, there is no relevant audit information of which the University's auditors are unaware; and each member has taken all the steps that he or she ought to have taken to be aware of any relevant audit information and to establish that the University's auditors are aware of that information.

By order of the Board of Governors
V Murray
Chair of the Board of Governors
28 November 2014

Independent Auditors' Report to the governing body of the Manchester Metropolitan University (the "Institution")

Our opinion

In our opinion, the financial statements, defined below:

- give a true and fair view of the state of the group's and of the parent institution's affairs as at 31 July 2014 and of the group's income and expenditure, recognised gains and losses and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education.

This opinion is to be read in the context of what we say in the remainder of this report.

What we have audited

The group financial statements and parent institution financial statements (the "financial statements"), which are prepared by The Manchester Metropolitan University, comprise:

- the consolidated and university Balance Sheets as at 31 July 2014;
- the consolidated Income and Expenditure Account for the year then ended;
- the Statement of Consolidated Total Recognised Gains and Losses for the year then ended;

- the Statement of Consolidated Historical Cost Surpluses and Deficits for the year then ended;
- the Reconciliation of Reserves for the year then ended;
- the consolidated Cash Flow Statement for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in their preparation is the Statement of Recommended Practice for Further and Higher Education, incorporating United Kingdom Generally Accepted Accounting Practice.

In applying the financial reporting framework, the Governing Body has made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, it has made assumptions and considered future events.

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the group and parent institution's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Governing Body; and
- the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Report of the Board of Governors 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.

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

In our opinion, in all material respects:

- funds from whatever source administered by the institution for specific purposes have been properly applied to those purposes and, if relevant, managed in accordance with relevant legislation;
- income has been applied in accordance with the institution's articles of government; and
- funds provided by HEFCE have been applied in accordance with the Financial Memorandum and any other terms and conditions attached to them.

Other matters on which we are required to report by exception

Under the HEFCE Audit Code of Practice issued under the Further and Higher Education Act 1992 we are required to report to you if, in our opinion the statement of internal control included as part of the Corporate Governance Statement is inconsistent with our knowledge of the parent institution and group. We have no exceptions to report from this responsibility.

Responsibilities for the financial statements and the audit

Respective responsibilities of the Governing Body and auditors

As explained more fully in the Responsibilities of the Board of Governors set out on pages 44 and 45 the Governing Body is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Governing Body as a body in accordance with the institution's Articles of Government and section 124B of the Education Reform Act 1988 as amended by section 71 of the Further and Higher Education Act 1992, and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

**PricewaterhouseCoopers LLP
Chartered Accountants and
Statutory Auditors
Manchester
28 November 2014**

Notes

- The maintenance and integrity of The Manchester 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 the financial statements may differ from legislation in other jurisdictions.

Consolidated Income and Expenditure Account

for the year ended 31 July 2014

	Note	Total 2013/14 £000	Total 2012/13 £000
Income			
Funding body grants	2	48,844	69,653
Tuition fees and education contracts	3	175,926	138,940
Research grants and contracts	4	4,082	4,931
Other income	5	19,391	25,689
Endowment and investment income	6	743	1,889
		—————	—————
Total Income		248,986	241,102
		—————	—————
Expenditure			
Staff costs	7	142,827	138,012
Other operating expenses	8	82,224	72,187
Depreciation	11	7,369	6,046
Interest and other finance costs	9	2,195	4,671
		—————	—————
Total expenditure	10	234,615	220,916
		—————	—————

	Note	Total 2013/14 £000	Total 2012/13 £000
Surplus after depreciation of tangible fixed assets at valuation and before tax and exceptional items			
		—————	20,186
Exceptional items: continuing operations			
Accelerated release of deferred capital grants	17	3,121	-
Accelerated depreciation charge	11	(12,181)	(18,574)
		—————	—————
Surplus on continuing operations after depreciation of assets at valuation, tax and exceptional items		5,311	1,612
Deficit for the year transferred to accumulated income in endowment funds	18	187	237
		—————	—————
Surplus for the year retained within general reserves	20	5,498	1,849
		—————	—————

The consolidated income and expenditure of the University, its subsidiaries and associated undertakings relate wholly to continuing operations.

Note of Historical Cost Surpluses and Deficits, and Statement of Consolidated Total Recognised Gains and Losses and Reconciliation of Reserves

for the year ended 31 July 2014

Statement of Consolidated Historical Cost Surpluses and Deficits

for the year ended 31 July 2014

	Note	Total 2013/14 £000	Total 2012/13 £000
Surplus on continuing operations after depreciation of assets at valuation, tax and exceptional item		5,311	1,612
Difference between historical cost depreciation charge and the actual depreciation charge of the year calculated on the revalued amount	19	6,482	7,898
Historical cost surplus for the year		11,793	9,510

Statement of Consolidated Total Recognised Gains and Losses

for the year ended 31 July 2014

		2013/14 £000	2012/13 £000
Surplus on continuing operations after depreciation of assets at valuation, tax and exceptional items		5,311	1,612
Actuarial (loss)/gain in respect of pension scheme	16	(31,353)	27,547
Unrealised surplus on revaluation of fixed assets	19	18,482	2,618
New endowments	18	7	4
Total recognised (losses)/gains relating to the year (including endowments)		(7,553)	31,781

Reconciliation of Reserves

as at 31 July 2014

	Total 2013/14 £000	Total 2012/13 £000
Opening reserves and endowments	301,324	269,543
Total recognised (losses)/gains for the year	(7,553)	31,781
Closing reserves and endowments	293,771	301,324

Balance Sheets

as at 31 July 2014

	Note	Consolidated		University	
		2014 £000	2013 £000	2014 £000	2013 £000
Fixed assets					
Tangible assets	11	441,337	391,111	441,337	391,111
Investments	12	1,765	1,765	1,765	1,765
Total fixed assets		443,102	392,876	443,102	392,876
Endowment assets	18	913	1,093	913	1,093
Current assets					
Stocks		135	126	135	126
Debtors	13	9,496	10,006	9,496	10,006
Assets held for resale	11	19,030	-	19,030	-
Investments in short-term deposits	27	25,000	41,630	25,000	41,630
Cash at bank and in hand	27	37,189	75,785	37,189	75,785
Total current assets		90,850	127,547	90,850	127,547
Less: Creditors: amounts falling due within one year	14	(37,181)	(44,778)	(37,217)	(44,799)
Net current assets		53,669	82,769	53,633	82,748
Total assets less current liabilities		497,684	476,738	497,648	476,717
Less: Creditors: amounts falling due after more than one year	15	(38,868)	(40,821)	(38,868)	(40,821)
Less: Provisions for liabilities and charges - enhanced pensions	16	(11,181)	(10,989)	(11,181)	(10,989)
NET ASSETS EXCLUDING PENSION LIABILITY		447,635	424,928	447,599	424,907
Provisions for liabilities and charges – FRS 17 pension liability	16	(87,385)	(54,304)	(87,385)	(54,304)
NET ASSETS INCLUDING PENSION LIABILITY		360,250	370,624	360,214	370,603

	Note	Consolidated		University	
		2014 £000	2013 £000	2014 £000	2013 £000
Deferred capital grants	17	66,479	69,300	66,479	69,300
Endowments					
Expendable	18	808	984	808	984
Permanent	18	105	109	105	109
Total endowments		913	1,093	913	1,093
Reserves					
Income and expenditure account (excluding FRS 17 pension reserve)		274,880	261,172	274,844	261,151
Pension reserve (FRS 17)	16	(87,385)	(54,304)	(87,385)	(54,304)
Income and expenditure account (including pension reserve)	20	187,495	206,868	187,459	206,847
Revaluation reserve	19	105,363	93,363	105,363	93,363
Total reserves		292,858	300,231	292,822	300,210
TOTAL FUNDS		360,250	370,624	360,214	370,603

The financial statements on pages 48 to 87 were approved by the Board of Governors on 28 November 2014 and signed on its behalf by:-

V MURRAY
Chair of the Board of Governors

PROF J BROOKS
Vice-Chancellor

J CUNNINGHAM
Director of Finance

Consolidated Cash Flow Statement

for the year ended 31 July 2014

	Note	2013/14 £000	2012/13 £000
Net cash inflow from operating activities	23	14,505	29,130
Returns on investments and servicing of finance	24	(1,232)	(78)
Capital expenditure and financial investment	25	(68,610)	(56,630)
Management of liquid resources - represented by decrease in short-term deposits		16,630	59,445
Financing	26	(69)	6,458
(Decrease) / Increase in cash in the year (including endowment assets)		(38,776)	38,325

	Note	2013/14 £000	2012/13 £000
Reconciliation of net cash flow to movement in net funds			
(Decrease) / Increase in cash for year		(38,776)	38,325
Decrease in short term deposits		(16,630)	(59,445)
New loan		(724)	(6,500)
Repayment of debt		793	42
		—————	—————
Movement in net funds in the year		(55,337)	(27,578)
Net funds at 1 August 2013		76,946	104,524
		—————	—————
Net funds at 31 July 2014	27	21,609	76,946
		—————	—————

Notes to the Financial Statements

1. Statement of principal accounting policies

In accordance with FRS 18, these accounting policies have been reviewed by the Board of Governors and are considered to be appropriate to the University's activities.

i) Basis of preparation and accounting

The financial statements have been prepared under the historical cost convention, except in respect of certain fixed assets which are included at valuation, and in accordance with both the *Statement of Recommended Practice (SORP): Accounting in Further and Higher Education Institutions 2007* and applicable Accounting Standards in the United Kingdom. The financial statements are prepared on a going concern basis and accounting policies have been applied consistently from one year to the next.

ii) Basis of consolidation

In accordance with FRS 2, the financial statements consolidate the financial statements of the University and its subsidiary undertakings for the financial year to 31 July 2014. The University's share of income and expenditure of any material associated undertakings is recognised in the University's income and expenditure account. Associated undertakings are those in which the group has a significant, but not dominant, influence over their commercial and financial policy decisions. The University has

no material associate undertaking in the year. Any Inter-group sales and profits are eliminated on consolidation. Uniform group accounting policies have been used for the consolidated financial statements.

In accordance with FRS 2, the Manchester Metropolitan Students' Union is not consolidated because the University has no representative on the Union Executive Committee and consequently exercises no significant control or influence over policy decisions of the Union. The relationship with the Students' Union extends only to the provision of grant funding to the Union each financial year. This treatment is consistent with other institutions in the Higher Education sector.

iii) Recognition of income

Funding council block grants are accounted for in the year to which they relate. Tuition fee income (including Educational contracts) is stated gross and credited to the income and expenditure account over the years in which students are studying. Where the amount of the tuition fee is reduced, by a discount for prompt payment or fee waiver allocated from the student support package, income receivable is shown net of the discount. Scholarships are accounted for gross as expenditure and not deducted from income.

Recurrent income from grants, contracts and other services rendered are accounted for on an accruals basis and included to the extent of the completion of the contract or service concerned; any payments received in advance of

such performance are recognised on the balance sheet as liabilities.

Endowment and investment income is credited to the income and expenditure account on a receivable basis. Income from restricted endowments not expended in accordance with the restrictions of the endowment, is transferred from the income and expenditure account to restricted endowments.

Any increase in value arising on the revaluation of fixed asset investments is carried as a credit to the revaluation reserve, via the statement of total recognised gains and losses; a diminution in value is charged to the income and expenditure account as a debit, to the extent that it is not covered by a previous revaluation surplus.

With regard to SSAP 25 "Segmental reporting", the Manchester Metropolitan University believes that segmental disclosure by class of business and geographical segment is not required by the University, due to the nature of the University's current activities all being aligned to the same class of business and geographical market.

iv) Pension schemes

(a) Teachers' Pensions Scheme ("TPS") and the Greater Manchester Local Government Pension Scheme ('GMPF')

Retirement benefits to employees of the University are provided by the TPS and the GMPF. These are defined benefit schemes which are externally funded and contracted out of the Second State

Pension (S2P). A small number of staff remain in other pension schemes.

Contributions to the TPS are calculated so as to spread the cost of pensions over employees' working lives with the University in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of quinquennial valuations using a prospective benefit method.

The TPS is a multi-employer scheme and the University is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution scheme and the contributions recognised as they are paid each year.

The GMPF is accounted for in line with FRS 17. The assets of the GMPF are measured using closing market values. GMPF liabilities are measured using the projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability.

The increase in the present value of the liabilities of the scheme expected to arise from employee service in the period is charged to the operating surplus. The expected return on the scheme's assets and the increase during the period in the present value of the scheme's liabilities, arising from the passage of time, are included in pension finance costs. Actuarial gains and losses are recognised in the statement of total recognised gains and losses. The scheme is reviewed by

qualified actuaries every three years.

(b) Enhanced pensions

The University continues to make a diminishing number of pension enhancement payments to retired employees or their dependants. The value of this liability is reflected as a provision for liabilities and charges in the balance sheet and is reviewed by qualified actuaries every three years. Each year there is a charge against the provision for payments to pensioners and credit to the provision for net return on assets.

v) Foreign currencies

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into sterling either at year end or, where there are related forward foreign exchange contracts, at contract rates. The resulting exchange differences are dealt with in the determination of income and expenditure for the financial year.

vi) Leases

Rentals under operating leases are charged to the income and expenditure account in the year in which the expenditure is incurred.

If the University enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a finance lease. The asset is recorded in

the balance sheet as a fixed asset and is depreciated over the shorter of its estimated useful life and the lease term. Future instalments under such leases, net of finance charges, are included in other liabilities. Rentals payable are apportioned in accordance with SSAP21 between the finance element, which is charged to the income and expenditure account, and the capital element, which reduces the outstanding obligation for future instalments.

vii) Tangible fixed assets

(a) Capitalisation

Tangible assets are capitalised where they are capable of being used for a period that exceeds one year and which:

- individually have a cost equal to, or greater than £25,000, or;
- collectively have a cost equal to, or greater than £25,000 where the assets are functionally interdependent or are purchased together and intended to be used as a group under common management control;
- irrespective of their individual cost, form part of the initial equipping of a new building, or;
- where assets are financed by lease agreements that give rights approximating to ownership, the assets are treated as if they have been purchased outright regardless of the value of the individual items which relate to the finance lease.

Notes to the Financial Statements

The initial measurement of cost only includes expenditure directly incurred in bringing an asset into working condition for its intended use.

Costs incurred in relation to major enhancements of existing buildings are capitalised to the extent that they increase the expected future benefits from the existing tangible fixed asset beyond its previously assessed standard of performance; the cost of any such enhancements are added to the gross carrying amount of the tangible fixed asset concerned.

(b) Valuation

Tangible fixed assets are stated at cost less accumulated depreciation and impairment. However, freehold and long leasehold land and buildings are included in the balance sheet at valuation. The basis of valuation is depreciated replacement cost. Buildings identified as surplus to requirements are valued at open market value. A valuation was undertaken as at 31 July 2013 by Eddisons, Chartered Surveyors. Valuations take place every five years.

Any increase in value arising on the revaluation of tangible assets is carried as a credit to the revaluation reserve, via the statement of total recognised gains and losses; a diminution in value is charged to the income and expenditure account as a debit, to the extent that it is not covered by a previous revaluation surplus.

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying amount of the fixed asset may not be recoverable.

(c) Heritage assets

Works of art and other valuable artefacts (heritage assets) have been capitalised and recognised at a value based on a valuation carried out by Bonhams during the financial year 2012/13.

Heritage assets are not depreciated since their economic life and high residual value mean that any depreciation would not be material.

(d) Depreciation

Land is not depreciated. Other tangible assets are depreciated on a straight-line basis over their useful life as follows:

Freehold buildings	60 years
Subsequent additions	10 years
Leasehold properties	Period of lease (but maximum of 60 years)
Plant and machinery	4 years
Fixtures and fittings and equipment	5 years for computer equipment, otherwise 10 years

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

(e) Capital grants

Where assets are acquired with the aid of specific grants they are capitalised and depreciated as above. The related grants are treated as deferred capital grants and released to the income and expenditure account over the expected useful life of the asset on a basis consistent with the depreciation policy.

(f) Repairs and maintenance

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

(g) Assets held for resale

Tangible fixed assets surplus to requirements are held at the lower of cost and net realisable value.

viii) Investments

Investments in subsidiary undertakings are shown at the lower of cost or net realisable value, and investments in associates are shown in the consolidated balance sheet at attributable share of net assets. Endowment assets represent a number of minor bequests, mainly for the establishment of prize funds, which have been made to the University over time. They are held as cash or in local authority stocks and are included at cost, which does not vary materially from market value.

ix) Stocks

Stocks consist solely of cleaning materials, consumables, food and bar stocks. They are valued at the lower of cost and net realisable value. Where necessary, provision is made for obsolete, slow-moving and defective stocks.

x) Accounting for charitable donations

Unrestricted donations

Charitable donations are recognised in the accounts when the charitable donation has been received or, if before receipt there is sufficient evidence to provide the necessary certainty that the donation will be received and the value of the incoming resources can be measured with sufficient reliability.

Endowment funds

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

- Unrestricted permanent endowments – the donor has specified that the fund is to be permanently invested to generate an income stream for the general benefit of the University;
- Restricted expendable endowments – the donor has specified a particular objective other than the purchase or construction of tangible fixed assets, and the University can convert the donated sum into income;
- Restricted permanent endowments – the donor has specified that the fund is to be permanently invested to generate an income stream to be applied to a particular objective.

Donations for fixed assets

Donations received to be applied to the cost of a tangible fixed asset are shown on the balance sheet as a deferred capital grant. The deferred

capital grant is released to the income and expenditure account over the same estimated useful life that is used to determine the depreciation charge associated with the tangible fixed asset.

Gifts in kind, including donated tangible fixed assets

Gifts in kind are included in 'other income' or 'deferred capital grants' as appropriate using a reasonable estimate of their gross value or the amount actually realised.

xi) Provisions

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 a transfer of economic benefit will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

xii) Cash flows and liquid resources

Cash flows comprise increase or decreases in cash. Cash includes cash in hand, cash at bank and deposits repayable on demand. Deposits are repayable on demand if they are available within 24 hours without penalty.

Liquid resources comprise assets held as a readily disposable store of value. They are sums on short-term deposits with recognised banks and building societies held as part of the Institution's treasury management activities.

xiii) Taxation status

The University is an exempt charity within the meaning of Schedule 3 of the Charities Act 2011 and is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by section 287 CTA2009 and sections 471, and 478-488 CTA 2010 or section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income and gains are applied to exclusively charitable purposes.

The University receives no similar exemption in respect of value added tax. Irrecoverable VAT on inputs is included in the costs of such inputs. Any irrecoverable VAT allocated to tangible fixed assets is included in their cost.

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

xiv) Agency arrangements

Funds the University receives and disburses as paying agent on behalf of a funding body are excluded from the income and expenditure account where the University is exposed to minimal risk or enjoys minimal economic benefit related to the transaction.

Notes to the Financial Statements

2. Funding body grants

	2013/14 £000	2012/13 £000
Recurrent grant:		
Higher Education Funding Council	40,288	58,777
National College for Teaching and Leadership	2,931	4,863
Education Funding Agency	809	1,097
Specific grants:		
Higher Education Funding Council	3,425	3,156
Deferred capital grants released in year:		
Buildings (note 17)	1,214	1,583
Equipment (note 17)	177	177
	<u>48,844</u>	<u>69,653</u>

3. Tuition fees and education contracts

	2013/14 £000	2012/13 £000
Full-time students	144,072	108,768
Full-time students charged overseas fees	12,691	12,067
Part-time fees	6,145	5,447
Short course fees	709	957
Education contracts - NHS	9,286	9,159
Education contracts - other	3,023	2,542
	<u>175,926</u>	<u>138,940</u>

4. Research grants and contracts

	2013/14 £000	2012/13 £000
Research Councils	1,520	1,515
UK-based charities	150	263
Other research grants and contracts	2,412	3,153
	<u>4,082</u>	<u>4,931</u>

5. Other income

	2013/14 £000	2012/13 £000
Residences, catering and conferences	10,880	10,903
Other services rendered	4,856	5,554
Released from deferred capital grants (note 17)	23	23
Other income	3,632	9,209
	<u>19,391</u>	<u>25,689</u>

Included within other income in 2012/13 is a £5,310,000 gift of land, relating to the Birley Fields site.

6. Endowment and investment income

	2013/14 £000	2012/13 £000
Income from short-term deposits	739	1,884
Income from expendable endowments (note 18)	4	5
	<u>743</u>	<u>1,889</u>

7. Staff costs

	2013/14 £000	2012/13 £000
Wages and salaries	114,142	111,816
Social security costs	9,082	8,965
Other pension costs (note 28)	19,603	17,231
	<u>142,827</u>	<u>138,012</u>

Notes to the Financial Statements

7. Staff cost (continue)

	2013/14 £000	2012/13 £000
Emoluments of the Vice-Chancellor	259	251
Benefits in kind	2	3
	<u>261</u>	<u>254</u>
Pension contributions:	<u>31</u>	<u>31</u>

The Vice-Chancellor's pension contributions to the Teachers' Pension Scheme are paid at the same rates as for other academic staff.

	2013/14	2012/13
Average staff numbers by major category:		
Academic full-time	1,434	1,440
Academic part-time	436	434
Support staff	2,048	2,041
Casual staff	470	389
	<u>4,388</u>	<u>4,304</u>

Remuneration of other higher paid staff, including employer's pension contributions and benefits in kind:

£100,000 - £109,999	6	8
£110,000 - £119,999	2	2
£120,000 - £129,999	3	3
£130,000 - £139,999	-	1
£140,000 - £149,999	1	1
£150,000 - £159,999	1	-
£160,000 - £169,999	1	-

8. Other operating expenses

	2013/14 £000	2012/13 £000
Residences, catering and conference operating expenses	12,203	9,084
Bursaries	13,625	12,072
Consumables and laboratory expenditure	2,485	1,889
Books and periodicals	2,793	2,704
Heat, light, water and power	5,112	5,366
Repairs and general maintenance	6,673	4,226
	<u>42,891</u>	<u>35,341</u>
Other expenses	39,333	36,846
	<u>(note 10) 82,224</u>	<u>72,187</u>

Included within other operating expenses:

	2013/14 £000	2012/13 £000
Operating lease rentals:		
Land and Buildings	5,961	6,353
Other	865	685
External auditors' remuneration for audit services:		
University	59	58
Subsidiary	3	3
External auditors' remuneration for non-audit services	-	2

No governor (all of whom are trustees to the University's charitable status) has received remuneration from the group during the year (2012/13 - £ nil).

The total expenses paid to or on behalf of 6 trustees was £5,000 (2012/13 - £3,000 to 3 trustees). This represents travel and subsistence expenses incurred in attending committee meetings and charity events in their official capacity.

Notes to the Financial Statements

9. Interest and other finance costs

	2013/14 £000	2012/13 £000
Loans not wholly repayable within five years	1,975	1,967
Net charge on pension scheme (note 16)	220	2,704
	(note 10)	
	2,195	4,671

10. Analysis of total expenditure by activity

	Staff costs £000	Depreciation £000	Other operating expenses £000	Interest and other finance costs £000	2013/14 Total £000	2012/13 Total £000
Academic departments	91,224	1,431	16,781	-	109,436	108,099
Academic services	16,284	890	13,137	-	30,311	27,642
Research grants and contracts	1,990	-	1,006	-	2,996	3,625
Residences, catering and conferences	3,131	438	12,203	-	15,772	12,426
Premises	8,849	4,476	12,864	1,975	28,164	25,291
Administration	16,050	134	24,202	-	40,386	33,937
Other expenses	5,299	-	2,031	220	7,550	9,896
Total per Income and Expenditure account	142,827	7,369	82,224	2,195	234,615	220,916

11. Tangible assets

	Freehold land and buildings £000	Leasehold land and buildings £000	Plant and machinery £000	Fixtures, fittings and equipment £000	Assets in the course of construction £000	Heritage assets £000	Total £000
CONSOLIDATED & UNIVERSITY							
Cost or valuation							
At 1 August 2013	380,700	5,560	173	12,632	54,369	4,305	457,739
Additions	-	-	-	1,295	69,029	-	70,324
Transfers	13,283	-	-	460	(13,743)	-	-
Surplus on revaluation	18,482	-	-	-	-	-	18,482
Transfer of cost / valuation to current assets	(67,857)	-	-	-	-	-	(67,857)
At 31 July 2014	344,608	5,560	173	14,387	109,655	4,305	478,688
Consisting of Valuation:							
As at 1 August 2012	-	5,560	-	-	-	-	5,560
As at 1 August 2013	-	-	-	-	-	4,305	4,305
As at 1 August 2014	344,608	-	-	-	-	-	344,608
Cost	-	-	173	14,387	109,655	-	124,215
	344,608	5,560	173	14,387	109,655	4,305	478,688
Accumulated depreciation							
At 1 August 2013	60,694	-	173	5,761	-	-	66,628
Release on transfer to current assets	(48,827)	-	-	-	-	-	(48,827)
Normal depreciation charge for the year	6,145	-	-	1,224	-	-	7,369
Accelerated depreciation charge for the year	12,181	-	-	-	-	-	12,181
At 31 July 2014	30,193	-	173	6,985	-	-	37,351
Net book value at 31 July 2014	314,415	5,560	-	7,402	109,655	4,305	441,337
At 31 July 2013	320,006	5,560	-	6,871	54,369	4,305	391,111

Notes to the Financial Statements

11. Tangible assets (continued)

The value of land included in freehold and leasehold land and buildings at 31 July 2014 was £21,131,000 (2013: £32,543,000).

Included above are fixtures and fittings held by the University under finance leases with a net book value of £ nil at 31 July 2014 (2013: £ nil). The depreciation charge on these assets was £ nil (2013: £64,000) for the year.

Included in the land and buildings depreciation charge of £18,326,000 (2013: £23,513,000) is an amount of £12,181,000 (2013: £18,574,000) for accelerated depreciation. This charge relates to buildings that are no longer in use by the University and therefore the depreciation charge has been accelerated to reflect the absence of any further remaining economic life of the buildings.

A valuation of land and buildings which are surplus to requirements and any additions, was undertaken by Eddisons Chartered Surveyors on 31 July 2013, in accordance with the RICS Appraisal and Valuation Standards. An interim valuation was undertaken by Eddisons Chartered Surveyors on 31 July 2014, which gave rise to a £18,482,000 increase in the overall value of the estate during 2013/14. Buildings in use by the University are valued using the Depreciated Replacement Cost methodology whilst the remaining estate is valued either at market value

or in use value. When valued at market value, the value has been based on similar properties that have been disposed of in the recent past.

During the year, the University has committed to the disposal (sale) of several tangible assets that are now no longer in use by the University. Included above is a transfer of £67,857,000 (2013: £ nil) from freehold land and buildings to current assets, and the corresponding release of £48,827,000 (2013: £ nil) from accumulated depreciation. This is recognised within the £19,030,000 (2013: £ nil) net transfer to current assets.

The heritage assets consist of a specialised book collection together with chattels held in the Fine Art/Special Collection of artefacts which have been donated or bequeathed to the University over a number of years. The University conserves these assets in order to enable use of the assets for teaching and research and access to the assets for engagement with members of the public. Further information on the University's policies regarding conservation, preservation, management and disposal of heritage assets can be found on the University's website: <http://www.specialcollections.mmu.ac.uk/>

The books have been valued at £2,346,000 (2013: £2,346,000) and the chattels at £1,959,000 (2013: £1,959,000). This valuation was undertaken by Bonham's in 2012/13.

12. Investments

	Consolidated and University	
	2014	2013
	£000	£000
Loans to related parties:		
Sugden Sports Trust	1,687	1,687
Other investments:		
Manchester Science Parks Limited	32	32
CVCP Properties plc	46	46
	1,765	1,765

The Governors believe that the carrying value of the investments is supported by their underlying net assets.

Subsidiary Companies

The subsidiary companies (all of which are registered in England and Wales) are as follows:

Name	Principal activity	Share Capital	Status
Uni-Rec Limited	Debt collection services	£1	100% owned
Manmet Limited	Dormant	£1	100% owned

Loan to Sugden Sports Trust

The loan to the Sugden Sports Trust has been provided to facilitate the building of a sports centre for the use of students and staff of the University (see Note 30). The loan comprises cash contributions to meet the construction cost together with certain equipment transferred to the trust. Under the terms of the agreement with the trustees, the loan is repayable in full on 31 December 2017 and bears interest at the rate of 6.5% per annum.

The Corridor, Manchester

The University has a 20% (2013 - 20%) interest in The Corridor, Manchester which was incorporated on 2 July 2007. The University, together with the University of Manchester, Manchester City Council, the Central Manchester University Hospitals NHS Foundation Trust and Bruntwood Limited collectively provide the funding for The Corridor, Manchester (see note 30).

Notes to the Financial Statements

13. Debtors

	Consolidated and University	
	2014	2013
	£000	£000
Trade and sundry debtors	5,830	8,026
Amounts due from associated companies	20	20
Prepayments and accrued income	3,646	1,960
	<u>9,496</u>	<u>10,006</u>

Contingent Asset

Prior to the 31 July 2014 the University had exchanged contracts for the sale of one of the assets held for sale, with a deposit of £575,000 being held by solicitors Mills & Reeve LLP until the sale completes.

14. Creditors: amounts falling due within one year

	Consolidated		University	
	2014	2013	2014	2013
	£000	£000	£000	£000
Obligations under debt finance:				
Unsecured loan	2,625	741	2,625	741
Other creditors:				
Trade and other creditors	24,648	35,105	24,648	35,126
Deferred income	4,935	4,267	4,935	4,267
Social security and other taxation	4,973	4,665	4,973	4,665
Amounts due to subsidiary company	-	-	36	-
	<u>37,181</u>	<u>44,778</u>	<u>37,217</u>	<u>44,799</u>

15. Creditors: Amounts falling due after more than one year

	Consolidated and University	
	2014	2013
	£000	£000
Unsecured loans:		
Due within one year	2,625	741
Due between one and two years	2,929	2,396
Due between two and five years	8,313	8,100
Due after five years	27,626	30,325
	<u>41,493</u>	<u>41,562</u>
Due within one year (note 14)	2,625	741
Due after more than one year	38,868	40,821
	<u>41,493</u>	<u>41,562</u>
Unsecured loans summary:		
Barclays Bank PLC	34,300	35,000
HEFCE	6,500	6,500
Salix Finance Ltd	693	62
	<u>41,493</u>	<u>41,562</u>

Included above is a £35,000,000 unsecured loan from Barclays Bank plc as part of the funding arrangements for the capital programme. The loan bears interest at 5.62% and is repayable by equal quarterly instalments of £350,000, which commenced from March 2014. The final instalment is due in December 2038.

During 2012/13 the University obtained a £6,500,000 interest free loan from HEFCE, which is repayable by equal quarterly instalments of £325,000

commencing in November 2014. The final instalment is due in August 2019.

The University has one instalment of £21,000 to pay on an existing interest free loan from Salix Finance Ltd (an independent, not for profit company, funded by various government bodies). The final instalment due in September 2014. During the year, the University received a second interest free loan from Salix Finance Ltd of £418,000. The loan is repayable in equal instalments every six months of £52,000, which

commenced in March 2014. The final instalment is due in September 2017.

During the year the University obtained a £306,000 interest free loan from the HEFCE Revolving Green Fund, which is repayable by equal instalments every six months, commencing in November 2014. The final instalment is due in May 2018.

Notes to the Financial Statements

16. Provisions for liabilities and charges

	Consolidated and University		
	FRS 17 pension liability £000	Enhanced pensions £000	Total £000
At 1 August 2013	54,304	10,989	65,293
Movement in year:			
Current service cost	9,499	-	9,499
Employer's contributions	(7,718)	-	(7,718)
Payments to pensioners	-	(1,027)	(1,027)
Impact of settlements and curtailments	110	-	110
Past service cost	125	-	125
Net (gain)/charge	(288)	508	220
Actuarial loss (see note 28)	31,353	-	31,353
Enhancement	-	711	711
At 31 July 2014	87,385	11,181	98,566

The FRS 17 pension liability relates to staff who are members of the Greater Manchester Pension Fund (see note 28).

The University continues to make a diminishing number of pension enhancement payments to retired employees or their dependants. The value of this liability is reflected as a provision in the balance sheet and is reviewed by qualified actuaries every three years, was last undertaken by Hymans Robertson LLP at 31 July 2013. Each year there is a charge against the provision for payments to pensioners and credit to the provision for net return on assets.

17. Deferred capital grants

	Consolidated and University		
	Funding council £000	Other grants £000	Total £000
At 1 August 2013			
Buildings	66,090	1,141	67,231
Equipment	2,069	-	2,069
Total	68,159	1,141	69,300
Grants receivable			
Buildings	1,714	-	1,714
Total	1,714	-	1,714
Released to income and expenditure account			
Buildings	1,881	833	2,714
Equipment	1,821	-	1,821
Total	3,702	833	4,535
At 31 July 2014			
Buildings	65,923	308	66,231
Equipment	248	-	248
Total	66,171	308	66,479

Included in the deferred capital grants released to the income and expenditure account of £4,535,000 (2013: £1,783,000) is an amount of £3,121,000 (2013: £ nil) for accelerated deferred capital grants release. This charge relates to buildings that are no longer in use by the University and therefore the deferred capital grants release has been accelerated to reflect the absence of any further remaining economic life of the buildings.

Notes to the Financial Statements

18. Endowment assets and funds

	Consolidated and University				
	Restricted permanent £000	Restricted expendable £000	Unrestricted expendable £000	2014 total £000	2013 total £000
At 1 August 2013					
Capital	75	1,019	171	1,265	1,261
Accumulated income	34	(207)	1	(172)	65
	<u>109</u>	<u>812</u>	<u>172</u>	<u>1,093</u>	<u>1,326</u>
New endowments	-	7	-	7	4
Investment income	-	4	-	4	5
Expenditure	(4)	(187)	-	(191)	(242)
At 31 July 2014	<u>105</u>	<u>636</u>	<u>172</u>	<u>913</u>	<u>1,093</u>
Represented by:					
Capital	75	1,028	171	1,274	1,265
Accumulated income	30	(392)	1	(361)	(172)
	<u>105</u>	<u>636</u>	<u>172</u>	<u>913</u>	<u>1,093</u>
Analyses by type of purpose:					
Research Support	-	531	-	531	700
Prize Funds	105	105	-	210	221
General	-	-	172	172	172
	<u>105</u>	<u>636</u>	<u>172</u>	<u>913</u>	<u>1,093</u>

Major endowments

Restricted expendable endowments include one major individual fund, the Margaret Beaker Fund resulted from an endowment given for the purpose of research in the field of applied image engineering. The movement on this fund for the year was as follows:

18. Endowment assets and funds (continued)

	Consolidated and University £000
At 1 August 2013	700
Investment income	4
Expenditure	(173)
At 31 July 2014	<u>531</u>

19. Revaluation reserve

	Consolidated and University £000
At 1 August 2013	93,363
Transfer to income and expenditure account in respect of assets transferred on incorporation	(6,482)
Revaluation for the year	18,482
At 31 July 2014	<u>105,363</u>

20. Income and expenditure account

	Consolidated £000	University £000
At 1 August 2013	206,868	206,847
Surplus retained for the year	5,498	5,483
Net actuarial loss (note 28)	(31,353)	(31,353)
Transfer from revaluation reserve (note 19)	6,482	6,482
At 31 July 2014	<u>187,495</u>	<u>187,459</u>

Notes to the Financial Statements

21. Lease obligations

The University is committed to make the following operating lease payments in the next financial year, analysed by lease expiration date:

	Consolidated and University	
	2014 £000	2013 £000
Land and buildings:		
Between one and two years	39	38
Between two and five years	2,267	2,203
Greater than five years	4,060	3,874
Plant and equipment:		
Within one year	73	152
Between one and two years	666	329
Between two and five years	-	328
Greater than five years	193	193
	<u>7,298</u>	<u>7,117</u>

22. Capital commitments

	Consolidated and University	
	2014 £000	2013 £000
Commitments contracted at 31 July 2014	12,553	79,469
Authorised but not contracted at 31 July 2014	16,931	19,721

The capital commitments above largely relate to the final phases of the current capital programme, with the commitments due to be expended in the 2014/15 financial year upon the completion of the Birley Fields campus and a new Student Union building.

23. Reconciliation of consolidated surplus after depreciation of assets at valuation to net cash inflow from operating activities

	2013/14 £000	2012/13 £000
Surplus on continuing operations after depreciation of assets at valuation, tax and exceptional items	5,311	1,612
Depreciation (note 11)	19,550	24,620
Land Gift (note 5)	-	(5,310)
Deferred capital grants released to income (note 17)	(4,535)	(1,783)
Interest receivable (note 6)	(739)	(1,884)
Endowment income (note 6)	(4)	(5)
New endowments	7	4
Interest payable (note 9)	1,975	1,967
Decrease/(increase) in debtors	510	(1,861)
(Increase)/decrease in stock	(9)	15
(Decrease)/increase in creditors	(9,481)	8,144
Increase in provisions	1,920	3,611
Net cash inflow from operating activities	<u>14,505</u>	<u>29,130</u>

24. Returns on investments and servicing of finance

	2013/14 £000	2012/13 £000
Income from short term investments (note 6)	739	1,884
Endowment interest received (note 6)	4	5
Interest paid (note 9)	(1,975)	(1,967)
	<u>(1,232)</u>	<u>(78)</u>

Notes to the Financial Statements

25. Capital expenditure and financial investment

		2013/14	2012/13
		£000	£000
Payments made to acquire fixed assets	(note 11)	(70,324)	(66,470)
Land gift	(note 5)	-	5,310
Investments disposed		-	5
Deferred capital grants receivable	(note 17)	1,714	4,525
		<u>(68,610)</u>	<u>(56,630)</u>

26. Analysis of changes in consolidated financing during the year

	Mortgages, loans and finance leases £000
Balance at 1 August 2012	35,104
New loan	6,500
Capital repayments	(42)
Balance at 31 July 2013	41,562
New loan	724
Capital repayments	(793)
Balance at 31 July 2014	41,493

27. Analysis of changes in net funds

		As at 1 August 2013	Cash flows	Other changes	As at 31 July 2014
		£000	£000	£000	£000
Cash at bank and in hand:					
Endowment assets	(note 18)	1,093	(180)	-	913
Other		75,785	(38,596)	-	37,189
		<u>76,878</u>	<u>(38,776)</u>	<u>-</u>	<u>38,102</u>
Short term deposits		41,630	(16,630)	-	25,000
Debt due within one year	(note 15)	(741)	793	(2,677)	(2,625)
Debt due after one year	(note 15)	(40,821)	(724)	2,677	(38,868)
		<u>76,946</u>	<u>(55,337)</u>	<u>-</u>	<u>21,609</u>

28. Pension schemes

The principal pension schemes for the University's staff are the Greater Manchester Pension Fund ('GMPF') which is administered by Tameside Metropolitan Borough Council and the Teachers' Pension Scheme ('TPS') which is administered by the Teachers' Pension Agency. The schemes are defined benefit schemes and are contracted out of the State Earnings-Related Pension Scheme. The GMPF is externally funded and the TPS is notionally funded. The GMPF and the TPS are valued every three and five years respectively by actuaries using a prospective benefits valuation method, the rates of contribution payable being determined by the pension fund on the advice of the actuaries.

Under the definitions set out in FRS 17, the GMPF is a multi-employer defined benefit pension scheme. In the case of the GMPF the actuary of the scheme has identified the University's share of its assets and liabilities as at 31 July 2014.

Greater Manchester Pension Fund Composition of the scheme

A full actuarial valuation was carried out at 31 March 2010 and updated to 31 July 2014 by a qualified independent actuary. The major assumptions used by the actuary were:

	2014	2013
	%	%
Rate of increase in salaries	3.8	4.6
Rate of increase in pensions in payment	2.7	2.8
Discount rate	4.0	4.6
Expected return on assets	5.8	5.8

Contribution rates are as follows:

	%
From 1 April 2013 to 31 March 2014	17.9
From 1 April 2014 to 31 March 2015	19.1
From 1 April 2015 to 31 March 2016	20.3
From 1 April 2016 to 31 March 2017	21.4

The increases in contribution rates may reduce the deficit.

Notes to the Financial Statements

28. Pension schemes (continued)

The assumed life expectations on retirement at age 65 are:

	Males years	Females years
Current pensioners	21.4	24.0
Future pensioners	24.0	26.6

The assets in the scheme attributable to the University and the expected rate of return were:

	Long term rate of return per annum 2014 %	Assets value at 2014 £000	Long term rate of return per annum 2013 %	Assets value at 2013 £000	Long term rate of return per annum 2012 %	Assets value at 2012 £000
Equities	6.6	172,086	6.5	168,935	5.5	127,992
Bonds	3.6	43,627	3.7	42,234	3.3	40,725
Property	4.7	14,542	4.6	14,078	3.7	9,696
Cash	3.6	12,119	3.4	9,385	2.8	15,514
Total		242,374		234,632		193,927

The following amounts at 31 July 2014 and 31 July 2013 were measured in accordance with the requirements of FRS 17:

Analysis of the amount shown in the balance sheet

	2014 £000	2013 £000
The University's estimated asset share	242,374	234,632
Present value of the University's scheme liabilities	(329,759)	(288,936)
Net pension liability	(87,385)	(54,304)

28. Pension schemes (continued)

Analysis of the amount charged to staff costs within surplus after depreciation of assets at valuation

	2013/14 £000	2012/13 £000
Current service cost	9,499	8,552
Past service cost	125	48
Settlements and curtailments	110	31
Total operating charge	9,734	8,631

Analysis of the amount credited to interest and other finance costs

	2013/14 £000	2012/13 £000
Expected return on pension scheme assets	13,679	9,153
Interest on pension scheme liabilities	(13,391)	(11,132)
Net gain/(charge)	288	(1,979)

Analysis of the amount recognised in statement of total recognised gains and losses (STRGL)

	2013/14 £000	2012/13 £000
Actual return less expected return on pension scheme assets	(8,735)	29,866
Changes in assumptions underlying the present value of the scheme liabilities	(22,618)	(4,460)
Actuarial (loss)/gain recognised in STRGL	(31,353)	25,406

Notes to the Financial Statements

28. Pension schemes (continued)

Movement in deficit in the year

	2013/14	2012/13
	£000	£000
Deficit in scheme at 1 August 2013	(54,304)	(75,800)
Movement in the year:		
Current service costs	(9,499)	(8,552)
Contributions	7,718	6,700
Past service costs	(125)	(48)
Net gain/(charge) on assets	288	(1,979)
Impact of settlements and curtailments	(110)	(31)
Actuarial (loss)/gain	(31,353)	25,406
	<u> </u>	<u> </u>
Deficit in the scheme at 31 July 2014	(87,385)	(54,304)

Analysis of movement in the present value of scheme liabilities

	2013/14	2012/13
	£000	£000
At 1 August 2013	288,936	269,727
Current service costs	9,499	8,552
Interest cost	13,391	11,132
Contributions by members	2,745	2,550
Actuarial loss	22,618	4,460
Past service costs	125	48
Loss on curtailments	110	31
Estimated benefits paid	(7,665)	(7,564)
	<u> </u>	<u> </u>
At 31 July 2014	329,759	288,936

28. Pension schemes (continued)

Analysis of movement in market value of the scheme assets

	2013/14	2012/13
	£000	£000
At 1 August 2013	234,632	193,927
Expected return on assets	13,679	9,153
Contributions by members	2,745	2,550
Contributions by employer	7,718	6,700
Actuarial (loss)/gain	(8,735)	29,866
Estimated benefits paid	(7,665)	(7,564)
	<u> </u>	<u> </u>
At 31 July 2014	242,374	234,632

History of experience gains and losses

	2013/14	2012/13	2011/12	2010/11	2009/10
	£000	£000	£000	£000	£000
Present value of scheme liabilities	(329,759)	(288,936)	(269,727)	(224,950)	(223,036)
Fair value of scheme assets	242,374	234,632	193,927	187,657	168,647
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Deficit in the scheme	(87,385)	(54,304)	(75,800)	(37,293)	(54,389)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Difference between the expected and actual return on scheme assets:	(8,735)	29,866	(6,759)	5,699	13,081
Percentage of scheme assets	(3.6%)	12.7%	(3.5%)	3.0%	7.8%
Experience gains/(losses) on scheme liabilities:	125	48	220	98	154
Percentage of the present value of the scheme liabilities	0.0%	0.0%	0.1%	0.0%	0.1%
Actuarial (losses)/gains recognised in statement of total recognised gains and losses	(31,353)	25,406	(37,322)	19,401	13,938
Percentage of the present value of the scheme liabilities	(9.5%)	8.8%	(13.8%)	8.6%	6.2%

Notes to the Financial Statements

28. Pension schemes (continued)

- The cumulative amount of actuarial gains and losses recognised in the statement of total recognised gains and losses is a £57,980,000 loss (2013: £26,625,000 loss).
- Defined benefit scheme assets do not include any of the University's own financial instruments or any property occupied by the University.
- The estimate for the contribution for the defined benefit scheme for the year to 31 July 2015 will be approximately £8,203,000.
- The actual return on scheme assets in the year was a £4,944,000 gain (2013: £39,019,000 gain).

The Teachers' Pension Scheme

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme. The regulations under which the TPS operates are the Teachers' Pensions Regulations 2010. These regulations apply to teachers in schools and other educational establishments in England and Wales maintained by local authorities, to teachers in many independent and voluntary-aided schools, and to teachers and lecturers in establishments of further and higher education. Membership is automatic for full-time teachers and lecturers, and from 1 January 2007 automatic too for teachers and lecturers in part-time employment following appointment or

a change of contract. Teachers and lecturers are able to opt out of the TPS.

Although teachers and lecturers are employed by various bodies, their retirement and other pension benefits, including annual increases payable under the Pensions (Increase) Acts are, as provided for in the Superannuation Act 1972, paid out of monies provided by Parliament. Under the unfunded TPS, teachers' contributions on a 'pay-as-you-go' basis, and employers' contributions, are credited to the Exchequer under arrangements governed by the above Act.

The Teachers' Pensions Regulations require an annual account, the Teachers' Pension Budgeting and Valuation Account, to be kept of receipts and expenditure (including the cost of pensions increases). From 1 April 2001, the account has been credited with a real rate of return (in excess of price increases and currently set at 3.5%), which is equivalent to assuming that the balance in the account is invested in notional investments that produce that real rate of return.

Valuation of the Teachers' Pension Scheme

Not less than every four years, the Government Actuary (GA), using normal actuarial principles, conducts a formal actuarial review of the TPS. The aim of the review is to specify the level of future contributions.

The contribution rate paid into the TPS is assessed in two parts. First, a standard contribution rate (SCR) is determined. This is the contribution, expressed as a percentage of the salaries of teachers and lecturers in service or entering service during the period over which the contribution rate applies which, if it were paid over the entire active service of these teachers and lecturers, would broadly defray the cost of benefits payable in respect of that service. Secondly, a supplementary contribution is payable if, as a result of the actuarial investigation, it is found that accumulated liabilities of the account for benefits to past and present teachers, are not fully covered by standard contributions to be paid in future and by the notional fund built up from past contributions. The total contribution rate payable is the sum of the SCR and the supplementary contribution rate.

The last valuation of the TPS was at 31 March 2012 and can be found on the Teacher Pensions website at: www.teacherspensions.co.uk. The GA's report published in June 2014 revealed a deficit of £15.0 billion as the total liabilities of the Scheme (pensions currently in payment and the estimated cost of future benefits) amounted to £191.5 billion and the value of the assets (estimated future contributions together with the proceeds from the notional investments held at the valuation date) was £176.6 billion. The assumed real rate of return is 3.0% in excess of prices (using the

CPI measure), which are expected to increase by 2% as are pensions, while real earnings growth is assumed to be 2.75%. The scheme is being modified in 2015 (following the Independent Public Services Pensions Commission report (the 'Hutton Report')) to operate on a career average basis and employer contributions are being increased to 16.4% which includes 5.6% to meet the shortfall in the fund over the next fifteen years.

From 1 April 2014 to 31 March 2015, the employee contribution rate will range between 6.4% and 12.4%, depending on a member's full time equivalent salary.

Under the definitions of FRS 17, the TPS is a multi-employer pension scheme. The University is unable to identify its share of the underlying assets and liabilities of the scheme and, accordingly, the scheme is treated as a defined contribution scheme.

Cheshire Pension Fund

A small number of former employees (16) receive retirement benefits from the Cheshire Pension Fund. The related asset is not material to the University's accounts.

Notes to the Financial Statements

28. Pension schemes (continued)

Total pension cost

The total pension cost for the University and its subsidiaries is:

	2013/14 £000	2012/13 £000
Teachers' Pension Scheme: contributions paid	8,308	7,918
Local government pension scheme: charge	9,734	8,631
Other pension schemes: contributions paid	850	682
Enhanced pension enhancement	711	-
	<u>19,603</u>	<u>17,231</u>

At 31 July 2014 there was a pension creditor of £2,246,000 (2013: £2,062,000), which was paid on 6 August 2014.

29. Access funds and external bursaries

	2013/14 £000	2012/13 £000
Balance brought forward at 1 August 2013	365	179
Funding council grants and bursaries	6,011	6,396
	<u>6,376</u>	<u>6,575</u>
Disbursed to students	(5,850)	(6,210)
Balance remaining at 31 July 2014	<u>526</u>	<u>365</u>

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

30. Related party transactions

	The Corridor, Manchester		Sugden Sports Trust	
	2013/14 £000	2012/13 £000	2013/14 £000	2012/13 £000
Income receivable from related party	4	2	111	111
Expenditure payable to related party	50	50	175	173
Amount owed by related party	-	-	1,687	1,687
Amount owed to related party	435	202	58	58

The Sugden Sports Trust was established by the Manchester Metropolitan University and the University of Manchester to provide facilities for sporting activities for students and staff of both universities. Both universities have provided loans to the Trust to construct a sports facility (the Sugden Sports Centre). Interest is charged on these loans and the centre is leased back to the Universities. The Trust may be wound up in 2035 unless the period is extended by mutual agreement and the proceeds are to be divided equally between the two Universities. The University's Deputy Financial Director and the Assistant Financial Director (Systems), act as trustees along with three representatives of the senior staff at the University of Manchester.

Convagent Limited is a company engaged in the development of business related software and the Manchester Metropolitan University has a 20% interest in the company. The Company has not traded since 31 December 2006 and, therefore, there are no figures included within this note.

The Corridor, Manchester is a company whose principal activity is to maximise the economic potential of the City South area by harnessing the investment currently being made by key institutions (Universities, the Health Trust and the Private Sector); by stimulating future improvement and growth at key locations within the areas; and by capturing economic benefit from this investment for disadvantaged local residents in the wards surrounding the area in the city as a whole. It is a company registered in England and is limited by guarantee, the five members and guarantors being Manchester City Council, the Manchester Metropolitan University, the University of Manchester, the Central Manchester University Hospitals NHS Foundation Trust, and Bruntwood Limited.

Related parties disclosures have been made in the University's Register of Interests compiled by the Governors and senior staff of the University. Due to the nature of the University's operations, and the members of the Board of Governors being drawn from local, public and private sector organisations,

it is inevitable that transactions will take place with organisations in which a member of the Board of Governors or a member of the senior staff may have an interest. All such transactions, are conducted at arm's length and in accordance with the University's Financial Regulations and normal procurement procedures.

These financial statements include the following transactions with related parties. No information has been listed for organisations where the income or expenditure is less than £100,000 in the financial year.

John Cunningham is a director on the UNIAC Management Board to whom the University paid £197,000 (2013: £136,000), and received £ nil (2013: £8,000) in rent from UNIAC during 2013/14.

Senior Officers

Chancellor

D Thompson CBE

Pro-Chancellor

M Edge BSc (Hons), FCA, CTA
(from 1 August 2013 to 13 July 2014)

V Murray OBE BA (Hons) DESEM FCIM
(from 14 July 2014)

Vice-Chancellor

Professor J S Brooks BSc PhD DSc CEng CPhys FInstP

Deputy Vice-Chancellor for Student Success

Dr M Guzkowska OVRM TD AKC MSc MBA
D.Phil FRGS FRSA

Deputy Vice-Chancellor for Strategic Planning and Research

Professor J N Ezingard IngDip Msc PhD FRSA
(from 1 October 2013)

Director of Finance

J Cunningham BA (Hons) FCCA

Director of Human Resources

G Hemus MA LLB DPA DPM FCIPD

Registrar

G Arnold BA CMA MAUA
(to 30 April 2014)

Professor K Moore BSc PhD
(from 1 May 2014)

Director of Services

M Heaney BA DipLib MCLIP FHEA FRSA

Director of Marketing, Communications and Development

G Hughes BSc(Hons) MA MCIM

Pro-Vice-Chancellor for Students

P Renwick MA PgDip FCPodMed FHEA DPodM MChS

Pro-Vice-Chancellors and Deans of Faculty

Art and Design

Professor D Crow BA (Hons) MA

Faculty of Business and Law

Professor R Ashford BA PhD BEd FCIM MIPR MAM

MMU Cheshire

D Dunn JP BA MA
(to 30 June 2014)

Professor N Fowler PhD FHEA
(from 1 July 2014) (Acting)

Health, Psychology and Social Care

Professor V K Ramprogus RGN RMN BA MSc PhD

Hollings

C Renfrew BA(Hons) MA CertEd

Humanities, Languages and Social Science

Dr S Handley BA PhD

Faculty of Education

A C Jones BA PGCE MPhil FInstAM
(to 12 January 2014)

Science and Engineering

Professor P Dunleavy BSc PhD
(to 28 February 2014)

Professor P Wheeler GIBiol MSc PhD CSci PFHEA
FSB FRGS FIEnvSc
(from 1 March 2014)

Board of Governors 2013/14

Mr M Edge (Chairman from 1 August 2013 to 13 July 2014)

Ms V Murray OBE BA (Hons) DESEM FCIM (Chair from 14 July 2014)

Mr R Andrews (from 1 August 2013)

Mr D Brewin

Professor J Brooks

Mr K Damali (to 30 June 2014)

Mr T Davison (from 1 August 2013)

Mr G Dawber

Professor C Fox

Mr N Harrison

Mr B Harwood-Gray

Mr A Jones (to 29 November 2013)

Mr F McDwyer

Professor Sir David Melville CBE

Ms K Michel (to 31 December 2013)

Mr B Mistry

Mr S Oliver (from 1 August 2013)

Mr M Palmer (from 1 July 2014)

Mrs C Rigby (from 1 January 2014)

Mr M St John Qualter (from 1 August 2013)

Mr J Stephen (from 1 July 2014)

Ms H Templeman (to 30 June 2014)

Mr J Thornhill

Mr J Varney (from 1 January 2014)

Dr D Wright (from 30 November 2013)

Ms W Wright OBE



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